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Linking statistical business registers across agencies, statistical domains and among countries

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Linking statistical business registers across agencies, statistical domains and among countries:

Questions incurred and solutions proposed through European Profiling

Introduction

I1 The main objective of the “Profiling ESSnet” European project is to build a system of statistical units able:

- to describe consistently the same Multinational Enterprises Groups in the different EU members states
- to “support” efficient data collection, in the domains of structural business statistics, foreign affiliates statistics and foreign direct investment,
- as well for direct dissemination as for “indirect” use primarily by national accounts but also by all kind of users.

So that the topic of this session is, at least in theory, completely covered by the Profiling project: it results in increasing the consistency between countries (beginning by their business registers); it aims to be used by different “agencies”, the NSIs and the Central Banks being the first users or clients; it works for different statistical domains: description of the economic structures, analysis of the productive system, investigation of foreign affiliates and investments etc.

I2 In the accepted definition, *profiling consists in analysing the legal, operational and accounting structure of an enterprise group in order to establish the statistical units within that group and their links and the most efficient structure for the collection of statistical data.*

The result of the feasibility study and of the conceptual analysis of the system of statistical units, that took place in 2010, is that the information system on which are based the consolidated accounts generally offers a nice starting point for the creation of the economic types of “enterprises” (different from the present mostly used simplification in which each legal unit is supposed to be an enterprise).

More precisely, in the European context, we propose to use the IFRS8 accounting standard on operational segments as a base for our statistical work. This offers the possibility of creating intermediate units within a global enterprise group that supplement or replace the current enterprise.

The proposed definition of the enterprise, which is fully consistent with the profiling process, is the following:

“The enterprise is (can be)

- *a single legal unit (including a natural person),*
- *an enterprise group as a set of legal units under common control, or*
- *a part of an enterprise group, producing goods or services.*

(To be considered as an enterprise...) *It benefits from a certain degree of autonomy in decision-making, especially for the allocation of its current resources. The enterprise will mostly appear as an organisational unit that can provide meaningful data for statistics.*"

But, as we want to accommodate the global (world-wide) organisation of the enterprise with the National structure of the statistical system, we have proposed 2 units, that are:

- the global enterprises (GEN) as the statistical divisions of the global enterprise group (world level) => this is the autonomous part of an enterprise group and
- the truncated enterprise (TEN) purely defined as the national part of the global enterprise.

I3 The following topics refer to important questions met by the European partners during their present tests; they are presented from a pragmatic and concrete point of view:

- the global cluster of the MNEs and the "perimeter" of consolidation in the accounting system of information; from identity to similarity? Discrepancies? Control versus autonomy?
- the main appearances of the MNEs and their translation in the "statistical world"
- the operational segments disclosed in the Annual Report and the "enterprise statistical units": how do they fit to each other?
- how can we assess the ability of the statistical units to be surveyed in the Structural Business Statistics, the production statistics etc? What about a list of "core variables" related to the accounting presentations?

This presentation is in line with the work done until now and with the results obtained by the ESSnet partnership of 7 countries working in close relation with Eurostat.

1Global cluster of the MNEs and "perimeter" of consolidation:

1.1 According to the orientation, coming from the feasibility study, to use the consolidation information system as the base, and from the operational point of view of the profiler, the first question that is met is the identity of the group that is going to be profiled with the one that is taken into account into the consolidated accounts.

In both cases, any legal unit that is under control by another one is to be included in the same enterprise group as the controlling unit. For this reason, the definition of control is essential. We based our works on the definition of control found in the BR Recommendations Manual of the EU¹, mainly in the chapter 21, from which the italic text comes; e.g:

"Control over a corporation is defined as the ability to determine general corporate policy by choosing appropriate directors, if necessary." ...

"The definition states that control may be exercised in different ways. The acquisition of an absolute majority (50 % +1) of shareholdings with voting rights ... is generally used as a proxy to control. ..."

1.2 But the majority in interest may not be a necessary condition, when a large relative shareholding with voting rights but without absolute majority is enough to take control. (de jure, under legal prescriptions or through agreements between shareholders) (de facto, because all shareholders -in particular the "small" ones - do not vote in the General Meetings).

It reversely may not be a sufficient condition because the ability to actively participate in the decision-making process may be limited, e.g by statutory limited or temporary suspended voting rights; or by the existence of "golden shares".

