

SNA BASIC CONCEPTS (BASED ON SNA 2008)

<b>CONCEPT</b>	<b>DEFINITION</b>
Accumulation	...goods and services are used for the three economic activities recognized in the SNA, production, consumption and <u>accumulation</u> . (SNA 3.19). Consumption is an activity that takes place in the current period only but may be financed from past benefits. Production and <u>accumulation</u> also involve benefits postponed to future periods.
Asset	An asset is a store of value representing a benefit or series of benefits accruing to the economic owner by holding or using the entity over a period of time. It is a means of carrying forward value from one accounting period to another. All assets in the SNA are economic assets. (SNA 3.5 and 10.8) All assets have a legal owner and an economic owner (SNA 10.6)
Assets (produced)	Produced assets are non-financial assets that have come into existence as outputs from production processes that fall within the production boundary of the SNA. (SNA 10.9 a)
Assets (non-produced)	Non-produced assets are non-financial assets that have come into existence in ways other than through processes of production.
Asset (fixed)	Fixed assets are produced assets that are used repeatedly or continuously in production processes for more than one year. (SNA 10.11). <b>FIXED ASSETS ARE PRODUCED ASSETS.</b>
Asset (inventory)	Inventories are produced assets that consist of goods and services, which came into existence in the current period or in an earlier period, and that are held for sale, use in production or other use at a later date. (SNA 10.12). <b>INVENTORIES ARE PRODUCED ASSETS.</b>
Asset (valuables)	Valuables are produced goods of considerable value that are not used primarily for purposes of production or consumption but are held as stores of value over time. (SNA 10.13). <b>VALUABLES ARE PRODUCED ASSETS.</b>
Asset (value of)	The value of an asset may be determined by the present value of its future earnings. Economic theory states that in a well-functioning market when prices are observable they are equal to the present value of the future earnings of the asset (SNA 20.9)
Asset (natural)	Naturally occurring resources over which ownership rights have been established and are effectively enforced. (SNA 10.167). They should also be capable of bringing economic benefit to their owners, given the technology, scientific knowledge, economic infrastructure, available resources and set of relative prices...(SNA 10.168)

<b>CONCEPT</b>	<b>DEFINITION</b>
Capital transfers	<p>Capital transfers are unrequited transfers where either the party making the transfer realizes the funds involved by disposing of an asset (other than cash or inventories), relinquishing a financial claim (other than accounts receivable) or the party receiving the transfer is obliged to acquire an asset (other than cash) or both conditions are met.</p> <p>Classification of transactions:      D9 Capital transfers  D91 Capital taxes  D92 Investment grants  D99 Other capital transfers</p> <p>They can be payable (p) or receivable (r). (SNA Annex 1).</p>
Compensation of employees	<p>Compensation of employees is defined as the total remuneration, in cash or in kind, payable by an enterprise to an employee in return for work done by the latter during the accounting period. (SNA 7.5)</p> <p>Classification of transactions:      D1 Compensation of employees  D11 Wages and salaries  D12 Employers' social contributions</p> <p>(SNA Annex 1).</p>
Consumption	<p>Consumption of goods and services is the act of completely using up the goods and services in a process of production or for the direct satisfaction of human needs or wants. The activity of consumption consists of the use of the goods and services for the satisfaction of individual or collective human needs or wants. (SNA 9.39)</p>
Consumption of fixed capital	<p>Consumption of fixed capital is the decline, during the course of the accounting period, in the current value of the stock of fixed assets owned and used by a producer as a result of physical deterioration, normal obsolescence or normal accidental damage. (SNA 6.240).</p>
Consumption (final consumption expenditure)	<p>Final consumption expenditure is the amount of expenditure on consumption goods and services. (SNA 9.7).</p>
Dividends	<p>Corporations obtain funds by issuing shares in their equity that entitle the holders to a proportion of both distributed profits and the residual value of the corporation in the event of its liquidation. Shareholders are the collective owners of a corporation. (SNA 7.127)</p>
Economic flows	<p>Reflect the creation, transformation, exchange, transfer or extinction of economic value; they involve changes in the volume, composition, or value of an institutional unit's assets and liabilities. (SNA 3.6)</p> <p>Two kinds: transactions and other flows.</p>
Economic unit	<p>The fundamental units identified in the SNA are the economic units that can engage in the full range of transactions and are capable of owning assets and incurring liabilities on their own behalf. These units are called institutional units (SNA 2.16).</p>
Enterprise	<p>An enterprise is the view of an institutional unit as a producer of goods and services. (SNA 5.1)</p>

