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VALUATION OF ASSETS AND LIABILITIES IN FINANCIAL ACCOUNTS

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VALUATION OF ASSETS AND LIABILITIES IN FINANCIAL ACCOUNTS

The objective of this paper is to present to the WPFS the recent survey on methods of valuation of financial stocks and transactions in the OECD's financial accounts database.

I. Introduction

1. The impact on the growth of household consumption of the recent sustained increase in the price of dwellings in OECD countries has been often commented by economists in the last years. This increase in housing prices has occurred after the big slump in share prices in 2000-2001, which itself had been preceded by the new economy bubble of 1995-2000. Without taking into account these holding gains/losses phenomena, one probably cannot fully understand neither the trends in household consumption nor in household savings in OECD countries.

2. This confirms how important are the data on balance sheets and revaluation (i.e. holding gains and losses) of assets/liabilities in the national accounts. When they are available and of good quality, they should constitute an excellent source from which economists can derive alternative measures of income that are useful to understand (and forecast) households' behaviour. They are also often a source used for assessing the financial situation of the general government.

3. Let us take the example of France to illustrate how economists use the national accounts databases for households. Direct data on revaluations are often difficult to find. However, because stocks are valued at market prices of end year and transactions at market price of the day of the transaction, revaluation¹ can be obtained, in theory, as the simple difference between stocks of non financial and financial assets at the end and opening of year and the corresponding transactions. This is shown in Table 1.

4. This data confirms that in the recent years, the total potential holding gains of French households, as estimated in national accounts, reached an amount with the same order of magnitude than one year of Gross Household Disposable Income.

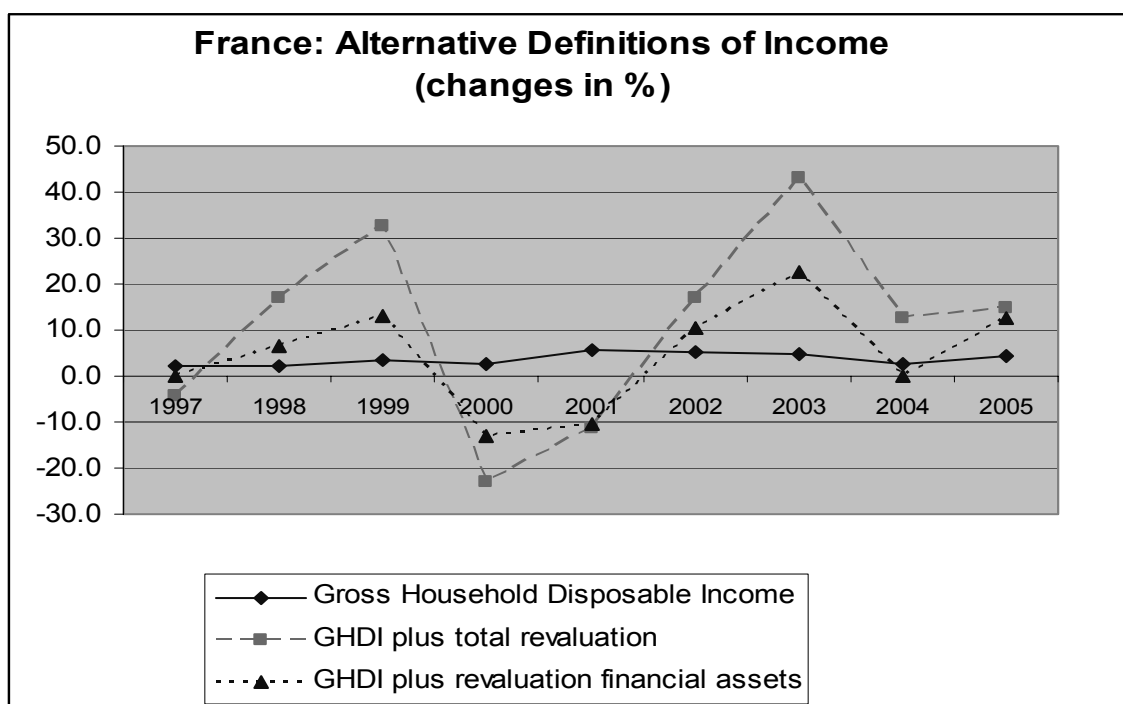
5. Most of this originated from dwellings, which consumption elasticity may likely be low. But, while small compared to holding gains in dwellings during the recent period, potential holding gains and losses originating from financial assets of households (securities, shares, life-insurance reserves) are nonetheless non negligible and may have higher consumption elasticity.

