



Proposed Recommendations Document:

1.1 Valuation principles and methodologies

Summary Details

Links to Related Guidance/Discussion/Issue Notes and Latest Manuals: GN AI.1 on Valuation Principles and Methodologies Draft 2025 SNA and Draft BPM7 ¹	
Global Consultation(s):	SNA: September 2023
Discussions at the Advisory Expert Group on National Accounts (AEG) / Balance of Payments Committee (BOPCOM) Meeting(s):	AEG: March 2023 , October 2022
Discussions at GFSAC Meeting(s):	To be determined
Summary of Proposed Recommendations: <p>The proposed recommendation is for the updated GFSM to adopt the terminology of “exchange values” to describe the principle for valuing transactions and stocks/positions and provide clarifications on the application of this principle in line with the 2025 SNA and BPM7. The proposed recommendations aim to provide further clarification on the valuation of transactions and stocks/positions. The conceptual principles of GFSM 2014 remain generally fit for purpose. However, the 2025 SNA and BPM7 introduce the use of “exchange values” rather than “market prices/valuation” when valuing transactions and stocks/positions, and added new clarifications pertinent to the updated GFSM, particularly in the context of valuing nonfinancial assets, including natural resources. A concise comparison of statistical valuation methods with those in accounting standards should also be added to the updated GFSM.</p>	

Background and Issues

1. The SNA Guidance Note (GN) AI.1 (Valuation Principles and Methodologies) distinguishes between the principles for the initial recognition of transactions and subsequent valuation of stock positions, a distinction that could be further clarified in the GFSM guidance. The principles on valuing transactions laid out in the 2008 SNA (paras. 2.59 and 3.118-3.123) are slightly ambiguous, referring to market prices as the valuation principle for recording transactions but also referencing exchange values. The text creates some circularity that GN AI.1 seeks to clarify. GFSM 2014 (paras. 3.107-3.112) refers

¹ Links are to the “white cover” versions of the 2025 SNA and BPM7. While technically still considered draft only editorial amendments will be made between these versions and the final versions.

also to market prices as the basis used for the valuation of transactions (and stocks) and clarifies that this is equivalent to the “current exchange value” (see *GFSM 2014* para. 3.107). So, while there is a common understanding on the main principles for valuing transactions, the labelling used around determining transaction prices would benefit from further clarity. GN AI.1 recommends adopting the term “exchange values” to describe the overarching principle for valuing transactions. It also recommends to clearly distinguish the principle of valuation from the preferred method for valuing transactions of observed exchange values (or observed market prices). These recommendations have been reflected in the draft *2025 SNA* (paras. 4.130-4.138 and 4A.1-4A.14) and the equivalent section of the draft *BPM7* (paras. 3.97-3.105 and 3.225-3.232).

2. The GN also provides clarification on the distinction between the initial recognition and subsequent valuation of assets. While the principles for valuing transactions are relevant for initial recognition, subsequent valuation is more complicated. As a consequence of the unavailability of market or near-market prices for some assets (precluding the use of observed market prices or market-equivalent prices) alternative valuation methods need to be applied. This is particularly true for many nonfinancial assets, such as natural resources, own-account produced assets, assets used in the production of goods and services over a considerable period of time, and most infrastructure assets. However, it can also be relevant for financial assets, such as in the case of unlisted equity and defined benefit pension entitlements.

3. Various aspects of the valuation of assets and liabilities have been clarified in the draft *2025 SNA* (paras. 4.153-4.166 and 4A.15-4A.40) and the equivalent section of the draft *BPM7* (paras. 3.119-3.120-3.128 and 3.233-3.251). The additional clarifications in the draft *2025 SNA* and *BPM7* regarding the valuation of assets and liabilities may enhance the existing guidance in the *GFSM 2014*.

4. One area of focus of the GN AI.1 was on clarifying the application of the sum-of-costs method of valuation, particularly with regard to the extent of capital services to include (i.e., depreciation, depletion and net return to capital) and the approach to estimating the net return to capital.²

5. Another area of focus of the GN AI.1 was on the application of the net present value of future economic benefits method for valuing certain assets, including the valuation of natural resources, which are not traded in the market, but for which exploitation rights are provided by government for a series of rent payments.³

6. The relationship between standards for macroeconomic statistics and business and public sector accounting standards was also explored in GN AI.1. The valuation principles for positions in macroeconomic statistics are very similar to the concept of “fair value” applied in business and public sector accounting. However, in practice several other valuation methodologies are often used in accounting. Knowledge of these are essential for the statistical compiler/user, to inform them of the adjustments needed to administrative source data to derive appropriate statistical data. While *GFSM 2014* (Appendix 6 paras. A6.25-A6.30 and Box A6.1) already touch on this subject in a similar manner to that included in the draft *2025 SNA* (paras. 4.167-4.168, Tables 28.1 and 30.1) the text requires review and could be further expanded upon.

² The application of the sum-of-costs approach is separately dealt with in GFSM Update Research Project 1.27.

³ The treatment of the valuation of natural resources is separately dealt with in GFSM Update Research Project 2.19.

Proposed Recommendations

7. Revise and expand the *GFSM 2014* guidance, in line with the draft *2025 SNA* and *BPM7*, to include further clarifications on the valuation of transactions and stocks/positions. To attain this the following updates are needed:

- Adopt the terminology of “exchange values” consistently to describe the principle for valuing transactions, and apply the definition of exchange values from the [Glossary of Terms and Definitions in Macroeconomic Statistics](#).
- Further clarify the different methods for valuing transactions (and their order of preference) as described in the Annex/Appendix of the common draft *2025 SNA* Chapter 4 / *BPM7* Chapter 3.
- Explicitly reference the distinction between initial recognition and subsequent measurement of stock/positions in line with the principles captured in the draft *2025 SNA* / *BPM7*.
- Further clarify the principles for valuing positions, in particular for nonfinancial assets, where the notion of capital services needs to be introduced and elaborated.
- Clarify the application of the valuation principle for various assets, including for natural resources.
- Include a short summary of comparison of the valuation principles used in macroeconomic statistics with that used in business and public sector accounting.

Rationale for Proposed Recommendations

8. The proposed recommendations aim to align the GFSM's guidance on valuation principles and methodologies for transactions and stocks/positions with those included in the *2025 SNA* and *BPM7*.

Proposed Text for GFSM Update

9. The draft *2025 SNA* text on valuation of transactions (paras. 4.130-4.152) and valuation of stocks (paras. 4.153-4.166) should be introduced into the revision of *GFSM 2014* (paras. 3.107-3.129). Other references to valuations in the remainder of the *GFSM 2014*, should be revised accordingly. Additionally, the comparison on valuation principles used in business accounting in draft *2025 SNA* (paras 4.167-4.168) should be considered for inclusion in the GFSM discussion on valuation.

Additional References

- SNA Guidance Note [WS.10 on Valuation of mineral and energy resources](#) (see GFSM Update Research Project 2.19)
- SNA Action Point [A.8 on Consistency in the application of the sum-of-costs approach](#) (see [GFSM Update Research Project 1.27](#))