

**Note presenting  
Opinion n° 2012-07  
of 18 October 2012  
relating to heritage assets**

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## 1. Background and approach

In a letter dated 6 October 2009, the Public Finances General Directorate (“Direction générale des finances publiques”) and the Budget Directorate (“Direction du budget”) approached the Public Sector Accounting Standards Council (“Conseil de normalisation des comptes publics – CNoCP”) to examine the methods for recognising and measuring movable and immovable heritage assets in the Central Government’s financial statements. The Council decided on 8 July 2011 to expand the discussion to all public-sector entities.

The Council also decided to draft an independent Opinion presenting all of the standards provisions relating to movable and immovable heritage assets. To ease its application, such an Opinion implies that this assets category is clearly distinct from others due to one or more markedly differentiated essential attributes. In this case, such differentiation is based on the key feature of heritage assets, i.e. their symbolic character, which, notwithstanding their physical nature, could relate to intangible assets. In view of this specific characteristic, the consequences of which are worth specifying in a coherent manner, the Council considers that heritage assets must be addressed in distinct provisions for both tangible and intangible assets.

The approach used by the Public Sector Accounting Standards Council was to:

- define the category of movable and immovable heritage assets;
- determine the provisions relating to measurement on initial recognition of heritage assets not recorded as assets on the balance sheet;
- specify the accounting treatment of subsequent expenditures;
- establish the provisions relating to measurement at the reporting date of heritage assets;
- review the provisions relating to derecognition and measurement on derecognition;
- define the disclosures to be provided in the notes.

## **2. Scope and definition**

### **2.1 Entities concerned**

The Opinion applies to all public-sector entities possessing heritage assets, and in particular to:

- the Central Government;
- public establishments, in particular those within the scope of budgetary, financial, and accounting instructions M9-1 (public establishments of an administrative nature), M9-2 (chambers of agriculture), M9-3 (public establishments of a scientific, cultural or professional nature), M9-4 (public establishments for the planning of new towns), M9-5 (public establishments of an industrial and commercial nature), M9-51 (public land agencies), M9-7 (public establishments for promoting cultural activities abroad), M9-9 (local authorities for teaching and professional training in agriculture), M9-10 (national public establishments for teaching and professional training in agriculture);
- social security organisations applying the “Plan comptable unique des organismes de sécurité sociale (PCUOSS)” or guidelines adapted from the PCUOSS;
- healthcare institutions, local and regional authorities, and local public establishments;
- other public-sector entities (chambers of trade and crafts, etc.).

### **2.2 Definition of heritage assets**

#### ***2.2.1 Current provisions***

There is no definition of immovable or movable heritage assets in the various accounting standards. Only a few characteristics, which do not necessarily overlap, are provided.

The Central Government Accounting Standards do not provide a definition of heritage assets. Under the provisions applicable to the opening balance sheet on 1<sup>st</sup> January 2006, they refer to works of art, historical monuments, and assets with historical or cultural features. However, they are not defined.

Budgetary and accounting instructions M9 applicable to public establishments identify only the notion of collections, which are defined as “sets of objects and property forming a unit and intended to remain in the establishment over a long period of time. This may include:

- a group of objects having historical, esthetical, or scientific interest, or having value because they are rare;
- a group of works, publications providing informational material forming a unit;
- a site to be managed: park, arboretum, etc.”

Opinion n° 2009-17 of 10 November 2009 of the French National Accounting Council (“Conseil national de la comptabilité”, CNC) relating to the recognition of assets acquired and received by museums deals with works of art and makes reference to the French Heritage Code (Code du patrimoine)<sup>1</sup>, without ever defining them.

Circular no. INTB0200059C of 26 February 2002 of the Ministry for the Economy, Finance, and Industry and of the Ministry of the Interior, relating to rules for allocating local public-sector expenditures (accounting<sup>2</sup> M14, M51, M52, M1-5-7, M6, M61) and the updated classification for movable assets, also fails to provide a definition of heritage assets.