6. The graph shows how much the story of French households' income (in % change) is modified when incorporating holding gains, even if one limits it to financial assets.

¹ Plus other change in volume.

Table 1: France: Household and NPISH, Billions of euros

	2002	2003	2004	2005
<i>Stocks end year</i>				
Dwellings (including land)	3280.6	3782.0	4512.9	5285.1
Financial assets	1527.0	1663.9	1781.0	2014.9
<i>Securities other than shares</i>	67.5	52.0	49.6	45.2
<i>Shares and other equity</i>	623.1	705.0	746.1	881.7
<i>Insurance technical reserves</i>	836.5	906.8	985.2	1088.1
<i>Transactions</i>				
Dwellings (Net capital formation, including land)	51.2	54.2	60.7	65.6
Financial assets	79.0	69.6	76.2	98.9
<i>Securities other than shares</i>	-5.1	-18.1	-1.0	-2.5
<i>Shares and other equity</i>	26.3	26.5	6.5	21.1
<i>Insurance technical reserves</i>	57.7	61.2	70.7	80.3
Revaluation (and OVC) : obtained as difference between two end year stocks and corresponding transaction				
Dwellings (including land)	323.8	447.2	670.2	706.5
Financial assets	-88.7	67.2	40.9	135.1
<i>Securities other than shares</i>	-6.2	2.6	-1.4	-2.0
<i>Shares and other equity</i>	-60.8	55.4	34.6	114.5
<i>Insurance technical reserves</i>	-21.6	9.2	7.7	22.5
Total revaluation	146.5	581.6	752.0	976.7
Gross Household Disposable Income	970.4	1015.5	1043.6	1086.8



II. Quality of revaluation data obtained from financial accounts

7. The calculation of potential holding gains and losses (revaluation) from OECD's national accounts databases is unfortunately not as easy as it may look. First, direct estimates of revaluation are not easy to obtain. Second, estimates of non financial assets are not reported to OECD by many member countries. But this is not the main object of this paper.

8. Third, and this is the specific objective of the present paper, it seems that it is not always possible to derive a reliable estimate of revaluation from the financial accounts that are reported by some countries using the mechanic described above.

- It appears, from the use of some countries' financial accounts databases, that not all countries have the same interpretation of the general SNA recommendation of valuing financial stocks at market prices of end year.
- It appears that transactions reported in the financial accounts are sometimes derived from the difference between two stocks valued at market prices, without any adjustment for revaluations. In this case, revaluation appears to be equal to zero, while, in truth, it is incorporated in the estimate of transactions.

9. While the SNA is, in fact, not very prescriptive, most users suppose that financial stocks from the national accounts are at market prices and that flows do not include revaluations. They will therefore naively compile the revaluation data using the mechanic that was illustrated for France. They should therefore be clearly notified if this mechanic should not be applied to the financial accounts of some countries.

10. It is thus essential that we include in the "user metadata" of the OECD financial accounts database², a clear statement on the type of valuation used to estimate financial assets, liabilities and corresponding transactions for all member countries. The French colleagues have sent us such a statement (see the end of the questionnaire in Annex) that allowed us to guarantee that the data shown above for France do indeed correspond to reasonable estimates of stocks and transactions at market prices, and therefore to appropriate estimates of holding gains and losses.

11. However, we often lack this precise information for other countries. A short survey has been therefore organised to obtain this information.

III. Survey on valuation of financial assets

12. This survey is organised jointly with Eurostat. At this stage, the OECD has contacted Korea, France, Canada, the United States, Japan and Australia so as to leave Eurostat with the responsibility of surveying European countries. Eurostat intends to circulate the survey to European countries (excluding France) before the end of October 2006, once these countries have all transmitted their latest annual financial accounts. Eurostat already has some information on practices of European countries for general government data, and will try to ensure that the survey does not duplicate this existing information.