¹ BR Recommendations Manual 2003 : http://ec.europa.eu/eurostat/ramon/statmanuals/files/KS-BG-03-001-__-N-EN.pdf

Of course, “effective minority control is, in general, difficult to prove² in practice and a shareholding between 10 and 50 percent is generally regarded as influence, not control”.

1.4 We are not going to describe and discuss here the legal questions, the cases of “capture” of quasi-affiliates by the way of exclusive contracts or by economic de facto dependency; nor are we going to show the cases of indirect majority control combined with minority interest share, because there is no difference between the rules of consolidation and the economic description we tend to do.

Just let us stress that in global profiling, in accordance with the global economic organisation of the groups, the concept of control is not restricted to national borders, but is globally border crossing. This solves the National statisticians usual problem of identifying relationships of separate domestic sub-holdings or subsidiaries which are linked together by a common foreign control and so belong to one and the same global and (truncated) enterprise group.

1.5 But we have to insist on this part of the BR recommendation manual:

“The statistical concept of the enterprise group is different from the accounting concept,...” because in some cases the “accounting” concepts include groups that “do not constitute mutually exclusive, additive groups of enterprises. A statistical unit known as ‘enterprise group’ based on the ‘accounting group’ concept must be defined by applying the following four amendments:

- consider accounting group at the highest consolidation level (group head) ;*
- include in enterprise group units whose accounts are entirely integrated in those of the consolidating company;*
- add majority-controlled units whose accounts are not included in the overall consolidating by virtue of application of one of the criteria allowed by the Seventh Directive, i.e. difference in the type of activity or small relative size;*
- discount temporary links of less than a year.”*

1.6 The previous four amendments are very important: they have been confirmed by all tests made in Insee; we need to add 5 remarks:

- The highest displayed (displayable) consolidation level is not always the Global Group Head (GGH): this is the case for many “family groups” in which the “family holding” does not reveal any data; this is also the case for state-owned groups, the National State defining several Groups and not consolidating them all together; in this type of cases we take the highest displayed level of consolidation as the basis of the delineation of the MNE we intend to profile.

- In other cases, when the GGH is an “SPE” (special purpose entity legally registered in a country in which it has no effective activities except sometimes a pass-over role in finance), we pragmatically choose to consider the UCI (the Ultimate Controlling Institutional unit which is the real global decision centre) as the reporting unit, as long as it displays high level consolidation data)

- In the present uses of the EU Accounting Directive, “proportional integration” does exist, according to which a Joint Venture (JV) is split 50%/50% between his 2 MNE owners; if we decided not to include proportionally the JV in their owner’s enterprise group, it would then be very difficult to understand which of the 2 MNEs, if any, has the real control; and it would be very difficult to obtain separate information for the JV; but this exception according to a new IFRS regulation should disappear in 2013³, so that we will not try to find a long-term solution for all the related cases.

- We try to add the majority-controlled units in the “cluster”: if they are significant! But we have not found until now a concrete criterion for the “small size” affiliates that are not incorporated in the consolidation (they are determined by agreement between the MNE and its auditors). So that we do not know the real, but probably small, level of inconsistency between groups that they imply.

- We still work on the differentiation between “investment funds “ and “enterprise groups”; there is a continuity in practice between purely financial investors and largely diversified groups: in the first case we consider each “investment” as a separate group; the question raised in the second case

² an example can be found in the Annual Report of the Bouygues Group , where the case of TF1 is described as a fully controlled and consolidated affiliate with a share of about 40%.

³ And it does not exist in the US-GAAP

is whether its “subgroups” are sufficiently autonomous to be treated separately or whether they have to remain parts of the global group⁴.

1.7 Because we are convinced that we will definitely confirm the four amendments, then the main (authentic) source of cluster for the profiled MNEs should be their own consolidation perimeter. But as mentioned previously, we have to further elaborate, in order to treat several types of cases in which there will be some changes from the main source to the statistical register.

This confirms also that it is a good way to use the operating segments of our main accounting standard (IFRS8) as the usual basis for profiling.

2 The main appearances of the MNEs and their translation in the “statistical world”

2.1 position of the question

This question comes from the structure of the EU in general, and from this of the statistical community in particular: Because of the “subsidiary principle” that states that anything that can be done at the country level is not going to be made at the EU level, the importance of coordination is much higher than in any type of centralised system.