<b>CONCEPT</b>	<b>DEFINITION</b>
Equity	Equity comprises all instrument and records acknowledging claims on the residual value of a corporation or quasi-corporation after the claims of all creditors have been met. (SNA 11.83)
Establishment	An establishment is an enterprise, or part of an enterprise, that is situated in a single location and in which only a single productive activity accounts for most of the value added. (SNA 5.2)
Expenditures	Expenditures on goods and services are defined as the values of the amounts that buyers pay, or agree to pay, to sellers in exchange for goods or services that sellers provide to them or to other institutional units designated by the buyers. (SNA 9.32)
Externalities	Externalities may result from production processes that are themselves quite legal. Externalities are created without the consent of the units affected and no values are imputed for them in the SNA (SNA 6.47)
Fee	“A description of a payment” (elaborated from SNA 6.211)
Final consumption expenditure	See consumption (final consumption expenditure).
Fixed Capital Formation (Gross) (GFCF)	The activity of gross fixed capital formation, like intermediate consumption, is restricted to institutional units in their capacity as producers, being defined as the value of their acquisitions less disposals of fixed assets. (SNA 1.52)
Fixed Capital Formation (Net)	Consumption of fixed capital may be deducted from gross fixed capital formation to obtain net fixed capital formation. (SNA 10.156)
Gross Domestic Product (GDP)	<p>1. Value added definition: GDP is the sum of gross value added of all resident producer units plus that part (possibly the total) of taxes on products, less subsidies on products, that is not included in the valuation of output (SNA 2.138)</p> <p>2. Final expenditure definition: GDP is also equal to the sum of the final uses of goods and services (all uses except intermediate consumption) measured at purchasers’ prices, less the value of imports of goods and services (SNA 2.139).</p> <p>3. Income definition: GDP is also equal to the sum of primary incomes distributed by resident producer units (SNA 2.140).</p> <p>The following identities also hold:</p> <p style="padding-left: 40px;">GDP = Sum of the gross value added at producer’s prices + taxes on imports – subsidies on imports + non-deductible VAT.</p> <p style="padding-left: 40px;">GDP = Sum of the gross value added at basic prices + all taxes on products – all subsidies on products.</p> <p style="padding-left: 40px;">GDP = Sum of the gross value added at factor cost + all taxes on products – all subsidies on products + all other taxes on production – all other subsidies on production.</p> <p>(SNA 2008 - 6.83)</p>

<b>CONCEPT</b>	<b>DEFINITION</b>
Gross Value Added	See Value Added.
Gross Fixed Capital Formation (GFCF)	See fixed capital formation.
Household	A household is a group of persons who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food. (SNA 4.4) The individual members of multiperson households are not treated as separate institutional units (SNA 4.5).
Income (primary)	Primary incomes are incomes that accrue to institutional units as a consequence of their involvement in processes of production or ownership of assets that may be needed for purposes of production. A major item of primary income is compensation to employees...property income...by lending financial resources or renting natural resources. (SNA 7.2) Interest is a form of income that is receivable by the owners of certain kinds of assets...(SNA 7.113) Dividends are a form of investment income to which shareholders become entitled as a result of placing funds at the disposal of corporations...(SNA 7.128) Entrepreneurial income is an income concept that is close to the concept of profit or loss as understood in business accounting (SNA 7.24)
Income (theoretical)	...the maximum amount that a household, or other unit, can consume without reducing its real worth... (not a definition adopted by the SNA, but mentioned as compatible. SNA 8.25). Based on Hicks definition: "we ought to define a man's income as the maximum value which he can consume during a week, and still expect to be as well off at the end of the week as he was at the beginning" (Hicks, 1939, p. 172)
Institutional units	An institutional unit is an economic entity that is capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities. (SNA 4.2) Fundamental economic units of the SNA (SNA 3.52) There are two main types of institutional units, households, and legal or social entities (SNA 4.3) Economic units are called institutional units in the SNA (SNA 2.16)
Interest	Interest is a form of income that is receivable by the owners of certain kinds of financial assets, namely: deposits, debt securities, loans and (possibly) other accounts receivable for putting the financial asset at the disposal of another institutional unit.
Intermediate consumption	Consists of the value of the goods and services consumed as inputs by a process of production, excluding fixed assets whose consumption is recorded as consumption of fixed capital. (SNA 6.213)

