



**INTERNATIONAL FEDERATION
OF ACCOUNTANTS**

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DATE: 28 SEPTEMBER 2006
MEMO TO: MEMBERS OF THE IPSASB
FROM: JOHN STANFORD
SUBJECT: ANALYSIS OF SUBMISSIONS ON CONSULTATION PAPER:
"ACCOUNTING FOR HERITAGE ASSETS UNDER THE
ACCRUAL BASIS OF ACCOUNTING"

ACTION REQUIRED

The Committee is asked to:

- **Note** the Submissions on the Consultation Paper, "Accounting for Heritage Assets under the Accrual Basis of Accounting" and the analysis of those submissions; and
- **Provide** directions on the approach to be taken to developing requirements and guidance for accounting for heritage assets

AGENDA MATERIAL

	Pages
13.2 Summary of submissions	13.14-13.78
13.3 Additional Submissions Received	Second Distribution (if necessary)
13.4 Consultation Paper, "Accounting for Heritage Assets under the Accrual Basis of Accounting"	Distributed previously

BACKGROUND

The IPSASB issued the Consultation Paper, "Accounting for Heritage Assets under the Accrual Basis of Accounting" in February 2006. The Consultation Paper incorporated a Discussion Paper developed and issued by the United Kingdom Accounting Standards Board (UK ASB), "Heritage Assets: Can Accounting do Better?" Comments on the IPSASB Consultation Paper were requested by 30 June 2004. As at 6 September 2006 thirty seven (37) submissions had been received. If additional responses are received they will be made available to members before the meeting.

A summary and analysis of submissions is included at Agenda Item 9.2. As with all summaries and analyses, judgment has been necessary in clarifying responses and drawing out major points made by respondents. The summary should therefore be read in conjunction with the submissions themselves. This is particularly true in respect of responses to this Consultation Paper where a large number of different views were expressed, particularly on issues such as appropriate measurement bases for heritage assets and requirements for depreciation and impairment. A list of additional points raised in submissions is included at the end of Agenda Item 9.2 from pages 13.72 to 13.78.

This memorandum summarizes respondents comments on the issues raised in the Consultation Paper and explores the implications of those responses for the development of approaches to accounting for heritage assets by the IPSASB.

Members may wish to note that the UK ASB is proceeding with an “[accelerated approach](#)” and has an aim of [issuing amendments to the UK Standard dealing with property, plant and equipment, FRS 15, “Tangible Fixed Assets” in February/March 2007 to be effective for accounting periods starting on or after 1 April 2007 – with earlier adoption permitted.](#)

General Observations and Themes

Geographically the response was dominated by Australia and New Zealand. Fifteen of the thirty-seven responses were from those countries and a further response was from the Australasian Council of Auditors-General (ACAG). Whilst this is a supra-national body the covering letter to the response noted that the response represented the views of the Australian members of ACAG, with the exception of the Auditor-General for South Australia, and the New Zealand Controller and Auditor-General (NZ C & AG). The NZ C & AG also submitted its own response.

In terms of functional nature the response was dominated by member bodies and government organizations. Only 4 preparers responded -3 from New Zealand and 1 from the United Kingdom. The New Zealand preparers were significantly more favorable to the proposals in the UK Discussion Paper than IFAC member bodies, governmental organizations and audit institutions from Australia and New Zealand.

A number of the submissions were copies of the submissions made to the UK ASB on its separately published Discussion Paper, supported by covering letters. In the case of the Institute of Chartered Accountants of England and Wales (ICAEW) (Submission 5) a table of concordance was provided linking the responses to the UK ASB with the Specific Matters for Comment (SMC) highlighted by the IPSASB. The UK Financial Reporting Advisory Board (UK FRAB) (Submission 13) provided a copy of the UK response and an additional letter addressing certain IPSASB SMCs. However, a number of respondents did not directly address the SMCs in the Consultation Paper, which partially explains the fact that for a number of SMCs there are a large number of respondents expressing no clear view. For this reason the percentages shown in the analysis are based on those responding to the SMC rather than on the total number of responses.

Only one audit firm submitted a response, Horwath, Clark, Whitehill, a medium sized firm from the United Kingdom, which specializes in the audit of charity accounts (Submission 27). This submission is written from the perspective of charities’ accounting rather than that of public sector entities and was therefore difficult to analyze. Private sector not-for-profit entities are currently outside the scope of the IPSASB and, although there are many areas of accounting for heritage issues where private sector not-for-profit entities face problems similar to those of public sector entities, this response was very much written in the context of current UK accounting requirements for the charities sector.

Unlike most IPSASB consultations there was not a question on whether respondents overall supported the proposals in the Consultation Paper. With one significant reservation there was considerable support for the definition of heritage assets proposed in the Consultation. However, there were reservations about the proposals in the UK Discussion Paper relating to

recognition and measurement. A number of submissions considered that approaches to accounting for heritage assets should be developed relying upon the existing definition of assets and the recognition and measurement criteria for property, plant and equipment in IPSAS 17. This view was expressed most concisely and directly by the Australian Accounting Standards Board (AASB) (Submission 12). The AASB considers that “heritage assets are a subset of property, plant and equipment that should be subject to the same definition (including identification of the unit of account), recognition and measurement and presentation requirements as for other categories of property, plant and equipment.” Others objected to recognizing heritage assets at all and favored expensing new acquisitions.

There was little support for the “all-or-nothing” approach towards recognition and measurement that was one of the main principles put forward in the UK ASB Discussion Paper. Under this approach an entity would only recognize items meeting the definition of heritage assets if it is practicable to obtain a valuation for a majority by value of heritage assets controlled by an entity on a continuing basis.

There was considerably more support for additional disclosures relating to heritage assets and this support extended to a number of respondents who did not favor the approach proposed in the UK Discussion Paper for recognition and measurement. The majority of respondents favored most of the requirements for additional disclosures proposed, although one specific disclosure requiring summarized comparative information covering the current reporting period and the previous four reporting periods was widely considered to be onerous.

Meeting Objective

At this meeting staff is seeking initial directions for the development of accounting approaches for heritage assets. The response to the Consultation Paper does not suggest that there is a global consensus on many issues related to heritage assets, Notwithstanding this and the view of one respondent, Ekonomistyrningsverket: the Swedish National Financial Management Authority (Submission 17), supporting the current position in IPSAS 17, Staff does not think that the current IPSAS 17 position is tenable on a medium to long term basis. Currently IPSAS 17 states that entities are not required to recognize heritage assets that would otherwise meet the definition of property, plant and equipment, but, if electing to recognize such assets, are required to apply the disclosure requirements of IPSAS 17.

More particularly staff is seeking confirmation of their views that:

- Requirements for heritage assets should be developed by amending IPSAS 17 rather than by development of a separate Standard;
- There is no need for a further Consultation Paper prior to issuing an Exposure Draft proposing amendments to IPSAS 17 in respect of heritage assets;
- A definition of heritage assets should be developed based on that in the UK Discussion Paper and the proposals in certain submissions; and
- A set of disclosures additional to those required by IPSAS 17 should be developed for heritage assets, taking the disclosures proposed by the UK ASB as a starting point.

SPECIFIC MATTERS FOR COMMENT (SMCs)

The Consultation Paper identified a number of SMCs on which the IPSASB indicated that it would particularly welcome comments. An overview of the responses to each SMC follows. Staff views on how these matters should be dealt with going forward follow the analysis of each SMC.

Specific Matter for Comment 1

Is the definition in the UK ASB Discussion Paper appropriate?

The UK Discussion Paper proposed the following definition of a heritage asset: “An asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture and this purpose is central to the objectives of the entity holding it.”

The majority of respondents broadly supported the definition. However, there was widespread concern expressed about the proposal in the UK Discussion Paper that only items held by entities for a purpose central to the objectives of the reporting entity meet the definition of heritage assets. A large number of submissions had reservations that the inclusion of the requirement linking the item to the centrality of the objectives of the reporting entity would exclude inappropriately a number of items which would otherwise meet the definition of a heritage asset. A number of respondents objected on principle to the view that accounting should be dependent upon the function of the entity holding the asset. The Chartered Institute of Public Finance and Accountancy (CIPFA) and Fédération des Experts Comptables Européens (FEE) (Submissions 9 & 37) highlighted potential difficulties with consolidations where some entities within the economic entity have heritage functions central to their objectives but others do not. The issue of ‘centrality’ is explored in more detail at SMC 4.

A number of submissions from Australia and New Zealand suggested that the phrases “for the public benefit” or “for the benefit of the community” might be inserted into the definition. The AASB suggested that the phrase “natural or cultural significance” be used and that, as a result, the phrase “principally for its contribution to knowledge and culture” could be deleted as it would be superfluous.

Both the South African Institute of Chartered Accountants (SAICA) (Submission 7) and the South African Accounting Standards Board (SAASB) (Submission 12) noted that in some countries have to be designated through legislation. The SAASB suggested that designation as a heritage item should not be condition of meeting the definition. Conversely the Japanese Institute of Chartered Accountants (Submission 3) was of the view that only items explicitly designated as heritage assets by laws or other form of documentation to indicate the entity’s formal intention to protect such assets should meet the definition. Canterbury Museum Trust Board (Submission 31) adopted a similar view, arguing that only items on an accession register should be included as heritage assets.

The submission of the Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance (Submission 20) considered that the definition in the Discussion Paper was too extensive and that a revised definition should stipulate that a heritage asset has to be man made.

Johan Christiaens (Submission 36) distinguished heritage assets held and maintained partly or completely for “economic reasons” and other heritage assets. Only the former would meet

the asset definition and therefore should be recognized. He further commented that “acquired heritage assets that do not result in economic profits, which is often the case in governments, are from the point of view of accrual accounting worthless; there will be no economic return and they are not held or maintained for profits purposes.” Extension of this argument would, of course lead to the non-recognition of a very large number of assets controlled by public sector entities, which are primarily held for their service potential.

Staff View

Staff considers that the definition in the UK Discussion Paper can provide the basis for development of a definition by the IPSASB. Staff considers that there may be merit in including the phrase “for the public benefit” in a definition, as this may clarify that items, which are held principally for investment purposes, by, for example, pension funds, do not meet the definition. Staff, however, notes that, although the term ‘public benefit’ has been defined and adopted in a number of jurisdictions, it has not been defined in the IPSASB literature.

Staff considers that the designation of an item by governing legislation or regulation might be a persuasive indication of whether an item meets the definition of a heritage asset. However, staff is of the view that such formal designation should not be a requirement and that the substance of the item should determine whether it meets the definition of a heritage asset.

Staff also considers that, in order to be globally acceptable, a definition must recognize cultural and religious attributes, although there are some reservations that the term “cultural” can be somewhat ambiguous.

Therefore staff proposes the following definition of heritage assets:

“An asset with historic, artistic, religious, cultural, scientific, technological, geophysical or environmental qualities that is held and maintained principally for the public benefit.”

Specific Matter for Comment 2

Are the proposals in the UK ASB Discussion Paper applicable to all types of heritage asset?

The response to this SMC was linked to SMC 1 and the feedback inconclusive. Many responses reiterated the points made in relation to SMC 1. There was a strong view that the nature of the asset rather than its functional use to the reporting entity should drive accounting treatments. For a number of Australian and New Zealand respondents linking the asset to the purpose of the entity holding the asset results in entity specific rather than transaction-neutral accounting.

SAICA (Submission 7), CPA-Australia (Submission 8) and the AASB (Submission 12) highlighted the issue of buildings having dual or multiple-purposes i.e. used to offer a service as well as embodying heritage characteristics. These respondents suggested that guidance is necessary on how to classify such assets.

The French Ministry for the Economy, Finance and Industry (Submission 16) considered that the proposed definition is insufficiently broad and that more detailed analysis of nature reserves and archaeological deposits is necessary.

Staff View

Staff considers that proposals need to be developed for all items meeting the heritage asset definition. However, there are issues related to

- Dual-purpose or multi-purpose items; and
- Items held as investments.

Staff considers that the issue of heritage items that are used for operational purposes does need consideration, as suggested by the SAICA, CPA-Australia and AASB. Such items have been termed “dual-purpose” or “multi-purpose” heritage assets in some jurisdictions. These are assets that embody heritage characteristics but are also used for delivery of services other than those with heritage type objectives. Examples include barracks of historical significance used for current military purposes and historic buildings used for administrative purposes. The UK ASB Discussion Paper proposed that such assets should be regarded as property, plant and equipment, with a valuation based on the replacement cost of the service potential. The additional disclosures pertaining to heritage assets would be required for such assets.

Staff thinks that there is a case for at least permitting entities adopting the allowed alternative treatment in IPSAS 17 to value “dual purpose/multi purpose” heritage assets on a depreciated replacement cost basis, even though a reliable valuation as a heritage asset may not be feasible due to the unique and irreplaceable characteristics of such an asset.

Staff agrees with section 7 of the UK ASB Discussion Paper that assets with heritage characteristics that are held for investment purposes should not be regarded as heritage assets. Use of the term “for public benefit purposes” in the definition may achieve this. There is, however, an issue as to whether any additional disclosures prescribed for heritage assets should be applied to items which are held for investment purposes, but otherwise meet the definition.

Specific Matter for Comment 3

Where a majority, by value, of heritage assets held by an entity cannot be recognized, because reliable valuations cannot be obtained, all other items should also not be recognized?