In our case, it means that profiling will be done by any of the 27+ 4 National Statistical Institutes; in this context, and even if the profiling methodology is very complete and detailed, there is a risk of practical differentiation for cases that have theoretically much in common. This risk is increased by the lack of standardisation of the accounting main presentations: there are no standard accounting table (P&L, or Financial Statement table on assets and liabilities). In practice, the statisticians will have to agree individually with each MNE on “what to do” to profile it and at the same time to produce highly standardised resulting table at the EU level.

To do so, we have not only to define purely statistical profiling methods, but also to try to define a typology of MNEs for each type of which we will propose a profiling strategy that includes also a collection strategy for the profiled units. And we need to share the whole of this, by including them either in the methodological manual or in the process and operations guidelines.

This is a tentative approach of the typology of the MNE that would profit a lot from the comments and proposals of the audience.

2.2 what could we say about the “basic organisational” principles of MNEs?

2.2.1 In the context of globalisation, and because we observe very large entities, we could easily conclude that, according to the large variability of managerial structures, each MNE case is specific. But if our conclusion was such, then a purely descriptive task, according to statistical profiling guidelines, would be enough: as stressed before we think this could lead to insufficient consistency in our results.

Reversely, the questions concerning basic organisational principles of large and complex MNEs refer more to the economic or the management science than to the statistical studies. But, as our aim is no more to describe the legal organisation but to represent the “real economic” world, any knowledge on the organisational and management principles of the multinationals is useful for statistical approaches of the autonomous units functioning inside the group. The understanding of the reasons for creating legal structure within a group may allow us to avoid non economically significant units.

So, prior to the pure statistical work, let us go for a very short while into an insight of the “reasons” for an EG to become “large and complex”, with the idea that same reasons will lead to same or similar structures. And the similarities can simplify the profiling work and give it more consistency.

2.2.2 The enterprise group can be motivated by the following looked for global (world-wide) effects:

1 – industrial leveraging effect of scale

⁴ see also 2.2.4

These effects tend to promote a world-type organisation, in which each country plays a role very specific according to its economic advantages; the management is usually either centred on “business lines”, the production of each country being integrated in a global process or of the “functional type”, with stress put on the “markets” and on the supply chain, which leads to great difficulties to describe the production and to apportion it country by country.

They leveraging effects can operate:

- on procurement and/or logistics
- on manufacturing
- on back-office and ancillary services
- on use of R&D results (patents, process, models)

=> *the organisation being “globally global”, what is the good way to define national truncated enterprises ?*

2 – « brand » effect of scale

These effects lead to a “distribution” model, reproducible in each country, not compulsorily related to a unique or united production model; it can be also used in a franchise type of development, in which the “autonomy” of the franchisees can be interrogated.

They can operate:

- on advertising (world brands)
- on relations with other MNEs (global contracts)

on Human Resources (attraction effect)

=> *the (probably avoided at this time) question is about the autonomy of the franchisees versus the franchiser; reversely (and apart from the consequences of the previous point) the national structure are often simple?*

3 – financial effect of scale

Their priority is not the costs or the efficiency of the MNE (industrial) or its distribution (“brand”) but the on the way for them to finance their activity.

They can operate on:

- lending and borrowing (leveraging?)
- Tax system and international outsourcing.

2.2.3 Reversely, the enterprise group can meet conditions that lead to a “regional and/or local type of organisation”:

1 – the nature of goods and services traded

- small unitary price of goods (forbidding long distance transport and leading to local production; but the production processes can be world-wide)
- maintenance and repairs (similar to previous point)
- services to persons (as well personal as relative to persons): having also to be produced locally and commonly also related to local habits or culture forbidding integration of process management

2 – necessary local distribution (can supplement the aline 1 , or be specific)

- of perishables (as varied as fruits, cement ...)
- with advice or fitting (clothes)
- etc

3 – specificity or constraints of (local) regulations

- regulated activities (e.g fix or mobile phone, broadcasting etc)
- services of most professionals
- etc

2.2.4 The previous effects can combine; after combination, they produce typical appearances of MNEs that we will try and describe more precisely through our testing experiences. The result of testing will be included in the “manual” of profiling as guidelines to profile in concrete situations.

