



STATISTICS

Consultation Responses on Group 2 Research Projects and Draft Notices of Decision

**GFSAC MEETING
MAY 13-15, 2025**

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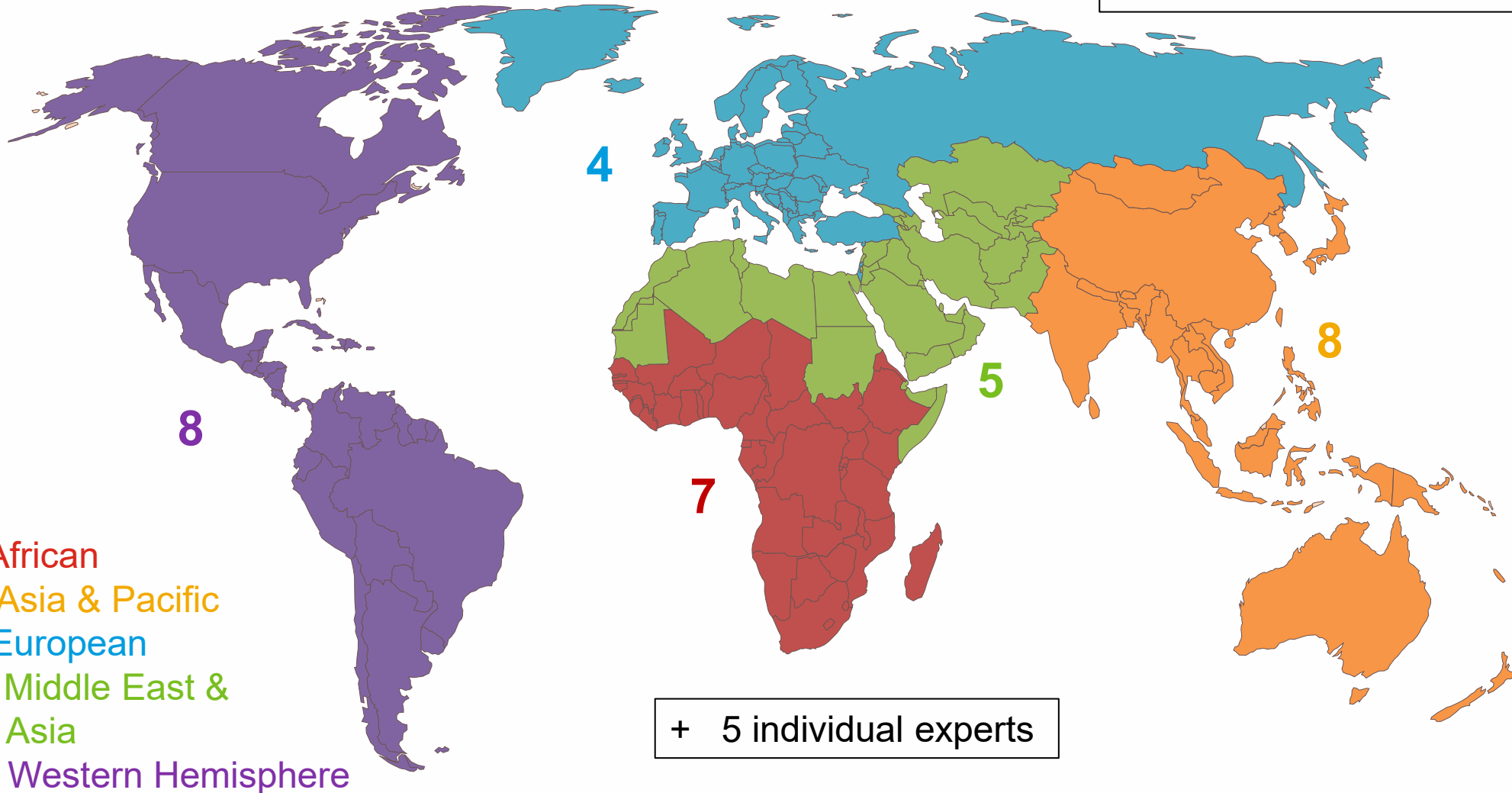
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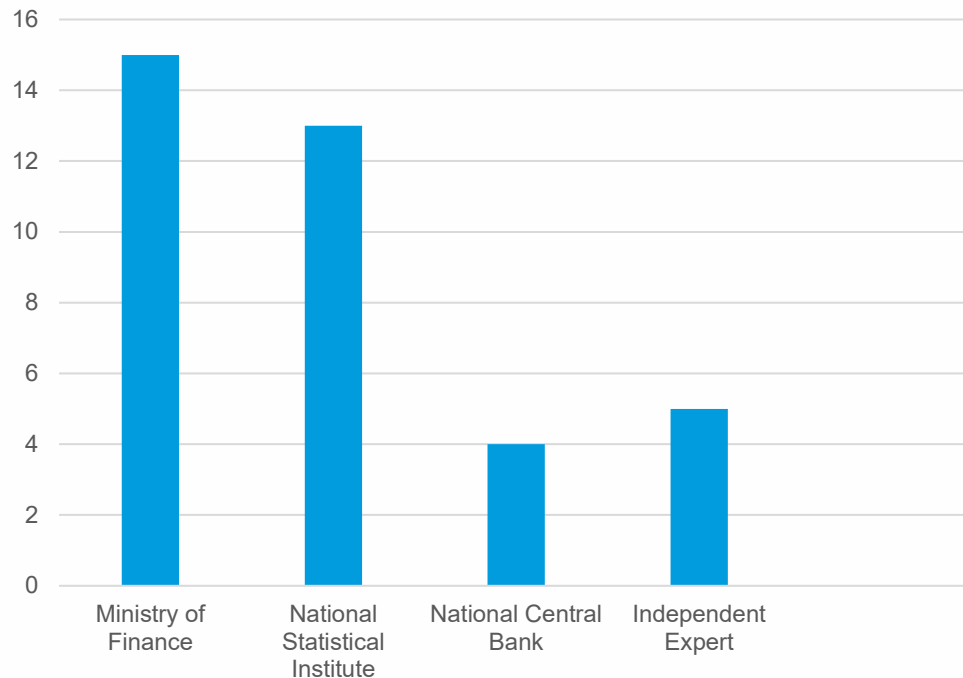
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Respondents by Region

