

**Opinion n° 2012–07  
of 18 October 2012  
relating to heritage assets**

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## **1. Scope and definition**

The Opinion sets out the accounting procedures relating to heritage assets.

### **1.1 Entities concerned**

The Opinion applies to all public-sector entities possessing heritage assets.

### **1.2 Definition of heritage assets**

Assets falling within the scope of the Opinion are those controlled by a public-sector entity subject to one of the sets of governing rules exhaustively listed below.

#### ***1.2.1 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”).

#### ***1.2.2 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 publics”). 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.

### *1.2.3 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 §4).

## **2. Measurement on initial recognition**

The accounting methods for a heritage asset differ depending on its situation.

- Starting from the effective date of the opinion, heritage assets that will be acquired for valuable consideration are recognized 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>1</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

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<sup>1</sup> Assets provided in consideration of a tax reduction.

past, such depreciation is not restated, and the heritage asset is no longer depreciated. The net value becomes the new symbolic value.

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.

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

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.

### **4. Subsequent expenditures**

#### **4.1 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.

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.

## **4.2 Depreciation of subsequent expenditures**

### ***4.2.1 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.

### ***4.2.2 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 which are derived from procedures under ordinary law.

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

As long as ordinary-law provisions are applied, the opinion does not change the recognition of expenditures already.

## **5. 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.

## **6. Disclosures in the notes**

### **6.1 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).

### **6.2 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.

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.

## **7. Qualification of change**

The provisions of the Opinion do not represent a change in accounting method, a correction of errors, or a change in accounting estimate.

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.

## **8. 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 – 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.