2.2.5 At this stage, we can list examples of what we think to be in force in some industries, with the idea (remaining to be proved) that they are more types than examples:

1 – pure industrial effect :

Motorcar construction industry / High value industrial edibles (chocolate, soluble coffee, etc) / Iron and steel producers;

2 – industrial effect combined with nature of products :

Producers of high unit value construction materials (even in this case they remain “heavy” products) / Escalator constructors(to be locally installed according to local regulations)

3– industrial leveraging effect combined with « local » regulations: (networks, defence)

Defence industry / Pharmaceutical distribution / Fix and mobile phone (seem to be all organised on regional basis even if all the techniques are global)

4 – Pure financial:

This effect results in conglomerates (highly diversified MNEs), that have no described cut-offs with investment funds. Our tests will try to reveal significant limits (if no combined system of reporting, no synergies between the different activities, no common general staff, no share of treasury => the different segments will be considered as independent “EGs”).

2.3 a profiling strategy:

If our hypothesis are right, then we will be able to propose a specific profiling strategy for all or at least some (the most significant?) of the types listed previously.

3 the operational segments in the Annual Report and the “enterprise statistical units”: how do they fit to each other?

We are here on a purely pragmatic topic: are we able to produce registers according to the rules we are proposing?

Our conclusions are to be shown at the end of this year. But we still have exchanged on this topic. I use here information coming from the French and British experience, either on the base of European profiling or on the base of the countries programs.

The European program is to profile “heavily” about the 500 top MNEs operating in the EU and EFTA. Our figures operate on 37 cases (28 for France and 9 for UK); even if they represent only 8% of the target populatio, the results seem significant. Their characteristics:

- 32 use the IFRS standards, 4 US-GAAP, 1 does not display publicly its accounts (not listed);
- 19 operate in manufacturing industry; 15 in transport, services and trade; 3 are specific;
- the average global number of affiliates is 300, but the highest is more than 3000.
- the average number of “operating segments” in the displayed accounts is 4 (less than our guess): because of the IFRS8 standard, the groups are allowed not to split in more than 9 segments -if more they can add the smallest;
 - in 5 cases the operating segments are on a purely geographic base; in 4 on mixed geographic and business line; in all other cases (28) they are on business lines
- nearly all the groups accept to check the list of the affiliates, and to do it country by country,
- but we have met unexpected difficulties:
 - o some groups do not hold complete list of affiliates (as they are allowed not to consolidate “non significant” Legal Units) => this makes it difficult to “replace” unknown legal units by the enterprises in statistical results;
 - o there is no agreed international ID; the usual commercial (and the groups often do not manage a proper internal register) => for example, this makes it difficult to manage a non-European register, even for the largest affiliates
 - o the present treatment of Joint Ventures in the IFRS (proportional integration in the groups sharing the JV) may be problematic but should be solved within 3 years;
 - o there is also an unsolved question on the partnerships created for the duration of a construction project.
- The number of foreseen “enterprises” is close to 3 in France (an average of 1 less than operating segments) and to 5 in UK (1 more) but we still have to discuss and assess the content of the differences

- The “rate of change” (when the “enterprises” differ from the operational segment) is about 50%, but important changes concern only 1 case on 4 - French data only -
- As profiling is a dialog with the MNE representative, the most frequent questions asked (French context) are:
 - o What accounting data do you need (usual tables + specific variables) at the enterprise level?
 - o How do they connect with the structural surveys, again at the “enterprise” level?
 and the most frequent limitation arrives when data are available only at subgroup levels: this case is general in highly diversified MNEs(conglomerates?) and frequent for detailed data even in highly centralised MNEs.

Our present conclusions is more on the process than on the result: we are very often welcome by the MNEs, that were, sometimes unconsciously, dazzled that the statisticians surveyed only legal units and did not take care of the globalisation. In consequence, they often accept to build new data for our use.

4 Ability of the “enterprise” statistical units to produce structural data: assessment through a list of “core variables” related to the accounting presentations?

4.1 Context of the ability testing:

4.1.1 In the usual world of statisticians, they survey statistical units (SUs), or gather administrative data on the same SUs. The register staff collect a few variables related to each SU with the following roles:

- o identification or checking data, permitting
 - to validate the content of the register and/or
 - to assess the continuity of its units and/or
 - to manage the links between the different kind of units (e.g enterprise with legal units or with the enterprise group) or as
- o statistical frame variables, underpinning data collection (e.g permitting to split the populations in significant sub-populations - stratification purposes including NACE-codes and institutional sector codes - or as criteria for sampling purposes).