² Each one of you has direct access to the OECD.STAT database, through the OLIS network. An extract of the database is also available on the OECD web:
http://www.oecd.org/document/59/0,2340,en_2825_495684_30202683_1_1_1_1.00.html

13. The responses to the survey will be up-loaded in the OECD financial accounts databases and made available to a large public (the policy of OECD is to incorporate as much meta-data as possible in the public OECD databases.) Eurostat would intend to integrate the information with existing metadata and also to discuss the results of the survey at the next Financial Accounts Working Group meeting in January 2007.

14. Because users focus on **households** and **general government** financial assets and liabilities, the survey has been limited to these two sectors. Also because valuation issues matter essentially for the categories **F3 “Securities other than shares”**, **F5 “Shares and other equity”**, and **F6 “Insurance technical reserves”** the survey has been also limited to these three categories. In order to illustrate quantitatively the amount of reevaluation for each asset/liability, the survey includes quantitative tables illustrating the amount of revaluation for a recent year. The full questionnaire is shown in annex, as well as the complete response for France, who has accepted to test this questionnaire.

IV. First results

15. At this stage, we have obtained responses for France, USA, Canada, Korea and Japan. We thank these countries for transmitting this information. Canada is a special case as it has not yet transmitted to the OECD its most recent version of the financial accounts (which contains new estimates at market prices). Thus the metadata shown does not correspond to the data incorporated in the OECD database. An abstract of these responses are included in Tables 2 and 3. The full responses are significantly more detailed.

16. One difference between these three countries regards the treatment of “F3 securities other than shares”. The USA prefers to not to estimate a market value for bonds (and in particular government bonds). France, Japan and, more recently, Canada, on the contrary, try to estimate the market value of bonds, at least for the part which is marketable.

17. Shares held by the general government are in principle values at market price, but shares in government enterprises in the US are not valued at market prices.

18. Shares held by households are in principle at market price, including for unquoted shares. However, the method for estimating the market value of unquoted shares probably differs from one country to the other.

V. Future work

19. Eurostat will organize a similar survey by end-October 2006 for European countries, from which the same information will be derived.

20. A summary sheet will be drafted for all countries that have or will respond and will be uploaded in the OECD database during the year 2006-2007.

Table 2: General Government assets and liabilities

	F5 Shares held by GG	F3 Securities issued by GG
France	<p>Globally market price:</p> <ul style="list-style-type: none"> - Quoted shares: market price - Unquoted shares: application of price of related quoted shares, with adjustment for liquidity - Public enterprises which capital is not divided in shares: use of reserves, at market prices. - Central Bank share: gold reserves are revalued. 	<p>Market price for long-term bonds, nominal value for short-term bonds.</p> <ul style="list-style-type: none"> - Long-term bonds are revalued using market quotations security by security.
USA	<p>For the most part, at market value:</p> <ul style="list-style-type: none"> - State and local governments' shares (quoted and unquoted) are at market value. - Federal government equity in government sponsored enterprises are at book value 	<p>Par value or book value, net of premiums and discounts.</p> <ul style="list-style-type: none"> - Market values are available, but conceptual choice to show the stock of these securities at nominal prices.
Canada	<p>Globally at market price:</p> <ul style="list-style-type: none"> - Quoted shares: stock market price. - Unlisted enterprises (small): book value - Equity holdings in government enterprises: partly at market price (estimated as shares outstanding plus accumulated earnings and reserves) - Mutual funds shares held by social security: at market price. 	<p>Canada provides both book value and market value.</p> <ul style="list-style-type: none"> - Book value was the standard for many years and is used widely by analysts. - For the recent data supplied at market value: <ul style="list-style-type: none"> For marketable debt: market value are obtained from a debt inventory system, security by security. For non marketable debt: book value.
Japan	<p>Globally at market price:</p> <ul style="list-style-type: none"> - Quoted shares: market price - Unquoted shares: application of price of related quoted shares, with adjustment for liquidity - Other equity: independent administration agencies, local public enterprises or agencies: face-value (no revaluation) - Mutual funds shares (called "securities investment trusts") held by local government and social security: at market price. 	<p>Market price when possible:</p> <ul style="list-style-type: none"> - When bonds have market prices (central government securities and FILP bonds, local government securities), they are valued by multiplying the amount at face value by the weighted average of market prices of constituent bonds. - Financing bills and external securities issued by residents are at face value.
Korea	<p>Only quoted shares are at market prices</p> <ul style="list-style-type: none"> - Quoted shares at stock exchange price - Unquoted shares (in particular in unquoted public enterprises) at face or book value. - Mutual fund shares at face value 	<p>Market price:</p> <ul style="list-style-type: none"> - Total sum of securities is converted from nominal to market price using market prices indices built from secondary market tradings.

