

# **Accrual of Earnings on Equity Stakes of General Government in Public Corporations: A Proposal for an Updated SNA**

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## Executive Summary

1. The treatment of superdividends and capital injections for public corporations and quasi-corporations is one of the 45 issues selected for the *System of National Accounts, 1993 (SNA)* update. The current SNA treatment of these flows between these units and their owning general governments has disadvantages. For example, because governments can control the timing of these flows, which can be large, it is possible to distort fiscal balances of general governments. In addition, differences in timing and recording of these flows lead to inconsistencies within the system and create international incomparabilities. Finally, the current treatment is the source of disharmony between national economic accounting and international accounting standards.

2. The Task Force on the Harmonization of Public Sector Accounting (TFHPSA) undertook the resolution of this issue by investigating alternative treatments. The task force recommends an accrual of earnings (reinvested earnings) treatment for both public corporations and quasi-corporations. The task force considered extending the current SNA quasi-corporation treatment to public corporations, which was the expressed preference of a minority of task force members, but concluded that this second alternative represented less of an improvement over the existing SNA. The task force's preferred treatment would correct for each of the aforementioned disadvantages.

## Introduction

3. This Task Force on the Harmonization of Public Sector Accounting (TFHPSA) paper addresses item 34 from the list of *System of National Accounts, 1993 (SNA)* update issues: “Superdividend, capital injections, and reinvested earnings (government transactions with public corporations (earnings and funding)).” Many national accountants view the *SNA*’s treatment of these topics as inadequate. Efforts were made to shore up the *SNA* treatment in accounting standards that were developed after the *SNA*. However, even the treatments adopted in newer standards have shortcomings. Consequently, it is recommended that the *SNA* update be used to “fix” this problem. This paper presents alternative treatments of flows between general government and its owned market producers, one of which should suffice as an acceptable solution.

4. Here, “superdividends” are defined to be large and irregular payments by market producers to their owning general governments; they are presumed to represent market producers’ attempts to remit accumulated “retained earnings” (*SNA* §9.4) to their owners. “Reinvested earnings” (*SNA* §7.119-7.122) represent an *SNA* treatment that classifies retained earnings of market producers as income of their direct investors.<sup>1</sup>

5. “Capital injections” is a term commonly used in the media to describe significant payments from government to corporations having the characteristics of either a capital transfer or a financial transaction in national economic accounts. The term is not used in the *SNA* or the *Government Finance Statistics Manual, 2001 (GFSM)*, but it is described in the Eurostat *Manual on Government Deficit and Debt (MDD)*. This paper concerns primarily capital injections that cover losses accumulated over several years or exceptional losses from causes beyond the control of the enterprise, which will be referred to as “capital injections for losses” in this paper. Other types of capital injections include direct loans and the provision of cash in exchange for additional equity.

6. After presenting the current *SNA* treatment of superdividend and capital injection for losses flows, this paper explores why the current treatment should be changed; discusses alternatives to the current treatment and their pros and cons; presents the task force’s recommendation on which alternative should be adopted; analyzes a few practical issues related to implementation of the recommended treatment; and concludes by discussing extension of the recommended treatment to other national accounts sectors.

6. This paper builds on previous TFHPSA papers on, and discussions of, this issue. It should serve as a primary vehicle for reaching a task force decision that can be transmitted to higher-level decision-making bodies for shaping an updated *SNA*.

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<sup>1</sup> The current *SNA* only permits the recording of “reinvested earnings” in the case of foreign direct investors.

## **Current SNA treatment**

### Public corporations

7. The *SNA* provides the following guidelines for recording flows between public corporations and their owning governments:

- Distributions from public corporations to general governments, including “superdividends,” are to be recorded as dividends (*SNA* §7.114).
- Regular transfers paid by general governments to the public corporations to cover persistent losses are to be recorded as subsidies (*SNA* §7.78(c)).
- Capital injections for losses are to be recorded as capital transfers (*SNA* §10.141(b)).

### Quasi-corporations

8. The *SNA* provides the following guidelines for recording flows between quasi-corporations and their owning governments:

- General governments’ withdrawals of entrepreneurial income from quasi-corporations are to be recorded as dividend-like payments (*SNA* § 7.115).
- General governments’ withdrawals of funds to liquidate quasi-corporations’ accumulated retained earnings or other reserves (superdividends) are to be recorded as withdrawals of equity (*SNA* 7.118).
- General government’s regular payments to quasi-corporations to cover persistent losses are to be recorded as subsidies (*SNA* § 7.118).
- General government’s capital injections for losses paid to quasi-corporations are to be recorded as capital transfers (*SNA* §8.31, §8.33, and §10.141(b)).

## **Reasons for changing the SNA treatment**

9. The task force recognizes that the above cited *SNA* treatment of flows between general governments and their owned public corporations and quasi-corporations should be modified to correct shortcomings.

10. In the case of public corporations, the following *SNA* shortcomings should be corrected:

- There is a need to add current account treatment of retained earnings of public corporations vis-à-vis general governments.
- There is a need for improved alignment (timing) of the recording of transactions and the related economic activities and events; i.e., the accrual principles of the accounts needs to be preserved.

- There is a need to resolve inconsistency in differing treatments of similar transactions, specifically, the treatment of regular versus irregular payments of dividends by the public corporation to general government as dividends and as capital transfers, respectively, and the treatment of regular versus irregular payments by general government to cover persistent losses of public corporations as subsidies and as capital transfers, respectively.<sup>2</sup>

11. For the case of quasi-corporations, the following shortcomings should be corrected:

- There is a need for improved alignment (timing) of the recording of transactions and the related economic activities and events to preserve the accrual principles of the accounts.
- There is a need to resolve inconsistency in differing treatments of similar transactions, specifically, the treatment of regular versus irregular payments of earnings by the quasi-corporation to general government as a government income item and as capital transfers, respectively, and the treatment of regular versus irregular payments by general government to cover persistent losses of quasi-corporations as subsidies and as capital transfers, respectively.

