D.2 Valuation of Unlisted Equity

Instructions

For each question, please provide the answer by clicking the relevant check box or by typing in the framed textboxes, which will automatically expand to fit the text.
We recommend providing coordinated answers between the national agencies responsible for the national accounts and balance of payments compilation (for example, National Statistics Office and Central Bank). If only one agency is providing a coordinated answer concerning national accounts and balance of payments, please indicate that in Question 2 (Your response to the questionnaire concerns which area of macroeconomic statistics?). Otherwise, please choose in Question 2 the area of macroeconomic statistics your answer is referring to.

Please note that the survey may reach one or more contacts in your agency; however, only one response is expected. A printable version of the questionnaire is available for your convenience. If you have any questions, please contact STABPM6Update@imf.org or sna@un.org.

We look forward to and highly appreciate your collaboration.

Sincerely,
Direct Investment Task Team Secretariat

1. Please provide your information below:

   Country _____
   Institution/Organization _____
   Name _____
   Position/Title _____
   Email _____

2. Your response concerns which area of macroeconomic statistics*[1]:

   ☐ National Accounts
   ☐ Balance of Payments
   ☐ Both National Accounts and Balance of Payments

3. Is the compilation approach consistent across Balance of Payments and National Accounts?

   ☐ Yes
   ☐ No

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[1] * means that a response is required.

This guidance note (GN) examines the current valuation methods available in macroeconomic statistics for estimating the market value of unlisted equity. The GN analyzes the advantages and disadvantages of the recommended methods in the current standards and raises the possibility of identifying some methods as preferred ones and/or even eliminating some of them. Additionally, and as a possible way of ordering the different methods, a decision tree is proposed with a view to facilitating decision-making for compilers.

Conceptual Issues/Recommendations

Questions 4 to 14 are applicable to all respondents.

4. This GN proposes **five options** with respect to reducing the number of valuation methods both in the BPM and in the National Accounts' frameworks based on how well they approximate market value and their ease of implementation.

Option 1.1: *Adopt the proposed use of the methods based on the <u>decision tree</u> presented in Annex VI and include it in the updated BPM and SNA.*

Option 1.2*: Adopt the methods recommended in the* ESA 2010 *and the Handbook on Financial Production Flows and Stocks in the SNA as the preferred methods for both the SNA and BPM updates, namely (a) valuation based on recent transactions, an example is the method of Recent transaction price; (b) valuation based on accounting data of the corporation, examples of this type are the methods Net asset value, Present value/price to earnings ratios, and Own funds at book value; and (c) valuation based on the value of a comparable corporation or of a group of comparable corporations, an example is the Market Capitalization Method.*

Option 1.3*: Cease recommending some of the proposed methods, those not widely used or applicable only in very specific cases as shown in the decision tree, in both the updated BPM and SNA with a view to ensuring more consistency when estimating market value.*

Option 1.4: *Leave some of the proposed methods as part of the methodological guidance but clearly limit their use to specific cases in the updated BPM and SNA of which (i) apportioning global value and (ii) net asset value.*

Option 1.5*: No change in the current guidance proposed in both the* 2008 SNA *and* BPM6*.*

Please express which option you support:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Option 1.1	☐	☐	☐	☐	☐
Option 1.2	☐	☐	☐	☐	☐
Option 1.3	☐	☐	☐	☐	☐
Option 1.4	☐	☐	☐	☐	☐
Option 1.5	☐	☐	☐	☐	☐

5. Please provide an explanation in support of your response to Question 4:

    _____
    _____

6. Can you kindly select the **top three preferred methods** on **a conceptual basis** from the list below (whether or not currently used) in compiling unlisted equity?

    ☐ Own Funds at Book Value (OFBV)
    ☐ Recent transaction price
    ☐ Market capitalization method - Price to book value (P/B)
    ☐ Present value of expected earnings
    ☐ Apportioning global value
    ☐ Net asset value

7. In light of having preferred methods, would you consider it helpful to reduce the current number of methods to value unlisted shares provided by the *2008 SNA* and the *BPM6*?

    ☐ Yes
    ☐ No

8. To what extent do you support the decision tree presented in Annex VI of the GN?

    ☐ Strongly disagree
    ☐ Disagree
    ☐ Neutral
    ☐ Agree
    ☐ Strongly agree

9. Please provide arguments in support of your response to Question 8:

    _____
    _____

10. Do you think that the preferred methods, that will be identified during the global consultation, and the proposed decision tree (Annex VI) should be complementarily included in the update of *BPM6*, *BD4*, and *2008 SNA*?

    ☐ Yes
    ☐ No, include preferred methods only
    ☐ No, include decision tree only
    ☐ No, do not include either one
    ☐ Undecided

11. Please provide an explanation in support of your response to Question 10:

    _____
    _____

Practical Issues/Recommendations

Questions 12 to 14 are conditional if the answer selected for question 2 is either National Accounts or both National Accounts and Balance of Payments.

12. Do you compile institutional sector accounts (ISAs) and balance sheets, including external sector accounts?

☐ Yes
☐ No

The following two sub questions (a) and (b) are conditional if the response to 12 is yes.

    a.   Are your ISA and balance sheet estimates on a market value basis?

