

**DIRECT INVESTMENT TECHNICAL EXPERT GROUP (DITEG)**

**OUTCOME PAPER (DITEG) # 1(B)**

**August 6, 2004**

1. **Topic:** Valuation of branches

2. **Issues:** See DITEG Issues Paper # 1(b)

3. **Recommendations:**

(i) The group agreed that all assets, including intangible assets, should be included in the valuation of branches and supported the proposal in the *Annotated Outline* that the value of a branch be defined as being the ‘sum of all assets, including intangible assets, as well as financial and nonfinancial assets, less debts and financial derivatives in a liability position’.

(ii) The group agreed that the term “net worth of the branch” used in the IMF’s present manuals and in the OECD’s *Benchmark Definition of Direct Investment* was not favored and that an alternative term needed to be devised.

(iii) A number of group members had concerns about the use of the term “net equity” proposed in the *Annotated Outline* as a replacement for the term “net worth of the branch” and suggested “equity in branches” or “branch equity” as alternatives.

(iv) Some practical issues were raised about the difficulty of identifying ownership of certain intangible assets and the group agreed that guidance on this issue should be provided in the revisions of the *BPM5* and the *Benchmark Definition*.

4. **Rejected Alternatives:**

(i) The group rejected the option of retaining the present description in the *Benchmark Definition* of the items to be included in the valuation of branches.

(ii) The group rejected the option of adding selected non-current assets to the *Benchmark Definition* list of the items to be included in the valuation of branches.

5. **Questions for the IMF Committee on Balance of Payments (the Committee) and the OECD Workshop in International Investment Statistics (WIIS)**

(i) *Do the Committee and the WIIS agree with the recommended definition of the valuation of branches? (See 3(i) above.)*

(ii) *Do the Committee and the WIIS agree that the term “net worth of the branch” be replaced with an alternative term? (See 3(ii) above.)*

(iii) *Do the Committee and the WIIS prefer the replacement term “net equity” proposed in the Annotated Outline, or the terms “equity in branches” or “branch equity” as alternatives? (See 3(iii) above.)*