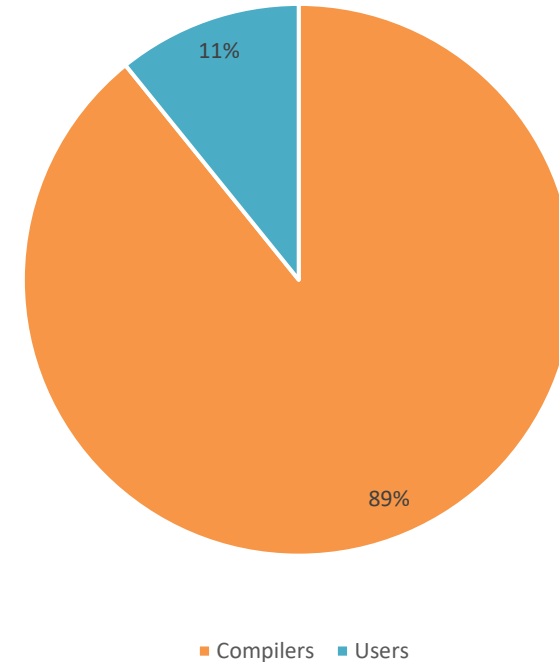
37 Respondents in Total



Respondents by Institute and Main Interest



Majority of respondents from MoFs and NSIs, but we also received feedback from NCBs and Independent experts



Vast majority of respondents (89%) indicated they were compilers while the rest were users.

1 respondent was both a compiler and a user

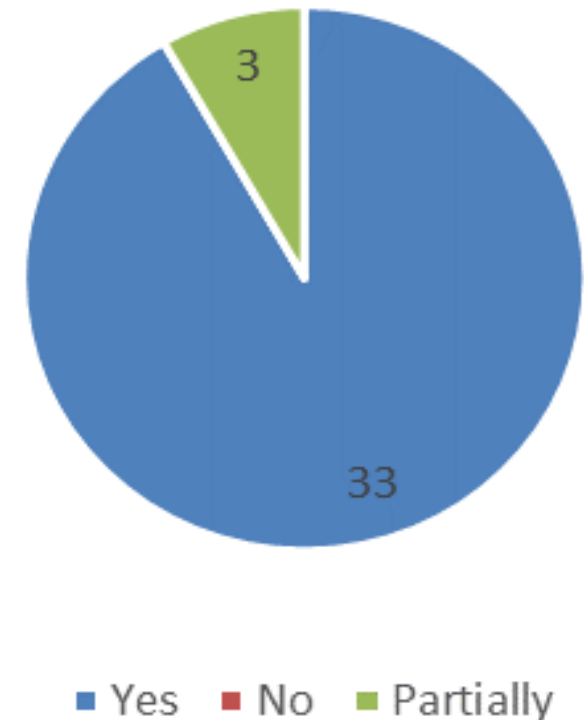
Main Points from Consultation Responses

- 37 Respondents
- Fairly good geographic coverage of respondents
- Around 2/3 of the respondents also provided responses in the first global consultation
- **PR 1.21 Islamic finance** was agreed unanimously by all respondents who expressed an opinion
- Some of the comments received have led to proposed revisions to proposals in original PRs (details covered in the draft Notices of Decision)
 - **PR 1.8 Valuation of Unlisted Equity**
 - **PR 1.10 Super-Dividends and Reinvested Earnings of FDI Entities**
 - **PR 1.25 Relationship between SNA and IPSAS/IFRS**
 - **PR 1.29 Clarifications on the treatment of terminal costs during ownership transfer for different types of assets**
- Three PRs attracted disagreement from two or three respondents, where rationales for disagreeing were provided
 - **PR 1.17 Debt concessionality**
 - **PR 1.27 Consistency in the application of the sum-of-costs approach**
 - **PR 1.29 Clarifications on the treatment of terminal costs during ownership transfer for different types of assets**