A majority of submissions did not support this proposal, which was fundamental to the UK ASB’s attempts to devise a solution to the “partial measurement” issue, whereby identical, or very similar heritage items, are treated differently dependent upon factors such as the date of their acquisition. However, those opposing the proposal fell into two distinct camps with starkly different views.

The first group had reservations on the conceptual viability of the approach and contended that the recognition and measurement criteria for heritage items should not differ from those for other items of property, plant and equipment. This view was put forward strongly by, for example, the New Zealand Financial Reporting Standards (NZFRSB) (Submission 10), AASB (Submission 12) and the Institute of Chartered Accountants of Scotland (Submission 4). The second group disagreed with the proposal because, in their view, heritage items

should not be recognized at all, but expensed on acquisition. The Association of Chartered Certified Accountants (ACCA) (Submission 1) put this view most forcibly and suggested that the non-recognition principle should be extended to a large number of non-market goods. 2 of the 3 New Zealand preparers (Submissions 28 & 29), which house collections of Taonga-items imbued with Maori ancestral values- also opposed recognition on the cultural grounds that placing monetary values on such items is at odds with inherent Maori value systems.

Both the New Zealand Financial Reporting Standards Board (NZFRSB) (Submission 12) and the AASB (Submission 10) suggested that the proposal in the UK ASB Discussion Paper had a circular logic, in that it would not be feasible to ascertain whether it is practicable on an ongoing basis to obtain a valuation for the majority by value of the heritage assets controlled by an entity unless a valuation is carried out. The NZ FRSB argued that “besides being subjective, use of such a criterion may be problematic since the “value” of the heritage assets is the parameter that is the subject of the “measurement problem”.

The New South Wales Treasury (Submission 20) and Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) (Submission 23), whilst disagreeing with the proposal in the Discussion Paper, emphasized that where it is not practicable to obtain valuations, heritage assets should not be recognized at notional values.

Staff View

Whilst Staff fully understands the reason for the development of the proposal in the UK Discussion Paper the consultation response has highlighted a sufficient number of difficulties with that proposal that it would be inappropriate for IPSASB to adopt or develop it.

Staff accepts that there are problems with the logic underpinning the UK ASB proposal, but notes that, for very many institutions, it will be clear whether a majority by value of the heritage assets held by an entity can be valued, without the necessity of obtaining a full valuation.

Staff considers that, for the present, the approach to heritage assets should be based on the recognition criteria in IPSAS 17. Guidance should make clear that there will be cases where reliable measurement is impossible due to the unique characteristics of particular heritage items. In such cases fair value will not be readily ascertainable by reference to quoted prices in an active and liquid market and neither replacement cost nor reproduction cost will be relevant due to the unique historic, artistic or other significance of the item. The proposals should also not allow the use of notional values where reliable valuations cannot be obtained. Staff does not think that notional values provide either useful or relevant information for the users of general purpose financial statements.

Staff has considerable misgivings that this approach does not address the “partial measurement” issue outlined above. In this respect members attention is directed to the submission of the Treasury of the Hong Kong Government (Submission 19) which highlights the practical difficulties in obtaining valuations for many items in Hong Kong museums. The French Ministry for the Economy, Finance and Industry (Submission 16) also put forward the view that a “full capitalization approach” is not realistic.

It is accepted that this Staff view is based on an assumption that consistency within a particular class of assets is of greater significance than the provision of relevant information to the users of financial statements. However, staff has some reservations how useful information which recognizes some heritage assets but not other items of a similar nature will be to users.

Specific Matter for Comment 4

For financial reporting purposes should assets that might otherwise be regarded as heritage assets, but are not central to the objectives of the entity be treated as property, plant and equipment rather than heritage assets?

The response to this question was closely linked to SMC 1. Consistent with the response to SMC 1 there was a strong level of disagreement with this proposal, as respondents did not accept that the accounting treatment for items which would otherwise meet the heritage asset definition should be dependent upon the functions of the reporting entity.”

Staff View

Staff notes that in developing proposed amendments to the extant UK Standard on property, plant and equipment, FRS 15, “Tangible Fixed Assets” the UK ASB has modified its definition and that the ASB has deleted the phrase “and this purpose is central to the objectives of the entity holding it.” Staff agrees with the view of the large majority of respondents and the revised view of the UK ASB that any definition of heritage assets should not be limited to items held which are central to the objectives of the reporting entity.

Staff, however, does consider that there may be risks in drawing a very wide definition, particularly if recognition and measurement requirements for heritage assets are different from requirements for property, plant and equipment. As indicated at SMC 1 staff is keen to explore the suggestion that in order to meet the definition the assets must be held for public benefit purposes.

Specific Matter for Comment 5

What measurement basis or bases (fair value, historical cost or another basis) do you think should be allowed or required for heritage assets that are to be initially recognized as assets?

About a third of respondents expressing a view indicated that they favored the use of current value/fair value; for example the New South Wales Treasury, Queensland Treasury and the Australian Heads of Treasuries Accounting and Reporting Advisory Committee (HOTARAC) (Submissions 21, 22 and 23) all broadly endorsed the analysis of the strengths of current value/fair value measurement and the deficiencies of the cost model in the UK Discussion Paper. Some respondents who favored fair value or current value pointed out that cost will often equate closely to current/fair value at initial recognition.

However, just under 40% of respondents expressing a view felt that both cost and valuation models should be permitted. It was suggested by some of these respondents that not permitting the cost model would make it more difficult for some entities to recognize heritage items and that a requirement for the valuation model to be used it would also impose cost burdens on preparers due to the continuing need for regular revaluations.

Two respondents favored measurement bases that do not conform to either the cost or valuation models. Liquid Pacific (Submission 34), an Australian property consultant and valuer, favored reporting at highest and best use, but also proposed that, in addition, the reporting entity should also value the asset with reference to existing use and calculate the difference between the two with the difference representing “community value”. The University of Wisconsin-LaCrosse (Submission 33) suggested the calculation of a concept known as “community value”.

A number of submissions from Australia and New Zealand pointed out that current value is not a term used in IAS/IFRS and suggested that IPSASB use the term “fair value”.

Staff View

Regardless of the advantages of current value claimed in the UK Discussion Paper staff considers that not permitting the cost model would be inconsistent with IPSAS 17 and would create difficulties for entities operating in jurisdictions which have adopted the cost model for reporting property, plant and equipment and investment property.

Staff considers that further debate on measurement bases is better left until measurement is considered in the conceptual framework project and that it would be inappropriate to exclude the cost model for heritage assets at present.

Specific Matter for Comment 6

Where heritage assets are carried on a revaluation basis is it appropriate to relax the requirements for their revaluation below the criteria for other items of property, plant and equipment?

The majority of respondents did not favor the relaxation of requirements below the threshold in IPSAS 17 for assets carried on a valuation model. The AASB (Submission 12), which was not supportive of the majority of the proposals in the Discussion Paper did consider that there are grounds for relaxing revaluation requirements. However, the New South Wales Treasury (Submission 21) pointed out that the existing requirements in IPSAS 17 as regards internal valuations and intervals between valuations are already quite flexible. Whilst IPSAS 17 states that appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification, this falls short of a categorical requirement. In addition, unlike some national standards dealing with property, plant and equipment, IPSAS 17 does not proscribe in-house valuations or impose conditions on their use.

The South African Accounting Standards Board suggested that there should be a series of ‘triggers’ to indicate when a revaluation should take place, similar to those in IPSAS 21, “Impairment of Cash-generating Assets” for impairment. Such triggers would indicate when a revaluation should take place. The Queensland Treasury also suggested that a ‘trigger’ could be used similar to impairment testing. Queensland Treasury gave, as an example of such a ‘trigger’, demand increases for an artist’s work and suggested that “similar to impairment testing, indicators should be assessed on an ‘asset-by-asset’ basis which may result in assets in a class being revalued at different times.” Queensland Treasury, however, cautioned that such an approach might not be in accordance with the existing requirement in IPSAS 17 that “when an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued.”

The Auckland City Libraries (Submission 30) commented that, dependent upon the volume of items, valuation can be time-consuming and that it may be appropriate to value only a proportion of heritage assets each year over a three-year period.

Staff View

Notwithstanding the clear preference of respondents not to relax requirements for their revaluation below the criteria for other items of property, plant and equipment Staff considers that there is merit in exploring further the extent to which some relaxation of the existing requirements in IPSAS 17, or at least the insertion of additional guidance, might be appropriate.

Staff, however, has some concerns that some respondents have answered this SMC from the perspective of extant national standards rather than the existing requirements in IPSAS 17. In this context it is worth noting the comment of the NSW Treasury above that the requirements in IPSAS 17 are already relatively flexible. Staff does not envisage any relaxation of the central requirement in IPSAS 17 that “revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.” Staff considers that the ‘trigger’ approach to identifying circumstances which might give rise to material increases or decreases in the value of heritage assets might be developed. Staff is also of the view that it is worth considering whether it is appropriate to consider relaxation of the requirement that when one item in a class of property, plant and equipment is revalued the entire class to which the item belongs must be revalued and also whether further guidance should be provided on what constitutes a class in the context of heritage assets, noting that certain entities, particularly those with a strong conservation focus, might have a number of classes of heritage assets.

Specific Matter for Comment 7

Where heritage assets are not recognized should transactions such as acquisitions and disposals, restoration costs and grants and donations for the purchase of heritage assets be presented in a separate statement other than the Statement of Financial Performance?

There was considerable support for the presentation of transactions such as acquisitions and disposals, restoration costs and grants and donations for the purchase of heritage assets in a separate statement other than the Statement of Financial Performance, although the majority of respondents expressing a view opposed the proposal. A number of respondents considered that certain components of this information might be usefully included in note disclosures.

Staff View

The issue of a separate primary statement for presenting certain transactions related to heritage assets depends upon adoption of an approach that requires or permits non-recognition along the same or similar lines to the proposal in the UK Discussion Paper, which is considered above at SMC 3. Given the response to SMC 3 Staff does not think it is appropriate to develop a separate statement for recording the transactions related to heritage assets. Staff considers that it might be worth exploring whether some of the information needed for the primary statement proposed by the UK ASB might be appropriate for a note disclosure. However, in this context, IPSAS 17 already requires information on additions and disposals in the reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the reporting period. Other proposed disclosures in

the UK ASB Discussion Paper include funding sources and major restoration costs. Staff is therefore of the view that a number of the components in the separate statement proposed by the UK ASB Discussion Paper are already captured in existing IPSAS 17 disclosures or other proposed disclosures.

Specific Matter for Comment 8

What requirements, if any, should be applied to heritage assets for depreciation and impairment testing?

The majority of respondents have been categorized as favoring application of the same requirements for depreciation and impairment testing as for other items of property, plant and equipment. Whilst a number of respondents considered that, as many heritage assets have indefinite lives, in practice depreciation would be zero, such respondents did not appear to favor the insertion of a specific exemption from depreciation requirements for heritage assets. The SAASB (Submission 11) agreed with the proposal in paragraph 4.11 stating that a policy of non-depreciation for heritage assets is appropriate, as the value of heritage assets is likely to increase over time.” However, the SAASB argued that the entity should on an annual basis determine whether events and circumstances continue to support the non-depreciation policy. Similarly many respondents felt that impairments of heritage assets would be rare, but stopped short of favoring a specific exemption from impairment testing requirements.

Staff View

In the light of the submissions Staff considers it inappropriate to develop requirements that explicitly exempt items meeting the definition of heritage assets from requirements related to depreciation and testing for impairment. However, Staff considers that, in any Exposure Draft (ED) of a separate Standard or in an ED proposing amendments to IPSAS 17, commentary should explain that, because many heritage assets have very long or indefinite lives, an expense for depreciation will not be appropriate for such assets and that the charging of depreciation is unlikely to be the norm. Guidance should also be prepared noting that the circumstances under which impairment testing will be necessary will be rare particularly because, as noted by the SAASB, under the existing requirements of IPSAS 21, property, plant and equipment carried on a valuation model is outside the scope of that IPSAS. In the view of Staff it is unlikely that there will be many cases where heritage items carried at cost will be impaired other than very extensive damage.

Specific Matter for Comment 9

Are the disclosure requirements proposed in the UK ASB Discussion Paper for heritage assets appropriate?

There was general support for the majority of the disclosure requirements proposed in the UK Discussion Paper. The only proposed disclosure which met with widespread antipathy was that requiring trend information on acquisitions, disposals, funding and major restoration costs covering the current reporting period and the four previous reporting periods. Certain other respondents voiced reservations that disclosures might be too voluminous.

The SAASB proposed a number of further disclosures. These included:

- restrictions on disposal;
- heritage assets on loan to other entities;
- whether heritage assets are insured, and, if not, why not; and

- where heritage assets are utilized by the entity to perform a heritage function but are under the control of another entity.

Staff View

Staff considers that there is considerable merit in requiring disclosures which apply to heritage assets, regardless of whether such assets have been recognized. However, Staff also acknowledges that there is a risk that disclosures related to heritage assets may become too onerous and disproportionate to the significance of heritage assets in the operations of the reporting entity, particularly those which have limited heritage related objectives.

Staff proposes that disclosures are developed, taking as a starting point the disclosures proposed in section 5 of the UK ASB Discussion Paper and those additional disclosures proposed by respondents.

Specific Matter for Comment 10

Do the proposals in the UK ASB Discussion Paper have particular audit implications?