<b>CONCEPT</b>	<b>DEFINITION</b>
Liability	A liability is established when one unit (the debtor) is obliged, under specific circumstances, to provide a payment or series of payments to another unit (the creditor). (SNA 3.5).
Non-produced assets	<ul style="list-style-type: none"> <li>• Natural resources</li> <li>• Contracts, leases and licenses</li> <li>• Purchased goodwill and marketing assets</li> </ul>
Natural resources	Natural resources consist of naturally occurring resources such as land, water resources, uncultivated forests and deposits of minerals that have an economic value. (SNA 10.15) NATURAL RESOURCES ARE NON-PRODUCED ASSETS. The SNA treats natural resources as having an infinite life (SNA 7.109).
Net value added	See value added.
Operating surplus	It is the balancing item that results from deducting compensation of employees and taxes, less subsidies, on production from value added. (SNA 7.8 and 7.9).
Other taxes on production	See taxes on production (other).
Output	Output is defined as the goods and services produced by an establishment, excluding the value of any goods and services used in an activity for which the establishment does not assume the risk of using the products in production, and excluding the value of goods and services consumed by the same establishment except for goods and services used for capital formation (fixed capital or changes in inventories) or own final consumption. (SNA 6.89)
Owner (economic)	The economic owner of entities such as goods and services, natural resources, financial assets and liabilities is the institutional unit entitled to claim benefits associated with the use of the entity in question in the course of an economic activity by virtue of accepting the associated risks (SNA 3.26)
Owner (legal)	The legal owner of entities such as goods and services, natural resources, financial assets and liabilities is the institutional unit entitled in law and sustainable under the law to claim the benefits associated with the entities (SNA 3.21)
Perpetual Inventory Method (PIM)	The perpetual inventory method (PIM) writes down the value of all assets at the beginning of the year in question by the reduction in their value during the year, eliminates those assets that reach the end of their useful lives in the year and adds the written-down value of assets acquired during the year (SNA 20.8).
Physical units	Quantity unit in which goods and services are measured. The choice of physical unit is a matter of convenience (SNA 15.10).
Price	The price of a good or service is defined as the value of one unit of that good or service (SNA 15.11b).
Price (basic)	Basic price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any tax payable, and plus any subsidy receivable, by the producer as a consequence of its production or sale. It excludes any transport charges invoiced separately by the producer. (SNA 6.51a)

CONCEPT	DEFINITION
Price (producer's)	<p>The producers' price is the amount receivable by the producer from the purchaser for a unit of a good or service produced as output minus any VAT, or similar deductible tax, invoiced to the purchaser. It excludes any transport charges invoiced separately by the producer. (SNA 6.51b).</p> <p>Producers' price = basic price + taxes on products (excl VAT) – subsidies.</p>
Price (purchaser's)	<p>The purchaser's price is the amount paid by the purchaser, excluding any VAT or similar tax deductible by the purchaser, in order to take delivery of a unit of a good or service at the time and place required by the purchaser. The purchaser's price of a good includes any transport charges paid separately by the purchaser to take delivery at the required time and place. (SNA 6.64)</p> <p>Purchasers' price = producers' price + VAT (not deductible) + transport + margins to wholesalers and retailers.</p>
Produced assets	<p>Non-financial assets that have come into existence as outputs from production processes that fall within the production boundary of the SNA.</p>
Production	<p>Production is an activity, carried out under the responsibility, control and management of an institutional unit, that uses inputs of labour, capital, and goods and services (SNA 6.2)</p>
Production boundary	<p>The production boundaries of the SNA includes the following activities:</p> <ul style="list-style-type: none"> <li>a). The production of all goods and services that are supplied to units other than their producers, or intended to be supplied, including the production of goods or services used up in the process of producing such goods or services;</li> <li>b). The own-account production of all goods that are retained by their producers for their own final consumption or gross capital formation;</li> <li>c). The own-account production of knowledge-capturing products that are retained by their producers for their own final consumption or gross capital formation but excluding (by convention) such products produced by households for their own use;</li> <li>d). The own-account production of housing services by owner occupiers; and</li> <li>e). The production of domestic and personal services by employing paid domestic staff. (SNA 6.27)</li> </ul>
Products	<p>Are goods or services (including knowledge capturing products) that result from a process of production. (SNA 6.14).</p>
Property income	<p>Is the income that accrues by lending or renting financial or natural resources, including land, to other units for use in production (SNA 7.2). Property income is the sum of investment income and rent. (SNA 7.107).</p> <p>Classification of transactions:</p> <ul style="list-style-type: none"> <li>D4 Property income <ul style="list-style-type: none"> <li>Investment income <ul style="list-style-type: none"> <li>D41 Interest</li> <li>D42 Distributed income of corporations</li> <li>D43 Reinvested earnings on foreign <ul style="list-style-type: none"> <li>.....direct investments</li> </ul> </li> <li>D44 Investment income disbursements</li> </ul> </li> </ul> </li> </ul> <p>(SNA Annex 1).</p>

