Qn 1. Would capitalised interest on loans utilised for capital projects constitute property income as well? If not, where should that be included in the SUT tables?

An: Yes, interest payments on loans constitute property income. However, SNA recommends dividing interest transactions with financial corporations between two transaction categories, one showing interest as understood in the SNA, the SNA interest (property income) and the other representing the implicit payment for financial intermediation services, the FISIM (intermediate consumption).

Qn 2. As a follow-up to the previous question, should such interest be capitalized, therefore forming part of GFCF?

Ans: Yes. The expenditures incurred on the project within a given accounting period, whether undertaken on own account or not, are treated as expenditures on the acquisition of an asset and included in the enterprise’s gross fixed capital formation. Interest on loans utilized for projects is part of the expenditures during the execution of the project, either as part of capital services if the project is being developed on own account or as other costs if being developed through contractors.

Qn 3. While balancing the SUTs, which source data can one regard as firm, and therefore leave it as they are, and not make any adjustments?

Ans: Mostly, the data compiled from the government accounts, financial statements of corporations, and the data available from the balance of payments and to some extent, the data provided by administrative ministries can be taken to be firm for the control totals.

Regarding product profile, data available from customs records and the balance of payments can be assumed to be reasonably firm, though there could be cases of misclassification of products in these data. Data on the production of some products (for example, crops, crude petroleum, natural gas, cement, steel, telecommunication services, air transportation, etc.) provided by administrative agencies could also be considered firmer.

However, the above cannot be generalized and national accountants should consult the data source agencies regarding the quality of source data they have provided and subject specialists.

Qn 4. Please explain the production at the level of the work in progress

Ans: The output of most goods or services is usually recorded when their production is completed. However, when it takes a long time to produce a unit of output, it becomes necessary to recognize that output is being produced continuously and to record it as “work-in-progress”. For example, the production of certain agricultural goods or large durable goods such as ships or buildings may take months or years to complete. In such cases, it would distort economic reality to treat the output
as if it were all produced at the moment of time when the process of production happens to terminate. Whenever a process of production extends over two or more accounting periods, it is necessary to calculate the work-in-progress completed within each of the periods in order to be able to measure how much output is produced in each period. (paragraph 6.90 of 2008 SNA).

On the use side, the work-in-progress is recorded under inventories. However, if the work-in-progress refers to production of an asset (such as a building or a fruit yielding tree or milk animals), it is recorded as GFCF if the production is on own account or if it is developed under a contract of sale when stage payments are made, in the case of capital goods. It is recorded in change in inventories in the use table when the asset is being produced with no contract of sale agreed in advance. For example, finished dwellings built speculatively remain as additions to the producers’ inventories of finished goods until they are sold or otherwise acquired by users. (Please see paragraphs 10.54, 10.55 of 2008 SNA)

Qn 5. Can you make a list to define abbreviations and keywords

Ans: Please refer to the following documents (draft) of UNECA:

1. Guidebook on the Use of Administrative Data in National Accounts (Draft), UNECA
2. Handbook on SUT: Compilation, Application, and Practices Relevant to Africa (Draft), UNECA
3. Operational Guidebook on Accounting for Informal Sector in National Accounts (Draft version): UNECA

You can also see the List of abbreviations and acronyms, given in 2008 SNA

Qn 6. Do you have any reference documents for estimating under-reporting in the accounts of companies?

Ans: Please see Session 10 presentation

Qn 7. Why is FISIM considered intermediation consumption?

FISIM is the service charges (estimated indirectly) of the financial intermediaries (such as commercial banks) for providing their services to depositors and borrowers. These service charges are part of the output of financial intermediaries. Please also see paragraph 6.163 of 2008 SNA.

As we know from supply and uses of products, every output should have a corresponding use. Therefore, use of FISIM should either be intermediate consumption in the hands of producers or final use in the hands of final users.

Since, the service charges towards deposits and loans (FISIM) is estimated indirectly, they are not shown as intermediate consumption or final use by the producers or final users. Therefore, FISIM needs to be allocated to those who availed services of financial intermediaries. In the hands of producers, the service charges of banks implicitly paid towards availing their services on loans and deposits should, therefore, be part of their intermediate consumption.