Whilst a number of respondents considered that there would be some minor or significant audit implications, only the UK National Audit Office (UK NAO) (Submission 26) and the Swiss Federal Office of Finance (Submission 20) highlighted what have been categorized as fundamental audit implications. The UK NAO identified as problematic areas, the “auditability” of assessments of “practicality” and cost-benefit evaluations by entities determining whether to adopt a policy of recognition and measurement for heritage assets. The UK NAO suggested that there is a risk that, because it may not be possible to come to a view on whether the carrying value of heritage assets is presented on a true and fair basis (the UK equivalent of presents fairly) scope limitations in audit reports might ensue. The Swiss Federal Office of Finance suggested that audit difficulties would arise from the definition proposed in the UK Discussion Paper.

Staff View

From an IPSASB perspective audit implications obviously depend upon the extent to which requirements for heritage assets depart from the current requirements of IPSAS 17. *Staff are aware that the UK ASB is currently in discussion with certain constituents over the audit implications of the proposals that the UK DP is making for amendment of FRS 15, Tangible Fixed Assets” in respect of heritage assets, particularly with regard to the “auditability” of the practicality criteria that will determine whether heritage assets are capitalized. Staff will continue to monitor these discussions.”*

Specific Matter for Comment 11

Should the IPSASB develop requirements for heritage assets by amending IPSAS 17 or heritage assets or should heritage assets be addressed in a separate Standard focusing specifically on heritage assets?

Marginally over 50% of respondents expressing a view favored development of a separate Standard. This included a number of those who considered that heritage assets are a separate class of property, plant and equipment, rather than a different class of asset, and therefore generally favored application of the requirements in IPSAS 17.

Staff View

Notwithstanding the views of respondents, Staff considers that whether accounting requirements are developed by amendment to IPSAS 17 or in a separate Standard depends

upon the nature of the requirements and the extent to which they depart from the existing requirements of IPSAS 17. If heritage assets are to be considered simply as a class (or classes) of property, plant and equipment with the same, or very similar, recognition, measurement, depreciation and impairment requirements to other items of property, plant and equipment, Staff does not consider that development of a separate Standard is justified. Such a Standard would probably replicate most of the black letter paragraphs of IPSAS 17 with requirements for additional disclosures and, possibly, presentation. Staff therefore proposes that requirements relating to heritage assets are progressed through amendment to IPSAS 17 rather than through development of a stand-alone Standard.

Other Issues

Pages 13.71-13.77 of Agenda Item 2 contain a summary of additional issues identified in submissions. There are relatively few issues that have not been picked up in the analysis of responses to SMCs. This section of the memorandum addresses:

- Transitional provisions
- Change in Use of a Heritage Assets.
- Control of Heritage Assets

Fuller details of these and other additional issues identified by Staff are in Agenda Item 2

Transitional Provisions

A number of submissions (both South African respondents (Submissions 7 and 11), the AASB (12 and Treasury of Hong Kong (19)) highlighted the potential need for transitional provisions and for guidance on how to account for heritage assets that have previously been accounted for as different assets. In the view of Staff it is premature to consider transitional provisions in detail until detailed requirements relating to heritage assets have been developed. However, on the assumption that the issuance of requirements related to heritage assets will entail a change in accounting policies for many entities, there may be a case for establishing an effective date some time after the issuance of any revision to IPSAS 17 or separate IPSAS, as has been done recently for ED 31, "Employee Benefits".

Change in Use of a Heritage Asset

Amongst submissions raising issues relating to designation and classification both South African respondents (Submissions 7 & 11) highlighted the issue of changes in use of a heritage assets and the transfer of heritage items previously recognized. The complexity of this issue again depends upon the extent to which recognition and measurement requirements for heritage assets differ from those in IPSAS 17. Staff, however, agrees that requirements and guidance will need to be developed on this issue.

Control of Heritage Assets

The NZFRSB (Submission 10) identified the issue of heritage assets over which the entity has no control, but has trustee responsibilities. The NZFRSB put forward a view that "as such items are not controlled they are not assets of the entity and should not be capitalised, regardless of whether they can be reliably measured." The NZFRSB also highlighted that within New Zealand there is a question of "ownership" of the heritage assets held by museums, noting that, in many cases, the Maori heritage assets are not "owned" or under the control of the entities holding them, but are on loan from the Maori people. In some cases,

the ownership of the assets is unclear. For some heritage items the entities holding the assets have no rights to sell or transfer the assets; instead they operate under mutually agreed criteria and policies for their custody, display, development, protection and preservation. At most, these entities only have trustee responsibilities for the assets. Financial and/or non-financial information may be provided for the holding of such items by the entity. The NZFRSB considers that guidance from the IPSASB useful.

Staff acknowledges this issue and considers it likely that it will be relevant in a large number of jurisdictions, in some of which it is likely to be highly sensitive, particularly those with colonial histories and aboriginal populations. Staff notes that many heritage assets are likely to have restrictions imposed on them as a result of the terms of bequests and donations. Such restrictions may include "inalienability". Such assets still embody service potential. Staff acknowledges that there are issues where it is unclear who "owns" such assets and, where assets are held "in trust", whether they are controlled by the reporting entity. Staff notes that "control of an asset" was defined in ED 29 as arising "when the entity can use or otherwise benefit from an asset in pursuit of its objectives and can exclude or regulate the access of others to that benefit". The appropriateness of such a definition to heritage assets needs to be evaluated as further proposals for heritage assets are developed.

ANALYSIS OF RESPONSES TO CONSULTATION PAPER “ACCOUNTING FOR HERITAGE ASSETS UNDER THE ACCRUAL BASIS OF ACCOUNTING”

SPECIFIC MATTER FOR COMMENT (1)

The IPSASB has not defined heritage assets in IPSAS 17. Do you think that the definition of heritage assets in paragraph 1.16 of the Discussion Paper is appropriate?

SUMMARY OF OVERALL VIEW

AGREES WITH DEFINITION	A	6
GENERALLY AGREES WITH DEFINITION BUT RESERVATIONS	B	19
DOES NOT AGREE	C	10
NO CLEAR VIEW EXPRESSED	D	2
TOTAL		37

Percentage supporting view (A) and (B) – out of those expressing view 71%
Percentage supporting view (C) – out of those expressing view 29%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants	B	Consider that the phrase “and this purpose is central to the objectives of the entity holding them” should be deleted from the proposed definition.
2	Institute of Chartered Accountants of Jamaica	C	Definition should be expanded to read “An asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained <u>for the duration of its physical life</u> , principally for its contribution to knowledge and culture. This purpose is central to the objectives of the holder of the asset.”
3	Japanese Institute of Certified Public Accountants	B	Propose the addition of the following to the definition in the Discussion Paper: “which is explicitly designated as heritage assets by laws or other form of documentation to indicate the entity's formal intention to protect such assets” and the deletion of the following: “this purpose is central to the objectives of the entity holding it ”

4	The Institute of Chartered Accountants in Scotland	B	The scope of the definition of heritage assets is too narrow due to the inclusion of the wording ‘and this purpose is central to the objectives of the entity’. We agree that heritage assets should be defined in relation to their inherent qualities and in relation to the reasons they are held. However, we do not agree that “heritage assets” should be defined with reference to the objectives of the entity which holds them notwithstanding that charities must only apply funding in relation to their objectives
5	The Institute of Chartered Accountants in England & Wales	B	Agrees with general principle but believes that the definition will need to be refined if it is to be workable. Questions whether a distinction can be drawn between entities where knowledge and culture are central to the objectives of the entity and those where they are ancillary or even incidental.
6.	Consiglio Nazionale Ragionieri-Italy	B	Not necessary to include centrality of the objectives of the entity.
7	The South African Institute of Chartered Accountants	B	Support the definition but it should include the <u>features of an asset</u> and the <u>unique characteristics</u> . Do not support principle that asset must be central to objectives of entity holding it. Notes that in some countries heritage assets have to be designated through legislation.
8	CPA Australia	B	Concerns with the use of the word “principally”. Our reading of the definition is that the definition does not contemplate more than one principal reason for holding a heritage asset.
9	Chartered Institute of Public Finance & Accountancy UK	B	Some concern over interpretation of the requirement that the asset is held for a heritage purpose which is “central” to the objectives of the entity. Can envisage circumstances where heritage entities are consolidated into groups for which heritage purposes might not be considered ‘central’. Given this consider that the requirement for ‘centrality’ should be removed from the definition.

10	Financial Reporting Standards Board of New Zealand	C	<p>Consider that heritage assets should be considered as part of an entity's property, plant & equipment. Do not consider it necessary for heritage assets to be separately defined.</p> <p>Do not support the proposals in section 6 of the Discussion Paper to differentiate heritage items used by the entity itself...from heritage items held principally for their contribution to knowledge and culture.</p> <p>In a whole of government financial reporting context, the holding and maintenance of heritage items are unlikely to be central to the government's objectives. Using the proposed definition heritage items would not meet the definition of heritage assets in the whole of government context, and therefore would not be treated as heritage assets.</p>
11	South African Accounting Standards Board	B	<p>Agrees first part of the proposed definition for heritage assets but in addition proposes that the definition should also provide for items held for their unique cultural significance. For example, items that relates to the specific pattern of a country's history or a cultural group. The definition should also provide for items such as shipwrecks and biological specimens (for example, fossils).</p> <p>Further recommends that "conservation" should be brought into the definition and propose that the second part of the definition be amended to ".....for its contribution to knowledge, <u>conservation</u>, and culture...).</p> <p>Note that in some countries heritage assets have to be designated by legislation. In any Standard, Basis for Conclusions should explain that this requirement is not required to meet the definition of a heritage asset.</p> <p>Definition should not be limited to those entities that maintain heritage assets as a part of their central objective.</p>

12	Australian Accounting Standards Board	C	<p>Intrinsic nature of an asset should determine whether it is a heritage asset rather than its functional use to the entity. A major concern with this approach is that it results in entity-specific accounting rather than transaction-neutral accounting.</p> <p>Definition should include community assets such as parks, recreational reserves and sites or objects of indigenous significance by making explicit reference to “<i>natural or cultural</i>” qualities.</p> <p>Phrase “<i>for its contribution to knowledge and culture</i>” is too restrictive and should be replaced with the phrase for “<i>public benefit purposes</i>”</p>
13	Financial Reporting Advisory Board UK	B	Agrees with definition in the context of the national museums and galleries, where it is clear that the holding and maintenance of heritage assets is central to their objectives. In a wider context ... the definition needs to be explained further.
14	Treasury of Australia	C	
15	Treasury of Republic of Cyprus	B	<p>The requirement for the purpose of holding and maintaining the assets principally for their contribution to knowledge and culture to be “central” to the objectives of the entity holding them could be removed from the definition. Heritage assets should be accounted for in a comparable manner, irrespective of the nature of the reporting entity. Consolidation issues would be avoided with such a removal.</p>
16	Ministry for the Economy, Finance and Industry, France	B	Definition could include “symbolic qualities” among the other items in order to encompass historic buildings like “Obelisque de la Concorde and Nelson’s Column in Trafalgar Square.
17	Swedish National Financial Management Authority (Ekonomistyrningverket)	A	Definition of heritage assets is appropriate and a great step forwards.

18	Department of Treasury & Finance, Victoria, Australia	C	Definition too narrow and should not attempt to limit the scope to assets held principally for the contribution to culture and that this purpose is central to the entity's objectives.
19	Treasury of Hong Kong	A	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	C	<p>In general do not agree on the definition and think that the list (of attributes) is too extensive. Do not favor the inclusion of geophysical or environmental qualities. Favor the deletion of the last sentence in paragraph 1.16 "and this purpose is central to the objectives of the entity holding it".</p> <p>Due to the very limited use of agencies in Continental European public sector organizations, most entities and therefore most heritage assets are directly administered by ministries. Of course heritage assets are not the central purpose of ministries and (items controlled by such entities) would be outside the scope.</p>
21	New South Wales Treasury-Australia	B	<p>Agrees with first part of definition but does not agree that there should be a requirement that the purpose must be central to the objectives of the entity holding the asset.</p> <p>Proposes an emended definition: "An asset with historic, artistic, scientific technological geophysical or environmental qualities that is held and maintained for its contribution to knowledge and culture"</p>
22	Queensland Treasury-Australia	B	Agrees with the definition in principle except for the last part "and this purpose is central to the objectives of the entity holding it."
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	B	HOTARAC recommends that the last phrase of the proposed definition "and the purpose is central to the objectives of the entity" be removed.

