**Accounting for . . .**

**Redundant manses**

A redundant manse remains a functional fixed asset whilst rented out temporarily, even if that situation lasts for some years, as long as the review of fixed assets at each year-end concludes that the renting out is temporary. When it ceases to be temporary, the property becomes an investment property and must then be carried at “fair value” (which is very strictly defined by FRS102 s.16). It can revert from investment property status to functional status (with a reversal of the revaluation gains previously accounted for when it was an investment property) as soon as the Circuit meeting decides that the property will be used for housing a minister and become a manse again. It cannot be a functional asset if it is let on a five year lease, for example. Nor can the Circuit retain it as a functional asset if it decides that it would gain more in capital appreciation value by selling the existing manse and buying another property on the other side of town, unless it was realistic to think that the new house would be occupied as a manse.

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**Sales of churches**

The sale by a Church of the church building is a capital receipt of the Church.  But when the sale proceeds are passed (together with other monies perhaps) to the Circuit, that is income of the Circuit.  The proceeds should be included in the income of the Circuit for determining which side it is of the threshold for accruals-based accounting or for audit (as opposed to IE) and in very many cases it will cause the Circuit to exceed the R&P limit and the accruals-basis will be expected to be used. If there is a long period (especially if it straddles a connexional year-end, say) between the Church closing and the asset passing (as a building, as contemporaneous events) to the Circuit and the eventual sale, the asset should be brought into account in the Circuit as an investment property and be accorded a fair value (see FRS102 s.16).  Its previous value on the balance sheet of the Church is not relevant.  For simplicity the value on the Circuit’s balance sheet should be the estimated sale price (net of costs of sale).  From this could be deducted the anticipated CPF levy as this will never be received by the Circuit.  Until the point of sale, the Circuit should bear running costs (maybe background heating, minor repairs, insurance) through the Circuit SOFA.  Any major repairs such as fixing the roof should be capitalised providing the ultimate value does not exceed fair value.  When the Church is sold, there will be a gain or loss after deducting the cost of sale and this gain or loss should be accounted for in the year of sale through the SOFA.

In this case it has been assumed that the Church (the people) has closed and has not merged with another Methodist Church.  If the Church continues to exist, and is meeting in a school hall for example, the situation is different as it is still an entity and must account for its income and expenditure.

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As amended 08/10/20