Gross investment in tangible goods

Investment during the reference period in all tangible goods. Included are new tangible capital goods, whether bought from third parties, acquired under a financial lease contract (i.e. the right to use a durable good in exchange for rental payments over a predetermined and protracted term) or produced for own use (i.e. capitalised production of tangible capital goods), having a useful life of more than one year including non-produced tangible goods such as land. The threshold for the useful life of a good that can be capitalised may be increased according to company accounting practices where these practices require a greater expected useful life than the 1 year threshold indicated above.

All investments are valued prior to (i.e. gross of) value adjustments, and before the deduction of income from disposals. Purchased goods are valued at purchase price, i.e. transport and installation charges, fees, taxes and other costs of ownership transfer are included. The value of goods acquired via financial lease corresponds to the market value of the good if it had been purchased in the year of acquisition only. This value is in principle known in the contract or can be estimated by summing-up the part of the instalments that cover the capital reimbursement. The part of instalments corresponding to the interest payments are to be excluded. Own produced tangible goods are valued at production cost. Goods acquired through restructuring (such as mergers, take-overs, break-ups, split-off) are excluded. Purchases of small tools which are not capitalised are included under current expenditure.

Also included are all additions, alterations, improvements and renovations which prolong the service life or increase the productive capacity of capital goods.

Current maintenance costs are excluded as is the value and current expenditure on capital goods used under rental and operational lease contracts. Annual payments for assets used under financial leasing should be excluded. Investments in intangible and financial assets are excluded.

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Financial leasing furthermore is characterised by the fact that all risks and rewards of ownership are de facto though not de jure transferred from lessor to lessee. The leasing period covers all, or most of, the economic lifetime of the durable good. At the end of the leasing period the lessee often has the option to buy the good at nominal price. The lessor's role is purely financial.

Concerning the recording of investments where the invoicing, delivery, payment and first use of the good may take place in different reference periods, the following method is proposed as an objective:

Investments are recorded when the ownership is transferred to the unit that intends to use them. For the goods acquired via financial leasing the value is to be recorded at the time when the good is delivered to the lessee. Capitalised production is recorded when produced. Concerning the recording of investments made in identifiable stages, each part-investment should be recorded in the reference period in which they are made.

In practice this may not be possible and company accounting conventions may mean that the following approximations to this method need to be used:

i) investments are recorded in the reference period in which they are delivered,

ii) investments are recorded in the reference period in which they enter into the production process,

iii) investments are recorded in the reference period in which they are invoiced,

iv) investments are recorded in the reference period in which they are paid for.