24	Australasian Council of Auditors-General	B	<p>View that the definition could be improved. A suggested definition is:</p> <p>“an asset with historic, artistic, scientific, technological, geographical, geophysical or environmental qualities that is held and maintained for the benefit of the community”</p> <p>The definition proposed in the Discussion Paper uses the terms “principal” and “central” to the “objectives” of the entity holding the asset rather than its functional use. The intrinsic nature of an asset is what should determine whether it is a heritage asset. The approach outlined in the definition in the Discussion paper could result in entity specific accounting rather than transaction neutral accounting.</p>
25.	Office of Controller and Auditor-General of New Zealand	C	<p>Definition relates too much to the purpose of the entity holding the asset. Amendment in paragraph 1.16 should be amended to reflect that the heritage assets are held and maintained for their service potential to society.</p> <p>Suggest that the definition of heritage assets could be improved by including:</p> <ul style="list-style-type: none"> • reference to assets with cultural value; and • reference to assets with geographical value.
26.	The United Kingdom National Audit Office	B	<p>Broadly agree that that a consideration of the function or purpose of an asset is crucial to its determination as a heritage asset, but that the consideration of the objectives of the entity which holds it may lead to inconsistent accounting treatments. Consider that the definition as it stands may be ambiguous and open to misinterpretation. Note that there may be implications in using this definition for consolidating entities where the parent and subsidiary bodies may not have congruent objectives, or the proportions of their heritage assets which can be valued differ.</p>
27.	Horwath Clark Whitehill LLP-UK	C	<p>Definition should be independent of the owner’s purpose in retaining the asset, which should only determine the accounting treatment.</p>

28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi-New Zealand	A	
30.	Auckland City Libraries	A	Definition is excellent
31.	Canterbury Museum Trust Board-New Zealand	C	Think that definition is not clear and that it only relates to collection items. Suggested change to the definition is: “A heritage assets is an asset on the entity’s accession register with historic artistic, scientific....
32.	The University of Melbourne-Australia	D	
33.	University of Wisconsin-Lacrosse-USA	D	
34.	Liquid Pacific-Australia	C	In the Australian environment “Heritage” items are normally identified as such by regulation and statute. These controls usually come into play when there is a threat an item may lose its heritage attributes through development, modification, disposal or neglect, thus the aim of such controls is to protect the heritage attribute of the item for the benefit of the community. The current definition requires that words within the statement be subjectively defined to make it effective. For example, what is artistic has been a matter of debate for as long as art has existed. Therefore feels that it is too widely open to interpretation to be used as definition.
35.	English Heritage-UK	B	Suggests use of the term “central to <u>one or more</u> of the objectives”
36.	Johan Christiaens-Belgium	A	If heritage assets are held and maintained partly or completely for economic reasons they have an economic importance and should be accounted for and shown on the balance sheet.

37.	Fédération des Experts Comptables Européens (FEE)	B	Generally agree. Concern over the interpretation of the requirement that the asset is held for a heritage purpose which is “central” to the objectives of the entity.
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SPECIFIC MATTER FOR COMMENT (2)

Do you agree that the proposals in the DP are applicable to all types of heritage asset?

SUMMARY OF OVERALL VIEW

AGREE	A	15
AGREE WITH RESERVATIONS	B	3
DOES NOT AGREE	C	9
NO CLEAR VIEW EXPRESSED	D	10
TOTAL		37

Percentage supporting views (A) and (B) – out of those expressing view 67%

Percentage supporting view (C) – out of those expressing view 33%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	A	Believes that there is a wider class of trust or public goods which do not have an objectively easily obtainable open-market value. Such assets include, for example infrastructural assets (roads and other public infrastructure) and community assets (parks and other recreational assets). Believes that such assets should be accounted for in a comparable manner to heritage assets.
2	Institute of Chartered Accountants of Jamaica	A	
3	Japanese Institute of Certified Public Accountants	A	Subject to the change to definition proposed at SMC 1.
4	The Institute of Chartered Accountants in Scotland	D	
5	The Institute of Chartered Accountants in England & Wales	B	Have concerns about the application of the ASB proposals to heritage assets generally. However, if they are to be adopted they should be applied to all assets meeting the definition.
6	Consiglio Nazionale Ragionieri-Italy	A	
7	The South African Institute of Chartered Accountants	A	

8	CPA Australia	D	Supports the development of a single set of requirements to apply to all types of heritage asset
9	Chartered Institute of Public Finance & Accountancy UK	A	Helpful, if particularly in an international context, worked examples were provided to illustrate the application of the proposals to geophysical and religious heritage assets.
10	Financial Reporting Standards Board of New Zealand	C	Heritage assets are a sub-set of property, plant and equipment and, subject to meeting the recognition criteria, heritage assets should be recognized in the financial statements
11	South African Accounting Standards Board	A	Entities that have a secondary responsibility to preserve assets for future generations, should also apply the accounting principles to the recognition of heritage assets.
12	Australian Accounting Standards Board	C	Think that heritage assets are a sub-category of property, plant and equipment.
13	Financial Reporting Advisory Board UK	A	
14	Treasury of Australia	C	
15	Treasury of Republic of Cyprus	A	
16	Ministry for the Economy, Finance and Industry, France	C	No, the proposed definition leads to a scope which does not include all heritage assets. More detailed analysis of sites and nature reserves and archaeological deposits
17	Swedish National Financial Management Authority (Ekonomistyrningverket)	B	Reservations over possibility of applying relevant values for some assets even where there is a market.
18	Department of Treasury & Finance, Victoria, Australia	C	Consider that many heritage assets have more than one attribute or component and that in many cases heritage assets are really intangible assets with some physical form.
19	Treasury of Hong Kong	D	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	C	A heritage asset should be man made.

21	New South Wales Treasury-Australia	C	
22	Queensland Treasury-Australia	C	While the proposals may achieve internal consistency within the financial statements of a single entity, they may cause external inconsistency among different entities. Under the proposed approaches, the accounting treatment is determined with reference to the specific holding entity rather than its inherent features and so very different accounting treatments may be applied to similar assets.
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	A	
24	Australasian Council of Auditors-General	A	
25.	Office of Controller and Auditor-General of New Zealand	A	
26.	The United Kingdom National Audit Office	A	
27.	Horwath Clark Whitehill LLP-UK	B	Because heritage is primarily a cultural rather than an economic concept there is bound to be some overlap where assets of this nature are held/used for primarily or secondarily economic purposes (administrative uses; corporate art etc.).
28.	Auckland Museum Trust Board-New Zealand	D	
29.	Taumata a Iwi-New Zealand	D	
30.	Auckland City Libraries	A	
31.	Canterbury Museum Trust Board-New Zealand	D	

32.	The University of Melbourne-Australia	D	
33.	University of Wisconsin-Lacrosse-USA	D	
34.	Liquid Pacific-Australia	C	Art collections are current economic assets and, as such, has reservations whether artwork should be considered, or treated as a heritage item.
35.	English Heritage-UK	D	
36.	Johan Christiaens-Belgium	D	Attention could be paid to the kind of ownership as acknowledged in US GASB 34.
37.	Fédération des Experts Comptables Européens (FEE)	A	Same valuation difficulties apply, and raise directly comparable questions about the costs and benefits of obtaining the information. Would be helpful if, particularly, in an international context, worked examples were provided to illustrate the application of the proposals to geophysical and religious heritage assets.

SPECIFIC MATTER FOR COMMENT (3)

Do you agree with the view in paragraph 4.12 of the DP that, where a majority, by value, of heritage assets held by an entity cannot be recognized, because reliable valuations cannot be obtained, all other items should also not be recognized?. Alternatively, do you support other approaches such as those outlined in Chapter 3 of the DP?

SUMMARY OF OVERALL VIEW

AGREE	A	13
DO NOT AGREE	B	22
NO CLEAR VIEW EXPRESSED	C	2
TOTAL		37

Percentage supporting view (A) – out of those expressing view

37%

Percentage supporting view (B) –out of those expressing view

63%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	A	Agrees with this view, but does not support capitalization (recognition and measurement) of heritage assets. Considers that the Discussion Paper underestimates the problems with the capitalization approach.
2	Institute of Chartered Accountants of Jamaica	A	
3	Japanese Institute of Certified Public Accountants	A	
4	The Institute of Chartered Accountants in Scotland	B	Believe that where an asset cannot be reliably measured it should not be recorded in the financial statements. However, we do not agree that this should preclude recognizing assets at cost where the cost is known.
5	The Institute of Chartered Accountants in England & Wales	B	Considers that in many cases recognition will not be appropriate.
6.	Consiglio Nazionale Dottori Commercialisti-Italy	B	Questions whether you can recognize the majority of heritage assets by value if you cannot make any measurement. Considers the proposed exclusion criteria too discretionary and believes that any valuation, however imprecise it may be, is preferable to none. Non-capitalization and mixed capitalization approaches should not be permitted

7	The South African Institute of Chartered Accountants	B	Capitalization process should be driven by principles-whether an asset meets definition and recognition criteria. Advocates principles in IPSAS 17 to be applied to heritage assets.
8	CPA Australia	B	Support an approach to the recognition of heritage assets that is consistent with the criteria for recognition articulated in the IASB Framework and IPSAS 17.
9	Chartered Institute of Public Finance & Accountancy UK	A	
10	Financial Reporting Standards Board of New Zealand	B	Heritage assets should be accounted for in the same way as other items of property, plant and equipment, including being recognized on an asset-by-asset basis rather than an all-or-nothing basis.
11	South African Accounting Standards Board	B	
12	Australian Accounting Standards Board	B	Do not agree with the all-or-nothing approach proposed in the DP. The majority of heritage assets by value criterion is circular and has a flawed logic.
13	Financial Reporting Advisory Board UK	A	
14	Treasury of Australia	B	
15	Treasury of Republic of Cyprus	A	
16	Ministry for the Economy, Finance and Industry, France	A	“Full capitalization approach” is not realistic.
17	Swedish National Financial Management Authority (Ekonomistyrningverket)	B	No relevant reliable valuation is possible.
18	Department of Treasury & Finance, Victoria, Australia	C	

19	Treasury of Hong Kong	A	The practical difficulties mentioned in paragraph 4.12 of the consultation paper are applicable to our situation. While it would not be difficult to ascertain the historical cost of certain purchased museum collection items, it is not the case for the majority of the heritage assets. For the majority of the historical items (such as 800,000 excavated archaeological finds which are mostly ceramic fragments, or 100,000 donated historical or ethnographical items collected in the field, their current market value is difficult, if not impossible to ascertain. Even for art objects, the huge fluctuations in recent auctions make any reasonable valuation subject to challenge. Thus, the only reliable data on the value of our museum collections is the historical cost purchase. Since we do not intend to re-sell, any updating exercise for current valuation would not be meaningful. We thus have reservations to adopt the full capitalization approach.
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	B	Propose the following approach: <ol style="list-style-type: none"> 1. Heritage assets which are available for sale or for which a disposal is possible should be valued at their fair value. 2. Heritage assets which have neither a future economic benefit nor service potential other than the presentation of heritage assets should not be recognized. 3. Heritage assets which are used for the production or delivery of services other than the presentation of the heritage assets should be valued in accordance with IPSAS 17.
21	New South Wales Treasury-Australia	B	Entities should capitalise all heritage assets wherever it is practicable to obtain valuations. Where not practicable heritage assets should not be recognized (e.g. at notional values). Agrees that heritage assets should be reported at current value, based on market values, not at historical cost.

22	Queensland Treasury-Australia	B	Can see the benefits in the non-capitalisation approach (i.e. all entities should not capitalise heritage assets) on the basis that necessary information will be provided to the users of financial statements via substantial disclosures of the material items. This approach has the advantage of achieving consistency not only within one entity, but also across all entities. However, we support an alternative capitalisation approach where entities make a capitalisation decision based on consideration of the relevance and reliability of information about heritage assets and their measurability, i.e. limiting recognition to only those assets that have fair value that is clearly relevant and reliably measurable, and is obtainable at a cost that does not exceed the benefits of the information provided.
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	B	HOTARAC has problems reconciling the comments on approaches to accounting for heritage assets in Section 3 with the comments on the practical considerations in Section 4. HOTARAC considers that entities should capitalize all heritage assets wherever it is practicable to obtain valuations. Assets should not be recognized at notional values. IPSASB should state what is and is not practicable.
24	Australasian Council of Auditors-General	B	In principle believe that all assets should be recognized in the balance sheet provided that they meet the recognition criteria for an asset.
25.	Office of Controller and Auditor-General of New Zealand	B	Support the principle that all assets (including heritage assets) should be recognized in the statement of financial position when they meet the recognition criteria for an asset. Do not support the 'non-capitalisation' approach or the 'majority by value' proposal because we believe that heritage assets should be recognized on an asset by asset basis as with all other types of property, plant and equipment.

26.	The United Kingdom National Audit Office	A	<p>Agree that where an entity cannot reliably value the majority (by value) of its heritage assets, it should not recognise any of its heritage assets – i.e. adopt a non-capitalisation approach. We wonder whether there might not be circumstances in which an entity adopts a non-capitalisation approach for other than purely practical reasons - for example, that the results would not be meaningful. We might consider this, if properly and clearly explained, an appropriate approach. We strongly agree that where an entity adopts a non-capitalisation approach, the reason for adopting that approach should be clearly explained in the accounts.</p> <p>We consider that it would be helpful if there were guidance on the circumstances in which the policy might, or could be expected to, change. An example of such circumstances would be the donation to an entity by a (presumably rich) supporter of a recent purchase of far greater value than the aggregate value of all its other heritage assets. The entity could have previously adopted a non-capitalisation approach, but now it is clearly able to obtain a reliable valuation for the majority, by value, of the heritage assets it holds. In this situation, the entity should, under the proposals in the Discussion Paper, adopt a capitalisation approach.</p>
27.	Horwath Clark Whitehill LLP-UK	B	
28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi-New Zealand	A	
30.	Auckland City Libraries	B	Disagrees with not disclosing any heritage assets if only some of them could not be valued.
31.	Canterbury Museum Trust Board-New Zealand	A	An entity should state in the notes to the accounts the reason for their adoption of the non-capitalisation approach.
32.	The University of Melbourne-Australia	B	The practice of placing monetary values on the heritage assets of not-for-profit public institutions results in the reporting of “accounting fictions” and is, in effect, an “accountability mirage”.

