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RÉPUBLIQUE FRANÇAISE

CNOCP
Conseil de normalisation des comptes publics

Opinion n° 2012–02 of 4 May 2012 relating to the conditions of initial recognition of tangible assets previously not recognised due to particular situations

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MINISTÈRE DU BUDGET
DES COMPTES PUBLICS
ET DE LA RÉFORME DE L'ÉTAT

1. Scope

The Opinion applies to the conditions of initial recognition, as part of a one-off adjustment to the accounts within a restricted time frame, of tangible assets not previously recognised due to two particular situations.

1.1 Entities concerned

The Opinion applies to all those public sector entities that, not having implemented an upgrading of their accounts, find themselves in one of the two particular situations described below (§ 1.2 and § 1.3).

1.2 Assets that are inventoried but not recognised

The first situation covers inventoried tangible assets that were not recognised because their acquisition cost was unknown or for which no valuation was available, and that the entity is able to measure reliably for the first time.

1.3 Assets recently inventoried as part of a self-initiated plan

The second situation relates to tangible assets which have been recently inventoried as part of a plan within a restricted time frame to upgrade the accounts after a full inventory of all assets, including when this is carried out at the entity's initiative.

The Opinion is applicable when this plan is complemented by reliable valuations of the assets so as to enable their recognition in the accounts.

2. Measurement of the tangible asset on initial recognition

2.1 Entry values in the identified situations

Tangible assets that are inventoried but not recognised or recently inventoried as part of a plan within the scope of the Opinion are recognised at net selling price, which by convention is deemed to be their historical cost.

The net selling price is the amount that could be obtained for the sale of an asset in an arm's length transaction, less disposal costs.

2.2 Exceptional cases where replacement cost is used

Those specific assets for which no directly identifiable net selling price exists (in exceptional cases, as measurement at net selling price is to be preferred) are measured at replacement cost.

Replacement cost is based on an estimation of the cost of a similar asset with an identical service potential taking into account the use of the asset and/or its obsolescence.

Replacement cost is recognised net, which by convention is deemed to be historical cost.

2.3 Exceptional cases where it is impossible to determine a reliable entry value

In those cases, which must remain exceptional, where it is not possible to determine a reliable entry value (net selling price or replacement cost), the assets concerned will nevertheless be recognised in the accounts.

In addition, appropriate disclosure is made in the notes to the financial statements indicating in particular why it is impossible for the entity to determine an entry value.

2.4 Date for recognising the entry value

The date for recognising assets within the scope of the Opinion is defined as the last day of the period in which the relevant assets are recognised (reporting date).

2.5 Specific treatment of partly recognised tangible assets

When an asset within the scope of the Opinion has been partly recognised, the difference between the total entry value of the asset and the amounts previously recognised is accounted for as an asset without modifying the treatment of the part already recognised.

2.6 Specific treatment of major maintenance expense

When applicable, provisions for major maintenance are recognised with a balancing entry in account 11 “Accumulated surplus/deficit brought forward” for an amount based on the major maintenance schedule at the date of the adjustment. The amount of the provision is the portion of total scheduled maintenance expense relating to past periods (period of accrual) determined on a straight-line basis. The accounting treatment of any existing provisions for major maintenance already recognised by the entity is not affected and remains unchanged.

The public sector entities which apply the “components approach” shall recognise, for those assets within the scope of the accounting adjustment, a major maintenance component as part of the entry value of the relevant assets. As an exception, no major maintenance component is recognised for those assets which have a token carrying value of one euro at the date of the accounting adjustment.

The major maintenance component is measured as the net amount determined at the date of the accounting adjustment by estimating future maintenance expense less the depreciation which should have been recognised for the component at that date. It is subsequently depreciated over the residual period outstanding up until the scheduled date for major maintenance.

3. Recognition of the balancing entry for the tangible asset

The balancing entry for the tangible asset is recognised in net assets/equity.

Where partially recognised tangible assets are allocated to a source of funding, the initial accounting treatment for the latter is not affected and remains unchanged.

4. Presentation and disclosure

4.1 Presentation of the accounts

The Opinion does not contain any specific requirement relating to the presentation of assets and liabilities arising from the application of these accounting adjustments. The latter are recognised under the balance sheet headings to which they relate.

4.2 Accounting policies

The notes provide a description of the accounting policies applied to the assets and liabilities relating to tangible assets within the scope of the Opinion, in particular with respect to the determination of entry value.

4.3 Accounting information

As the assets concerned are included in the different classes of tangible assets, at the foot of the tables presenting changes in gross value and depreciation, the opening and closing amounts relating to these assets are disclosed for each period.

The information on the changes in net assets/equity during the period discloses amounts recognised directly in net assets/equity during the period for tangible assets within the scope of the Opinion.

4.4 Other information

An entity wishing to benefit from the specific provisions set out in paragraph 6 of the Opinion shall make the disclosure in the notes required by that paragraph.

5. Qualification of the change

The provisions of the Opinion do not constitute a change in accounting policy, a correction of errors, or a change in accounting estimate. The Opinion applies to particular situations encountered that form part of an accounting adjustment within a restricted time frame and relates to tangible assets not previously recognised by the public sector entities.

The Opinion applies prospectively to accounting adjustments that will take place after it comes into force, including when these adjustments refer wholly or partly to tangible assets acquired before it came into force but were not recognised in the accounts or only partly recognised.

6. Effective date and specific provisions

The Public Sector Accounting Standards Council is of the opinion that the provisions relating to the initial recognition of tangible assets not previously recognised due to the two particular situations within the scope of the Opinion should be applied immediately.

The Public Sector Accounting Standards Council allows the application of the Opinion to be spread over a period not exceeding 5 years. This period begins on the date when the public sector entity first recognises an asset within the scope of the two situations in the Opinion.

An entity which wishes to benefit from this progressive application period must nevertheless recognise all the tangible assets belonging to the same class (land, property, etc.) or, if applicable, belonging to the same geographical zone (region, etc.) in the same accounting period. It discloses the relevant classes of assets/geographical zones and mentions those still requiring adjustment.