The classification for the accounts appearing in the instructions for local and regional authorities and their public establishments (M14, M52, M71, etc.) provide, however, like those applicable to public establishments, an account for “collections and works of art” intended to cover “works of art and art objects and historical holdings of libraries and museums corresponding to the definition used by the Ministry of Culture” (namely “all works prior to 1810 and productions of the 19th and 20th centuries owing to their rare nature or because they belong to special or regional collections...”).

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<sup>1</sup> Opinion no. 2009-17 of 10 November 2009 of the French National Accounting Council (“Conseil National de la Comptabilité”), relating to the recognition of assets acquired and received by museums under the authority of a not-for-profit legal entity incorporated under private law, authorizes recognition of the assets defined by Article L.111-1 and the cultural assets defined in Article L.112-11 of the French Heritage Code for a symbolic value with respect to assets acquired or received by museums, managed by national public establishments under the authority of budgetary and accounting instruction M9, or managed by not-for-profit legal entities incorporated under private law.

<sup>2</sup> M14 applicable to communes and communal and intercommunal public establishments of an administrative nature, M51 applicable to regions, M52 applicable to départements, M1-5-7 applicable to mixed associations (syndicats mixtes), M6 and M61 applicable to fire and emergency services for the départements.

### ***2.2.2 Definition of heritage assets falling within the scope of the Opinion***

It proves to be difficult to provide a definition in substance of heritage assets, both because the elements characterising these assets in the accounting standards are scattered and insufficient, and because the scope of these assets is so extensive and imprecise. Consequently, any theoretical definition of such scope is necessarily subjective.

Certainly, some elements can be gleaned to characterise heritage assets. These include:

- immovable and movable assets of historical, esthetical, or scientific interest;
- immovable and movable assets of highly symbolic value because they are rare and/or because of their age;
- assets with service potential directly linked to their nature or their unmeasurable symbolic value. Accordingly, in view of its nature, the value in use of a movable or immovable heritage asset cannot be measured solely based on the future cash flows that it is going to generate (future economic benefits expected from its use and disposal) or even from its service potential which, by definition, cannot be measured. This service potential corresponds to its cultural potential, its general interest for the national heritage from a historical, artistic, archaeological, or scientific point of view with regard to the public or researchers, but that cannot be measured based on economic considerations.

However, these characteristics alone cannot constitute the criteria making it possible to unambiguously define the limits of immovable and movable heritage assets that fall within the scope of the Opinion.

Consequently, the scope of this Opinion has been defined by making reference to existing legislative and regulatory texts that establish particular rules governing heritage assets and that objectively define them using classification or registration procedures. In doing so, the limits of heritage assets are, in fact, defined by indirectly enumerating the assets in question.

Accordingly, the assets falling within the scope of the Opinion are those controlled by one of the entities falling within the scope of the Opinion and subject to one of the sets of governing rules exhaustively listed below.

### ***Immovable heritage assets***

The immovable heritage assets falling within the scope of the Opinion are as follows:

- 1° Listed or registered historical monuments (Articles L.621-1 and L.621-25 of the French Heritage Code);
- 2° Listed or registered natural monuments and sites (Article L.630-1 of the French Heritage Code and Articles L.341-1 and L.342-2 of the French Environmental Code (“Code de l’environnement”));
- 3° Buildings mentioned in France’s Act of 9 December 1905 on the Separation of Church and State (“Loi du 9 décembre 1905 concernant la séparation des Églises et de l’État”).

### ***Movable heritage assets***

Movable heritage assets falling within the scope of the Opinion are mentioned in Article L.112-11 of the French Heritage Code and L.2112-1 of the General Code on Public Entity Ownership (“Code général de la propriété des personnes publiques”). These assets are as follows:

- 1° Cultural assets, falling under the categories defined by Council of State decree:
  - listed historical monuments (Articles L.622-1 and L.622-10 of the French Heritage Code) or historical archives pursuant to the French Heritage Code;
  - assets considered to be national treasures by the Central Government based on the Opinion of the commission provided for in Article L.111-4 of the French Heritage Code.
- 2° Cultural assets that belong to a public entity and that are:
  - either listed on inventories of museum of France (“musées de France”) collections and other museums or organisations that fulfil similar heritage-related missions, archives, or library conservation holdings, or
  - listed historical monuments or historical archives pursuant to the French Heritage Code.