33.	University of Wisconsin-Lacrosse-USA	C	
34.	Liquid Pacific-Australia	B	
35.	English Heritage-UK	B	Don't agree that heritage assets should be reported in the balance sheet. The non-capitalisation approach should be applicable to all types of heritage assets including "intangible heritage" and "natural heritage" assets.
36.	Johan Christiaens-Belgium	B	Acquired heritage assets that do not result in economic profits, which is often the case in governments, are from the point of view of accrual accounting worthless; there will be no economic return and they are not held or maintained for profits purposes.
37.	Fédération des Experts Comptables Européens (FEE))	A	

SPECIFIC MATTER FOR COMMENT (4)

Do you think that, for financial reporting purposes, assets that might otherwise be regarded as heritage assets, but are not central to the objectives of the entity, should be treated as property, plant and equipment rather than heritage assets as proposed at paragraph 7.2 of the DP?

SUMMARY OF OVERALL VIEW

AGREE	A	13
DOES NOT AGREE	B	20
NO CLEAR VIEW EXPRESSED	C	4
TOTAL		37

Percentage supporting view (A) – out of those expressing view 39%

Percentage supporting view (B – out of those expressing view 61%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	B	Believes that assets which have all the attributes of heritage assets, but are held by public sector entities which do not have the holding of such assets as a central part of their objectives should nevertheless be accounted for as heritage assets. Where assets are held for reasons other than their contribution to knowledge and culture, such assets should be accounted for as property, plant & equipment in accordance with IPSAS 17.
2	Institute of Chartered Accountants of Jamaica	A	
3	Japanese Institute of Certified Public Accountants	B	Definition proposed by respondent does not retain the phrase “this purpose is central to the objectives of the entity holding it”
4	The Institute of Chartered Accountants in Scotland	B	
5	The Institute of Chartered Accountants in England & Wales	B	
6	Consiglio Nazionale Dottori Commercialisti-Italy	B	

7	The South African Institute of Chartered Accountants	B	Where an asset has unique heritage features and would result in future economic benefits or service potential to the entity, it should be classified and recognized as a heritage asset.
8	CPA Australia	B	
9	Chartered Institute of Public Finance & Accountancy UK	B	
10	Financial Reporting Standards Board of New Zealand	B	
11	South African Accounting Standards Board	B	
12	Australian Accounting Standards Board	B	Assets that might otherwise be regarded as heritage assets, but are not held for purposes central to the objectives of the entity should be accounted for as property, plant and equipment (or, where appropriate, investment property). The financial statements also should include additional note disclosures about the assets' heritage attributes to satisfy public accountability obligations.
13	Financial Reporting Advisory Board UK	B	
14	Treasury of Australia	B	
15	Treasury of Republic of Cyprus	B	Consistent with approach to SMC 1
16	Ministry for the Economy, Finance and Industry, France	A	Where the assets do not belong to the national, inalienable and imprescriptible collections, but are a part of the private estate of the public entities, we admit easily that they are covered by IPSAS 16 or 17. As regards historic buildings ...in a multi-purpose activity (offices), the market value is indeed a base of appropriate assessment.
17	Swedish National Financial Management Authority (Ekonomistyrningverket)	A	

18	Department of Finance, Victoria, Australia	B	
19	Treasury of Hong Kong	A	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	B	
21	New South Wales Treasury-Australia	A	
22	Queensland Treasury-Australia	B	
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	C	<p>HOTARAC does not present an opinion on this issue.</p> <p>Response to Question 1 reflected that heritage assets should be accounted for in the same way, no matter who holds them, but the views of HoTARAC's members varied on whether to treat them as a subset of Property, Plant and Equipment subject to the same accounting principles or require them to be subject to principles that apply specifically to heritage and cultural assets.</p>
24	Australasian Council of Auditors-General	A	
25.	Office of Controller and Auditor-General of New Zealand	A	
26.	The United Kingdom National Audit Office	A	Agree subject to clarification of the definition (see response to SMC 1). An historic asset used by the entity itself, where it is not in itself a heritage asset, should be valued on the basis of the replacement cost of the service potential.
27.	Horwath Clark Whitehill LLP-UK	B	
28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi-New Zealand	A	

30.	Auckland City Libraries	A	Heritage assets that do not met the organisation's customer service objective should be recorded as property, plant and equipment or investment property.
31.	Canterbury Museum Trust Board-New Zealand	C	
32.	The University of Melbourne-Australia	C	
33.	University of Wisconsin-Lacrosse-USA	C	
34.	Liquid Pacific-Australia	B	An asset operates t its highest and best use should be accounted for as property, plant and equipment, whether such an asset is a heritage item or not. Where an asset's highest and best use is restricted by a heritage attribute then that item should be accounted for as a heritage or community item.
35.	English Heritage-UK	A	
36.	Johan Christiaens-Belgium	A	Section 7 of the UK ASB Discussion Paper is correct in the way that the goods themselves are not so important; they may seem heritage assets, but what counts is their function.
37.	Fédération des Experts Comptables Européens (FEE)	B	While we are content with the proposals in Section 7 of the Discussion Paper as they apply to Corporate Art, we note that many public benefit entities hold assets which have heritage characteristics, and which are supported by the holding entity, but which may be incidental to the primary purposes of the entity, or fall short of being considered "central". In our view, very similar cost-benefit analysis applies to heritage assets held by such entities.

SPECIFIC MATTER FOR COMMENT (5)

IPSAS 17 requires entities to initially measure property, plant and equipment at cost and allows the historical cost or revaluation model to be adopted subsequent to initial recognition. In contrast, the DP proposes that where heritage assets are recognized they should be carried at current value with valuations on a regular basis. What measurement basis or bases (fair value, historical cost or another basis) do you think should be allowed or required for heritage assets that are to be initially recognized as assets?

SUMMARY OF OVERALL VIEW

FAIR VALUE/CURRENT VALUE	A	12
HISTORICAL COST	B	1
FAIR VALUE/CURRENT VALUE & HISTORICAL COST	C	14
NO RECOGNITION & MEASUREMENT	D	7
ANOTHER BASIS	E	2
NO CLEAR VIEW EXPRESSED	F	1
TOTAL		37

Percentage supporting view (A) – out of those expressing view	33%
Percentage supporting view (B) – out of those expressing view	3%
Percentage supporting view (C)– out of those expressing view	39%
Percentage supporting view (D) – out of those expressing view	19%
Percentage supporting view (E) – out of those expressing view	6%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	D	Should not be recognition of heritage assets unless exceptional conditions apply. Where heritage assets are recognized historical cost option should be retained so as not to reduce comparability with private sector entities.
2	Institute of Chartered Accountants of Jamaica	A	Fair value – Where there are practical difficulties in maintaining current values on a consistent basis consideration should be given to: <ul style="list-style-type: none"> • applying internal valuations during the intervening periods • extending the intervals between formal valuations • Using historical cost where this represents a reasonable proxy for current value.
3	Japanese Institute of Certified Public Accountants	C	At initial recognition, heritage assets should be measured at cost where historical costs are available, otherwise by using fair values as IPSAS 17 requires.

4	The Institute of Chartered Accountants in Scotland	C	The Discussion Paper does not explore in any detail why historic cost is not a suitable basis for the recognition of heritage assets. Does not believe that the Discussion Paper makes a strong case for removing historic cost as an option under the proposed capitalization approach.
5	The Institute of Chartered Accountants in England & Wales	D	Whilst current value better than historical cost for reasons set out in section 3.8 of Discussion Paper, it can fluctuate by large amounts year on year because of changes in fashion, public interest or use. This could give rise to accounting complexities similar to those arising from current cost accounting in the 1970s and possibly similar confusion for users. Current value will also be difficult and expensive to establish in many cases, in particular in relation to assets for which there is no or only a very limited market.
6	Consiglio Nazionale Dottori-Italy	B	Prefer, where practicable, historical cost, as fair value is not conceptually consistent with assets that cannot be held for trading and whose recognition in the balance sheet has a largely symbolic value.
7	The South African Institute of Chartered Accountants	C	Proposes a measurement basis in line with the principles in IPSAS 17 - <i>Property, Plant and Equipment</i> which are in line with our comment in Question 3.
8	CPA Australia	C	Initial measurement at cost except when the asset is acquired at no cost, or for nominal cost-the cost is its fair value as at the date of acquisition. For the measurement of heritage assets subsequent to initial recognition the entity should be able to choose between accounting models (the cost model and the revaluation model).
9	Chartered Institute of Public Finance & Accountancy UK	A	For many very old heritage assets, historical cost might provide very little relevant information indeed. For recent purchases, historical cost will often equate closely to current value.
10	Financial Reporting Standards Board of New Zealand	C	Heritage assets that meet the recognition criteria should be recognised initially at cost or, where the asset was donated, at fair value (this fair value could be come the deemed cost). Heritage assets should be permitted, but not required , to be revalued after initial recognition.
11	South African Accounting Standards Board	A	Support the proposal in the UK Discussion Paper that heritage assets reported in the balance sheet should be measured at current value rather than at historical cost, unless the historical cost provides a good proxy for current value.

12	Australian Accounting Standards Board	C	<p>Given that costs associated with the revaluation of heritage assets may be high, the requirement for heritage assets to be valued at current values on an ongoing basis may be onerous for entities and may limit and/or discourage the recognition of heritage assets.</p> <p>Acknowledge the difficulties in obtaining reliable measurement for many types of heritage assets and therefore suggest that practical valuation guidance for heritage assets would assist in the transition stage of recognition.</p>
13	Financial Reporting Advisory Board UK	A	Recognises that IPSASB will need to take account of those jurisdictions that do not report assets at current value.
14	Treasury of Australia	C	
15	Treasury of Republic of Cyprus	A	
16	Ministry for the Economy, Finance and Industry, France	A	
17	Swedish National Financial Management Authority (Ekonomistyrningssverket)	D	Notes that current valuation principle in Sweden is historical cost, but restates that heritage assets should not be recognized at all.
18	Department of Finance, Victoria, Australia	F	
19	Treasury of Hong Kong	C	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	C	See also response to SMC 3. If a heritage asset can be sold it should be measured at fair value.
21	New South Wales Treasury-Australia	A	Fair value measurement on initial recognition should be required for heritage assets. Historical cost is unlikely to reflect the true value of the heritage assets.

22	Queensland Treasury-Australia	A	<p>Agree with view that heritage assets should be reported in the balance sheet at fair value rather than historical cost. Fair value is seen as representing the best estimate of the intrinsic cultural or heritage value of the asset because it represents the exchange value of the future economic benefits embodied in the asset.</p> <p>A market may not exist for some heritage assets and methods of measurement and assumptions may vary considerably between entities, which may result in the financial information being unreliable. Suggest further work is undertaken to provide detailed guidance on appropriate fair value measurement methodologies and cost-benefit valuation analyses of heritage assets.</p>
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	A	<p>Fair value measurement on initial recognition should be required for heritage assets (where possible to determine). Historical cost is unlikely to reflect then the value of the heritage asset, whereas current/fair/market value provides more useful and relevant information than historical cost.</p> <p>Fair value is also consistent with Australian Bureau of Statistics (ABS) and IMF Government Finance Statistics (GFS) principles, though it should be noted that current/market prices may be unobtainable for many public sector assets that are rarely sold.</p>
24	Australasian Council of Auditors-General	C	<p>“Current value” is not a term that is used in international accounting standards.</p>
25.	Office of Controller and Auditor-General of New Zealand	C	<p>Based on our experience the cost of revaluing heritage assets is often expensive and onerous, so limiting entities to a revaluation model would be a strong disincentive for them recognizing heritage assets. It would also create a different approach for accounting for heritage assets compared with accounting for other property, plant and equipment.</p>

26.	The United Kingdom National Audit Office	A	<p>Current value provides more useful and relevant information than historical cost, particularly where that cost was established many years ago, although we recognise that there will be difficulties in obtaining and supporting current values for many heritage assets. Consequently, we agree that heritage assets should be initially recognised at current value.</p> <p>In many cases, historical cost will equate to current value, and its use on initial recognition will be appropriate. However, entities may often acquire heritage assets at a discount, or occasionally purchase assets which are subject to rapid revaluation (for example, a work of art whose attribution is re-evaluated). In such cases, fair value will be a more appropriate basis of measurement.</p>
27.	Horwath Clark Whitehill LLP-UK	D	
28.	Auckland Museum Trust Board-New Zealand	C	
29.	Taumata a Iwi-New Zealand	C	
30.	Auckland City Libraries	C	
31.	Canterbury Museum Trust Board-New Zealand	A	
32.	The University of Melbourne-Australia	D	

33.	University of Wisconsin-Lacrosse-USA	E	Fair value is another area of difficulty regarding heritage assets. The value of these assets is not determinable by historical cost or replacement cost, because in many instances the intrinsic value is often created by community perceptions and historical significance. In any instances the intrinsic values will exceed the acquisition costs, if any. Therefore it is imperative that a periodic objective assessment of community and historical value be conducted to determine the carrying value of heritage assets. This may result in increments to the carrying values and the related capital accounts.
34.	Liquid Pacific-Australia	E	Favors valuation at highest and best use. Entity should also value the asset with reference to existing use and calculate the difference between the two. This difference represents the “community value”.
35.	English Heritage-UK	D	
36.	Johan Christiaens-Belgium	D	Most of the heritage assets held by governments, museums etc. do not have an economic and thus accounting value; they do not meet the definition of an asset mostly because of the lack of future economic benefits.
37.	Fédération des Experts Comptables Européens (FEE)	A	Agree with the paper’s proposal that current value provides more useful and relevant information. Furthermore, for many very old heritage assets, historical cost might provide very little information indeed; in general historical cost is more relevant for more recent purchases, that is, when it equates more closely to current value.

