

**Opinion n° 2013-03
of 14 January 2013
relating to including the provisions
of Opinion n° 2012-07 of 18 October 2012
in the Central Government Accounting Standards
(new Standard 17 on heritage assets)**

1. Background

The Public Sector Accounting Standards Council (“*Conseil de normalisation des comptes publics – CNoCP*”) adopted Opinion n° 2012-07 relating to heritage assets on 18 October 2012. The purpose of this Opinion is to include its provisions in the Central Government Accounting Standards.

The Council recommends creating a new standard “Heritage Assets” in the Central Government Accounting Standards, taking into account the characteristics of these assets that set them apart from intangible and tangible assets.

2. Main provisions of the Opinion

In connection with including the provisions of Opinion n° 2012-07 in the Central Government Accounting Standards, certain modifications have been made to take into account the specific nature of the Central Government’s activities.

As such, new provisions relating to assets having historical and cultural elements have been introduced.

Conversely, Standard 17 of the Central Government Accounting Standards does not include the option of mentioning in the notes for information purposes a value different than the one used to recognise and measure a heritage asset on the balance sheet.

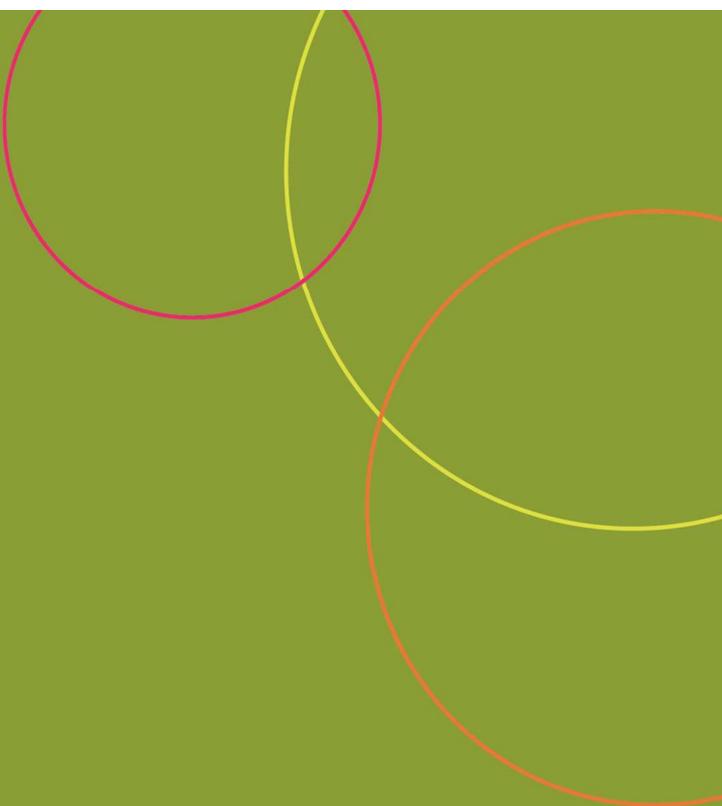
3. Qualification of the Change

The provisions relating to heritage assets constitute a change in accounting methods.

These provisions are applicable for future periods to transactions that will occur after their effective date, including when such transactions relate to all or a portion of the heritage assets held prior to the effective date and not recognised or only partly recognised.

4. Effective Date

In accordance with the provisions of Opinion n° 2012-07, the provisions of this Opinion are applicable to the Central Government's financial statements as from 2013 (reporting period ending the 31st December 2013), with earlier application permitted.



STANDARD 17

HERITAGE ASSETS



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STANDARD 17 - HERITAGE ASSETS

INTRODUCTION

This Standard is applicable to heritage assets, which it defines notwithstanding any provision to the contrary in Standard 6 “Tangible Assets”.

I. DEFINITION

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.

In light of this, 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 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 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 according to economic considerations.

However, these characteristics alone cannot constitute the criteria making it possible to unambiguously define the limits of immovable and movable heritage assets. Consequently, the definition of heritage assets refers 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.

II. MEASUREMENT

II.1. Measurement on initial recognition

The Standard 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 under the conditions described in this Standard.

This symbolic character of the value of heritage assets, for which they are considered inalienable, is reflected by ruling out recognition at market value and by not changing this value once it is initially recognised.

II.2. Measurement at the reporting date

As indicated previously, 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, the symbolic value or fixed value amount used for initial recognition of heritage assets should remain unchanged.

At the reporting date, heritage assets are measured in the Central Government'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.

II.3. Subsequent expenditures

The work completed on a heritage asset is treated differently than the main asset. The main asset appears in the Central Government'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).

As noted in the introduction to Standard 6, the Central Government has not used an approach by components for its property assets. And, in the case of major repairs or renovation and maintenance programs, it does not establish provisions for expenses in accordance with changes in accounting standards.

Consequently, for work comparable to major maintenance or repairs falling under multiyear programs aimed at checking and maintaining the condition of heritage assets, expenses are not recognised as provisions for major maintenance or as components.