Table 2: Households assets.

	F3 Securities	F5 Shares	F6 Life insurance reserves
France	<p>Market price for long-term bonds, nominal value for short-term bonds.</p> <ul style="list-style-type: none"> - Long-term bonds are revalued using market quotations security by security. - Bonds in foreign currency are revalued using exchange rate 	<p>Globally at market prices</p> <ul style="list-style-type: none"> - Quoted shares: market price - Unquoted shares: application of price of related quoted shares, with adjustment for liquidity - Mutual fund shares: source used is at market price - Other equity: use of reserves incorporating valuation ensure approximate market price 	<p>Market price</p> <ul style="list-style-type: none"> - The source used is at market price - Separate estimate of valuation ensures that flow is also at market price.
USA	<p>Book value.</p> <ul style="list-style-type: none"> - The difference between end year stocks and net acquisition is to be interpreted as a statistical discrepancy and not as revaluation. 	<p>For the most part, at market value:</p> <ul style="list-style-type: none"> - Corporate equities are at market value. - Mutual fund shares are at partial market value based on the market value of the bonds held by mutual funds. - Equity in non corporate business is at market value. 	<p>Combination of book and market value.</p> <ul style="list-style-type: none"> - Net equity in life insurance and pension fund reserves: investments in stocks are valued at market prices; investments in bonds and all other assets at nominal prices. - Non life insurance assets: book value.
Canada	<p>Approximations to market value where relevant</p> <ul style="list-style-type: none"> - Federal and provincial government savings bonds: book value. - Other securities are derived residually, thus one assumes that it is at market value, because this is the case for other sectors. However, residual derivation is a weakness in the system. 	<p>Market value or approximation of:</p> <ul style="list-style-type: none"> - Quoted shares (derived residually): at market prices. - Unquoted shares: partially at market price (i.e estimated as shares plus retained earnings and reserves.) - Investment fund shares: at market price. 	<p>Market value:</p> <p>The sources of the relevant institutional units are themselves at market prices.</p>
Japan	<p>Mainly at market price</p> <ul style="list-style-type: none"> - Market value basis: Central government securities and FILP bonds, local government securities, public corporation securities, bank debentures, industrial securities, and financial derivatives - Face value basis: structured-financing instruments, and mortgage securities 	<p>Mainly at market price</p> <ul style="list-style-type: none"> - Quoted shares held by households are valued at their stock market price. - Unquoted shares held by households are recorded at market price. The market price for unquoted shares is calculated by applying to the amount of net worth, net income and dividends of these companies a ratio of net worth, net income and dividends of publicly traded companies of the same industry, with an adjustment for liquidity. - For other equity held by households, stock data is recorded on a face-value basis. - Mutual fund shares are valued at market price using directly the data from mutual funds which calculate their shares at market price. 	<p>Combination of book and market value.</p> <ul style="list-style-type: none"> -For variable insurance, assets and the corresponding life insurance reserves are valued at market price. -For other insurance products, the insurance reserves are valued at book value; that is, the assumed interest rates are locked-in, and not changed accompanied by the change of the market interest rate. <p>In each case, flows are obtained as difference between stocks.</p>
Korea	<p>Globally at market price</p>	<p>Combination of market and book value- Quoted and unquoted shares at market prices</p> <ul style="list-style-type: none"> - Other equity and mutual funds at face value 	<p>Stocks at fair value, but flows include revaluations</p>

ANNEX: QUESTIONNAIRE

SURVEY ON VALUATION METHODS FOR FINANCIAL ACCOUNTS**I. S13 General Government:****F5: Shares and other equity held by general government:****Stocks:**

Can these assets held by government be qualified as at “market prices”? If yes does it mean that quoted shares owned by government are valued at stock market prices? What about government’s unquoted shares (in particular shares of government in unquoted public enterprises, for example the share of government in the Central Bank)?