       ☐ Yes
       ☐ No, if not please specify what valuation method is used: _____

    b.   Do you use any other estimation method for your ISA – historical cost?

       ☐ Yes, if yes please specify for which instruments/assets: _____
       ☐ No

Question 13 is applicable only if the response to 12 is no.

13. If you currently do not compile ISAs are you planning to do so in the future?

☐ Yes
☐ No

14. How important are unlisted shares including other equity in your economy?

    a.   Percentage of unlisted shares in total financial assets on the balance sheet.

       ☐ 0 - 5%
       ☐ 6 - 10%
       ☐ 11- 15%
       ☐ 16 - 20%
       ☐ > 20%

    b.   Percentage of unlisted shares in total household financial assets on the balance sheet.

       ☐ 0 - 5%
       ☐ 6 – 10%
       ☐ 11 - 15%
       ☐ 16 - 20%
       ☐ > 20%

15. Which method(s) do you currently use to value unlisted (including unlisted equity in Direct Investment statistics) and other equity, please select all that apply:

☐ Own Funds at Book Value
☐ Recent transaction price
☐ Market capitalization method - Price to book value (P/B)
☐ Present value of expected earnings - Price-to-earnings ratio (P/E)
☐ Apportioning global value
☐ Net Asset Value
☐ Other, please specify…….….….….….

Questions 16 and 17 are conditional if the answer selected for question 2 is either National Accounts or both National Accounts and Balance of Payments.

16. Does the method used depend on the institutional sector and data availability?

☐ Yes
☐ No
Please provide an explanation for your response:

_____
_____

17. Are your direct investment estimates of unlisted and other equity consistent with the approach for the domestic sectors?

☐ Yes
☐ No
Please provide an explanation for your response:

_____
_____

18. Can you explain why any method(s) listed in question 15 are not implemented for your economy? Choose all that apply.

☐ Data availability
☐ Lack of resources
☐ Unlisted shares are not significant
☐ Other, please specify…….….….….….

19. Do you have data already available, or could you develop data sources in the next three years to use other method(s) to value unlisted equity, including DI statistics? Check all that apply.

☐ Own Fund at Book Value
☐ Recent transaction price
☐ Market capitalization method - Price to book value (P/B)
☐ Present value of expected earnings
☐ Apportioning global value
☐ Net asset value

20. Do you compile gross fixed capital formation and stock estimates for intellectual property products (IPPs)- including on own account production- such as software, research and development, databases, and mineral exploration and evaluation?

☐ Yes
☐ No

Questions 21 to 26 are applicable to all respondents.

21. Do you attempt to derive a market valuation of Own Funds at Book Value (OFBV) taking into consideration IPPs, including those produced on own account, that are generally not capitalized in business accounting?

☐ Yes, if yes please briefly describe how.
☐ No

22. Is there stock market information available by branch/activity for your economy?

☐ Yes
☐ No

23. Do you produce financial ratios to analyze the financial well-being of the institutional sectors for your economy, such as leverage, liquidity, and other financial ratios?

☐ Yes
☐ No

24. If you answered yes to question 23, is it important to have a market valuation for the derivation of the ratios?

☐ Yes
☐ No

25. What is the most predominant accounting standard used by unlisted corporations in your economy?

☐ a. International Financial Reporting System
☐ b. National Generally Accepted Accounting Standard
☐ c. Other standards, please specify

26. If the answer in 25 is b or c, are you able to obtain the detailed information to align the company's assets and liabilities to the *2008 SNA* definitions for instruments and balance sheets (i.e., exclude loan loss provisions, deferred taxes, etc.).

☐ Yes
☐ No, please explain why?

Question 27 is conditional if the answer selected for question 2 is either National Accounts or both National Accounts and Balance of Payments.

27. Is additional guidance needed on the compilation of unlisted equity for national accounts purposes? Please check all that apply

☐ A compilation guide is needed
☐ Workshops are needed
☐ Current guidance is sufficient
☐ Other, please specify……..……..……..……..

Question 28 onwards are applicable to all respondents.

28. Do you consider that International Organizations assisting in implementing a system of information-sharing among statisticians would promote homogeneity in the valuation of unlisted shares worldwide?

☐ Yes
☐ No
☐ Undecided

29. Please provide arguments in support of your response to question 12:

_____
_____

The GN also briefly discusses the treatment of negative equity and the treatment of accounting provisions, including loan loss provisions.

30. Do you agree with the proposal (Option 2.1) of preparing a separate clarification note on the treatment of negative equity?

☐ Yes
☐ No
☐ Undecided

31. Please provide arguments in support of your response to Question 30:

_____
_____

32. Do you think that it is necessary to clarify the impact of various types of provisions on the value of unlisted equity as discussed in the note?

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
In the updated *BPM6* and *2008 SNA*	☐	☐	☐	☐	☐
In the updated *BPM6 Compilation Guide*	☐	☐	☐	☐	☐
Both, *BPM/SNA* and *BPM Compilation Guide*	☐	☐	☐	☐	☐

33. Please provide arguments in support of your response to Question 32:

_____
_____

34. Any other comments/suggestions on the guidance note, please specify.

_____
_____
_____