Approved by the order of the Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

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**Methodology for compiling a revaluation account**

### Chapter 1. General provisions

1. The methodology for compiling the revaluation account (hereinafter - the Methodology) refers to a statistical methodology developed in accordance with international standards and [the Law](http://adilet.zan.kz/rus/docs/Z100000257_#z0) of the Republic of Kazakhstan dated March 19, 2010 "On State Statistics".
2. This Methodology is intended for use by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan in the formation of the revaluation account and is applied to the System of National Accounts.
3. The purpose of this Methodology is determination of approaches for calculating holding gains and losses to ensure comparability of data and improving the quality of calculations of macroeconomic indicators.
4. The following definitions are used in this Methodology :
5. nominal holding gain on a financial asset is an increase in the value of an asset that is not the result of transactions with assets (including interest earned over a period of time) and other changes in the volume of assets;
6. nominal holding gain on a non-financial asset is the value of the economic benefit received by the owner of an asset as a result of a change in its price over a certain period of time;
7. material working capital - produced assets consisting of goods and services that originated in the current period or earlier and are intended for sale, use in production or for other uses at a later date ;
8. nominal holding gain on a liability is a decrease in the value of a liability that is not the result of transactions or other changes in volume;
9. real holding gain (loss) - the amount by which the value of an asset increases (decreases) compared to the neutral holding gain for a period of time in the absence of transactions and other changes in the volume of assets;
10. fixed assets - produced assets that are used repeatedly or continuously in production processes for more than one year ;
11. consumer price index - generally accepted measure of inflation characterizing the change over time in the average price level for a fixed basket of goods and services purchased by the population for personal consumption .
12. The information base for compiling a revaluation account is:

1) official statistical information;

2) administrative data from administrative sources.

**Chapter 2. Contents of the revaluation account**

1. The revaluation account (hereinafter - Account) reflects the holding gains or losses and received during the reporting period to the owners of non-financial assets and financial assets and liabilities.
2. Holding gains and losses affect non-financial and financial assets. There are three types of holding gains:
3. nominal holding gain;
4. neutral holding gain ;
5. real holding gain.
6. Each of these three types of holding gains or losses is classified into major asset and liability groups. Liabilities relate only to financial assets.
7. At the beginning of the Account , nominal holding gains and and loss and , which reflect the full value of the change in various assets and liabilities due to changes in the prices of these assets and liabilities since the beginning of the reporting period or for the period between the time the asset enters inventory and the time it leaves inventory.
8. Nominal holding gains and losses on and in respect of assets are recorded on the left side of the Account, and nominal holding gains and losses on and in respect of liabilities are recorded on the right side of the account. A positive liability revaluation is equivalent to a nominal holding loss, and a negative liability revaluation is equivalent to a nominal holding gain.
9. The balancing item of the Account is the change in net worth due to the received nominal holding gains and losses.
10. Nominal holding gains and losses are broken down into two components :

The first component shows the amount of revaluation that occurs when the price of assets changes in proportion to the change in the general price level. The value is obtained by applying the price index over the same time period to the initial value of all assets or liabilities. The result of the operation is neutral holding gains and losses, all assets and liabilities are revalued with the condition that their purchasing power is exactly preserved.

The second component shows the difference between nominal holding gains and losses and neutral holding gains and losses. The difference is called real holding gains and losses. When nominal holding gains and losses and are greater than neutral holding gains and losses and , real holding gains arise, reflecting an increase on average in actual asset prices by more (or a decrease by less) than the general price level. The decrease in relative asset prices is the result of real holding losses. The change in net worth due to nominal holding gains and losses is subdivided into the change due to neutral holding gains and losses and the change due to real holding gains and losses.