SPECIFIC MATTER FOR COMMENT (6)

Where heritage assets are carried on a revaluation basis do you think that it is appropriate to relax the requirements for their revaluation below the criteria for other items of property, plant and equipment as proposed in the DP at paragraph 4.8?

SUMMARY OF OVERALL VIEW

SUPPORTS RELAXATION OR SUPPORTS WITH MINOR RESERVATIONS	A	16
DOES NOT SUPPORT	B	14
NO CLEAR VIEW EXPRESSED	C	7
TOTAL		37

Percentage supporting view (A) – out of those expressing view 53%

Percentage supporting view (C) – out of those expressing view 47%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	B	Does not support proposal in Discussion Paper as it encourages inappropriate recognition and measurement.
2	Institute of Chartered Accountants of Jamaica	A	This would assist in reducing the cost associated with carrying out the revaluations, especially where the carrying amount represents a reasonable proxy of the current value. The need for frequent revaluations on non-depreciable assets may be a source of practical application of the standards, because of the cost involved and the benefit to be achieved may not be commensurate.
3	Japanese Institute of Certified Public Accountants	A	
4	The Institute of Chartered Accountants in Scotland	B	The use of internal valuations would raise questions over the independence of the valuers and therefore the reliability of the valuations could be questioned. No evidence is presented in the Discussion Paper to suggest that a longer period of time between formal revaluations would be appropriate for heritage assets compared to other tangible fixed assets.
5	The Institute of Chartered Accountants in England & Wales-UK	B	

6	Consiglio Nazionale Ragionieri-Italy	C	Considers that increases in carrying values as a result of revaluations are taken directly to net assets.
7	The South African Institute of Chartered Accountants	B	Similar revaluation requirements to IPSAS 17 should be applied.
8	CPA Australia	B	Thinks that the revaluation section of IPSAS 17 provides a level of flexibility (and at same time remains consistent with the definition of fair value). Does not support a further relaxation.
9	Chartered Institute of Public Finance & Accountancy UK	A	
10	Financial Reporting Standards Board of New Zealand	B	Where an entity adopts the revaluation approach, the criteria to be used for such revaluation should be consistent with the revaluation approach of other property, plant and equipment. Concerned that the practicability criteria proposed to determine whether the capitalisation approach should be used may allow too many entities to opt for the non-capitalisation approach, notwithstanding that it may be possible to obtain reliable values for all or some heritage assets of the entity.
11	South African Accounting Standards Board	B	Similar requirements for the valuation of property, plant and equipment and investment property as included in IPSAS 16 and IPSAS 17 should be applied to heritage assets. If an entity is however not able to determine the current value, the financial statements should include an explanation of why the current value could not reliably be measured.
12	Australian Accounting Standards Board	A	To facilitate the recognition of heritage assets on the balance sheet we broadly support the proposals outlined in the DP at paragraph 4.8. In particular on cost benefit grounds, we would support the wider use of internal valuations, allowing indices in place of formal revaluations and extending the interval between formal valuations.
13	Financial Reporting Advisory Board UK	A	
14	Treasury of Australia	A	
15	Treasury of Republic of Cyprus	A	

16	Ministry for the Economy, Finance and Industry, France	A	
17	Swedish National Financial Management Authority (Ekonomistyrningssverket)	C	
18	Department of Finance, Victoria, Australia	A	Supports extended revaluation intervals and the use of internal valuations and indices based on reference guides or auction catalogues.
19	Treasury of Hong Kong	C	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	B	
21	New South Wales Treasury-Australia	B	NSW Treasury does not feel it necessary to relax the requirements for revaluation of heritage assets.
22	Queensland Treasury-Australia	A	Agrees that the formal revaluation interval can be extended for these assets. Due to their unique nature, unless a significant change in fair value or volatile market, this should act as a trigger for a formal revaluation process, e.g. demand increases for an artist's work. Similar to impairment testing, indicators should be assessed on an 'asset-by-asset' basis, which may result in assets in a class being revalued at different times. This may be contradictory to IPSAS 17, "Property, Plant and Equipment".

23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)- Australia	B	<p>HoTARAC does not think that it is necessary to relax the requirements for revaluation of heritage assets. Using the examples in paragraph 4.8:</p> <ul style="list-style-type: none"> • Wider use of internal valuations: the standards (IPSAS 17) refer to appraisals normally undertaken by professionally qualified valuers and for assets of a specialized nature an entity may need to estimate fair value. Therefore, it follows that appraisals don't always have to be undertaken by professionally qualified valuers and the entity itself may determine fair value; • Extending the interval between formal revaluations: the standards (IPSAS 17) do not require any specific interval between valuations. Instead the revaluation must be made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value;and • Using historical cost if it is a reasonable proxy for current value: HoTARAC does not anticipate that this would happen very often for the reasons discussed at SMC5.
24	Australasian Council of Auditors-General	B	Do not support the extension of formal valuations- they should be carried out every five years. Guidance is needed about the use of internal valuations and/or indices and how they can be used to arrive at objective valuations.
25.	Office of Controller and Auditor-General of New Zealand	B	The use of internal valuations is only acceptable for entities with large and specialized collections of heritage assets, so long as the entity has in its employ a person sufficiently experience to conduct the valuation and the valuation is subject to review by an independent valuer.
26.	The United Kingdom National Audit Office	A	
27.	Horwath Clark Whitehill LLP- UK	B	
28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi- New Zealand	A	

30.	Auckland City Libraries	B	<p>Three years should be the recommended interval between valuations due to the significant movements in value we have experience with heritage assets, and due to the current popularity of heritage and antique items. Five years is too long for assets that can have significant value changes. However, we would not wish to revalue at less than 3-yearly intervals due to the time (and cost) of doing a revaluation.</p> <p>Depending on the nature and volume of heritage assets, valuation can be time-consuming. It takes approximately 7-8 months to review our valuation methodology for each class of heritage asset, get the valuation work done, and prepare the final report. It may be appropriate to value say one-third each year, so that all heritage assets are valued over a 3 year period.</p>
31.	Canterbury Museum Trust Board-New Zealand	A	The proposed modifications are practical and will encourage the adoption of the capitalization approach.
32.	The University of Melbourne-Australia	C	
33.	University of Wisconsin-Lacrosse-USA	C	
34.	Liquid Pacific-Australia	C	Question should be addressed by the IPSASB and other similar bodies as setters and caretakers of standards for a profession. In my view if relaxing can lead to inaccuracy and misuse then such modifications should not be considered.
35.	English Heritage-UK	A	Any valuation will involve an expenditure of time or money and will divert resources from the objectives of the stewardship of the heritage assets. Therefore if any valuation is required the methods allowed should be as flexible as possible.
36.	Johan Christiaens-Belgium	C	
37.	Fédération des Experts Comptables Européens (FEE)	A	

SPECIFIC MATTER FOR COMMENT (7)

Where heritage assets are not recognized do you think that transactions such as acquisitions and disposals, restoration costs and grants and donations for the purchase of heritage assets should be presented in a separate statement other than the Statement of Financial Performance, as suggested and exemplified in paragraphs 4.14 and 4.16 ? Do you think that IPSASs should be amended to include such an additional statement?

SUMMARY OF OVERALL VIEW

SUPPORTS STATEMENT	ADDITIONAL	A	9
SUPPORTS WITH MODIFICATIONS		B	3
DOES NOT SUPPORT		C	18
NO CLEAR VIEW EXPRESSED		D	7
TOTAL			37

Percentage supporting views (A) and (B) – out of out of those expressing view 40%

Percentage supporting view (C) – out of those expressing view 60%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	A	Proposed statement will provide useful information about acquisition and disposal of heritage assets in current reporting period.
2	Institute of Chartered Accountants of Jamaica	A	Because as the definition suggests heritage assets are not held to generate cash inflows or sale proceeds, but are held and maintained principally for their contribution to knowledge and culture which purpose is central to the objectives of the holders. They should instead be reflected in the “Statement of Change in Recognized Net Assets.” IPSAS should be amended to make this a requirement.
3	Japanese Institute of Certified Public Accountants	A	Such transactions should be presented appropriately in a separate statement or in the notes of the financial statements. IPSASs should be amended to include such additional statements or notes.
4	The Institute of Chartered Accountants in Scotland	C	Supports note to the accounts which summarises heritage asset transactions for all entities which hold heritage assets.

5	The Institute of Chartered Accountants in England & Wales	C	
6	Consiglio Nazionale Ragionieri-Italy	C	
7	The South African Institute of Chartered Accountants	C	Adequate disclosure should be made in notes to the financial statements and not in a separate statement.
8	CPA Australia	D	
9	Chartered Institute of Public Finance & Accountancy UK	A	For entities for which heritage purposes are 'central' there is a need to avoid distortion of financial performance resulting from non-capitalisation. However, also suggest that the definition of heritage assets should be widened to encompass assets held by non-heritage entities.
10	Financial Reporting Standards Board of New Zealand	C	Consider that the non-capitalisation approach on its own should not be permitted as an alternative to the capitalization approach. Consider that the need to de-recognise assets that have already been capitalized, due to the proposed all-or-nothing approach, is a backward step in financial reporting.
11	South African Accounting Standards Board	C	Inclusion of a reconciliation of the carrying amount of heritage assets at the beginning and end of the period will further provide useful information on the additions and disposals of heritage assets.
12	Australian Accounting Standards Board	C	Transactions such as acquisitions and disposals, restoration costs and grants and donations for the purchase of heritage assets should not be presented in a separate statement other than the Statement of Financial Performance.
13	Financial Reporting Advisory Board UK	B	
14	Treasury of Australia	C	
15	Treasury of Republic of Cyprus	B	Support the inclusion of the "Statement of Changes in Net Recognized Assets" but advocate the inclusion of the proposed statement in the notes to the financial statement rather than as a separate primary statement.
16	Ministry for the Economy, Finance and Industry, France	C	Supports the proposed statement but as supplementary information.

17	Swedish National Financial Management Authority (Ekonomistyrningssverket)	D	Idea worth considering further.
18	Department of Finance, Victoria, Australia	A	Important that changes in value of heritage assets do not distort financial performance. Consequently, we strongly support separate statement disclosure.
19	Treasury of Hong Kong	D	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	C	Heritage assets should not be presented more prominently than other assets.
21	New South Wales Treasury-Australia	C	Including a separate statement to discuss unrecognized assets would confuse the reader/user of the financial statements.
22	Queensland Treasury-Australia	C	<p>Have concerns over how the proposed Statement of Changes in Recognised Assets will work in practice.</p> <ul style="list-style-type: none"> • Many acquisitions cannot readily be quantified which may result in unreliable/incomplete information e.g. acquisition of specimens through field trips, donated assets without ready market value or acquisition of assets but with a custodian role only • The transaction flows would be difficult to follow particularly for users of the financial statements without an accounting background)
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	C	A separate statement should not be presented for items that are not recognised. Information on transactions regarding these items should be disclosed in the notes. The primary financial statements should reflect only recognized items. Introducing a separate statement to discuss unrecognized assets would confuse the reader/user of the financial statements.
24	Australasian Council of Auditors-General	C	

25.	Office of Controller and Auditor-General of New Zealand	C	In our opinion heritage assets that meet the definition of property, plant and equipment should be reflected in the entity's financial statements. Where heritage asserts meet the definition of property, plant and equipment but do not meet the recognition criteria, the entity should include factual narrative disclosures about the assets in a note to the financial statements.
26.	The United Kingdom National Audit Office	C	<p>It is our understanding that an entity would only prepare a "statement of change in recognised net assets" where it had contribution to knowledge and culture as a central objective – and thus, presumably, a principal activity. In these circumstances, reporting heritage asset transactions as a separate 'group' might be useful to the reader of the accounts, but we are not clear why these transactions – relating to a principal activity of the entity - should be excluded from the statement of financial performance. We would welcome an illustration of circumstances in which such transactions could be said to distort financial performance.</p> <p>Insofar as there is a case for a separate statement, we agree that the IPSASs should be amended to include such an additional statement.</p>
27.	Horwath Clark Whitehill LLP- UK	C	
28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi- New Zealand	A	
30.	Auckland City Libraries	D	Thinks that this kind of statement depends on the materiality of heritage assets and related expenditure when compared to other assets. The expenditure Auckland City Libraries incurs is not material compared to the total cost of our public library service and the total costs of Auckland City Council.
31.	Canterbury Museum Trust Board-New Zealand	A	The income and expenditure would then only reflect the operational transactions which would allow for better comparability of the income and expenditure account from year to year.

32.	The University of Melbourne-Australia	D	
33.	University of Wisconsin-Lacrosse-USA	D	
34.	Liquid Pacific-Australia	D	
35.	English Heritage-UK	B	A simple statement of acquisitions and disposals could be useful and need not be a burden on the entities concerned.
36.	Johan Christiaens-Belgium	C	Advocates reporting heritage assets in “a rather qualitative way”, but not in the annual report.
37.	Fédération des Experts Comptables Européens (FEE)	A	For entities for which heritage purposes are “central” there is a need to avoid distortion of financial performance resulting from non-capitalisation.