12. The following facts are submitted in response to the aforementioned *SNA* shortcomings:

- Superdividends are net worth neutral (financial transactions), because general government's equity stake in the public corporation or quasi-corporations falls by the amount paid. Consequently, superdividends do not appear to meet the *SNA* income criteria (§ 8.15) or the criteria for general government "revenue" established in the *GFSM* (§ 5.1).
- Similarly, capital injections for losses are net worth neutral and are, therefore, not current expenses; they should have a financial account counterpart.
- Superdividends and capital injections for losses permit general government to adjust its deficits at will by tapping into accumulated reserves of public corporations or quasi-corporations, or of general governments' available funds, thereby distorting fiscal balances.
- The appropriate time of recording underlying economic events for general government's income is when it is earned, not when it is distributed by the public corporation or withdrawn from the quasi-corporation. The distribution is a financial choice for controlled and controlling entities, respectively. Similarly, the appropriate time of general government's recording of losses of their market producers is when the loss occurs, not when payments to cover the losses are made.

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<sup>2</sup> Except for timing and size, there is virtually no difference between large irregular payments (capital transfers) and regular payments (subsidies) by general government to reduce accrued liabilities of quasi-corporations due to persistent losses.

## Alternative treatments: Pros and cons

13. The following section discusses four alternatives to the current *SNA* treatment of superdividends and capital injections for losses, including the pros and cons of each alternative: *GFSM*, *MDD*, *SNA* quasi-corporation, and reinvested earnings (D.43).

### GFSM and MDD treatment

14. The *GFSM* and the *MDD* were written after the *SNA*; they attempted to address the *SNA*'s shortcomings with respect to superdividends and capital injections for losses. Their treatments, with related pros and cons, are presented below as two alternatives to the current *SNA* treatment.

- The *GFSM* (§ 5.87) and *MDD* (§II.1.1.4.b and § II.1.2.1) call for treating payments made by public corporations from current income to general governments as entrepreneurial income (dividends), even if the corporation engages in “smoothing” by making consistent dividend payments in times of fluctuating earning. Distributions of large and exceptional one-off payments (e.g., payments of accumulated reserves, or superdividends) should be classified as withdrawals of equity.
- The *GFSM* (§5.88) requires that payments made by public quasi-corporations from current income to general government be classified as “withdrawals from income of quasi-corporations,” and be treated as dividends or property income. However, withdrawals of large amounts of retained earnings (superdividends) are treated as withdrawals of equity (*GFSM* §5.89).
- General government payments to public corporations and quasi-corporations should be recorded as a subsidy where they are made regularly to cover persistent losses of public corporations. Other payments are not current-account transactions, and may be described as capital injections.
  - Capital injections should be recorded as capital transfers where they cover past or expected future losses (*GFSM* § 6.57 and §6.60; *MDD* §II.3.1.2)—even when shares are issued in response to the injection (*MDD* § II.3.1.2.3). These are the payments referred to as capital injections for losses in this paper.
  - Only capital injections realized in a commercial context (i.e., when there are reasonable expectations of obtaining a return on an investment) should be classified as transactions in equity (*MDD* § II.3.1.2).

15. The *GFSM* and *MDD* treatment provides for current account recording of ordinary dividends and withdrawals of income from quasi-corporations, and capital account recording of other dividends and withdrawals, which means that income and changes in equity stakes are appropriately recognized. This treatment differs from the *SNA*. However, the treatment does not conform with a true accrual accounting nature of these transactions; i.e., the time of recording may be inappropriate. Earnings paid out by the

corporation or quasi-corporation as they are earned are current income for the owning governments, but earnings paid out sporadically are not current income.

16. Similarly, the GFSM and MDD treatment provides for current account recording for ongoing subsidies paid to public corporations and quasi-corporations, and capital account or investment recording for capital injections. This treatment is similar to the SNA. Again, the treatment does not conform with a true accrual accounting version of these transactions. Subsidies paid by general government as losses are incurred are current expenses for government, but sporadic payments are not. For reverse flows, the recording of capital injections recognizes changes in the equity stakes of government in one case (capital transfers in a commercial context), but excludes this recognition in another case (subsidies in a non-commercial context).

17. Consequently, the task force concluded that the *GFSM* and *MDD* treatments have shortcomings of their own.

#### SNA quasi-corporation treatment

18. A task force minority position was that the current *SNA* quasi-corporation treatment of superdividends and capital injections, which is outlined above, constituted a sufficient alternative to the current *SNA* treatment of superdividends and capital injections. It was suggested that not only should the quasi-corporation treatment be retained for flows between quasi-corporations and general governments, but that it should be extended to flows between public corporations and general governments. The shortcomings of the *SNA* quasi-corporation treatment were provided earlier; an important advantage of the treatment is that it provides for the recording of withdrawals from (superdividends), and additions to (capital transfers), equity—thereby enabling general governments to recognize changes in their equity stakes in their market producers.

#### Reinvested earnings (D.43) treatment

19. The fourth alternative considered for the treatment of superdividends and capital injections for losses is “reinvested earnings on foreign direct investment (D.43).” This “accrual of earnings” treatment is discussed in the following parts of the *SNA*: §7.119-22, §11.88, §13.74, and §14.139. The paragraphs below explain how this treatment would work in principle and practice.

20. For the case of flows from direct investment enterprises (public corporations and quasi-corporations) to general government, the accrual of earnings treatment requires that the retained earnings be attributed to general government in its reinvested earnings (D.43) account. Retained earnings are attributed to the owning general government (in proportion to the share of equity ownership) via an imputation to the “reinvested earnings” (D.43) income account and there is an accompanying entry in the financial



account for shares and other equity (F.5).<sup>3</sup> These transactions, by definition, result in zero net saving for wholly-owned public corporations and quasi-corporations. These transactions also create a zero net worth outcome for quasi-corporations. Finally, these transactions ensure that “superdividend” payments that are related to entrepreneurial activities do distort fiscal balances.

21. As parallel entries for a reverse set of flows from general government to public corporations and quasi-corporations that are direct investment enterprises, the accrual of earnings treatment requires that flows that are related to entrepreneurial activities be recorded in the following manner:

- When general government makes a current transfer payment to public corporations and quasi-corporations, a subsidy (D.3) must be recorded in the income accounts.
- When general government issues a capital transfer payment to public corporations and quasi-corporations, a capital transfer (D.9) must be recorded in the accumulation account, while an accompanying entry must be made in the shares and other equity financial account (F.5).
- When a direct investment enterprise (public corporations or quasi-corporations) incurs an entrepreneurial loss and general government does not respond with a current or capital transfer payment, the enterprise and general government must record a reinvested loss on public enterprise investment (D.432) in the income accounts, and an accompanying entry in the shares and other financial account (F.5).