PR 1.8 Valuation of Unlisted Equity

Comments on Concepts

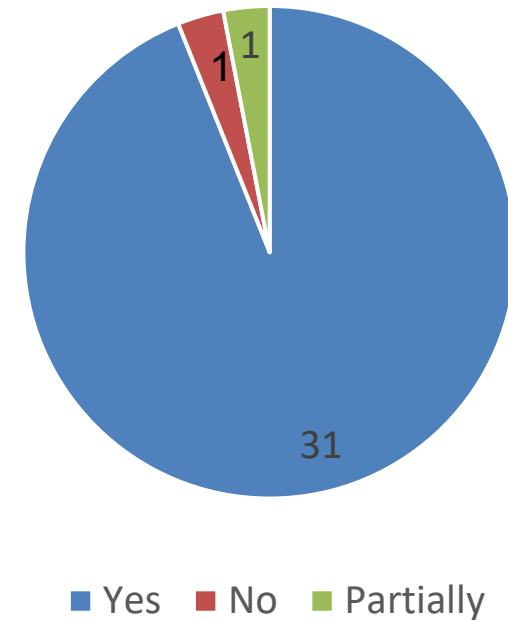
- There are elements in the PR that seem contradictory, for example, it states that equity prices can be difficult to obtain but includes prices in the preferred valuation methods.
- Introducing negative valuations for non-listed shares could raise issues with valuation consistency, distort economic data, and create discrepancies between private and public sectors, given the differences in how losses are recognized.



PR 1.10 Super Dividends and Reinvested Earnings of FDI Entities

Comments on concepts:

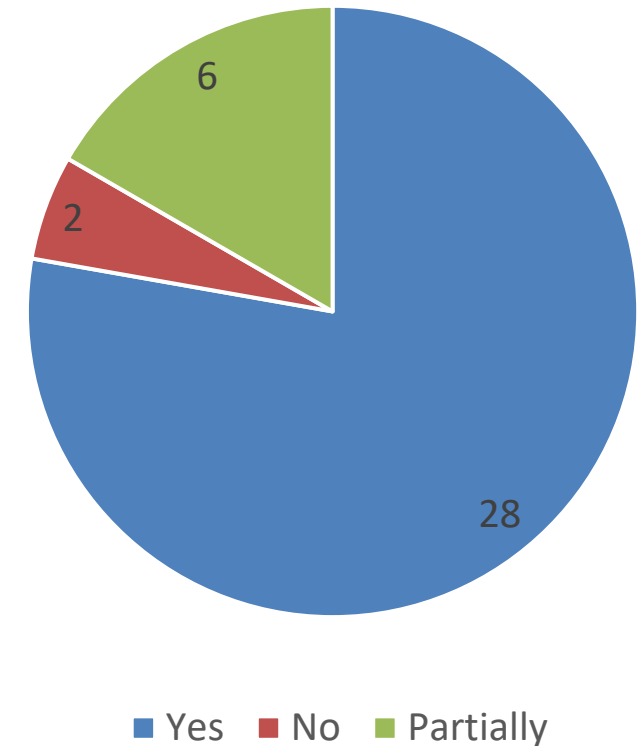
- Emphasize importance of clarifying the treatment and classification (and providing more guidance) of retained earnings on foreign direct investment and their distribution (accrual) in the new GFS manual.



PR 1.17 Debt Concessionality

Comments on Concepts

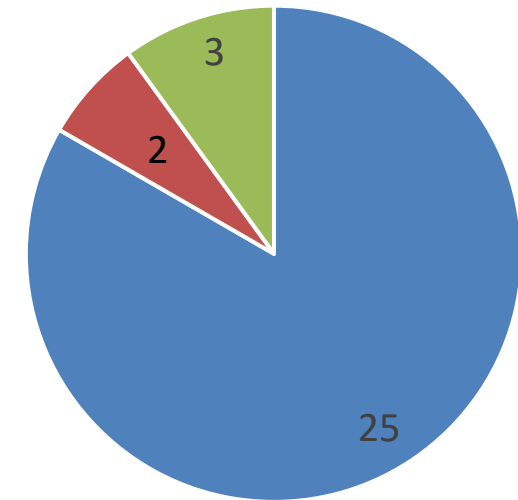
- Potential for divergence between GFS and accounting standards with an impact on compilers and users.
- The complexity of accurately identifying and reporting these elements could pose significant challenges.
- Not accounting for the transfers related to subsidized interest in the context of debt concessionality directly affects the GFS framework.



PR 1.20 Payments for Non-produced Knowledge-based Capital (Marketing Assets)

Comments on Concepts

- There is need to establish a clearer boundary between goodwill and marketing assets.
- A recommendation should be made on how to estimate the value of marketing assets.

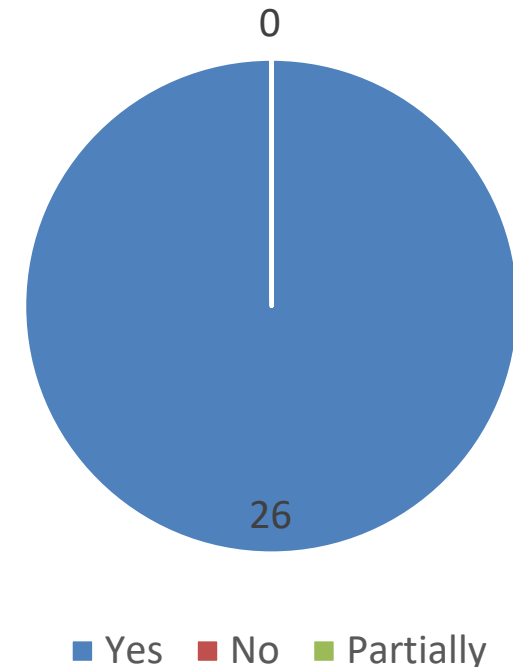


■ Yes ■ No ■ Partially

PR 1.21 Islamic Finance

Comments on implementation:

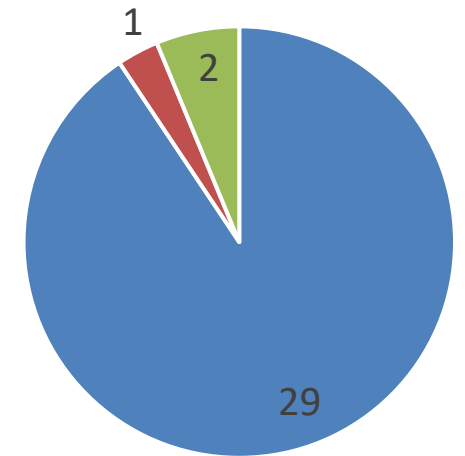
- Fully support the incorporation of guidance on Islamic finance into the GFSM update. As *GFSM 2014* currently lacks explicit treatment of Islamic financial instruments and entities, the proposed clarifications are both timely and necessary.
- Since Islamic finance touches several aspects of the GFSM framework, and in particular sectorization, classification and balance sheet, it would be desirable and more efficient to devote a chapter or an appendix covering the main methodological and classification issues, in a similar way to the new SNA/BPM.



PR 1.25 Relationship between SNA and IPSAS/IFRS

Comments on Concepts

- Agreement with the proposal but note that it appears to focus on IPSAS. Instances where public corporations are required to apply IFRS rather than IPSAS are not that rare globally, and this should be acknowledged in the GFSM.

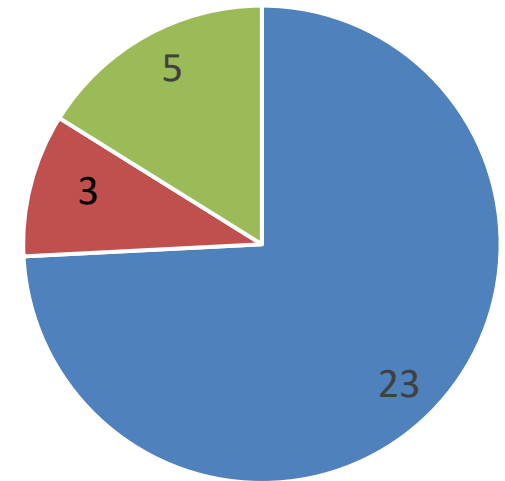


■ Yes ■ No ■ Partially

PR 1.27 Consistency in the Application of the Sum-of-costs Approach

Comments on Concepts

- Concern about measurement issues, potential for divergence between GFS and accounting standards, and impact on providers.
- There is need for very clear guidance on the rate of return on capital and the value of nonfinancial assets used in production to ensure international comparability.
- Concerns on the inclusion of a net return on capital within the sum of costs calculation for nonmarket production.

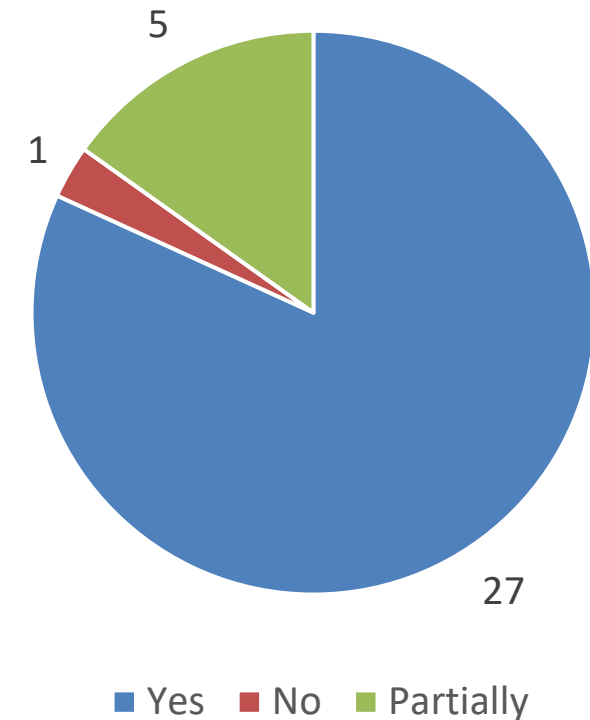


■ Yes ■ No ■ Partially

PR 1.28 Work-in-progress, Transfer of Ownership and Capital Services

Comments on Implementation challenge

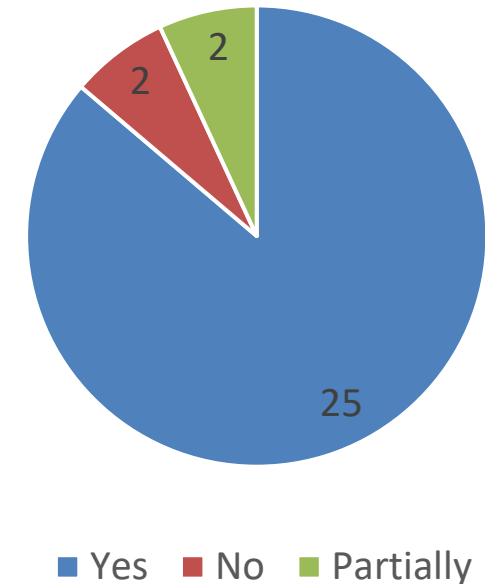
- Concern about measurement and challenges in sourcing the data to correctly record the transactions.
- Not opposed conceptually, but suggest that flexibility should be allowed depending on country circumstances.
- Require more detail, especially work-in-progress related to cultivated biological resources.



