

AIM Guidance Notes

FRS 102

FINANCIAL REPORTING OF HERITAGE ASSETS IN ANNUAL ACCOUNTS

This paper, which has been written in conjunction with [Crowe](#), discusses the treatment of heritage assets under FRS102.*

What is FRS 102?

This is the financial reporting standard for UK companies which includes how heritage assets should be reported by museums, galleries and heritage bodies in their accounts. It replaces a previous standard (FRS 30) which was in place until 2015. This guidance note also explains how this also related to the Charities Statement of Recommended Practice 2015 (SORP 2015).

FRS 30

The first separate requirements for reporting Heritage Assets were set out in Financial Reporting Standard 30 - Heritage Assets ('FRS 30') which came into force for accounting periods beginning on or after 1st April 2010. 'Heritage Assets' are items held by museums, galleries and heritage bodies (i.e. collections, landscape and buildings) maintained principally for their contribution to knowledge and culture.

FRS 30 was superseded in 2015 by FRS 102 which has been applicable to financial statements for accounting periods starting on or after 1 January 2015.

What does FRS 102 say?

FRS 102 largely follows the same principles and requirements as in FRS 30, recognising that the holding of Heritage Assets is a specialised activity and therefore including the specific accounting and reporting requirements for Heritage Assets within its specialist activities section 34.

One issue that has been clarified within FRS 102, works of art and similar objects held by commercial entities which are not maintained principally for their contribution to knowledge and culture are accounted for under the normal tangible fixed asset requirements. Similarly, assets used by the entity itself, for example historic buildings used for teaching by education establishments, are also accounted for as normal tangible fixed assets.

FRS 102 requires that organisations which are holding assets principally for their contribution to knowledge and culture should provide information about their total holdings of these Heritage Assets and their stewardship. However, FRS 102 does not include the same presumptions as in FRS 30 that *'if heritage assets are not capitalised, the balance sheet will provide an incomplete picture of an entity's financial position.'* Specifically, it recognises that where information on the cost or value of an asset is not available and cannot be obtained at a cost which is commensurate with the benefits to

users of the financial statements, the assets shall not be recognised in the statement of financial position.

For any Heritage Assets not recognised in the statement of financial position, FRS 102 requires that the notes to the financial statements should (i) explain the reasons why, (ii) describe the significance and nature of those assets, and (iii) disclose information that is helpful in assessing the value of those heritage assets.

Not including all heritage assets on the balance sheet does not, in AIM's view, provide 'an incomplete picture' since it is incumbent on museums in any case to publish their catalogues and make their collections (heritage assets) available and as widely known as possible.

In order to avoid costly and unnecessary valuations we continue to suggest a suitable form of words might be incorporated into the financial statements that form part of your Annual Report and Accounts. An illustrative example is provided below:

'It is the policy of the Trust not to capitalise heritage assets belonging to the Museum, where a reliable estimate cannot be made of the asset's fair value or the information on cost or value is not available and which cannot be obtained at a cost which is commensurate with the benefits to the users of the financial statements. These are in effect inalienable, held in perpetuity, and are mostly irreplaceable. Any financially based valuation would be misleading to the value and significance of the material culture involved. The trust has a clear duty of care for these assets and to make them available for the enjoyment and education of the public as far as is possible, commensurate with their long-term care and preservation. The highest possible standards of collection management are applied, and the catalogues are made available as widely as possible to facilitate all enquiries and requests for information, subject to appropriate security and data protection guidelines.'

There may be some categories of material held by your museum that do not constitute part of your inalienable collections e.g. material held for education use or printed books. As noted above FRS 102 may require that you include these as a financial asset where realistic valuations exist and where they have a significant value.

A copy of **FRS 102** can be downloaded from the FRC website: <https://www.frc.org.uk/> .

It should be noted that the main sections of FRS 102 do not apply to small entities which meet the size criteria for a small company under the Companies Act 2006, this being most companies with an annual turnover below £10.2m. FRS 102 does include in Section 1A certain guidance on disclosures but the guidance for Heritage Assets is limited to reporting the recognised balances and movements in the period only.

Charities Statement of Recommended Practice (SORP 2015)

However, for charities the Charities Statement of Recommended Practice 2015 (SORP 2015), which provides a comprehensive framework of recommended practice for charity accounting and reporting, effectively mirrors the FRS 102 accounting and disclosure requirements for Heritage Assets. This therefore requires all charities to report the same information on Heritage Assets as required by FRS 102 where any assets are not

shown in the balance sheet.

In addition, SORP 2015 also adds a requirement to report a five-year summary showing separately those transactions and assets that are included in the balance sheet and those that are not, effectively continuing a disclosure from FRS 30 that was excluded in FRS 102.

SORP 2015 is available on a separate Charities SORP website:

http://charitiessorp.org/media/619101/frs102_complete.pdf

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