22. A shortcoming of this treatment is that it continues to classify similar payments differently: Regular general government payments to public corporations and quasi-corporations in response to losses are classified as subsidies, while irregular payments for the same purposes are classified as capital transfers.

23. Advantages of this treatment include the fact that it provides for the current and financial account entries that are required to reflect the income, transfers, and changing equity stakes of general governments with respect to their market producers. It also ensures that the timing of recording of these transactions reflects adherence to accrual accounting principles.

24. Another key advantage of adopting the recommended treatment is that it is consistent with international accounting standards. Existing *International Public Sector Accounting Standards (IPSAS)* recognize that dividends paid by controlled entities to their controllers should not be recorded as revenue of the latter. Rather, the prorated entrepreneurial income of controlled entities is recorded in the accounts of the

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<sup>3</sup> SNA §7.122 defines retained earnings to be the operating surplus of a direct foreign investment enterprise plus property income or current transfers receivable less property income or other current transfers payable, including actual remittances to foreign direct investors and any current taxes payable on the income, wealth, etc., of the direct foreign investment enterprise.

controlling entities by consolidation using the “equity method” (see *IPSAS 6* and *7*), which is consistent with the task force’s recommendation.<sup>4</sup>

25. The *IPSAS* Board is developing an Exposure Draft for a new standard, “Disclosure of Financial Information About the General Government Sector.” This standard would encourage governments to disclose information about the general government sector (GGS) within a whole-of-government framework, which includes both the GGS and related controlled entities. Information about the whole of government is currently reported in general purpose financial statements, which are prepared on an accrual basis and reflect accounting principles for flows between general government and public and quasi-corporations that are consistent with those outlined in the task force’s recommendation.

26. Moreover, the International Accounting Standards Board’s (IASB) requirements for recording flows between private sector institutional units with relationships paralleling those between general government and public corporations and quasi-corporations are consistent with the task force’s recommended treatment. The relevant requirements are:

- Parent corporations should present consolidated financial statements in which they consolidate their investment in subsidiaries (those entities that they control) (International Accounting Standard (*IAS*) 27).
- Investment in associates (entities over which investors have significant influence—20 percent or more ownership) are accounted for using the “equity method” (*IAS* 28).
- Venturers (in joint ventures) recognize their interests (assets, liabilities, income, and expense) in jointly controlled entities using either proportionate consolidation or the equity method (*IAS* 31).

27. It is important to note that these standards call for an accrual accounting of flows between the referenced institutional units.

## **Recommendation**

28. Given the current *SNA*’s shortcoming in accounting for the flows between general governments and public corporations and quasi-corporations, and the shortcomings in the *GFSM* and the *MDD*, the TFHPA majority recommends the following revision to the *SNA*:

Period-by-period profits/losses of public corporations and quasi-corporations should be recorded as general government property income/loss (D.43) and as changes in shares and other equity (F.5) by extending the reinvested earnings on direct investment treatment to the market producers that are owned by institutional units whose transactions

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<sup>4</sup> The “equity method” is consistent with the “reinvested earnings” (D.43) treatment.

are recorded in the Government Sector (S.13) of the *SNA*. (This treatment is currently reserved for institutional units whose transactions are recorded in the Rest-of-the-World Sector (S.2).)

## Numerical examples

### Public corporations

29. Tables 1A-1C and 2A-2C in the “tables” section of this paper provide numerical examples that compare the current and recommended *SNA* treatments of transactions between general governments and their public corporations. In each case, the opening balance sheets reflect general governments with net worth of 140 (assets of currency and deposits (50) and equity (90)), and public corporations with net worth of 10 (assets of currency and deposits (30) and “Other” (70), which are partly offset by an equity liability of 90). In addition to the primary transactions for public corporations and general governments, which are discussed below, it is assumed that the public corporations and, therefore, general governments, incur holding gains (7). Finally, general governments’ equity is always revalued in the public corporations’ accounts.

30. Three entrepreneurial income transactions and related outcomes are featured in tables 1A-1C:

- Table 1A: Public corporations have entrepreneurial income of 15 and distribute 5 in dividends to general governments.
- Table 1B: Public corporations have entrepreneurial income of 15 and distribute 0 to general governments.
- Table 1C: Public corporations have entrepreneurial income of 15 and distribute 30 in dividends to general governments.

31. Three loss transactions and related outcomes are featured in tables 2A-2C.

- Table 2A: Public corporations’ loss is fully subsidized by general governments.
- Table 2B: Public corporations receive no subsidy in response to their loss.
- Table 2C: Public corporations’ current period loss is fully subsidized by general governments, plus the corporations receive a capital injection for losses of 35 from general governments.

32. The tables show the differences in the net saving of general governments and of public corporations under the current versus the proposed treatment.<sup>5</sup> In each case, the current and accumulation accounts show the relevant reinvested earnings (losses) and net acquisition (issuance) of equity, which are integral to this recommended change in the *SNA*. Also, as expected, in the closing balance sheet, the net worth of general governments is always identical under the current and recommended treatments.

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<sup>5</sup> Under the recommended treatment, the net saving of public corporations is always 0.

33. The aforementioned tables present scenarios where general governments are sole owners of public corporations. To account for cases where general governments are partial owners of public corporations, the flows related to the reinvested earnings (D.43) treatment that are presented in the tables would have to be modified. Flow values related to the treatment would be reduced by an equity ownership factor (EOF), which is calculated as  $EOF = EOP/1$ .<sup>6</sup>

#### Quasi-corporations

34. Tables 3A-3C and 4A-4C in the “tables” section of this paper provide numerical examples that compare the current and proposed SNA treatments of transactions between general governments and their quasi-corporations. In each case, the opening balance sheets reflect general governments with net worth of 150 (assets of currency and deposits (50) and equity (100)), and the quasi-corporations with net worth of 0 (assets of currency and deposits (30) and “Other” (70), which are offset by an equity liability of 100). In addition to the primary transactions for quasi-corporations and general governments, it is assumed that quasi-corporations, and therefore, general governments, incurs holding gains (7). Finally, general governments’ equity is always revalued in the quasi-corporations’ accounts so that the net worth of the quasi-corporation is set to 0.