3° Cultural assets that, held in buildings allocated for the public exercise of a religion or their appurtenances, are listed as historical monuments or archives or are considered to be national treasures by the Central Government based on the Opinion of the commission provided for in Article L.111-4 of the French Heritage Code;

4° An identified copy of each of the documents deposited as prescribed for the purposes of creating a national archive by Article L.131-2 of the French Heritage Code (legal deposit);

5° Public archives as defined in Article L.211-4 of the French Heritage Code;

6° Archives from private holdings now held in public collections through acquisition for valuable consideration, gift, payment in kind, or legacy;

7° Movable discovered objects that have become or remain public property under Book V, Title II, Chapter 3 and Title III, Chapter 1 of the French Heritage Code;

8° Movable maritime cultural assets as defined in Book V, Title III, Chapter 2 of the French Heritage Code;

9° Movable objects listed or registered in Book VI, Title II, Chapter 2 of the French Heritage Code or located in a listed or registered building and contributing to the presentation to the public of listed or registered portions of said building;

10° Movable objects other than those mentioned in number 6 above, presenting historical or artistic interest, which have become or remain public property under France's Act of 9 December 1905 on the Separation of Church and State;

11° Museum collections;

12° Contemporary works of art and art objects acquired by the Centre national des arts plastiques and collections of works of art and art objects registered in the inventory of the Fonds national d'art contemporain and held in safekeeping by the Centre;

13° Library collections of antique, rare, or precious documents;

14° Public collections under the authority of the Mobilier national and the Manufacture nationale de Sèvres.

### **2.2.3 Special case of additions**

An addition attached to a heritage asset may be obtained through acquisition, as a result of a transfer between public-sector entities, or by donation.

If the addition itself is a heritage asset (see above), it follows the rules governing heritage assets.

If the addition is not a heritage asset, the addition attached to a heritage asset follows the rules governing subsequent expenditures (see §5).

## **3. Measurement on initial recognition**

### **3.1 Current provisions**

According to the terms of the Central Government Accounting Standards, under the provisions applicable for the opening balance sheet on 1 January 2006<sup>3</sup>, assets having service potential directly related to their nature or unmeasurable symbolic value are measured for a symbolic or fixed non-revisable amount. This is the case of historical monuments. The Central Government Accounting Standards also indicate that in certain exceptional cases, assets whose value is considered highly symbolic and cultural are recognised at identical replacement cost. The same rules<sup>4</sup> apply to measure the value of these assets when there is no known acquisition cost, production cost, or net selling price on initial recognition after issuance of the Central Government's opening balance sheet.

The budgetary and accounting instructions applicable to public establishments, local and regional authorities, and local public establishments, as well as the Plan comptable unique des organismes de sécurité sociale, do not provide for any special provisions concerning initial recognition of heritage assets, save the allocation of “collections and works of art” to a specific account (#216 or #2186) provided for by certain classifications (instructions M9-1, M14, M52, M71, etc.).

Circular n° INTB0200059C of 26 February 2002 of the Ministry for the Economy, Finance, and Industry and of the Ministry of the Interior relating to rules for allocating

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<sup>3</sup> §5.2.2 of Standard 6 of the Central Government Accounting Standards France, dated 21 August 2012.

<sup>4</sup> §2.1.5 of Standard 6 of the Central Government Accounting Standards France, dated 21 August 2012.

local public-sector expenditures (accounting<sup>5</sup> M14, M51, M52, M1-5-7, M6, M61) and the updated classification for movable assets recommends more specifically that account #216 “collections and works of art” should be allocated to expenditures of this type over €500 including all tax.