<b>CONCEPT</b>	<b>DEFINITION</b>
Provisions	A corporation may set aside funds to cover unexpected events or to cover default by their customers. Such monies may be described as provisions.(SNA 3.41)
Quantity	Unit in which that good or service can be measured... The choice of the physical unit, and its price in relation to the unit selected, is therefore a matter of convenience (SNA 15.10)
Rent	Payment for the use of a natural resource. (SNA 7.153) Rent is the income receivable by the owner of a natural resource (the lessor or landlord) for putting the natural resource at the disposal of another institutional unit (lessee or tenant) for use of the natural resource in production. ...A natural resource is treated as having and infinite life. (SNA 7.109)
Rent (resource)	Resource rent is not a concept included in the SNA. In the SNA the concept of rent, as an extension to resource rent is used (SNA 13.50). The resource rent on natural assets is shown in the SNA as property income when paid to another unit...however it is possible to identify the element of operating surplus corresponding to the resource rent on a natural asset used by the owner also (SNA 29.112).
Rental	The distinction between rent and the rentals receivable and payable under operating leases is basic to the SNA as rent is a form of property income and rentals are treated as sales or purchases of services. Rentals are payments made under an operating lease to use a fixed asset belonging to another unit where that owner has a productive activity in which the fixed assets are maintained, replaced as necessary and made available on demand to lessees. Rent is a payment made under a resource lease for the use of a natural resource. (SNA 7.153)
Revenue	In Government Finance includes all resources acquired by government. Revenue = taxes + social contributions + other current revenue +capital transfers receivable.
Sales (values of)	The values of sales are determined by the amounts receivable and payable by the producers and purchasers, suitably adjusted for trade and transport margins. (SNA 6.101)
Saving	Is that part of income originating in production, domestically or abroad that is not used for final consumption. It is the last balancing item in current accounts. (SNA 2.83)
Sector	For the purposes of the SNA, institutional units that are resident in the economy are grouped together into five mutually exclusive sectors composed of the following types of units: a. Non-financial corporations; b. Financial corporations; c. Government units, including social security funds; d. NPIs serving households (NPISHs); e. Households. (SNA 1.10)
Stocks	Are a position in, or holdings of, assets or liabilities at a point in time. Total level of assets or liabilities.

<b>CONCEPT</b>	<b>DEFINITION</b>
Subsidy on a product	Is a subsidy payable per unit of a good or service. The subsidy may be a specific amount of money per unit of quantity of a good or service, or it may be calculated ad valorem as a specified percentage of the price per unit. (SNA 7.100)
Supply	Industries supply or “make” products. (Adapted from SNA 14.20)
Tax	Taxes are compulsory, unrequited payments, in cash or in kind, made by institutional units to government units. (SNA 7.71)
Taxes on production (other)	Other taxes on production consist mainly of taxes on the ownership or use of land, buildings or other assets used in the production or on the labour employed, or compensation of employees paid. (SNA 7.73). The use of the terms “direct” and “indirect” taxes has fallen out of favour in economics and SNA. All taxes except taxes on products, payable regardless of the profitability of the production. They include: a). Taxes on payroll or work force b). Recurrent taxes on land, buildings or other structures c). Business and professional licenses d). Taxes on the use of fixed assets or other activities e). Stamp taxes f). Taxes on pollution g). Taxes on international transactions (SNA 7.97)
Taxes on products	Taxes on products consist of taxes on goods and services that become payable as a result of the production, sale, transfer, leasing or delivery of those goods or services, or as a result of their use for own consumption or own capital formation. (SNA 7.73)
Transfer	Transactions in which one party provides a good, service or asset to the other but does not receive a recompense in return. This kind of transaction is sometimes called a “something for nothing” transaction, or a transaction without a quid pro quo. (SNA 3.58)
Transaction	A transaction is an economic flow that is an interaction between institutional units by mutual agreement or an action within an institutional unit that it is analytically useful to treat like as a transaction, often because the unit is operating in two different capacities. (SNA 3.51)
Use	Use of products by different groups of producing units, use of products by final consumers, use for exports and use for capital formation. (Adapted from SNA 14.84)
Value	The value (v) at the level of a single, homogeneous good or service is equal to the price per unit of quantity (p) multiplied by the number of quantity units (q), that is $v = p * q$ . (SNA 15.10)
Value Added (Gross), basic prices	Gross value added at basic prices is defined as output valued at basic prices less intermediate consumption valued at purchasers’ prices (SNA 6.77). “...from the producer’s point of view these are the prices actually paid and received.



<b>CONCEPT</b>	<b>DEFINITION</b>
Value Added (Gross), producer's prices	Gross value added at producers' prices is defined as output valued at producers' prices less intermediate consumption valued at purchaser's prices (SNA 6.78)
Value Added (Net)	Is the Gross Value Added (GVA) less consumption of fixed capital. (Adapted from SNA 6.8)
Withdrawal	Withdrawals of goods from inventories (SNA 6.106).