This collection remains necessary when moving towards profiled “enterprises”

4.1.2 But when creating specific “enterprise” Statistical Unit, the register looks for SUs that will allow a better economic description of the “business world”, which is no more well described when relying on the previous “enterprise” units (the Legal Units are generally used).

In the context of European profiling, it is not longer possible to act as usual on a national basis (in which we ask the reporting units to give the value of such and such variable about the SU they answer for).

In this case, it is necessary, but not sufficient, to split the approach:

- first to check if, or not, the variables we need are disposable; and
- secondly, if, or not, their value is significant from an economic point of view.

But we need also, what is even more difficult, for the 1st time, on an “industrial” basis, to test for the “enterprise” SU capabilities from an European (and not longer a national) point of view:

- are we able to describe consistently MNEs in different countries and their global enterprises, through the data we ask them for (data on truncated national enterprises)?
- What means that we are able to split these GENs in their national parts all over Europe, the TENs, and to gather consistent data on the TENs?

The consistency is, of course very difficult to assess; it is the topic of another ESSnet, whose results will be later incorporated.

4.2 The main statistical stakeholders of “profiling”:

Here, the scope is restricted to the domains of highest priorities, the domains of our main stakeholders. The list of the main stakeholders of profiling is quite simple:

- first, the BR as a whole because it includes an “enterprise register”, and the new Euro Group Register⁵, as profiling is directly in charge of the “enterprise” register for the “large and complex MNEs”, task including the checking of MNEs clusters, operating and economic structure, and the determination of their principal activities,
- Then the OFATS (Outward Foreign Affiliate Statistics) surveys :
 - o they provide information of affiliate “enterprises” outside Europe for European-centred MNEs; even if we know perfectly that the definitions might be more similar than identical, it would be paradoxical that the FATS statistics remain independent from the BR and EGR;
 - o they also are the best candidates to provide basic significant information on the structure of the medium (and small?) Enterprise Groups for profiling purposes.
- the SBS Structural Business Statistics are, according to their own regulation, mainly based on “enterprises”; they constitute the domain which will get immediate improvement from the Statistical Units defined through profiling, for use in
 - o their own production of significant data and also as
 - o predominant providers of information for the National Accounts.
- Other domains are also interested in the profiling results, such as foreign direct investment (FDI) statistics and Balance of Payments surveys and sources; their use is treated indirectly through their relations with the EGR system.

Even if one would rank differently the previous priorities, the results on core variables would not change much. If one thinks of omitted priorities, then the results could change more.

The place of National Accounts (NA) is predominant, but nevertheless difficult to assess⁶.

- In reality, all links between NA and statistical units (SU) are indirect: so that the relationship between National Accounts and Statistical Units, in particular the Enterprise unit, is not so clear.
- the NA need a set of consistent concepts to make it possible to build their synthetic evaluations; and of course, the closer the SUs are to NA needs, the lesser is the coordination burden.
- Nevertheless we have considered that we should be allowed to propose changes if and when the present (use of the) NA concepts lead(s) to significant inconsistencies.

4.3 The variables they need:

This is only a partial review of the requested variables.

4.3.1 BR as an “enterprise” register, also including the Enterprise Group:

- Usual identification characteristics, including a name (the enterprise (group) being a pure statistical entity has no natural name; of course the MNE and the NSI can agree on the name generally used for the SU (established and/or agreed Enterprise and its truncated parts) on any other convenient naming)
- continuity criteria
- relations with other SUs
- including a dual notion of Enterprises (GENs & TENs)

4.3.2 EGR according to the role it gives to profiling:

- the same variables apply on the three SUs (EG, GEN and TEN), previously listed for BR, as it provides the “enterprise” register for large MNEs;
- for checking MNEs cluster, structure & principal activities:
 - o Delineation of the EG as combination of legal units under common control

⁵ about the EGR, please see the document prepared by Dominique Francoz and Zsolt Volfinger in the same session. As the EGR will be used by many statistical domains, we think their needs are represented through EGR requirements. A specific attention should be paid to FDI (Foreign Direct Investment) and Balance of Payment statistics, but they are included in the EGR management process.

⁶ The main needs of NA are presented in 4.5.1

- Enterprise and its links with Legal Units (if possible as these links make it possible to monitor the change of usual statistics and surveys based on LeU into the new system based on “enterprises” for those countries which used the legal unit as the basis for the SBS)
 - information on size of the SU (to be specified: in terms of turnover, employment?)
- control variables necessary for IT.