Lastly, Opinion n° 2009-17 of 10 November 2009 of the French National Accounting Council (“Conseil national de la comptabilité - CNC”) relating to the recognition of assets acquired and received by museums notes that works of art must be registered:

- by not-for-profit legal entities incorporated under private law: for a symbolic value;
- by public establishments: for a symbolic value with respect to works acquired or received before 1<sup>st</sup> January 2006, and for their initial cost (acquisition cost or net selling price) with respect to works acquired or received after 1<sup>st</sup> January 2006.

### **3.2 International comparison**

The comparison of international accounting practices relating to the accounting treatment of heritage assets is presented in Appendix 1. This comparison shows that the countries covered in the analysis (Australia, Canada, the United States, New Zealand, and the United Kingdom) endeavour to distinguish between heritage assets and common assets.

In general, in the absence of a measurement, heritage assets are recognised for a symbolic value and/or information is disclosed in the notes.

Nonetheless, Australia recognises structures with historical interest and cultural assets at depreciated replacement cost, and works of art of national heritage at the net selling price. Only natural heritage assets (natural parks, the oceans, and marine assets) are not recognised due to the difficulty of assigning a reliable financial value to them.

New Zealand uses fair value to recognise its heritage assets, except for irreplaceable assets, which are not recognised.

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<sup>5</sup> M14 applicable to communes and communal and intercommunal public establishments of an administrative nature, M51 applicable to regions, M52 applicable to départements, M1-5-7 applicable to mixed associations (syndicats mixtes), M6 and M61 applicable to fire and emergency services for the départements.

### **3.3 Principles applied in the Opinion**

#### ***3.3.1 General approche***

The Opinion places emphasis on the symbolic character of the value of heritage assets, whether such value results from recording the asset for a token euro or is measured at cost under the following conditions. This symbolic character of a heritage asset's value is reflected, as soon as it is deemed inalienable, by ruling out its recognition at market value and by not changing this value once it is initially recognised.

#### ***3.3.2 Provisions proposed in the Opinion***

Special provisions have been defined for the Central Government's opening balance sheet on 1<sup>st</sup> January 2006. Opinion no. 2009-17 of 10 November 2009 of the French National Accounting Council, which applies to private museums and public establishments managing museums, uses this date to define an accounting convention (different accounting treatment before and after 1<sup>st</sup> January 2006). Nevertheless, for all other public-sector entities, this date is purely conventional as long as the financial statements are kept from a date prior to 1<sup>st</sup> January 2006 and thus have not been covered in the Opinion.

The Opinion makes a distinction between accounting methods for heritage assets based on their situation.

- Starting from the effective date of the Opinion, heritage assets that will be acquired for valuable consideration are recognised at acquisition cost. Assets that will be received at no cost (gifts, payments in kind, or legacies) are recognised at the so-called "tax value"<sup>6</sup> or at the expert appraisal value.
- On the same date, assets already controlled but never recognised are recognised at the value of a token euro.
- Regarding assets that are part of an entity's property that are already recognised, the Opinion does not place in question the initial values used in the past, and does not introduce the possibility of changing these initial values already recorded. If some of these assets had been depreciated in the past, such depreciation is not restated, and the heritage asset is no longer depreciated. The net value becomes the new symbolic value.

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<sup>6</sup> Assets provided in consideration of a tax reduction.

Furthermore, when the control of heritage assets is transferred between public-sector entities, absent an agreement providing for specific procedures, the following provisions apply:

- When the transfer is accompanied by payment of a sum, this sum is used as the initial value.
- When the transfer is not accompanied by payment of a sum, the value appearing in the “transferring” entity's financial statements (value of the heritage asset, subsequent expenditures, depreciation, and, where applicable, impairment of these expenditures) is listed in the “receiving” entity's financial statements. Assets that are already part of the “transferring” entity's property that have never been recognised are recognised at the token euro value in the “receiving” entity's financial statements.