PR 1.29 Clarifications on the treatment of terminal costs during ownership transfer for different types of assets

Comments on Concepts

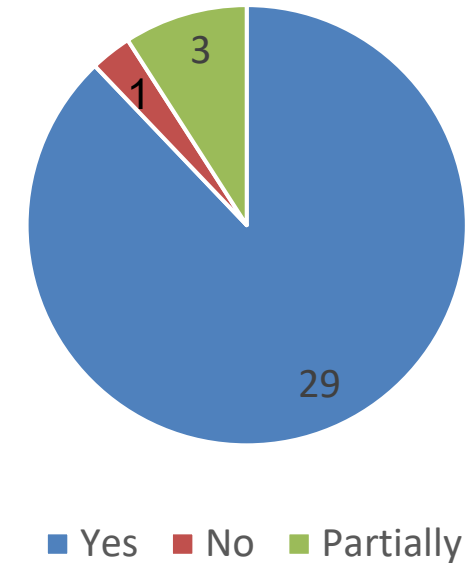
- The guidance provided in SNA is not necessarily for GFS that focuses on fiscal reporting and not detailed economic analysis.
- Consistently with para. 11.234 of 2025 SNA, view that GFSM should treat the need for reconciling the expected and actual terminal cost as a given and provide practical guidance on the recording of such reconciliation.



PR 1.30 Distinction between maintenance and capital repairs for intangible assets

Comments on Implementation challenge

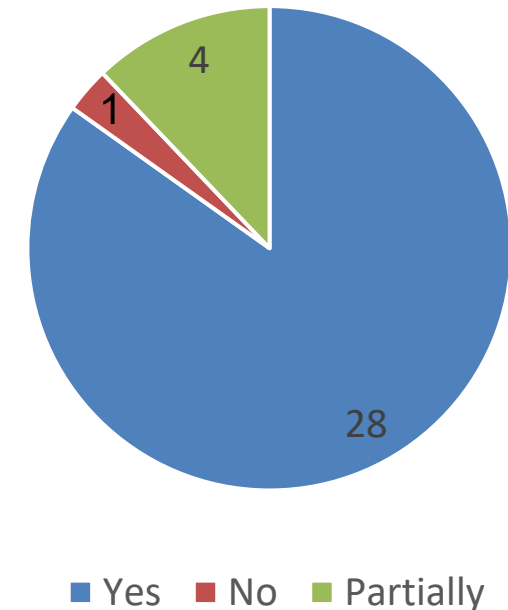
- Practical difficulties in distinguishing between maintenance and capital repairs.
- Concern over implementation where government data largely comes from administrative sources.
- Ensure GFSM consistency with the *Handbook on Measuring Data*.



PR 1.31 Treatment of the Transfer of Leased Assets at the end of the Lease Period

Comments on Implementation challenge

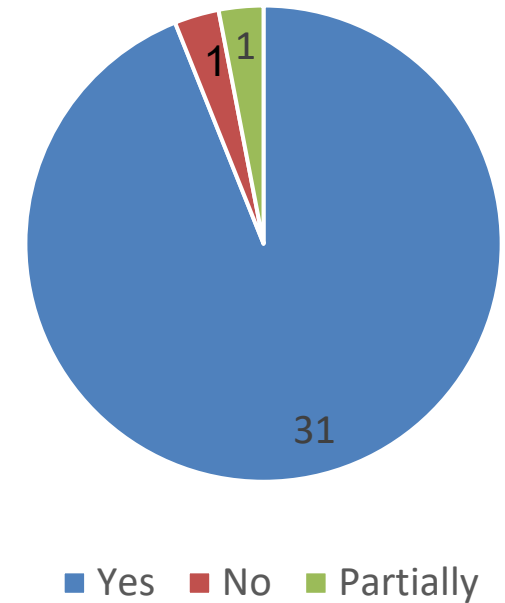
- Concern over measurement/estimation of future asset value particularly for assets with a long-life span at future point of transfer.
- Not opposed conceptually but suggest that flexibility should be allowed depending on country circumstances.
- Additional guidance on applying the concept should be provided in the GFSM.



PR 1.36 Treatment of Precious Metal Accounts

Comments on Concepts

- Concern over the compilation challenges in valuing precious metals.



Any questions?