35. Three entrepreneurial income transactions and related outcomes are featured in tables 3A-3C:

- Table 3A: Quasi-corporations have entrepreneurial income of 15 and general governments withdraw 5 in income.
- Table 3B: Quasi-corporations have entrepreneurial income of 15 and general governments withdraw 0 in income.
- Table 3C: Quasi-corporations have entrepreneurial income of 15 and general governments withdraw 30 in income.

36. Three loss transactions and related outcomes are featured in tables 4A-4C.

- Table 4A: Quasi-corporations’ loss is fully subsidized by general governments.
- Table 4B: Quasi-corporations receive no subsidy in response to their loss.
- Table 4C: Quasi-corporations’ current period loss is fully subsidized by general governments, plus quasi-corporations receive a capital injection for losses of 35 from general governments.

37. The tables show the differences in the net saving of general governments and of quasi-corporations under the current versus the proposed treatment.<sup>7</sup> In each case, the

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<sup>6</sup> Here EOP represents general governments’ “equity ownership percentage” (equity stake) in public corporations.

<sup>7</sup> Under the proposed treatment, the net saving of quasi-corporations is always 0.

current and accumulation accounts show the relevant reinvested earnings (losses) and net acquisition (issuance) of equity, which are integral to this recommended change in the *SNA*. Also, as expected, in the closing balance sheet, the net worth of general governments is always identical under the current and recommended treatments.

## Practical issues

38. This section analyzes two issues that rise to the surface when national accounts contemplate implementing the reinvested earnings (D.43) treatment for flows between general governments and their public corporations: Equity ownership threshold and data availability.

### Equity ownership threshold

39. What level of general government equity ownership should trigger application of the reinvested earnings treatment? Currently, two criteria appear in the national accounting literature that should be considered. They are discussed below.

40. To frame its discussion of the reinvested earnings treatment, the *SNA* defines a “direct investment enterprise” as an incorporated or unincorporated enterprise in which an investor owns 10 percent or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise) (*SNA* §14.152). The reinvested earnings treatment can be applied to direct investment enterprises. The *Balance of Payments Manual (BOPM)* follows the *SNA* standard on ownership for purposes of the reinvested earnings treatment (*BOPM* §362). It is worth noting, however, that the *BOPM* permits flexibility on the 10 percent criterion by allowing down or up adjustments to the equity ownership ratio depending on the extent to which an investor has an effective or ineffective voice, respectively, in the management of a direct investment enterprise (*BOPM* §363).

41. Following closely the *SNA*, the *European System of Accounts, 1995 (ESA)* reflects a 10 percent ownership criterion for direct investment enterprises (*ESA* §4.65). Although Eurostat’s *MDD* does not cite a numerical ownership criterion explicitly, the 10 percent ratio is implicitly embodied in the manual.

42. The *GFSM* discusses ownership at length and alludes to the concept of control; however, it does not provide a specific ratio for determining the proportion of equity ownership that should exist before the reinvested earnings treatment should be applied.<sup>8</sup>

43. Building on International Accounting Standard 28, the International Public Sector Accounting Standards (*IPSAS*) provide explicit guidance on the ownership ratio that signals an investor’s significant influence over an investee’s operations: “20 percent or

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<sup>8</sup> The *GFSM* references to the reinvested earnings treatment is strictly within the context of general government investment in (ownership of) foreign corporations, which is consistent with the current *SNA*.

more of the voting power of the investee” (*IPSAS* §7.17). However, *IPSAS*, too, exhibits flexibility on its ownership criterion by stating that the 20 percent ratio can be adjusted up or down if it can be demonstrated that an investor does not have or does have, respectively, such influence.

44. Given this information, the task force recommends adopting the 10 percent ownership threshold established in the current *SNA* and *BOPM* for the following reasons:

- Adoption of a 10 percent equity ownership ratio for the reinvested earnings treatment of flows between general government and public corporations would be consistent with the *SNA* and *BOPM*. It would only be inconsistent with the *IPSAS*. It would not be inconsistent with the *ESA*, *MDD*, and *GFSM*, which do not cite an equity ownership threshold.
- Where relatively small equity ownership arrangements exist, they are likely to be disproportionately important for smaller general governments. The recording of fiscal balances for small general governments could be affected significantly by a decision to adopt a 20 percent versus a 10 percent ownership threshold. Therefore, it appears appropriate to settle on a 10 percent equity ownership ratio.

45. As noted in the *BOPM* (§364) it is unlikely that borderline cases will pervade national accountants’ experiences when it comes to general government ownership of public corporations. Consequently, it is probably prudent to err on the side of caution and to create guidelines that pull more, as opposed to less, ownership arrangements under the reinvested earnings treatment umbrella.

#### Data requirements

46. *A priori*, national accountants may fear that new data requirements and accounting classifications will accompany adoption of the reinvested earnings treatment. The fact is that, because most general government-owned public corporations and quasi-corporations are domestic, implementing the reinvested earnings treatment for these institutional units should be much simpler than implementing the treatment for financial and non-financial corporations that own affiliates in the rest-of-the-world sector. The new data requirements for implementing the reinvested earnings treatment for national accountants covering *SNA* Sector S.13 are equity ownership percentages and operating surpluses of general government-owned market producers. On the accounting front, it will be necessary to establish only a few subclassifications to account for specific reinvested earnings and related flows.

#### **Should recommended treatment be extended to other sectors?**

47. Although it may be conceptually preferable to do so, the task force does not recommend that the reinvested earnings treatment (D.43) be extended to other domestic sectors. This position is adopted because the roles of households and

nonprofit institutions serving households (NPISH) as investors in private corporations are quite different from the role of general governments as investors in public corporations and quasi-corporations. The primary difference is that, besides saving, general governments use flows from public corporations and quasi-corporations as resources to produce goods and services and to make transfer payments, while households and NPISH use flows from private corporations mainly as resources to consume. Consequently, preventing general governments from manipulating fiscal balances by managing the timing and magnitude of flows from and to their public corporations and quasi-corporations has much more important implications than preventing households from manipulating flows from and to private corporations. It is critically important that general governments fiscal positions be known with accuracy in order to determine appropriate economic policy.

48. The following additional reasons support not extending the reinvested earnings treatment to other domestic sectors:

- Relatively few large corporations are controlled by a single household or a NPISH.
- Identifying corporations that are controlled by a single household or NPISH could constitute a major, resource absorbing, research effort by national accountants.
- Assuming that such “single household/NPISH controller of corporation” relationships could be identified, there are likely to be few if any economic policy implications associated with their transactions.