SPECIFIC MATTER FOR COMMENT 8

IPSAS 17 and IPSAS 21, *Impairment of Non-Cash Generating Assets* specify requirements for the depreciation of property, plant and equipment and impairment of assets primarily held for service delivery purposes. What requirements, if any, do you think should be applied to heritage assets for depreciation and impairment?

SUMMARY OF OVERALL VIEW

NO DEPRECIATION OR TEST FOR IMPAIRMENT	A	6
NO DEPRECIATION BUT TEST FOR IMPAIRMENT//DEPRECIATE BUT DO NOT TEST FOR IMPAIRMENT	B	4
BOTH DEPRECIATE AND TEST FOR IMPAIRMENT	C	17
NO CLEAR VIEW EXPRESSED	D	10
TOTAL		37

Percentage supporting view (A) – out of those expressing view 22%

Percentage supporting view (B) – out of those expressing view 15%

Percentage supporting view (C) – out of those expressing view 63%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	A	Depreciation inappropriate as heritage assets do not have finite life. Should be a requirement to separately disclose any planned maintenance that has not been undertaken. Impairment difficult to apply to non-income generating assets.
2	Institute of Chartered Accountants of Jamaica	B	The intrinsic value of heritage assets is more likely to appreciate than to depreciate, over time. Notwithstanding, certain occurrences (war, natural disasters) could give rise to an impairment of value in which case the following requirement may be applied: (1) where significant or permanent damage leads to defacement or devaluing of the asset (2) where there has been a cultural shift.
3	Japanese Institute of Certified Public Accountants	A	Additional requirements are required. Heritage assets should be treated as non-depreciable when they have unlimited lives.
4	The Institute of Chartered Accountants in Scotland	D	The Discussion Paper does not explore the issue of non-depreciation of heritage assets in any detail.
5	The Institute of Chartered Accountants in England & Wales	B	Impairment testing should depend on whether the asset is still of value for the purpose for which it is held.

6	Consiglio Nazionale Ragionieri-Italy	C	Policy should be in disclosures. Impairment test should be limited to exceptional circumstances.
7	The South African Institute of Chartered Accountants	C	Supports adoption of similar depreciation requirements to those in IPSAS 17. Need to be cognizant of the indefinite lives of some heritage assets. Such assets should not be depreciated.
8	CPA Australia	C	Expect that the concept of useful life should enable many heritage assets to not be depreciated. Do not think that the application of the IPSAS 21 concept “present value of the remaining service potential of the asset to heritage assets” is problematic.
9	Chartered Institute of Public Finance & Accountancy UK	C	Where assets are capitalised, the same principles as for other service-delivery assets apply, subject to cost benefit considerations.
10	Financial Reporting Standards Board of New Zealand	C	Considers that then requirements of IPSAS 17 and IPSAS 21 should apply to heritage assets recognized as property, plant and equipment.
11	South African Accounting Standards Board	B	Agree with proposal in paragraph 4.11 stating that a policy of non-depreciation for heritage assets is appropriate as the value of heritage assets is likely to increase over time. The entity should however on an annual basis determine whether events and circumstances continue to support the non-depreciation policy.
12	Australian Accounting Standards Board	C	Broad requirements for depreciation and impairment testing of property, plant and equipment should be applied to heritage assets. Acknowledge that, given the nature of many heritage assets and the manner in which they are preserved or maintained, they may have indefinite useful lives and therefore should not be subject to depreciation.
13	Financial Reporting Advisory Board UK	B	It must be right that heritage assets can be impaired, although it might because of permanent diminutions in value due to damage rather than because of a loss of service potential. Considers that ‘impairment testing’ of heritage assets might not be necessary in the same way that other assets are tested for loss of service potential because the impairments are self-evident.
14	Treasury of Australia	C	
15	Treasury of Republic of Cyprus	C	Same principles as for P, P & E should apply for the depreciation and impairment of heritage assets

16	Ministry for the Economy, Finance and Industry, France	D	
17	Swedish National Financial Management Authority (Ekonomistyrningssverket)	A	
18	Department of Finance, Victoria, Australia	D	
19	Treasury of Hong Kong	D	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	C	Advocates same depreciation principles as defined in IPSAS 17 and impairment principles stated in IPSAS 21.
21	New South Wales Treasury-Australia	C	The requirements for depreciation and impairment of heritage assets should be the same as those for other non-current physical assets.
22	Queensland Treasury-Australia	C	Believe that general depreciation and impairment testing requirements should apply to heritage assets. Some heritage assets are expected to appreciate rather than depreciate, or at least not to decline in value and their service potential not to diminish with the passage of time or use. Some assets have very long or indefinite useful lives. For such assets, the rate of deterioration is reduced to such an extent through proper care and conservation that it may be regarded as negligible. No depreciation should be charged against these assets.
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	D	

24	Australasian Council of Auditors-General	C	<p>The general requirements for depreciation and impairment testing should apply.</p> <p>Note that the objective of holding heritage assets is to preserve them for the public benefit they are normally maintained in a manner that results in a very long or indefinite life. As such the amount of depreciation may be immaterial and/or may not be able to be reliably measured, and therefore depreciation would not be recognized. The decision not to recognize depreciation must be reviewed annually.</p>
25.	Office of Controller and Auditor-General of New Zealand	C	<p>The objective of holding and maintaining heritage assets is to realise benefits from the service potential they provide to society. The effect of this is that heritage assets will often have a very long life or even an indefinite life.</p> <p>Believe that the principle of depreciation should be applied to heritage assets.</p> <p>Heritage assets should be subject to impairment testing.</p>
26.	The United Kingdom National Audit Office	C	Where heritage assets are capitalized should be subject to the same requirements as other service delivery assets. However, believe that such cases will be rare.
27.	Horwath Clark Whitehill LLP-UK	C	
28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi-New Zealand	A	
30.	Auckland City Libraries	C	<p>Auckland City Library's accounting policies state that the heritage collections are not depreciated as they are held indefinitely and generally appreciate in value.</p> <p>Where the value of collection does decline (i.e. impaired) the value should be written down. A decline in value could occur for a number of reasons e.g. exchange rates at the time of valuation, physical condition of individual items, decrease in popularity of items.</p>
31.	Canterbury Museum Trust Board-New Zealand	D	

32.	The University of Melbourne-Australia	D	
33.	University of Wisconsin-Lacrosse-USA	D	Heritage assets are likely to sustain damage or impairment like any other assets, but in addition environmental and political risks could be causes of capital erosion. For example, the national park/reserve in Belarus after the Chernobyl disaster would likely be the subject of a write down if accrual accounting had been in use.
34.	Liquid Pacific-Australia	D	
35.	English Heritage-UK	A	If non-capitalisation approach is followed depreciation and impairment testing is not necessary. Any application of depreciation and impairment testing of heritage assets will divert valuable resources from their preservation and maintenance and should be avoided if at all possible.
36.	Johan Christiaens-Belgium	D	
37.	Fédération des Experts Comptables Européens (FEE)	C	Where assets are capitalised, the same principles as for other assets apply, subject to cost-benefit considerations. It should be recognised that many heritage assets are of indefinite life, so that depreciation will be zero.

SPECIFIC MATTER FOR COMMENT 9

Do you agree with disclosure requirements proposed in Chapter 5 of the Discussion Paper? If you think that the disclosures are too onerous or, alternatively, inadequate please indicate which disclosures should be omitted, or which further disclosures should be inserted.

SUMMARY OF OVERALL VIEW

AGREE	A	11
AGREE WITH MINOR RESERVATIONS	B	18
DOES NOT AGREE	C	4
NO CLEAR VIEW EXPRESSED	D	4
TOTAL		37

Percentage supporting views (A) and (B)– out of those expressing view 88%

Percentage supporting view (C) – out of those expressing view 12%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	A	Should be a requirement to separately disclose any planned maintenance that has not been undertaken.
2	Institute of Chartered Accountants of Jamaica	B	The disclosure is inadequate. It should be extended to include statement of how the asset relates to the mission of the entity.
3	Japanese Institute of Certified Public Accountants	A	
4	The Institute of Chartered Accountants in Scotland	B	Broadly agree with proposed disclosure requirements but has reservations including: <ul style="list-style-type: none"> • Logic of entity stating that most of the value of its total heritage assets has been capitalized as it would first need to be able to place a value on all its heritage assets • Do not believe that five year summary is necessary in order to provide a “true and fair” view

5	The Institute of Chartered Accountants in England & Wales	B	Support the additional notes proposed in paragraphs 5.6 to 5.17 of the Discussion Paper except those relating to the five year summary of financial activity. We consider that this would add considerably to the length of the financial statements so should be a matter for the entity to decide.
6	Consiglio Nazionale Ragionieri-Italy	A	
7	The South African Institute of Chartered Accountants	B	<p>Recommend inclusion of disclosure requirements of IPSAS 17. Following disclosure requirements should be included where entity not able to determine reliable measurement for the heritage assets:</p> <ul style="list-style-type: none"> • The reason why the entity is not able to determine a reliable measurement. • The description and condition of the asset. <p>Heritage assets that are capitalised should be presented as a <u>separate line item</u> on the face of statement of financial position.</p>
8	CPA Australia	A	
9	Chartered Institute of Public Finance & Accountancy UK	A	Broadly agree with proposals in Discussion Paper. If definition is widened to encompass non-heritage bodies, it might be appropriate to reduce the required disclosures
10	Financial Reporting Standards Board of New Zealand	B	<p>In general same disclosure requirements required of an entity's property, plant and equipment should also apply to the disclosure of heritage assets of an entity.</p> <p>Consider that additional disclosure of non-financial information about heritage assets is appropriate for different types of heritage assets...Of disclosures proposed in Section 5, we consider that the disclosure proposed in paragraph 5.14 that the notes disclose the financial information for the current reporting period and comparative information for the current reporting period and comparative information for the four previous reporting periods to be overly onerous.</p>
11	South African Accounting Standards Board	B	Propose additional disclosures

12	Australian Accounting Standards Board	B	<p>Disclosure requirements for heritage assets (both capitalized and non-capitalised) should, at a minimum, align with the requirements in IPSAS 17.</p> <p>As management commentary sections are not mandatory in all jurisdictions, we believe that all required disclosures should be in the financial statements or in the notes to the financial statements.</p> <p>Disclosure on financial reporting period and comparative information for four previous reporting periods seems onerous.</p>
13	Financial Reporting Advisory Board UK	A	
14	Treasury of Australia	B	
15	Treasury of Republic of Cyprus	B	Broadly agree with proposals. Think that the requirement for a five year financial summary of activity could become an optional disclosure.
16	Ministry for the Economy, Finance and Industry, France	A	
17	Swedish National Financial Management Authority (Ekonomistyrningssverket)	C	Requirements are perhaps too onerous on a regular basis in the annual report. This kind of information could alternatively be held on the organisation's website.
18	Department of Finance, Victoria, Australia	A	
19	Treasury of Hong Kong	B	<p>If the proposed disclosures are introduced as a requirement highlights the need for a sufficient transitional period.</p> <p>Any proposed standard for disclosure requirements should allow flexibility.</p>
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	B	<p>Do not advocate proposed disclosures on:</p> <ul style="list-style-type: none"> • Preservation and management policy • Funding sources of acquisitions • Five year financial summary of activity • Groups of heritage assets

21	New South Wales Treasury-Australia	B	Does not agree with the requirement to provide a five year financial summary.
22	Queensland Treasury-Australia	B	Think that a five year summary is too onerous for entities. Entities should be encouraged to provide this information in annual reports only. For financial statement purposes, normal comparatives with the prior year should be sufficient. Users of the financial statements can make further comparisons through previous statements if desired.
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	B	Generally agrees with the disclosure requirements in Section 5 of the Discussion Paper, except for the presentation of a separate statement of change in recognized net assets.
24	Australasian Council of Auditors-General	C	Disclosures should accord with IPSAS 17. All additional disclosures should be reported in the notes to the financial statements. Requirement to disclose our years comparative information is onerous and an unnecessary financial cost. The inclusion of financial information disclosures elsewhere in the annual report is not supported.
25.	Office of Controller and Auditor-General of New Zealand	C	The disclosure requirements outlined in IPSAS 17 should apply to heritage assets. Disclosing four years of comparative information, as outlined in paragraph 5.14, is unnecessary for readers of financial statements.
26.	The United Kingdom National Audit Office	B	Agree with the disclosure requirements proposed in section 5, except for the requirement for a five year financial summary of activity. We regard this as an unnecessary requirement, given that the information would be available in previous years' accounts and propose that it should be an optional disclosure. Suggest adding that where the holding of heritage assets imposes onerous obligations, these liabilities should also be disclosed and that entities should also disclose any physical losses or impairments of heritage assets suffered.
27.	Horwath Clark Whitehill LLP-UK	B	Five year summary of acquisitions and disposals should be optional.

28.	Auckland Museum Trust Board-New Zealand	A	
29.	Taumata a Iwi-New Zealand	A	
30.	Auckland City Libraries	B	Level of disclosure requirements depends on the materiality of the heritage assets and related expenditure when compared to the organization's total assets. Would expect to see greater disclosure for an organisation whose asset base is 80% heritage assets (heritage assets would be a key part of their business) compared to one whose asset base is only say 2% heritage assets.
31.	Canterbury Museum Trust Board-New Zealand	A	
32.	The University of Melbourne-Australia	D	
33.	University of Wisconsin-Lacrosse-USA	D	
34.	Liquid Pacific-Australia	D	
35.	English Heritage-UK	C	Restoration, conservation and maintenance costs should appear as part of the normal expenditure of the entity. The extent and nature and reporting requirements for this type of information should be the responsibility of Government and professional bodies in the sector (e.g. the International council of Museums-ICOM and the International Council on Monuments and Sites-ICMOS) and should not form part of accounting standards.
36.	Johan Christiaens-Belgium	D	
37.	Fédération des Experts Comptables Européens (FEE)	B	Broadly agree with the proposals in the Discussion Paper. If the heritage asset definition is widened to encompass non-heritage bodies, it might be appropriate to reduce the required disclosures.

