



HERITAGE ASSETS

Introduction

The Accounting Standards Board has issued a new Financial Reporting Standard - FRS 30 'Heritage Assets'. It is said to "improve the reporting of assets held by museums and art galleries", introducing "significant new disclosure requirements for reporting the content and value of collections".

The FRS seeks to ensure enhanced disclosures apply to all heritage assets and, where information is available on cost or value, heritage assets are reported in the balance sheet.

In developing the FRS, the ASB has considered comments on a January 2006 Discussion Paper and on two exposure drafts, FRED 40 and 42. Although these proposed more radical approaches to accounting for Heritage Assets, the ASB has not been persuaded there is a better accounting solution for heritage assets than the current approach, which is based on the 1999 Financial Reporting Standard FRS 15 'Tangible fixed assets'.

FRS 30 should be applied in respect of accounting periods beginning on or after 1 April 2010, but earlier application is encouraged.

Definition of a heritage asset

A heritage asset is defined as:

- "A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities...
- ...that is held and maintained principally for its contribution to knowledge and culture."

It is important to note that there are two parts to the definition. Even if an asset has heritage qualities, if the asset is used by an entity in its operations it should be accounted for as an operational asset.

Take an Oxford College for example. The College will own buildings that undoubtedly have historical qualities, but if these buildings are used for teaching, accommodation or administration, they are operational assets and not heritage assets. However, the FRS suggests in an appendix that entities using historical buildings and similar assets may wish to consider whether it might be appropriate to apply the disclosures required by this FRS.

Recognition in the balance sheet

FRS 30 requires heritage assets to be reported as tangible fixed assets in the balance sheet where information is available on cost or valuation.

To encourage inclusion in the balance sheet at valuation FRS 30 allows the use of internal valuations every year without the need for a full valuation every five years.

Where cost or value cannot be obtained at a cost commensurate with the benefits to users of the financial statements, the assets will not be recognised in the balance sheet.

Valuations may be made by any method that is appropriate and relevant.

Depreciation need not be provided on heritage assets which have indefinite lives, but the carrying value of an asset should be reviewed where there is evidence of impairment, for example where there is physical deterioration or breakage.



Disclosure requirements

FRS 30 sets out additional disclosure requirements for the reporting of heritage assets which apply to all heritage assets even if they are not included in the balance sheet. FRS 30 disclosure requirements take precedence over FRS 15 where appropriate. The following is required:

- An indication of the nature and scale of heritage assets held by the entity
- The policy for the acquisition, preservation, management and disposal of heritage assets
- Description of records maintained on heritage assets and information on the extent to which access to the assets is permitted
- The accounting policies adopted for heritage assets
- Reasons why any heritage assets are not reported in the balance sheet and a note to explain the significance and nature of those assets, including information helpful in assessing the value of those heritage assets
- An analysis of movements in cost and/or valuation of those heritage assets which are included on the balance sheet, for the financial period and the previous four periods (but not earlier than the period prior to the period FRS 30 is first adopted)
- Sufficient information to assist in an understanding of any valuations being reported and their significance
- The nature and extent of significant donations of heritage assets. These should be reported in the income and expenditure account or SOFA at valuation. Where, exceptionally, it is not practicable to obtain a valuation of such heritage assets, the reasons why should be stated

The above is a summary of the main requirements of FRS 30. If you have any questions on the application of it to your circumstances, please contact a member of our charity team on 01865 261100.