49. A decision to not extend the reinvested earnings treatment to other sectors has at least one shortcoming with respect to the reinvested earnings treatment. In cases where public corporations are owned jointly by general governments and private-sector institutional units, the retained earnings treatment will differ by ownership—general governments will record reinvested earnings and related entries in their accounts, while private owners will not.

## **Conclusion**

50. This issue paper has discussed the current, disadvantageous *SNA* treatment of superdividends and capital injections for losses between general governments and their public corporations and quasi-corporations. It has also put forth four alternative treatments—the preferred of which is the reinvested earnings (D.43) treatment. Among other things, the recommended treatment would reverse each of the aforementioned disadvantages, and it would provide a basis for resolving differences in the treatment of superdividend and capital injections for losses currently prescribed by the *SNA*, *ESA*, *GFSM*, and *MDD*.

## **Questions for the AEG**

51. The TFHPSA poses the following questions for consideration by the Advisory Experts Group (AEG):

- How important is “accrual accounting” in national economic accounting, and what competing factors, if any, are significant enough to prevent the adoption of the basic “accrual accounting” principles that are reflected in the accrual of earnings treatment recommended in this issue paper?
- Is selective application of particular accounting treatments across sectors viewed as a critical violation of national accounting best practices?
- How different (e.g., periodicity, magnitude, transactors) must flows be to warrant different classifications?



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Table 1A.—Current and Proposed SNA Treatments of Entrepreneurial Income Transactions Between Government and Public Corporations

Line No.	SNA accounts	SNA account codes	Current SNA						Proposed SNA									
			General government		Public corporations		General government		Public corporations		General government		Public corporations					
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth				
1	Opening balance sheet																	
2	Currency and deposits	AF.2	50		30			50										30
3	Equity	AF.5	90				90											70
4	Other	Mixed																
5																		
6	Net worth	B.90		140			10						140					10
7	Current accounts		Uses	Resources	Uses	Resources	Resources	Uses	Resources	Uses	Resources	Resources	Uses	Resources	Uses	Resources	Resources	
8	Output	P.1					25											25
9	Compensation	D.1							5									5
10	Intermediate consumption	P.2							5									5
11	Subsidies received	D.3																
12																		
13	Entrepreneurial income	B.4																15
14	Entrepreneurial income	B.4																15
15	Dividends	D.421					5						5					5
16	Reinvested earnings on public enterprise investment	D.431											10					10
17	Reinvested losses on public enterprise investment	D.432																
18	Subsidies paid	D.3																
19																		
20	Net saving	B.8					5						10					0
21	Capital account		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth	
22	Net saving	B.8					5						10					0
23	Capital transfers	D.9																
24	Net lending/net borrowing	B.9					5						10					0
25	Other accumulation accounts																	
26	Net acquisition of equity (assets)	F.5																
27	Net issuance of equity (liability)	F.5																
28	Revaluation of equity	AF.5	13										13					3
29	Revaluation of other assets	Mixed																
30																		
31	Change in net worth	B.10					18						4					4
32	Due to saving and capital transfers	B.10.1					5						10					0
33	Due to nominal holding gains/losses	B.10.3					13						-6					4
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	55		40			55					40					40
36	Equity	AF.5	103					103					103					103
37	Other	Mixed																77
38																		
39	Net worth	B.90		158			14						158					14

Table 1B.—Current and Proposed SNA Treatments of Entrepreneurial Income Transactions with No Dividend to Owning Government

Line No.	SNA accounts	SNA account codes	Current SNA						Proposed SNA						
			General government		Public corporations		General government		Public corporations						
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth					
1	Opening balance sheet														
2	Currency and deposits	AF.2	50	30	50	30									
3	Equity	AF.5	90	70	90	70									
4	Other	Mixed													
5															
6	Net worth	B.90		140		10					140				10
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	
8	Output	P.1				25									25
9	Compensation	D.1				5									5
10	Intermediate consumption	P.2				5									5
11	Subsidies received	D.3													
12															
13	Entrepreneurial income	B.4				15									15
14	Entrepreneurial income	B.4				15									15
15	Dividends	D.421													
16	Reinvested earnings on public enterprise investment	D.431									15				15
17	Reinvested losses on public enterprise investment	D.432													
18	Subsidies paid	D.3													
19															
20	Net saving	B.8				15					15				0
21	Capital account		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	
22	Net saving	B.8				15					15				0
23	Capital transfers	D.9													
24	Net lending/net borrowing	B.9				15					15				0
25	Other accumulation accounts														
26	Net acquisition of equity (assets)	F.5									15				15
27	Net issuance of equity (liability)	F.5													
28	Revaluation of equity	AF.5	18			18					3				3
29	Revaluation of other assets	Mixed				7									7
30															
31	Change in net worth	B.10		18		4					18				4
32	Due to saving and capital transfers	B.10.1		0		15					15				0
33	Due to nominal holding gains/losses	B.10.3		18		-11					3				4
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	
35	Currency and deposits	AF.2	50	45	50	45					50				45
36	Equity	AF.5	108	108	108	108					108				108
37	Other	Mixed				77									77
38															
39	Net worth	B.90		158		14					158				14

Table 1C.—Current and Proposed SNA Treatments of Entrepreneurial Income With Superdividend to Owning Government

Line No.	SNA accounts	SNA account codes	Current SNA						Proposed SNA										
			General government			Public corporations			General government			Public corporations							
			Assets	Liabilities and net worth	Change in	Assets	Liabilities and net worth	Change in	Assets	Liabilities and net worth	Change in	Assets	Liabilities and net worth	Change in					
1	Opening balance sheet																		
2	Currency and deposits	AF.2	50				30					50					30		
3	Equity	AF.5	90				70					90					70		
4	Other	Mixed																	
5																			
6	Net worth	B.90		140									140						10
7	Current accounts		Uses	Resources			Uses	Resources				Uses	Resources				Uses	Resources	
8	Output	P.1								25									25
9	Compensation	D.1					5												5
10	Intermediate consumption	P.2					5												5
11	Subsidies received	D.3																	
12																			
13	Entrepreneurial income	B.4																	15
14	Entrepreneurial income	B.4								15									15
15	Dividends	D.421		30			30												15
16	Reinvested earnings on public enterprise investment	D.431																	
17	Reinvested losses on public enterprise investment	D.432																	
18	Subsidies paid	D.3																	
19																			
20	Net saving	B.8		30															0
21	Accumulation accounts		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth
22	Net saving	B.8		30															0
23	Capital transfers	D.9																	
24	Net lending/net borrowing	B.9		30															0
25	Other accumulation accounts																		
26	Net acquisition of equity (assets)	F.5																	
27	Net issuance of equity (liability)	F.5																	-15
28	Revaluation of equity	AF.5	-12																3
29	Revaluation of other assets	Mixed					7												7
30																			
31	Change in net worth	B.10		18															4
32	Due to saving and capital transfers	B.10.1		30															0
33	Due to nominal holding gains/losses	B.10.3		-12															4
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Liabilities and net worth
35	Currency and deposits	AF.2	80		15														15
36	Equity	AF.5	78																78
37	Other	Mixed																	77
38																			
39	Net worth	B.90		158															14