III. OPENING BALANCE SHEET ON 1ST JANUARY 2006

According to the terms of Standard 6 under the provisions applicable for the opening balance sheet on 1st January 2006, assets having service potential directly related to their nature or unmeasurable symbolic value have been recognised for a symbolic or fixed non-revisable amount. This is the case for historical monuments and works of art currently held in the Central Government's collections. Furthermore, in certain exceptional cases, assets whose value is considered highly symbolic and cultural should be recognised at identical replacement cost.

The same rules have been applied 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.

IV. POSITION OF THE STANDARD WITH REGARD TO OTHER ACCOUNTING STANDARDS UPON ITS APPROVAL IN 2013

In accordance with article 30 of the Constitutional Bylaw of 1st August 2001 relating to Budget Acts, this Standard has been drawn up in compliance with the general principles applicable to business accounting, except for differences warranted by the specific nature of Central Government activity.

The Standard is based on Opinion n° 2009-17 of 10 November 2009 of the French National Accounting Council (“Conseil national de la comptabilité, CNC”) and on IPSAS 17 on Property, Plant, and Equipment, particularly for the provisions relating to measurement.

Opinion n° 2009-17 of 10 November 2009 of the National Accounting Council relating to the recognition and measurement of assets acquired and received by museums authorises recognition of the assets defined by Article L.111-1 and of the cultural assets defined by Article L.112-1 of the French Heritage Code:

- > 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 1st January 2006, for their initial cost (acquisition cost or net selling price) with respect to works acquired or received after 1st January 2006.

IPSAS 17 on Property, Plant, and Equipment does not require the recognition and measurement of heritage assets according to the definition and recognition criteria for property, plant, and equipment. Under IPSAS 17, if an entity does recognise heritage assets, it must apply the disclosure requirements of this standard and may, but is not required to, apply the measurement requirements of this standard.

With respect to subsequent expenditures, the rules of ordinary law stemming from the French General Chart of Accounts (“Plan comptable general”) are applicable.

STANDARD 17 - HERITAGE ASSETS

REQUIREMENTS

1. DEFINITION

Heritage assets are assets controlled by the Central Government and are subject to one of the sets of governing rules exhaustively listed below.

1.1. Immovable heritage assets

Immovable heritage assets 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. Movable heritage assets

Movable heritage assets 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 national de Sèvres.

1.3. 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, 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.

1.4. Assets with historical or cultural elements

When a property asset, which may be presented in the form of a property complex not representing a heritage asset as defined in paragraph 1.1, includes one or more elements that are by nature or intent inseparable and that are mentioned by the texts listed in paragraph 1.1, the entire asset adheres to the provisions of Standard 6.

2. MEASUREMENT

2.1. Measurement on initial recognition

- > Starting from 1st January 2013, heritage assets acquired for valuable consideration are recognised at acquisition cost. Assets received at no cost (gifts, payments in kind, or legacies) are recognised at the so-called “tax value”¹ 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 the Central Government’s property that are already recognised at 1st January 2013, the Standard does not place in question the initial values used in the past, and does not offer the possibility of changing these initial values already recorded. If some of these assets had been depreciated, recognised for impairment loss, or revalued in the past, such depreciation, impairment loss, or revaluation is discontinued and is not restated. The net value of the asset at 1st January 2013 becomes the new symbolic value.

Furthermore, when the control of heritage assets held by public-sector entities is transferred to the Central Government, 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, value impairment of these expenditures) is listed in the Central Government’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 Central Government’s financial statements.

2.2. Measurement at the reporting date

At the reporting date, heritage assets are measured in the Central Government’s financial statements for the same amount as on initial recognition.

They are not likely to be subject to depreciation, impairment in value, or revaluation.

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

3. SUBSEQUENT EXPENDITURES

3.1. 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 Central Government’s financial statements for a value

¹ Assets provided in consideration of a tax reduction.

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 work that can be capitalised or routine maintenance.

- > Work performed on heritage assets that can be capitalised is recognised as tangible asset in addition to and separate from the “underlying” asset.
- > Routine maintenance expenditures are recognised as expenses as and when they are incurred.

3.2. Measurement of subsequent expenditures at the reporting date

3.2.1. 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.

3.2.2. Impairment of subsequent expenditures

Subsequent expenditures relating to heritage assets that can be capitalised follow the procedures described in the Examples section, which are derived from provisions under ordinary law.

3.3. 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 recognition of expenditures that have already been incurred remains unchanged.

4. DERECOGNITION AND MEASUREMENT ON DERECOGNITION

A heritage asset and any additions associated with it (additions, capitalised subsequent expenditures, etc.) are derecognised when the Central Government 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 Standard 6.

5. DISCLOSURES IN THE NOTES

5.1. 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).

5.2. 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.

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

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

STANDARD 17 - HERITAGE ASSETS

EXAMPLES

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 central government 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.