Draft Notices of Decision

“No Discussion”

PR 1.8 Valuation of Unlisted Equity (No discussion)

GFS Notice of Decision:

Text in the *GFSM 2014* will be updated to align with guidance in the *2025 SNA* and *BPM7* on the preferred methods for valuing unlisted equity namely: own funds at book value (OFBV); transactions prices; and market capitalization. The text will define and describe these methods, reference information from the *2025 SNA* (para. 14.82) and *BPM7* (para. 7.16), while also incorporating the decision tree explaining selection criteria (Figure 14.1 in the *2025 SNA*).

An additional paragraph will be included, briefly describing alternative methods of calculating net asset value, present value/price to earnings ratios, and apportioning global value for situations with inadequate data for the preferred methods, as per *2025 SNA* (para. 14.83).

The *GFSM 2014* will also be updated to adopt the guidance in the *2025 SNA* (para. 14.86-14.89) and *BPM7* (Box 7.1) on negative equity, removing the current footnote 47 in the *GFSM 2014* (para. 7.173) which states that negative equity should be zeroed out in cases of limited liability. Clarification will also be included to explain that negative equity positions in public corporations should not be zeroed out when government owns less than 10% of shares.

Furthermore, *GFSM 2014* (footnote 14 in Chapter 10 and footnote 11 in Annex 3 regarding provisions) will be amended to reflect the impact of the various provisions on the valuation of unlisted equities, serving as indicators of asset quality and value deterioration.

Additional note in Notice of Decision:

Clarification will also be included to explain that negative equity positions in public corporations should not be zeroed out when government owns less than 10% of shares.

Question for GFSAC:

Do you endorse the draft Notice of Decision?

PR 1.20 Payments for Non-produced Knowledge-based Capital (Marketing Assets) (No discussion)

GFS Notice of Decision:

The update to the *GFSM 2014* will maintain the existing guidance in the *GFSM 2014* (paras. 7.113-7.117) where marketing assets are considered as intangible non-produced nonfinancial assets.

Question for GFSAC:

Do you endorse the draft Notice of Decision?

PR 1.21 Islamic Finance

(No discussion)

GFS Notice of Decision:

The update to the *GFSM 2014* will:

- a. Replace the term “interest” with the term “interest and similar returns” defined in line with the *2025 SNA* (para. 8.119) as “investment income or interest-like income that is receivable by the owners of certain kinds of financial assets, namely: deposits, debt securities, loans, and other accounts receivable and some similar instruments in the case of Islamic finance, for putting the financial asset at the disposal of another institutional unit”.
- b. Introduce additional guidance in the updated *GFSM* to clarify how to properly account for Islamic finance and insurance arrangements in the *GFS*. The guidance would be based on the joint *SNA/BPM* Chapter on Islamic finance (*2025 SNA* Chapter 26 / *BPM7* Chapter 17).

Question for GFSAC: Do you endorse the draft Notice of Decision?

PR 1.25 Relationship between SNA and IPSAS/IFRS (No discussion)

GFS Notice of Decision:

The relationship between GFS and International Public Sector Accounting Standards (IPSAS) will be researched through the GFSM Update research project 2.27 (Relationship between GFS and IPSAS).

Within the same research project consideration will be given to highlighting key differences between IPSAS and the International Financial Reporting Standards (IFRS).

Question for GFSAC:

Do you endorse the draft Notice of Decision?

Additional note in Notice of Decision:

Reference to IFRS added which was not included previously.

PR 1.28 Work-in-progress, Transfer of Ownership and Capital Services **(No discussion)**

GFS Notice of Decision:

The guidance in the *GFSM 2014* update will be amended to record (i) all incomplete fixed assets as work-in-progress, (ii) the difference between the stage payments and the estimated value of the effective transfer of ownership as other accounts payable/receivable, and (iii) incomplete fixed assets produced on own account as work-in-progress, except where it is not practically possible.

The revisions will require an update of:

- the conceptual guidance in *GFSM 2014* (paras. 7.37, 7.80-7.83),
- references to the treatment of work-in-progress in individual asset categories such as on cultivated biological resources (GFS code 61131 – para. 7.62).

In addition, reference to the inclusion of advances for work that is in progress (para. 7.225) in other accounts receivable/payable (GFS codes 6208, 6218, 6228, 6308, 6318, and 6328) will be retained but expanded to also include the difference between the value of stage payments and the estimated value of the effective ownership transfer.

Question for GFSAC: Do you endorse the draft Notice of Decision?

PR 1.31 Treatment of the Transfer of Leased Assets at the end of the Lease Period (No discussion)

GFS Notice of Decision:

The update to the *GFSM 2014* will clarify that the preferred recording of the return of a leased asset should be recorded as the building up of a financial claim over the duration of the lease that is extinguished at the time of the transfer of the asset.

The updated GFSM will explain that where practical difficulty exists, it is appropriate to record the transfer of the residual value of the leased good as a current or capital transfer, depending on the nature of the product under the lease agreement.

In addition, the updated GFSM will clarify that in using the split asset approach to natural resources, the transfer of the residual value of the leased assets at the end of the leased period shall be proportional to the value of the assets recorded in the balance sheet of the lessee.

Question for GFSAC: Do you endorse the draft Notice of Decision?

PR 1.36 Treatment of Precious Metal Accounts (No discussion)

GFS Notice of Decision:

The current guidelines on the treatment of precious metals in the *GFSM 2014* will be maintained, as this is already in line with the treatment described in the 2017 Balance of Payments paper.