Table 2A.—Current and Proposed SNA Treatments of Fully Subsidized Loss Transactions Between Government and Public Corporations

Line No.	SNA accounts	SNA account codes	Current SNA						Proposed SNA									
			General government		Public corporations		General government		Public corporations		General government		Public corporations					
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth				
1	Opening balance sheet																	
2	Currency and deposits	AF.2	50		30			50		30								
3	Equity	AF.5	90			90		90			70							
4	Other	Mixed																
5																		
6	Net worth	B.90		140			10					140						10
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources				
8	Output	P.1				25												25
9	Compensation	D.1					25											25
10	Intermediate consumption	P.2					15											15
11	Subsidies received	D.3					15											15
12																		
13	Entrepreneurial income	B.4					0											0
14	Entrepreneurial income	B.4					0											0
15	Dividends	D.421																
16	Reinvested earnings on public enterprise investment	D.431																
17	Reinvested losses on public enterprise investment	D.432																
18	Subsidies paid	D.3	15							15								
19																		
20	Net saving	B.8		-15			0						-15					0
21	Capital account		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in liabilities/net worth
22	Net saving	B.8		-15			0											0
23	Capital transfers	D.9																
24	Net lending/net borrowing	B.9		-15			0											0
25	Other accumulation accounts																	
26	Net acquisition of equity (assets)	F.5																
27	Net issuance of equity (liability)	F.5																
28	Revaluation of equity	AF.5	3				3			3								3
29	Revaluation of other assets	Mixed					7											7
30																		
31	Change in net worth	B.10		-12			4											4
32	Due to saving and capital transfers	B.10.1		-15			0											0
33	Due to nominal holding gains/losses	B.10.3		3			4											4
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	35		30			35		30					30			
36	Equity	AF.5	93			93		93		93					93			93
37	Other	Mixed																
38																		
39	Net worth	B.90		128			14								128			14

Table 2B.—Current and Proposed SNA Treatments of Public Corporation’s Loss with No Cash Subsidy to Owning Government

Line No.	SNA accounts	SNA account codes	Current SNA						Proposed SNA									
			General government			Public corporations			General government			Public corporations						
			Assets	Liabilities and net worth	Change in	Assets	Liabilities and net worth	Change in	Assets	Liabilities and net worth	Change in	Assets	Liabilities and net worth	Change in				
1	Opening balance sheet																	
2	Currency and deposits	AF.2	50		Change in assets	30		50		30								
3	Equity	AF.5	90		Change in assets	70		90		70								
4	Other	Mixed			Change in assets													
5					Change in assets													
6	Net worth	B.90		140	Change in liabilities/net worth		140				140							10
7	Current accounts		Uses	Resources	Change in liabilities/net worth	Uses	Resources	Change in liabilities/net worth	Uses	Resources	Change in liabilities/net worth	Uses	Resources	Change in liabilities/net worth	Uses	Resources		
8	Output	P.1			Change in liabilities/net worth		25											25
9	Compensation	D.1			Change in liabilities/net worth		25											25
10	Intermediate consumption	P.2			Change in liabilities/net worth		15											15
11	Subsidies received	D.3			Change in liabilities/net worth		0											0
12					Change in liabilities/net worth													
13	Entrepreneurial income	B.4			Change in liabilities/net worth		-15											-15
14	Entrepreneurial income	B.4			Change in liabilities/net worth		-15											-15
15	Dividends	D.421			Change in liabilities/net worth													
16	Reinvested earnings on public enterprise investment	D.431			Change in liabilities/net worth													
17	Reinvested losses on public enterprise investment	D.432			Change in liabilities/net worth													15
18	Subsidies paid	D.3	0		Change in assets			0										
19					Change in assets													
20	Net saving	B.8		0	Change in liabilities/net worth		-15											0
21	Accumulation accounts		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8	0		Change in assets		0											0
23	Capital transfers	D.9	0		Change in assets		0											0
24	Net lending/net borrowing	B.9		0	Change in liabilities/net worth		-15											0
25	Other accumulation accounts				Change in liabilities/net worth													
26	Net acquisition of equity (assets)	F.5			Change in liabilities/net worth													-15
27	Net issuance of equity (liability)	F.5			Change in liabilities/net worth													-15
28	Revaluation of equity	AF.5	-12		Change in liabilities/net worth		-12											3
29	Revaluation of other assets	Mixed			Change in liabilities/net worth		7											7
30					Change in liabilities/net worth													
31	Change in net worth	B.10		-12	Change in liabilities/net worth		4											4
32	Due to saving and capital transfers	B.10.1		0	Change in liabilities/net worth		-15											0
33	Due to nominal holding gains/losses	B.10.3		-12	Change in liabilities/net worth		19											4
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	50		Assets	15		50		15								15
36	Equity	AF.5	78		Assets	77		78		77								78
37	Other	Mixed			Assets													77
38					Assets													
39	Net worth	B.90		128	Change in liabilities/net worth		14											14

Table 2 C. — Current and Proposed SNA Treatments of Capital Injection for Losses Transactions Between Government and Public Corporations