4.3.3 FATS

- the closeness between O-Fats and profiling is stressed by MNEs during the contacts with them; this implies that =>
 - *OFATS could be replaced by quantified Profiles, for the largest MNEs*
 - *OFATS could provide the structure of profiles for semi-manual light profiling procedures (if extended as well to EU and domestic parts as to foreign parts of the same group)*

(so that OFATS would become a result of profiling for the largest MNEs and a source for EGR update for medium size MNEs)

4.3.4 SBS with 2 strategies:

- *Either profiling is a provider of a list of SUs for surveying, for using data of administrative files (ADMIN if possible), or matching both kinds of data; with what kind of quality control?*
- *Either profiling is in charge of mixed role (register and part of collection): with what kind of cost control?*

4.4 The position and needs of the MNEs:

The relations with the MNE, in the delineation of enterprises it comprises, have to be direct and confident.

Nearly every time the organisation is complex, the MNE representatives ask about what kind of variables we would like to gather on the “enterprise”: Their answer on the possibilities to do so might change, according to the type of variables we need.

So, the MNEs commonly ask us to find a common European answer to this question, because this would lead to the lowest burden for them to build a common answer to common European needs.

What could be the approach to this topic?

- If we suppose that in the present situation, many countries rely on “tax office” data, related to some kind of accounting data or system;
- if the providing of (or enabling the SBS to provide ...) basic information to build the National Accounts (which are balanced in the accounting way) is supposed to be the first priority;
- if we suppose that the SBS statistics (on turn-over, employment, etc) should rely to the same SUs as the SUs surveyed for NA purposes,

then priority is given to “accounting type” core variables that are in relation with the SBS core variables.

4.5 Variables for reconciliation with SBS statistics, NA use and their links with accounting standards:

4.5.1 The needs of NA are presented along of 3 different lines:

- the components of value added as a source for sector-based accounts (as well by Institutional Sectors as by industry);
- the basic data for evaluation of fixed capital (elements coming from the balance-sheets or the so-called “financial statement”)
- Bases for wealth estimates (coming from the rest of the balance-sheets); these data could also be useful for checking the fixed capital elements as part of the balanced items of a global account.

4.5.2 The IFRS accounting standards (International Financial Reporting Standard) can be used to build a template of Profit & Losses accounts, also for operational segments of a MNE. This is a tentative version of a very simplified data set that try to include enough variables to produce the main aggregates of sector-based accounts for NA flows; it includes nearly all variables that appear in SBS requirements (missing at this moment change in merchandise inventories) plus as few variables as necessary to have complete accounts.

These accounts and the data of these seem very difficult to obtain when the Enterprise statistical unit has insufficient autonomy regarding its production processes from a financial (production process related) point of view, but, in this case, the existence of a specific “enterprise” including holdings, managing activities (and other residual (mainly auxiliary)activities of the MNE) is very probable; this residual “enterprise” would also include most of the “production’ oriented financial-type variables.

4.5.3 Very important: it works from a by-nature version of the P&L (in which purchases, wages and salaries, depreciation of fixed capital, etc... are displayed explicitly) and not from the frequently displayed version, which is by- function (in which the main variables are “cost of sales, distribution costs, administrative costs, etc”). So that the existence (and MNE the agreement to display) of this by-nature version of the accounts is crucial.

The beneath table with variables reflect the Enterprise and Truncated Enterprise statistical units, resulting in the operational (truncated) results (remark: in some cases the information of this table is less detailed that requested by the present SBS questionnaire e.g on splitting between sales of own production, sales of merchandise etc; the same for inventories):

	P & L by nature (not by function) (consolidated for the GEN or the TE)	Content of the boxes
1st evaluation of VA (by the production side) =	“Production” = <i>Proxy of the “Revenue” variable?</i> + pure turnover (T/O)	T/O (sales to 3 rd parties) net of granted discounts & rebates (IAS18) if possible split between sales of goods and other sales. Newly produced inventories and fixed assets (incl. grants on fixed assets)
	+ other activity products +- Δ produced inventories	
	+ Other products and expenses	Patent, franchise & brand royalties etc; more useful if split between products and charges.
	- Used purchases - Other external expenses	Purchases of goods (raw material, equipments and parts etc), services and merchandises, net of Δ in inventories of received discounts and rebates +ancillary costs on purchases (CIF etc)
2nd evaluation of VA (by the components) =	+ Employees wages and salaries	Including bonuses and share of results
	+ Taxes on products and indirect taxes	
	+Depreciations	Physical and value change
	= Current operating result (optional)	Close to net operating result of the NA
	+- Other current products and charge	Other current non recurring products & charges (e.g. sellings of assets, depreciations of goodwill)
	Operational result	