The use of identical replacement cost introduced in the Central Government Accounting Standards<sup>7</sup> for exceptional cases in which the value of the assets is considered highly symbolic and cultural is not included in the Opinion.<sup>8</sup> Defining the various limits within the category of heritage assets is a complicated and particularly subjective exercise, all for an uncertain benefit. Consequently, this provision has been set aside.

## **4. Measurement at the reporting date**

### **4.1 Current provisions**

Heritage assets are currently measured at the reporting date according to the measurement rules appearing in the accounting texts applicable to the various categories of public-sector entities covered in the Opinion.

With respect to the Central Government, the only specific provision relates to works of art. The provisions of the Central Government Accounting Standards<sup>9</sup> specify that, at the reporting date, works of art are measured in the Central Government's financial statements at the same amount as on initial recognition.

As for public entities, since heritage assets are not identified as such (with the exception of “collections and works of art”), they are measured using the same methods applied to the public entity's other tangible assets and are subject to

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<sup>7</sup> §2.1.5 of Standard 6 of the Central Government Accounting Standards, dated 21 August 2012.

<sup>8</sup> Standard 6 of the Central Government Accounting Standards will be amended as a result.

<sup>9</sup> §2.3.2.2 of Standard 6 of the Central Government Accounting Standards, dated 21 August 2012.

depreciation and impairment under the same conditions. The instructions that provide for distinct recognition of “collections and works of art” rule out depreciating them explicitly (M51, M71, etc.) or implicitly, by not providing a corresponding depreciation account (M14, M9-1, etc.).

## **4.2 Principles applied**

As indicated above (see §2.2.2), the value in use of a heritage asset cannot be measured solely based on future cash flows or even on its anticipated service potential, which can be measured only through future economic benefits expected from its use and disposal. Its service potential corresponds to its cultural potential, its general interest for the national heritage from a historical, artistic, archaeological, or scientific point of view with regard to the public or researchers. Since the net selling price of a heritage asset cannot always be reliably measured and since it is irrelevant as it is considered inalienable, and since its value in use is based more on qualitative than quantitative criteria, the conditions are not met to establish a measurement of heritage assets at the reporting date that is different from that used on their initial recognition.

Accordingly, since the value of heritage assets has been ascertained to be symbolic or a fixed amount on their initial recognition, the value used on this initial recognition should remain unchanged.

At the reporting date, heritage assets are measured in the entity’s financial statements for the same amount as on initial recognition. This provision means that heritage assets are not revalued at the reporting date and are neither depreciated nor impaired.

In the event of a substantial, partial change to a heritage asset, a disclosure is provided in the notes.

## **5. Subsequent expenditures**

### **5.1 Recognition of subsequent expenditures**

The work completed on a heritage asset is treated differently than the main asset (“underlying” asset). The main asset appears in the public entity’s financial statements for a value representing its essence, regardless of the amount, and is considered to be symbolic and non-depreciable.

This distinction makes it possible to deal with subsequent expenditures according to the reasoning of ordinary law, without interfering with the accounting treatment applicable to the heritage assets themselves (“underlying” assets).

Heritage assets are often restored or renovated. This work should be analysed depending on whether it is reconstruction work, major maintenance, or routine maintenance.

- Reconstruction work is recognised in tangible assets in addition to and separate from the “underlying” asset.
- Work considered as major maintenance or repairs falls under multiyear programs aimed at checking and maintaining the condition of heritage assets. These expenditures should be recognised as provisions for major maintenance or as components that are distinct from the “underlying” asset.
- Routine maintenance expenditures are recognised as expenses as and when they are incurred.

## **5.2 Measurement of subsequent expenditures at the reporting date**

### ***5.2.1 Depreciation of subsequent expenditures***

Subsequent expenditures relating to heritage assets that may be capitalised have their own depreciation schedules, in contrast to the “underlying” heritage asset, which is not depreciable.

At the reporting date for the accounting period, an allowance for depreciation is recognised for these capitalised subsequent expenditures, in accordance with the depreciation schedule. The allowance for depreciation in each accounting period is recognised as an expense.