Line No.	SNA account codes	Current SNA						Proposed SNA									
		General government		Public corporations		General government		Public corporations		General government		Public corporations					
		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth				
1	Opening balance sheet																
2	Currency and deposits	50		30		50		30		50		30					
3	Equity	90				90				90							
4	Other			70				70				70					
5																	
6	Net worth		140		10		140		10		140		10				
7	Current accounts	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources	Uses	Resources				
8	Output				25												25
9	Compensation						25										25
10	Intermediate consumption						15										15
11	Subsidies received								15								15
12																	
13	Entrepreneurial income						0										0
14	Entrepreneurial income								0								0
15	Dividends																
16	Reinvested earnings on public enterprise investment																
17	Reinvested losses on public enterprise investment																
18	Subsidies paid	15				15											
19																	
20	Net saving		-15		35		-15		35		-15		35				0
21	Accumulation accounts	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving		-15		35		-15		35		-15		35				0
23	Capital transfers	35				35											-
24	Net lending/net borrowing		-50		0												0
25	Other accumulation accounts																
26	Net acquisition of equity (assets)																
27	Net issuance of equity (liability)																
28	Revaluation of equity	38				38											3
29	Revaluation of other assets																
30						7											
31	Change in net worth																
32	Due to saving and capital transfers		-12		4		-12		4		-12		4				4
	Due to nominal holding		-50		35		-50		35		-15		0				0
33	Due to gains/losses		38		-31		38		-31		3		4				4
34	Closing balance sheet	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	0		65		0		65		0		65		65			
36	Equity	128			128		128				128						128
37	Other			77				77				77					
38																	
39	Net worth		128		14		128		14		128		14		128		14

Table 3A.—Current and Proposed SNA Treatments of Entrepreneurial Income Transactions Between Government and Quasi-Corporations

Line No.	SNA accounts	SNA account codes	Current SNA			Proposed SNA		
			General government	Quasi-corporations	General government	Quasi-corporations		
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
1	Opening balance sheet							
2	Currency and deposits	AF.2	50	30	50	30		
3	Equity	AF.5	100	100	100	100		
4	Other	Mixed		70		70		
5								
6	Net worth	B.90	150	0	150	0		
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources
8	Output	P.1		25		25		25
9	Compensation	D.1		5		5		5
10	Intermediate consumption	P.2		5		5		5
11	Subsidies received	D.3						
12								
13	Entrepreneurial income	B.4		15		15		15
14	Entrepreneurial income	B.4		15		15		15
15	Withdrawal from income of quasi-corporations	D.421		5		5		5
16	Reinvested earnings on public enterprise investment	D.431						
17	Reinvested losses on public enterprise investment	D.432						
18	Subsidies paid	D.3						
19								
20	Net saving	B.8		5		5		5
21	Capital account		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8		5		5		5
23	Capital transfers	D.9						
24	Net lending/net borrowing	B.9		5		5		5
25	Other accumulation accounts							
26	Net acquisition of equity (assets)	F.5						
27	Net issuance of equity (liability)	F.5						
28	Revaluation of equity	AF.5	17		17			
29	Revaluation of other assets	Mixed		7		7		7
30								
31	Change in net worth	B.10		22		22		22
32	Due to saving and capital transfers	B.10.1		5		5		5
33	Due to nominal holding gains/losses	B.10.3		17		17		17
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	55	40	55	40	40	40
36	Equity	AF.5	117	117	117	117	117	117
37	Other	Mixed		77		77		77
38								
39	Net worth	B.90		172		172		172



Table 3B.—Current and Proposed SNA Treatments of Entrepreneurial Income Transactions with No Dividend to Owning Government

Line No.	SNA accounts	SNA account codes	Current SNA			Proposed SNA		
			General government	Quasi-corporations	General government	Quasi-corporations		
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
1	Opening balance sheet							
2	Currency and deposits	AF.2	50	30	50	30		
3	Equity	AF.5	100	100	100	100		
4	Other	Mixed		70		70		
5								
6	Net worth	B.90	150	0	150	0		
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources
8	Output	P.1		25				25
9	Compensation	D.1		5				5
10	Intermediate consumption	P.2		5				5
11	Subsidies received	D.3						
12								
13	Entrepreneurial income	B.4		15				15
14	Entrepreneurial income	B.4		15				15
15	Withdrawal from income of quasi-corporations	D.421						
16	Reinvested earnings on public enterprise investment	D.431				15		15
17	Reinvested losses on public enterprise investment	D.432						
18	Subsidies paid	D.3						
19								
20	Net saving	B.8		15		15		0
21	Capital account		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8		15		15		0
23	Capital transfers	D.9						
24	Net lending/net borrowing	B.9		15		15		0
25	Other accumulation accounts							
26	Net acquisition of equity (assets)	F.5			15			
27	Net issuance of equity (liability)	F.5						15
28	Revaluation of equity	AF.5	22	22	7	7		7
29	Revaluation of other assets	Mixed						
30								
31	Change in net worth	B.10		22		22		0
32	Due to saving and capital transfers	B.10.1		0		15		0
33	Due to nominal holding	B.10.3		22		-15		7
34	Gains/losses							0
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	50	45	50	45		45
36	Equity	AF.5	122	122	122	122		122
37	Other	Mixed		77		77		77
38								
39	Net worth	B.90	172	0	172	0		0

Table 3C.—Current and Proposed SNA Treatments of Entrepreneurial Income With Superdividend to Owning Government

Line No.	SNA accounts	SNA account codes	Current SNA			Proposed SNA		
			General government	Quasi-corporations	General government	Quasi-corporations		
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
1	Opening balance sheet							
2	Currency and deposits	AF.2	50		30		50	30
3	Equity	AF.5	100			100	100	
4	Other	Mixed			70			70
5								
6	Net worth	B.90		150		0		150
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources
8	Output	P.1				25		
9	Compensation	D.1			5			5
10	Intermediate consumption	P.2			5			5
11	Subsidies received	D.3						
12								
13	Entrepreneurial income	B.4			15			15
14	Entrepreneurial income	B.4				15		
15	Withdrawal from income of quasi-corporations	D.421 D.431		30				15
16	Reinvested earnings on public Enterprise investment							
17	Reinvested losses on public Enterprise investment	D.432						
18	Subsidies paid	D.3						
19								
20	Net saving	B.8		30		-15		15
21	Accumulation accounts		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8		30		-15		15
23	Capital transfers	D.9						
24	Net lending/net borrowing	B.9		30		-15		15
25	Other accumulation accounts							
26	Net acquisition of equity (assets)	F.5				-15		
27	Net issuance of equity (liability)	F.5						-15
28	Revaluation of equity	AF.5	-8				7	
29	Revaluation of other assets	Mixed			7			7
30								
31	Change in net worth	B.10		22		0		22
32	Due to saving and capital transfers	B.10.1		30		-15		15
33	Due to nominal holding gains/losses	B.10.3		-8		15		7
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	80		15		80	15
36	Equity	AF.5	92			92	92	
37	Other	Mixed			77			77
38								
39	Net worth	B.90		172		0		172