1. The structure of the Account is presented in the appendix to this Methodology.

**Chapter 3. Calculation of nominal holdings of profits and losses**

1. Nominal holding gains on assets are defined as the value of the benefits accumulated by the owner of an asset as a result of changes in their price ( monetary value ) over time.
2. An increase in the value of a liability is equal to a change in the price (or monetary value) of that liability, but with the opposite sign. A positive change resulting from an increase in the value of an asset or a decrease in the value of a liability results in an increase in the net present value of the unit under consideration. Negative holding gain (loss) due to a decrease in the value of this asset or an increase in the value of this liability leads to a decrease in the net worth of that unit.
3. Nominal holding gains are calculated on assets or liabilities that themselves remain directly qualitatively and quantitatively unchanged during the reporting period for which holding gains are determined. Nominal holding gains arise on existing fixed assets, either as a result of general inflation or as the price of the asset itself changes over time.
4. Nominal holding gains on inventories are estimated separately for raw materials, finished goods, goods for resale, work in progress and other inventories.
5. Goods entering the inventories are considered to be acquired by the owner of the enterprise from himself, as a manufacturer, and goods leaving the inventories are considered as transferred by the owner of the enterprise to himself, as a producer, for use in production or for sale. The cost of withdrawals from inventory includes any holding gains on inventories, which ensures that holding gains are excluded from the cost of output.
6. The value of goods for resale removed from inventories includes the value of any holding gains or losses arising while the goods are in inventory, but not the value of the mark-up that is realized by the wholesaler or retailer.
7. Administrative data on the revaluation of financial assets and liabilities comes from administrative sources. Nominal holding gains on domestic currency, deposits and loans denominated in domestic currency are always zero.
8. Nominal holding gains are calculated according to the following formula:

(1)

where:

the nominal holding gain of the asset n ;

asset flows n ;

other changes in the volume of the asset n ;

operations of asset n .

1. The components reflected in the formula are calculated on the basis of administrative data (in kind) and national statistical information.

**Chapter 4. Calculation of neutral holding gains and losses**

1. Neutral holding gain (loss) over the period represents the increase (decrease) in the value of an asset that would be required, in the absence of transactions and other changes in the volume of assets, to purchase the quantity of goods and services, as at the beginning of the period .
2. Neutral holding gains and assets for the reporting period are defined as changes in the value of an asset to maintain real value .
3. Neutral holding gains on assets are calculated using a price index covering a wide range of goods and services. The final consumption expenditure deflator is more appropriate, other indices are used depending on the availability and quality of data. The consumer price index fits the bill, and the acceptable procedure is to use the consumer price index in computing neutral holding gains.
4. Neutral holding gains on an asset over a period of time are equal to the value of the asset at the beginning of the period multiplied by consumer price index.
5. Neutral holdings profits are calculated using the following formula :

(2)

where:

– neutral holding gain;

- the value of the asset n at the beginning of the period;

, – consumer price index in period t and t-1.

**Chapter 5. Calculation of real holding gains and losses**

1. Real holding gains on assets are defined as the difference between the nominal and neutral holding gains on that asset.

, (3)

where:

– real holding gain of the asset n ;

– nominal holding gain of the asset n ;

- the neutral holding gain of the asset n .

1. The value of real holding gains on assets depends on changes in their prices in the period under review. An increase in the relative price of an asset leads to positive real holding gains, and a decrease in the relative price of an asset leads to negative real holding gains, whether the general price level rises, falls, or stays the same.
2. The Account's balancing item is defined as the algebraic sum of positive or negative entries characterizing the nominal change in all assets and liabilities held by an institutional unit.
3. The score is based on administrative data and is an experimental work. Experimental calculations will be introduced into practice after the completion of all calculations.

Appendix to the Methodology for compiling a revaluation account

**Account Structure**

|  |  |
| --- | --- |
| **Changes in assets** | **Changes in liabilities**  **and net worth** |
| ***Nominal holding gains and losses*** | ***Nominal holding gains and losses*** |
| Non-financial assets | Non-financial assets |
| Produced assets | Produced assets |
| Non-produced assets | Non-produced assets |
| Financial assets/ liabilities | Financial assets/ liabilities |
|  | ***Change in net worth due to nominal holdings***  ***profit and loss*** |
| ***Neutral holding gains and losses*** | ***Neutral holding gains and losses*** |
| Non-financial assets | Non-financial assets |
| Produced assets | Produced assets |
| Non-produced assets | Non-produced assets |
| Financial assets/ liabilities | Financial assets/ liabilities |
|  | ***Change in net worth due to neutral holding gains and losses*** |
| ***Real holding gains and losses*** | ***Real holding gains and losses*** |
| Non-financial assets | Non-financial assets |
| Produced assets | Produced assets |
| Non-produced assets | Non-produced assets |
| Financial assets/ liabilities | Financial assets/ liabilities |
|  | ***Change in net worth due to real holding gains and losses*** |