The procedures for measuring the depreciable amount, the conditions for reviewing the depreciation schedule (term and depreciation method) required as a result of a significant change in use of the heritage asset corresponding to the capitalised subsequent expenditures, its nature or nature as a result of impairment, adhere to the provisions of ordinary law.

### ***5.2.2 Impairment of subsequent expenditures***

By assimilation to an approach by “components”, subsequent expenditures relating to heritage assets that can be capitalised follow the procedures described in Appendix 2<sup>10</sup> which are derived from procedures under ordinary law.

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<sup>10</sup> Provisions consistent with the Central Government Accounting Standards France.

### **5.3 Special accounting procedures for partly recognised heritage assets**

Some heritage assets have never been recognised, with the exception of subsequent expenditures (additions, fit-outs, reconstruction work, etc.).

As long as ordinary-law provisions are applied, the Opinion does not change the recognition of expenditures already incurred (by assimilation to an approach by “components”).

## **6. Derecognition and measurement on derecognition**

A heritage asset and any additions associated with it (additions, capitalised subsequent expenditures, etc.) are derecognised when the entity no longer has control of it or when the asset is destroyed.

In both cases, derecognition adheres to the provisions relating to tangible assets provided for in the accounting standards for the entities concerned.

## **7. Disclosures in the notes**

### **7.1 Accounting methods**

The notes describe the accounting methods applied to heritage assets and related subsequent expenditures, in particular the procedures for:

- ✓ Determining value on initial recognition;
- ✓ Recognition at the reporting date (depreciation and impairment of subsequent expenditures).

### **7.2 Notes on the balance sheet**

A line relating to heritage assets appears in the tables of figures presented in the note on changes to tangible assets. Comments are provided on the main changes concerning heritage assets and subsequent expenditures related to acquisitions, disposals, value impairment, depreciation, and similar changes.

With respect to heritage assets recognised for a symbolic value, an appropriate qualitative disclosure is provided in the notes, including their main characteristics and, where applicable, the description and amount of any work undertaken.

Moreover, if the entity so decides, a value other than that recognised on the balance sheet may be mentioned for information purposes (for example, market value if it is known, insurance value, etc.). This disclosure must include the date the measurement was conducted.

In the event of a substantial, partial change to a heritage asset, an appropriate disclosure is provided in the notes.

Heritage assets are inalienable. However, they may be sold after appropriate legal proceedings. For a heritage asset that has officially entered such proceedings for a sale, at the reporting date of the accounting period during which the asset can be legally sold, a disclosure relating to the proceedings and the estimated net selling price of the asset in question is provided. If the disposal of the asset is renounced (in connection with proceedings unequivocally documenting this decision), an appropriate disclosure is provided in the notes.

## **8. Qualification of the change**

As seen in this note, since current provisions are neither uniform nor always workable for heritage assets, the provisions of the Opinion do not represent a change in accounting method, a correction of errors, or a change in accounting estimate.

The Council does not consider that retrospective application would be relevant given the situations in question. As a simplification<sup>11</sup>, the Opinion is applicable for future periods to transactions that will occur after its effective date, including when such transactions relate to all or a portion of the heritage assets held prior to its effective date and not recognised or only partly recognised.

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<sup>11</sup> In reference to what was done in connection with Opinion no. 2012-02 of 4 May 2012 of the Public Sector Accounting Standards Council relating to the conditions of initial recognition of tangible assets previously not recognised due to particular situations.

## **9. Effective date**

The Public Sector Accounting Standards Council is of the opinion that the provisions relating to heritage assets should be applied as from 2013 (reporting period ending the 31<sup>st</sup> December 2013), with earlier application permitted.

## Appendix 1 – International comparison

This comparative study relates to the accounting treatment of heritage assets in the financials statements of the following countries: Australia, Canada, the United States, New Zealand, and the United Kingdom.