Question for GFSAC:

Do you endorse the draft Notice of Decision?

Draft Notices of Decision

“For Discussion”

1.10 Super-dividends and Reinvested Earnings of FDI entities: Consultation Feedback **(For discussion)**

- **Implementation concerns** noting need for detailed guidance
- **Clarify treatment of retained/reinvested earnings for FDI entities:**
 - One respondent emphasized importance of clarifying the treatment and classification (and providing more guidance) of retained earnings on foreign direct investment and their distribution (accrual) in the new GFS manual.
 - Same respondent pointed out a risk of double-counting if actual dividends related to accumulated retained earnings of previous periods are recorded without any account being also made in the imputed reinvested earnings. *[Proposal in the Notice of Decision is to follow BPM7 which prescribes recording negative imputed reinvested earnings for losses or when actual distributions exceed the distributable income of that period.]*

1.10 Super-dividends and Reinvested Earnings of FDI entities: Draft Notice of Decision (**For discussion**)

GFS Notice of Decision:

In the update to the *GFSM 2014*, guidance on actual distributions from foreign direct investment (FDI) entities to their domestic public sector owners/investors (*GFSM 2014* para. 5.134) will be updated to explain that these payments are not divided into regular dividends and super-dividends. Instead, all payments, from both distributable income of the current period and accumulated retained earnings of previous periods (accumulated reserves), should be recorded as dividends (GFS code 1412). However, other distributions from these FDI entities, such as those generated through the sale of assets, will be treated as withdrawal of equity (GFS code 3225).

The conceptual treatment of other aspects of retained/reinvested earnings of FDI entities (*GFSM 2014* para. 5.134-5.135) will remain unchanged. However, where necessary, textual amendments to clarify its full alignment with *BPM7* (paras. 12.50-12.56) will be incorporated.

Similarly, the conceptual guidance (*GFSM 2014* paras. 5.115-5.116) on distinguishing between dividends and super-dividends when assessing distributions from corporations to their owners will remain unchanged, but the paragraph will be amended to clarify that it applies only to resident corporations.

Additional note in Notice of Decision: Clarification added on aligning with *BPM7* text, particularly in case where the dividends paid are larger than distributable income in the period.

1.10 Super-dividends and Reinvested Earnings of FDI entities: Questions **(For discussion)**

Questions for GFSAC:

- Do you agree with the text included in the Notice of Decision to align the GFSM treatment of retained/reinvested earnings of FDI entities with that in the BPM7?
- Do you endorse the draft Notice of Decision?

1.17 Debt Concessionality: Consultation Feedback **(For discussion)**

- **Concerns with lack of transfer element:** respondents that opposed the recommendation of not recording a transfer element on the core accounts cited the following reasons:
 - Governments often borrow to provide domestic concessional loans, which are only recognized below-the-line. “When fiscal targets focus solely on primary net lending/borrowing, these operations can go unnoticed”.
 - No reason to not record a transfer element for governments or international organizations providing concessional loans when government as an employer must recognize the implicit transfer when giving concessional loans to employees.
 - Divergence between accounting standards and GFS as the former require the reporting of concessional elements as an expense.
- **Concerns with measurement of transfers:**
 - Some respondents noted practical difficulties in identification and measurement.
 - One highlighted the lack of consideration for repayment terms and grace periods and suggested a present value option could be used.

1.17 Debt Concessionality:

Draft Notice of Decision (For discussion)

GFS Notice of Decision:

The update of the *GFSM 2014* will maintain the existing treatment in the *GFSM 2014* (para. 7.246), where concessional loans are generally not recorded in the central GFS framework with concessional lending recorded at the face/nominal value.

The reporting of a memorandum item (or similar) for the value of the implicit transfers resulting from loans at concessional interest rates (GFS code 6M392) will continue. Specifically, for concessional loans provided in non-market contexts, like those from governments or international organizations, supplementary information on the concessional nature of the loans should be disclosed. Where a transfer element is recognized as supplementary information, it should be recorded as a capital transfer at inception of the loan.

The *GFSM 2014* allows for two exceptions to the above treatment of concessional lending – employer loans to employees (*GFSM 2014* para. 6.17) and central bank lending (*GFSM 2014* Box 6.2 and para. 6.89). In the update to the GFSM the references to reporting a subsidy element for concessional lending by central banks will be removed. However, the exception for concessional loans between employers and employees will remain, with a clarification added that the imputed transfer element should be recorded as a continuous stream of remuneration of employees (compensation of employees) over the period of the loan, to better reflect actual cost of labor.

1.17 Debt Concessionality: Questions **(For discussion)**

Questions for GFSAC:

- Do you agree that none of the arguments raised by respondents against the proposals in the Proposed Recommendations are sufficiently novel to merit further review of the proposals?
- Do you endorse the draft Notice of Decision?

1.27 Consistency in the application of the sum-of-costs approach: Consultation Feedback **(For discussion)**

- **Concerns with the inclusion of net return to capital in the sum-of-costs approach:**
 - Some respondents fundamentally disagreed with the inclusion of net return to capital in the sum of costs approach – citing costs outweighing benefits.
- **Concerns with measurement and practical implementation:**
 - Respondents who agreed with the conceptual approach had concerns about the 2% real rate of return, arguing an EU benchmark rate cannot be applied across the world.
 - One noted statistical standards are infrequently updated therefore deviation from any preferred rates should be allowed.
 - Deviation between GFS and accounting standards.
- **Market test:**
 - Respondents noted potential impacts from including rent and depletion in the market test.
 - Net return to capital is already part of the market test – one respondent suggested research project 2.1 explore its measurement.

