



Mark Jones, Chair

Alan O'Connor
Accounting Standards Board
5th Floor Aldwych House
71 – 91 Aldwych
London WC2B 4HN

9 October 2008

NMDC Response: Financial Reporting Exposure Draft 42

The NMDC represents the leaders of the UK's national collections, including the national museums in England, Scotland, Wales and Northern Ireland, the British Library, National Library of Scotland, and the National Archives. Its purpose is to represent the interests of national museums to government and other stakeholders, to play a key role in the development of the work of its members and their contribution to society and the economy, and to discuss and present views on matters of common interest to its members. Further information about the NMDC can be found on our website: www.nationalmuseums.org.uk.

NMDC welcomes the opportunity to comment on *Financial Reporting Exposure Draft 42: Heritage Assets* (FRED 42). Finance Directors from across our membership support the following points:

- National museums were supportive of the proposals outlined in FRED 40. It was a very well considered, thoroughly researched, comprehensive paper that recommended an approach which addressed almost all of our concerns with the existing accounting treatment. It would have resulted in clear, consistent, intelligent, transparent disclosure, enhanced by information that would have enabled a reader of the accounts to assess the nature and significance of the collection in our care and the quality of our stewardship.
- The approach set out in FRED 42 would seem to be a retrograde step that will not enhance either the presentation or the clarity of museum accounts. In particular, NMDC strongly disagrees with the view set out in FRED 42 that *“it is better to report some assets in the balance sheet rather than none, even if this results in only part of an entity’s collection of heritage assets being capitalised”*. Since this is likely to sustain the current position, under which the carrying value of the collection on the balance sheet is inconsistent, meaningless and misleading.
- While NMDC does agree that the additional disclosure requirements retained from FRED 40 have the potential to provide useful and relevant information to a reader of the accounts, overall NMDC is not able to support the proposals outlined in FRED 42, which do not offer any meaningful improvements to the very significant shortcomings of the existing accounting treatment.