4.5.4 Depending on the size of autonomy some more variables can be associated to the enterprise unit, but this will not be a general situation. So these variables can be considered as in between belonging to the Enterprise unit and the Enterprise Group unit. The next table gives some insights in these variables. Also large investments can belong to this category. The investment variable needs more attention because decision making on investments can be done on different levels depending on the size of the investments and/or the kind of the investments (strategic or operational)

Financial result	Operational result+ Treasury products	Net costs of net financial debt
	- Cost of debt	
	+/- Other financial products and costs	
	- Taxes costs	Taxes on result + deferred taxes + participations of employees in the results
	+/- Net result quota-share of minority owning of non-consolidated interests	When the MNE has a real influence on decisions
	+/- Pre-tax net result of: . non-continued activities . ceased or being sold activities	IFRS 5
	Net result	
	- Minority interests	Part of the Net result accruing to minority holders, for globally consolidated affiliates
	Net result, share of the group	

The next steps of our study are:

- to check these of the variables that we can find at the Global Enterprise or the Truncated National Enterprise level and also these which are not ready-made but could be calculated on request by the enterprises.
- To discuss what is the better way(s?) to gather them for SBS and NA purposes.

4.5.5 The IFRS allows also defining templates for A&L (asset & liabilities) tables. The variables presented in the A&L-accounts are more applicable to the Enterprise Groups units' types and less for the Enterprise units' types. But it allows too, to give the respondents more precise definition of what we ask for (this is very important for the measure of physical investments, which proxies are to be found in the tangible assets of the accounts).

A very simple exhaustive table for assets and liability is shown in the tables below.

	ASSETS	Content of the boxes
Non floating assets	Intangible asset	Goodwill Other intangible (patents, brands, etc)
	Tangible assets	Equipment, machines etc Activity-used buildings Buildings for hire Biological non current assets (forest, orchard, cattle, etc)
	Financial assets	Equity share in associate enterprises (Equity share in TEs of other countries) Other disposable (sellable) financial assets <i>Non current assets, disposable to be sold ??</i> <i>Deferred taxes (asset type)</i>
Floating assets	Stocks	Goods and merchandise Biological current assets (crops, vegetable and fruits, animal products, etc)
	Financial floating assets	Credits to clients Other financial current assets Cash and similar
	Total Assets	

In order to be able to give sufficient information to the stakeholders (mainly the NA) this table can be restricted to “investment flows” but completed by specific data that are to be found in the Notes and annexes to the Annual Report, at least:

Tangible assets (Gross value 1st January + Increase – acquisition, creation, etc - /less Decrease – sales, withdrawal of tangible assets, etc = gross value at the 31st December)

Amortisation accounts (Total value 1st Jan + Increase of the year /less Withdrawals (e.g. when selling) = Total value 31st December)

The same for depreciations incl in P&L accounts.

Some extra, nationally specific, information can be necessary.

	LIABILITIES	Content of the boxes
Shareholders funds	Shareholders funds	+ Equities + Other non distributed reserve funds + Non distributed net results + Value of non current assets disposable for sale (directly accounted for in the shareholders funds) = Total of shareholders funds - Minority shareholding = Shareholders funds, part of the group
Non current liabilities		Long term debt Deferred taxes Long term reserves
Current liabilities		Suppliers credit Short term financial debt Short term part f long term debt Eligible taxes Short term reserves Liabilities directly linked to non current assets disposable for sale
	TOTAL LIABILITIES	

4.5.6 State of the art

Testing is being made at this time with different situations of MNEs:

- It is at the simplest when the autonomous segments we use as “enterprises” have a complete set of accounts and if the P&L is on the “by-nature type”.
- But surprisingly, a lot of MNEs accept to enter in a process of estimating the most useful variables for statisticians: it seems that they appreciate that we, statisticians, accept to speak their own language. And most of them appreciate too the perspective of consistent surveys in the different countries of EU.
- Their capabilities to give adequate information on investment depends highly on the management process of the enterprise group: it seems that quite often the “segment manager” has few information on its “machinery”.

But the general acceptance seems rather high, as compared to what we expected at least!