1.27 Consistency in the application of the sum-of-costs approach: Notice of Decision (For discussion)

GFS Notice of Decision:

The *GFSM 2014* guidance on the valuation of government own-account production of fixed assets (research and development, computer software and databases, entertainment, literary and artistic originals) will be updated to no longer exclude a net return to capital. This will also apply to the valuation of government data assets, as discussed in GFSM Update research project 1.11 (*Identifying, valuing and reporting government data assets*). Language around the net return to capital will also be clarified to make clearer the scope of assets and discuss methodology for estimation.

The updated GFSM will explain that the method for determining the net return to capital for nonmarket production is to multiply a rate of return to capital by the value of nonfinancial assets used in nonmarket production. The updated GFSM will also explain possible options for estimation, such as the interest rates on government borrowing.

The definition of production costs, for the market test, will be revised to include rent payable for the use of nonproduced assets and depletion of natural resources used in production.

GFSM Update research project 2.1 will further explore the implications of including depletion and rent payable on nonproduced assets in the market test as well as to clarify the use of net return to capital in the market test. The PR mentioned that the net return to capital is already included in the market test in the *GFSM 2014*, however, based on the global consultation responses it is proposed to further clarify how to measure this in the context of the market test.

1.27 Consistency in the application of the sum-of-costs approach: Questions **(For discussion)**

Questions for GFSAC:

- Do you agree for the updated GFSM to be less prescriptive in rates to be used for estimating the return to capital, and instead describe possible options for estimation? (Although the document SNA/M3.24/05 recommended a 2% real rate of return, the 2025 SNA did not specify this rate.)
- Do you endorse the draft Notice of Decision?

1.29 Clarifications on the Treatment of Terminal Costs during Ownership Transfer: Consultation Feedback **(For discussion)**

- **Implementation concerns** noting need for detailed guidance
- **Estimation concerns:**
 - Estimates of terminal costs imputed at inception are likely to be materially inaccurate therefore GFSM should adopt guidance in *2025 SNA* (para. 11.234) and treat this difference “written-off” at the time the costs are incurred as depreciation.

1.29 Clarifications on the Treatment of Terminal Costs during Ownership Transfer: Notice of Decision (For discussion)

GFS Notice of Decision:

The update to the *GFSM 2014* will:

- a. Maintain the *GFSM 2014* treatment of terminal costs being written off over the whole life of the asset, rather than being recognized only at the end of the asset's life. At the time of acquisition, terminal costs should therefore be estimated and included in the asset's valuation.
- b. Record a counterpart entry of provisions at the liability side when terminal costs are estimated and included in the asset's valuation. This will be reduced as the actual terminal cost value is provided over the life of the asset to avoid the negative value at the end of the asset's life.

Further, in line with 2025 SNA (para. 11.234), where the cumulated depreciation does not cover all terminal costs (due to the challenges in predicting the terminal costs accurately) any amount not already covered by depreciation during the life of the asset is written off at the time the costs are incurred as depreciation. In such a case the remaining terminal costs will be recorded as acquisitions in nonfinancial assets at the time of incurrence but these will be “written off” through the simultaneous recording of an equivalent amount of depreciation.

Additional note in Notice of Decision: Clarification added with regard to 2025 SNA (para. 11.234)

1.29 Clarifications on the Treatment of Terminal Costs during Ownership Transfer: Questions **(For discussion)**

Questions for GFSAC:

- Do you agree to the explicit inclusion of the treatment when estimated terminal costs differ from actual terminal costs, based on 2025 SNA (para. 11.234)?
- Do you endorse the draft Notice of Decision?

1.30 Distinction between Maintenance and Capital Repairs for Intangible Assets: Consultation Feedback (For discussion)

- **Practical difficulties in distinguishing between maintenance and capital repairs:**
 - Practical examples should be included to support making the distinction between maintenance and capital repairs.
 - Further clarification required in the context of data

1.30 Distinction between Maintenance and Capital Repairs for Intangible Assets: Notice of Decision **(For discussion)**

GFS Notice of Decision:

The update to the *GFSM 2014* will clarify that the distinction between maintenance and capital repairs for research and development is equally applicable to the wider group of intellectual property products, including software, and data and databases. Specifically, the *GFSM 2014* (paras. 6.46, 8.25-8.27) will be revised and amended to ensure consistency and alignment with the *2025 SNA* (paras. 7.253-7.257) and will include practical examples where appropriate.

1.30 Distinction between Maintenance and Capital Repairs for Intangible Assets: Questions **(For discussion)**

Questions for GFSAC:

- Do you agree to include practical examples to support the distinction between maintenance and capital repairs?
- Do you agree that the distinction between maintenance and capital repairs in the context of data could be usefully further explored as part of the additional research proposed under research project 1.11 (Identifying, Valuing and Reporting Government Data Assets)?
- Do you endorse the draft Notice of Decision?

Thank you!!