Answer:**Flows:**

Does the corresponding flow (Net acquisition of F5) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If not, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

Illustration of changes in stocks and revaluations:

General Government	Stock End 2003	Stock End 2004	Net acquisition in 2004	Revaluation in 2004
F5 Assets: Shares and other equity.				?
<i>Of which Quoted shares</i>	?	?	?	?
<i>Of which Unquoted shares</i>	?	?	?	?
<i>Of which Mutual funds</i>	?	?	?	?
<i>Of which Other equity</i>	?	?	?	?

F3: Securities other than shares issued by general government:**Stocks:**

Can these liabilities of general government be qualified as at “market prices”? If yes what is the exact meaning of “at market prices”? Are there sufficient secondary markets to obtain a good estimate of the market price of all government bonds? If there is no such market, do you make your own estimation of the value of government bonds using the net present value method based on market interest rates? Do there remain bonds valued at nominal price?

Answer:**Flows:**

Does the corresponding flow (Net incurrence of F3) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If not, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

Illustration of changes in stocks and revaluations:

General Government	Stock End 2003	Stock End 2004	Net incurrence in 2004	Revaluation in 2004
F3 Liabilities: securities other than shares.				?

II. S14 (and S15): Assets of Households (and NPISHs³):

F3: Securities other than shares:

Stocks:

Can these assets of households be qualified as at “market prices”? If yes what is the exact meaning of “at market prices”? Are there sufficient secondary markets to obtain a good estimate of the market price of all these securities? If there is no such market do you make your own estimation of the value of bonds using the net present value method based on market interest rates? Do there remain bonds valued at nominal price?

Answer:

Flows:

Does the corresponding flow (Net acquisition of F3) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If not, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

Illustration of changes in stocks and revaluations:

Households and NPISHs	Stock End 2003	Stock End 2004	Net acquisition in 2004	Reevaluation in 2004
F3 Assets: securities other than shares.				?

F5: Shares and other equity held by households

Stocks:

Can these assets held by households be qualified as at “market prices”? If yes does it mean that quoted shares owned by households are valued at stock market prices? What about unquoted shares: can they be considered to be at “market prices”? If yes, can one assume that their value is correlated to the price of quoted shares?

Answer:

Flows:

Does the corresponding flow (Net acquisition of F5) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If not, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

³ Your response can cover Households alone, or Housholds + NPISHs, whatever the simpler for you.

Answer:

Illustration of changes in stocks and revaluations:

Households and NPISHs	Stock End 2003	Stock End 2004	Net acquisition in 2004	Reevaluation in 2004
F5 Assets: Shares and other equity.				?
<i>Of which Quoted shares</i>	?	?	?	?
<i>Of which Unquoted shares</i>	?	?	?	?
<i>Of which Mutual funds</i>	?	?	?	?
<i>Of which Other equity</i>	?	?	?	?

F6: Insurance technical reserves

Stocks

Can these assets held by households be qualified as at “market prices”? In particular are life-insurance reserves held by households at market prices?

Answer:

Flows:

Does the corresponding flow (Net acquisition of F6) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If not, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

Illustration of changes in stocks and revaluations:

Households and NPISHs	Stock End 2003	Stock End 2004	Net acquisition in 2004	Revaluation in 2004
F6 Assets: Insurance technical reserves.				?

SEND BACK to: Michele.Chavoix-Mannato@oecd.org BEFORE September 22, 2006.

Country: FRANCE

Email of respondent:...herve.grandjean@banque-france.fr.....

SURVEY ON VALUATION METHODS FOR FINANCIAL ACCOUNTS**I. S13 General Government:****F5: Shares and other equity held by general government:****Stocks:**

Can these assets held by government be qualified as at “market prices”? If yes does it mean that quoted shares owned by government are valued at stock market prices? What about government’s unquoted shares (in particular shares of government in unquoted public enterprises, for example the share of government in the Central Bank)?

Answer:

This entry is valued at market prices.