Table 4A.—Current and Proposed SNA Treatments of Fully Subsidized Loss Transactions Between Government and Quasi-Corporations

Line No.	SNA accounts	SNA account codes	Current SNA			Proposed SNA		
			General government	Quasi-corporations	General government	Quasi-corporations		
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
1	Opening balance sheet							
2	Currency and deposits	AF.2	50	30	50	30		
3	Equity	AF.5	100	100	100	100		
4	Other	Mixed		70		70		
5								
6	Net worth	B.90	150	0	150	0		
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources
8	Output	P.1		25		25		
9	Compensation	D.1		25		25		
10	Intermediate consumption	P.2		15		15		
11	Subsidies received	D.3		15		15		
12								
13	Entrepreneurial income	B.4		0		0		
14	Entrepreneurial income	B.4		0		0		
15	Withdrawal from income of quasi-corporations	D.421						
16	Reinvested earnings on public enterprise investment	D.431						
17	Reinvested losses on public enterprise investment	D.432						
18	Subsidies paid	D.3	15		15			
19								
20	Net saving	B.8		-15		-15		
21	Capital account		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8		-15		-15		
23	Capital transfers	D.9						
24	Net lending/net borrowing	B.9		-15		-15		
25	Other accumulation accounts							
26	Net acquisition of equity (assets)	F.5						
27	Net issuance of equity (liability)	F.5						
28	Revaluation of equity	AF.5	7	7	7	7		
29	Revaluation of other assets	Mixed						
30								
31	Change in net worth	B.10		-8		-8		
32	Due to saving and capital transfers	B.10.1		-15		-15		
33	Due to nominal holding gains/losses	B.10.3		7		7		
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	35	30	35	30		
36	Equity	AF.5	107	107	107	107		
37	Other	Mixed		77		77		
38								
39	Net worth	B.90	142	0	142	0		

Table 4B.—Current and Proposed SNA Treatments of Quasi-Corporations' Loss with No Cash Subsidy to Owning Government

Line No.	SNA accounts	SNA account codes	Current SNA			Proposed SNA		
			General government	Quasi-corporations	General government	Quasi-corporations		
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
1	Opening balance sheet							
2	Currency and deposits	AF.2	50	30	50	30		
3	Equity	AF.5	100	100	100	100		
4	Other	Mixed		70		70		
5								
6	Net worth	B.90	150	0	150	0		
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources
8	Output	P.1		25		25		
9	Compensation	D.1		25		25		
10	Intermediate consumption	P.2		15		15		
11	Subsidies received	D.3		0		0		
12								
13	Entrepreneurial income	B.4		-15		-15		
14	Entrepreneurial income	B.4		-15		-15		
15	Withdrawal from income of quasi-corporations	D.421 D.431						
16	Reinvested earnings on public enterprise investment							
17	Reinvested losses on public enterprise investment	D.432			15			15
18	Subsidies paid	D.3	0					
19								
20	Net saving	B.8		0		-15		0
21	Accumulation accounts		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8	0	0	0	-15	0	0
23	Capital transfers	D.9	0					
24	Net lending/net borrowing	B.9	0	0		-15		0
25	Other accumulation accounts							
26	Net acquisition of equity (assets)	F.5			-15			-15
27	Net issuance of equity (liability)	F.5						
28	Revaluation of equity	AF.5	-8	-8				7
29	Revaluation of other assets	Mixed		7		7		7
30								
31	Change in net worth	B.10		-8		-8		0
32	Due to saving and capital transfers	B.10.1	0	0		-15		0
33	Due to nominal holding gains/losses	B.10.3		-8		15		7
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	50	15	50	15	15	
36	Equity	AF.5	92	92	92	92		92
37	Other	Mixed		77		77		77
38								
39	Net worth	B.90	142	0	142	0	142	0

Table 4 C. — Current and Proposed SNA Treatments of Capital Injection for Losses Transactions Between Government and Quasi-Corporations

Line No.	SNA accounts	SNA account codes	Current SNA			Proposed SNA		
			General government	Quasi-corporations	General government	Quasi-corporations		
			Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
1	Opening balance sheet							
2	Currency and deposits	AF.2	50	30	50	30		
3	Equity	AF.5	100	100	100	100		
4	Other	Mixed		70		70		
5								
6	Net worth	B.90		150		150		0
7	Current accounts		Uses	Resources	Uses	Resources	Uses	Resources
8	Output	P.1				25		25
9	Compensation	D.1				25		25
10	Intermediate consumption	P.2				15		15
11	Subsidies received	D.3				15		15
12								
13	Entrepreneurial income	B.4				0		0
14	Entrepreneurial income	B.4				0		0
15	Withdrawal from income of quasi-corporations	D.421						
16	Reinvested earnings on public enterprise investment	D.431						
17	Reinvested losses on public enterprise investment	D.432						
18	Subsidies paid	D.3	15				15	
19								
20	Net saving	B.8		-15		35		-15
21	Accumulation accounts		Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth	Change in assets	Change in liabilities/net worth
22	Net saving	B.8		-15		35		-15
23	Capital transfers	D.9	35			35		
24	Net lending/net borrowing	B.9		-50		0		-15
25	Other accumulation accounts							
26	Net acquisition of equity (assets)	F.5				35		
27	Net issuance of equity (liability)	F.5						35
28	Revaluation of equity	AF.5	42			42		7
29	Revaluation of other assets	Mixed				7		7
30								
31	Change in net worth	B.10		-8		0		-8
32	Due to saving and capital transfers	B.10.1		-50		35		-15
33	Due to nominal holding gains/losses	B.10.3		42		-35		7
34	Closing balance sheet		Assets	Liabilities and net worth	Assets	Liabilities and net worth	Assets	Liabilities and net worth
35	Currency and deposits	AF.2	0		65	0		65
36	Equity	AF.5	142		142	142		142
37	Other	Mixed			77			77
38								
39	Net worth	B.90		142		0		142

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