In Australia, when a building or monument is part of the national heritage or has significant cultural importance, it is listed as an “asset of historical or cultural interest.” Three categories are distinguished:

- ✓ Structures with historical interest and cultural assets such as buildings are recognised as assets and valued at depreciated replacement cost. Continuous depreciation is not authorised when the intent is to maintain the asset in its current condition indefinitely.
- ✓ Works of art that are part of the national heritage are valued at their net selling price.
- ✓ Natural heritage assets, such as national parks, the oceans, and marine assets exclusively in Australia’s economic area, are not recognised as assets due to the difficulty of assigning a reliable financial value to them. They are generally not mentioned in the notes to the financial statements.

In Canada, operational assets representing heritage assets are recognised as tangible assets. Non-operational assets, such as immovable assets on reserves, the cost of works of art and museum collections, and public lands to which an acquisition cost cannot be assigned, are not recognised. However, a disclosure is provided in the notes to the financial statements.

In the United States, the accounting treatment of historical or cultural assets stems from the distinction between “heritage assets” and “multi-use heritage assets”. “Heritage assets” are generally not recognised on the central government’s balance sheet. These are mainly property, plant, and equipment of historical or natural significance, structures of cultural, educational or artistic importance, or buildings with significant architectural characteristics. However, a disclosure is provided in the notes to the financial statements. “Multi-use heritage assets” are heritage assets that are also used in connection with federal government operations and are recognised according to the provisions of SFFAS 6 “Property, Plant and Equipment”, in other words, generally at cost.

## Appendix 2 – Impairment of subsequent expenditures

The value in use of a heritage asset is not measured according to future cash flows, but according to its anticipated service potential, i.e. its cultural potential, its general interest for the national heritage from a historical, artistic, or archaeological point of view with regard to the public, and not solely the potential future economic benefits expected from its use and disposal. This is frequently true as well for subsequent expenditures related to heritage assets.

An impairment loss occurs to a subsequent expenditure related to a heritage asset when its recoverable amount has become substantially lower than its net carrying amount, which no longer corresponds to the residual service potential if use of the heritage asset continues.

Therefore, if the recoverable amount is lower than the net carrying amount, the latter is adjusted to the recoverable amount by recognition of an impairment loss. However, if the recoverable amount is not considered significantly lower than the net carrying amount, the latter is maintained on the balance sheet. The impairment loss, if any, is recognised as an expense.

Recognition of impairment, whether initially or as subsequent changes to the initial amount, modifies the depreciable amount of the impaired asset for future periods as well as its depreciation schedule.

### Impairment criteria

At each reporting date, and for all subsequent expenditures relating to heritage assets with a known or determinable cost, the entity needs to assess whether there is any evidence of a substantial impairment of value. When there is evidence of impairment, an impairment test needs to be conducted. The net carrying amount is compared to its recoverable amount:

- if the recoverable amount is greater than the carrying amount, no impairment loss is recognised;
- if the recoverable amount is less than the carrying amount, the impairment loss is equal to the difference between the carrying amount and the recoverable amount.

It should be noted that the recoverable amount is the greater of the net selling price and the value in use. Value in use is used when the net selling price cannot be determined. Comparison with either one of the two amounts is adequate: if either amount is greater than the carrying amount, no impairment loss is recognised.

The same rules used to recognise the first impairment loss on a heritage asset must also be applied at each reporting date.

### Evidence of impairment

In assessing whether there is any evidence of substantial impairment, the following evidence at a minimum must be considered:

- external evidence:
  - during the accounting period, an asset's value has declined more than would be expected as a result of the passage of time or normal use;
  - significant changes in the environment (technical, economic, legal, etc.) with a negative impact on the heritage asset have occurred during the accounting period or are likely to occur in the near future.
- internal evidence:
  - evidence is available of obsolescence or tangible damage to an asset that was not foreseen in the depreciation schedule;
  - major changes in the extent to which or the manner in which an asset is used, especially with regard to its intended use, have occurred during the accounting period or are likely to occur in the near future. This refers more specifically to plans to discontinue use.