- Quoted shares (F511) owned by the general government are valued at their stock market price.
- Government shares in unlisted enterprises (F512) are recorded at market price. The process is the following. First an estimate is made of the value of the share based on the reported net worth of these enterprises. Then this value is transformed into market price. The market price for unquoted shares is calculated by applying to the amount of own funds (capital and reserves) at book value of unquoted companies a ratio of market capitalization to own funds of publicly traded companies of the same industry, with an adjustment for liquidity. The value of unquoted shares is thus correlated to the price of quoted shares.
- As long as other equity holdings (F513, which contains the holdings in public enterprises which capital is not divided in shares) are concerned, stocks are collected at book value in the form of own funds (including reserves). Nonetheless, as they include reserves which incorporate valuation, they may be considered as partly valued at market price. This valuation component must be differentiated from flow information. It is done thanks to the following calculation: flows are computed as the variation of the mere capital (which is approximately equal to own funds less reserves), then an implicit partial valuation is computed as the difference between the variation of stocks (including reserves) and flows (excluding reserves). In particular, the share of the government in the Central Bank is implicitly revalued in relation to the change in value of monetary gold and other non financial assets owned by the Central Bank.
- Mutual fund shares essentially owned by social security funds are valued at market price using directly the sources from mutual funds which calculate their shares at market price.

Flows:

Does the corresponding flow (Net acquisition) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If no, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

- For quoted and unquoted shares held by general government, the corresponding flows reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets.

Indeed, flows are directly reported by the accounting source of general government. Revaluation is obtained by difference between variation of stocks at market price and flows.

- For other equity held by general government, flows are also obtained from the accounting source of general government. They correspond to the variation of capital, excluding any valuation component.
- For mutual fund shares, flows exclude any revaluation component since they are calculated by difference between the variation of stocks at market value and revaluation. Revaluation is obtained from stocks at market prices, drawing on valuation indexes which calculation is derived from issuing stock and flow data.

Illustration of changes in stocks and revaluations:

General Government	Stock End 2004	Stock End 2005	Net acquisition in 2005	Revaluation in 2005
F5 Assets: Shares and other equity.	261421	315492	8430	43638
<i>Of which Quoted shares</i>	72555	166134	3680	17916
<i>Of which Unquoted shares</i>	62908	9359	260	16140
<i>Of which Mutual funds</i>	50853	59336	4421	4062
<i>Of which Other equity</i>	75105	80663	69	5520

F3: Securities other than shares issued by general government:

Stocks:

Can these liabilities of general government be qualified as at “market prices”? If yes what is the exact meaning of “at market prices”? Are there sufficient secondary markets to obtain a good estimate of the market price of all government bonds? If there is no such market, do you make your own estimation of the value of government bonds using the net present value method based on market interest rates? Do there remain bonds valued at nominal price?

Answer:

Calculation follows the ESA95 rule, which is valuation at market-prices where applicable. This is applied for long-term bonds (“Obligations Assimilables du Trésor”,...) using market quotations collected security by security. However, short and medium term notes (“Bons du Trésor Négociables”, other “Bons” of the General Government such as “CADES” in “ODAC”) are recorded at nominal value.

Flows:

Does the corresponding flow (Net incurrence) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If no, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

The corresponding flows on securities other than shares issued by general government are calculated as the difference between two consecutive stocks at nominal value. Besides they include the variation in accrued interests. Revaluation is subsequently obtained as the difference between the variation of stocks at market price and flows.

Illustration of changes in stocks and revaluations:

General Government	Stock End 2004	Stock End 2005	Net incurrence in 2005	Revaluation in 2005
F3 Liabilities: securities other than shares.	987618	1059612	64833	7161

II. S14 (and S15): Assets of Households⁴:F3: Securities other than shares:Stocks:

Can these assets of households be qualified as at “market prices”? If yes what is the exact meaning of “at market prices”? Are there sufficient secondary markets to obtain a good estimate of the market price of all these securities? If there is no such market do you make your own estimation of the value of bonds using the net present value method based on market interest rates? Do there remain bonds valued at nominal price?

Answer:

Long-term bonds held by households are valued at market prices using market quotations collected security by security. Stocks are not directly collected since there is no accounting source of information as long as households are concerned. Therefore, the breaking down of residual stocks of bonds into households and other sectors for which accounting data are not available, is carried out according to the results of a survey on securities through custodians. Short and medium term notes held by households are recorded at nominal value. Bonds held by households in foreign currency are revalued using the exchange rate.

