17.4.1 1971 Census of Merchandising and Service Businesses

The 1971 Census of Merchandising and Service Businesses represents the final phase of the 1971 Census of Canada, the major part of which took place in June 1971. Unlike the first three phases (population, housing and agriculture) the business census was conducted early in 1972 as it measures business activities over a complete financial year. Results will be available early in 1974. One of the purposes of the census is to provide government agencies and private users with a detailed picture of the situation at a fixed point in time in the distributive and service trades.

17.4.1.1 Government sector

The Census of Merchandising satisfies the requirements of an integrated System of National Accounts (SNA) in relation to the retail, wholesale and service industries. Following is a set of definitions showing how the answers obtained relate to specific requirements of the SNA. (For a more detailed discussion of the SNA see Chapter 21.)

Personal expenditure on consumer goods and services. This figure accounts for more than 60% of gross national expenditure and is composed primarily of data collected on the retail and service industries. Personal disposable income (personal income less direct taxes) less personal expenditure on goods and services equals personal net saving.

"Make" matrix shows the distribution by commodity of the output of each of the industries and the distribution by industry of the output of each of the commodities. In other words this matrix shows the market shares of commodity production by industries.

Value of physical change in inventories. The net change during the year of business holdings of inventories must be included in the gross national expenditure in order to allow for that portion of current production (purchases) which has not yet been sold (positive change in inventories), or to eliminate that portion of previous years' production (purchases) which is included in sales of the current year (negative change in inventories). The change in the value of inventories relevant to gross national expenditure should reflect a change in physical volume valued at the average market prices of the period. This change is referred to as the value of the physical change in inventories.

Inventory valuation adjustment. Since inventories often contain goods produced (purchased) in previous years, an adjustment of book values is necessary to allow for the valuation of the carry-over portion. To make this adjustment, it is necessary to estimate the commodity content of inventory holdings, the normal turnover period for the industry, and the accounting methods used by the firms in arriving at book values. The book value of inventories is deflated to remove the effect of price changes and the derived "physical" change is then valued at average prices of the current period to obtain the value of the physical change. The inventory valuation adjustment is the difference between the value of the physical change and the change in book value. This adjustment is made to the National Income to remove, from corporation profits and the net income of unincorporated businesses, any inventory gains or losses arising from the effect of price changes on the holding of inventories.

Census value added is a concept which evolved from the Census of Manufactures as a measure of output applied to an industry. It is obtained by deducting from the value of gross output in a period, the value of materials used, the cost of light, heat and power, the cost of goods purchased for resale and some service expenses. An approximate equivalent in the retail, wholesale and service industries is "mark-up on sales" which is the difference between sales and the purchase price of goods sold in a period.

"Absorption" matrix shows distribution by industry of the input of each of the commodities and, in each column, the distribution by commodity of the input of each of the industries. In other words this matrix shows the distribution by industry of the materials and services and primary factors of production such as depreciation, salaries and wages, employee benefits, etc. used by each industry.

The "make" and "absorption" matrices, together with information on net final demands, provide the basic data for input-output tables.

Value added. The value added of industries at true factor values is equal to the true factor value of their gross output less the true factor value of their intermediate inputs. It is a further refinement of the "census value added" concept in that the intermediate inputs or the costs of