Flows:

Does the corresponding flow (Net acquisition) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If no, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

The corresponding flows on securities other than shares held by households exclude any revaluation component since they are calculated by difference between the variation of stocks at market value and valuation. Such valuation is deducted in the same way as for mutual fund shares held by general government: it is deducted from stocks at market prices, drawing on valuation indexes.

Illustration of changes in stocks and revaluations:

Households and NPISHs	Stock End 2004	Stock End 2005	Net acquisition in 2005	Reevaluation in 2005
F3 Assets: securities other than shares.	49602	45154	-2492	-1966

⁴ Your response can encompass NPISHs, if this is simpler for you.

F5: Shares and other equity held by households

Stocks:

Can these assets held by households be qualified as at “market prices”? If yes does it mean that quoted shares owned by households are valued at stock market prices? What about unquoted shares: can they be considered to be at “market prices”? If yes, can one assume that their value is correlated to the price of quoted shares?

Answer:

This entry is valued at market price.

Preliminary notice: as stocks are not directly collected since there is no accounting source of information as long as households are concerned, the breaking down of residual stocks of shares and other equity into households and other sectors for which accounting data are not available, is carried out according existing information (the results of a survey on securities through custodians, or database for financial or non financial companies).

- Quoted shares held by households are valued at stock market price. Quoted shares in foreign currency are valued in euros, using appropriate exchange rate.
- Unquoted shares held by households are valued at market price, with market price for unquoted shares calculated by applying to the amount of own funds (capital and reserves) at book value a ratio of market capitalization to own funds of publicly traded companies of the same industry, with an adjustment for liquidity. The value of unquoted shares is thus correlated to the price of quoted shares.
- Mutual fund shares held by households are valued at market price using directly the sources from mutual funds which calculate their shares at market price.
- Other equity held by households (in particular shares in “SARL”,...) are collected at book value in the form of own funds (including reserves). Nonetheless, as they include reserves which incorporate valuation, they may be considered as partly valued at market price. This valuation component must be differentiated from flow information. It is done thanks to the following calculation: flows are computed as the variation of the mere capital (which is approximately equal to own funds less reserves), then an implicit valuation is computed as the difference between the variation of stocks (including reserves) and flows (excluding reserves).

Flows:

Does the corresponding flow (Net acquisition) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If no, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Illustrate the impact of revaluation on most recent available year.

Answer:

Preliminary notice: in the same way as for stocks, transaction information is not directly available since there is no accounting source of information as long as households are concerned. The breaking down of residual flows of shares and other equity into households and other sectors for which accounting data are not available, is carried out according to existing information (the results of a survey on securities through custodians, or database for financial or non financial companies) or according assumptions when no other information is available.

- Flows data exclude valuation components;
- For quoted shares and monetary mutual fund shares held by households, since stocks are directly collected at market price using the sources from market quotations or mutual funds, valuation needs to be calculated using valuation indexes derived from issuing stock and flow data. Then flows are derived from the difference between the variation of stocks at market value and valuation.

Illustration:

Households and NPISHs	Stock End 2004	Stock End 2005	Net acquisition in 2005	Reevaluation in 2005
F5 Assets: Shares and other equity.	746106	881735	21087	114537
<i>Of which Quoted shares</i>	86602	118986	5802	24346
<i>Of which Unquoted shares</i>	278655	349843	9263	64158
<i>Of which Mutual funds</i>	289462	309122	-214	19873
<i>Of which Other equity</i>	91388	103784	6236	6160

F6: Insurance technical reserves

Stocks

Can these assets held by households be qualified as at "market prices"? In particular does life-insurance reserves held by households are at market prices?

Answer:

This entry is valued at market price. Life insurance reserves are valued at market price, using directly the sources of the life-insurance units, which publish these entries at market price when appropriate.

Flows:

Does the corresponding flow (Net acquisition) correctly reflect transactions at market prices of the day of the transaction excluding any revaluation on held assets? If no, is it that this flow is partly or totally obtained using the difference between two stocks valued at market prices?

Answer:

The corresponding flow is obtained by difference between the variation of stocks at market price and valuation related to life insurance reserves.

Illustration of changes in stocks and revaluations:

Households and NPISHs	Stock End 2004	Stock End 2005	Net acquisition in 2005	Revaluation in 2005
F6 Assets: Insurance technical reserves.	985244	1088054	80289	22520