SPECIFIC MATTER FOR COMMENT 10

Do you think that the proposals in the Discussion Paper have particular audit implications? If so, please outline what these implications are.

SUMMARY OF OVERALL VIEW

NO OR MINOR AUDIT IMPLICATIONS	A	16
SIGNIFICANT AUDIT IMPLICATIONS	B	8
FUNDAMENTAL AUDIT IMPLICATIONS	C	2
NO CLEAR VIEW EXPRESSED	D	11
TOTAL		37

Percentage agreeing with view (A) – out of those expressing view 62%
 Percentage agreeing with view (B) – out of those expressing view 31%
 Percentage agreeing with view (C) – out of those expressing view 8%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	B	Most significant point is the decision on whether a particular asset or class of assets should be treated as a heritage asset. A proposed IPSAS should contain clear guidance on this issue.
2	Institute of Chartered Accountants of Jamaica	A	Where internal valuations are done and in the determination of fair values.
3	Japanese Institute of Certified Public Accountants	A	Expect that the audit scope will be expanded to include several new areas such as recognition/measurement issues and estimates of the maintenance costs of the heritage assets.
4	The Institute of Chartered Accountants in Scotland	D	.
5	The Institute of Chartered Accountants in England & Wales	A	Audit aspects are already covered by existing ISAs. Key Standards are ISA 540, <i>Audit of accounting estimates</i> , ISA 545, <i>Auditing fair value measurements and disclosures</i> and ISA 620, <i>Using the work of an expert</i> .
6	Consiglio Nazionale Ragionieri-Italy	A	Audit should be limited to the physical recognition of assets and not consider the adequacy of values.

7	The South African Institute of Chartered Accountants	A	Auditors will need to obtain audit evidence to support all the audit assertions -existence, ownership, valuation and disclosure. The main implication will be on auditing the valuations (where revaluations are done or where heritage assets are initially recognised using current value). The auditors will have to execute audit procedures on such valuations by reviewing the methodologies and assumptions adopted. Auditors may require experts on valuations to assist with the execution audit procedures.
8	CPA Australia	A	
9	Chartered Institute of Public Finance & Accountancy UK	A	Expect there to be some transitional difficulties. In some case significant judgment will be required in the application of changed accounting policies. However, would not expect this transition to be more difficult than other changes of accounting policy where material changes result from judgments reflecting the application of new accounting policies.
10	Financial Reporting Standards Board of New Zealand	A	Acknowledge that there could be practical difficulties in relation to verifying the fair value of certain heritage assets.
11	South African Accounting Standards Board	A	Proposals in the UK DP will have an impact on the audit, specifically with regard to the initial and subsequent measurement of the heritage assets that are recognized at current values as the valuations will most probably have to be done by specialised valuers.
12	Australian Accounting Standards Board	A	An audit issue may arise regarding information that is outside the audited financial statements that is reference in the financial statements.
13	Financial Reporting Advisory Board UK	A	Inclusion of assets at valuation might have audit implications in relation to reliability of the valuations. Assumes that the auditor would follow the requirements of ISA 620, "Using the work of an expert" in reviewing the valuations. Cost of the additional audit work might form part of the entity's assessment of the costs and benefits associated with the capitalization approach.
14	Treasury of Australia	A	
15	Treasury of Republic of Cyprus	B	Highlight the definition (if the phrase "and this purpose is central to the objectives of the entity holding it is not excluded), the selection of the capitalization or the non-capitalisation approach and the audit of valuations
16	Ministry for the Economy, Finance and Industry, France	B	Questions auditability of certain quantitative or descriptive information.

17	Swedish National Financial Management Authority (Ekonomistyrningsverket)	A	
18	Department of Finance, Victoria, Australia	D	
19	Treasury of Hong Kong	D	
20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	C	Yes, in particular we consider that the definition of heritage assets in paragraph 1.16 to be difficult from an audit perspective. Difficulty would not arise using the definition we propose in response on SMC 3.
21	New South Wales Treasury-Australia	A	
22	Queensland Treasury-Australia	B	Highlights : (a) Stocktaking (b) Inconsistency and subjectivity of the valuation measurements (c) Potential audit costs involved with implementing the standard
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	D	HoTARAC does not present an opinion on this issue. Views varied from there being no audit implications to possible audit implications on issues surrounding useful life, reliable measurement and valuation.
24	Australasian Council of Auditors-General	B	Use of internal valuations will present a number of challenges.

25.	Office of Controller and Auditor-General of New Zealand	B	<p>Consultation Paper will present two significant implications for auditors.</p> <p>Firstly, auditors will need to review and form an opinion on the quality of internal valuations prepared by a Public Entity. As such, we believe that the Consultation Paper should be amended to reflect that internal valuations are only acceptable to entities with large and specialized collections of heritage assets, so long as the entity has in its employ a person sufficiently experience to conduct that valuation and that the valuation is subject to review by an independent valuer.</p> <p>Secondly, auditors will need to form a view on the additional disclosures in relation to heritage asset. As such we believe that the Consultation Paper should be amended so that it includes the disclosure requirements outlined in IPSAS 17 for heritage assets.</p>
26.	The United Kingdom National Audit Office	C	<p>Believe that auditors may have difficulties assessing an entity's contention that it is not practicable to obtain valuations. Deciding whether valuations are sufficiently "reliable" or whether the cost of obtaining valuations is "prohibitive" or "reasonable" is highly subjective, and leaves much scope for disagreement.</p> <p>There may be difficulties in auditing the valuation of heritage assets where they are obtained. Some heritage assets, such as works of art, are subject to significant volatilities in market value. For other heritage assets there may effectively be no market. There may be a number of experts available, each providing a different valuation, or only one, employed by the entity itself.</p> <p>It may thus not be possible to come to a true and fair view of the value of heritage assets, or to agree on the practicability of obtaining valuations. In both cases, this might lead to an increase in the number of opinions appearing with a scope limitation.</p>
27.	Horwath Clark Whitehill LLP-UK	B	
28.	Auckland Museum Trust Board-New Zealand	D	
29.	Taumata a Iwi-New Zealand	D	

30.	Auckland City Libraries	A	Doesn't think that there are any audit implications if identification of the heritage assets, methodology for initial measurement and valuation is clear, and there are clear asset trails for asset values. At Auckland City Libraries we have our valuation methodology peer reviewed by audit before the valuation work takes pace and then conform the audit process and any departures (plus reasons) in the final valuation report.
31.	Canterbury Museum Trust Board-New Zealand	D	
32.	The University of Melbourne-Australia	D	
33.	University of Wisconsin-Lacrosse-USA	D	
34.	Liquid Pacific-Australia	D	
35.	English Heritage-UK	D	
36.	Johan Christiaens-Belgium	B	
37.	Fédération des Experts Comptables Européens (FEE)	A	Would expect there to be some transitional difficulties. In some cases, significant judgment will be required in the application of changed accounting policies. However, we would not expect this transition to be more difficult than other changes of accounting policy where material changes result from judgements reflecting the application of accounting policies.

SPECIFIC MATTER FOR COMMENT 11

IPSAS 17 specifies requirements in relation to property, plant and equipment held for operational purposes. Do you think that the IPSASB should develop requirements for heritage assets by amending IPSAS 17 or do you think that heritage assets should be addressed in a separate Standard focusing specifically on heritage assets? Please give your reasons.

SUMMARY OF OVERALL VIEW

SEPARATE STANDARD	A	12
INCORPORATE IN IPSAS 17	B	11
NO CLEAR VIEW EXPRESSED	C	14
TOTAL		37

Percentage supporting view A) – out of those expressing view 52%

Percentage supporting view (B) – out of those expressing view 48%

	NAME	VIEW	COMMENT
1	Association of Chartered Certified Accountants-UK	A	Accounting treatment supported by ACCA is significantly different from that required for other property, plant & equipment.
2	Institute of Chartered Accountants of Jamaica	A	It should be issued as a separate standard, both class of assets are distinct in their definition.
3	Japanese Institute of Certified Public Accountants	B	The requirements for heritage assets should be included in IPSAS 17. We believe that IPSAS 17 should treat the heritage assets since some assets are held for operational purposes and for contribution to knowledge and culture.
4	The Institute of Chartered Accountants in Scotland	C	
5	The Institute of Chartered Accountants in England & Wales	A	Considers that heritage assets should be the subject of a separate Standard because IPSAS 17 deals with operational assets. Our view of heritage assets is that they are not operational, any practical use being incidental to an entity's object in holding them.
6	Consiglio Nazionale Ragionieri-Italy	A	

7	The South African Institute of Chartered Accountants	A	Supports the development of a separate standard on heritage assets as such assets' definition is unique and different to property, plant and equipment.
8	CPA Australia	A	Might be benefit from progressing the project as a stand alone Standard.
9	Chartered Institute of Public Finance & Accountancy UK	A	On balance favour promulgation through a separate IPSAS. This will better support a clear and sufficient explanation of the distinctive features of these assets and their accounting treatment.
10	Financial Reporting Standards Board of New Zealand	B	As part of an entity's property, plant and equipment, any specific or additional requirements for heritage assets that are considered to be appropriate should be developed by amending IPSAS 17.
11	South African Accounting Standards Board	A	Due to the uniqueness of heritage assets in the public sector, we are of the view that a separate standards should be developed that specifically focuses on the accounting of heritage assets.
12	Australian Accounting Standards Board	B	Because heritage assets are a sub-category of property, plant and equipment, the IPSASB should incorporate any requirements relating to heritage assets into IPSAS 17.
13	Financial Reporting Advisory Board UK	C	
14	Treasury of Australia	B	
15	Treasury of Republic of Cyprus	A	Favor new Standard with link incorporated in IPSAS 17.
16	Ministry for the Economy, Finance and Industry, France	C	Highlights risk that IPSAS 17 might become too voluminous.
17	Swedish National Financial Management Authority (Ekonomistyrningverket)	B	Favors retention of current exemption (in relation to heritage assets) in IPSAS 17.
18	Department of Finance, Victoria, Australia	A	
19	Treasury of Hong Kong	C	

20	Swiss Federal Office of Finance and the Conference of Cantonal Ministers of Finance	B	
21	New South Wales Treasury-Australia	B	IPSASB should amend IPSAS 17 rather than addressing heritage assets in a separate Standard. Do not see that the accounting treatment for heritage assets should be different than for other assets.
22	Queensland Treasury-Australia	C	Do not have any preference on this issue as long as the Standard specifies a responsible And informative accounting treatment which will highlight the unique nature of heritage assets to the users of financial statements and eliminate some potential confusion and ambiguity.
23	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)-Australia	B	
24	Australasian Council of Auditors-General	B	
25.	Office of Controller and Auditor-General of New Zealand	B	
26.	The United Kingdom National Audit Office	A	Issue of accounting for heritage assets is sufficiently significant and complex to warrant a separate IPSAS.
27.	Horwath Clark Whitehill LLP-UK	B	
28.	Auckland Museum Trust Board-New Zealand	C	
29.	Taumata a Iwi-New Zealand	C	
30.	Auckland City Libraries	C	

31.	Canterbury Museum Trust Board-New Zealand	C	
32.	The University of Melbourne-Australia	C	
33.	University of Wisconsin-Lacrosse-USA	C	
34.	Liquid Pacific-Australia	C	
35.	English Heritage-UK	C	
36.	Johan Christiaens-Belgium	C	Favors dealing with heritage assets that have an economic significance in terms of profit generation in IPSAS 17. For other heritage assets considers that a separate Standard is advisable.
37.	Fédération des Experts Comptables Européens (FEE)	A	Favour promulgation through a separate IPSAS. This will better support a clear and sufficient explanation of the distinctive features of these assets, and their accounting treatment.

OTHER ISSUES

Submission Number	Name	Respondent Comment	Staff Response
		DESIGNATION AND CLASSIFICATION	
1	Association of Chartered Certified Accountants (ACCA)	ACCA considers that public-sector entities should be allowed to designate appropriate assets as trust or public goods and so exclude their value from their balance sheets.	This issue is largely outside the scope of the Consultation Paper and should be considered in the context of the conceptual framework project. The current staff view is that the accounting treatment should be based on whether items meet the definition of, and recognition criteria for, assets. Provided that assets embody service potential Staff does not believe that there is a strong case for non-recognition.
7	South African Institute of Chartered Accountants	Guidance on how to account for a <u>change in purpose</u> of a heritage asset should be included. This may arise when an asset ceases being used as heritage asset e.g. where a part of a heritage building is converted to offer a service or for commercial purposes. Such an asset may become property, plant or equipment. Similar principles to those in IPSAS 16 on <u>transfer</u> should be followed.	The extent to which the issue of change in purpose needs to be addressed is dependent upon the extent to which requirements for heritage assets depart from requirements for property, plant and equipment in IPSAS 17 and in particular whether heritage assets are deemed to be a separate class (or classes) of property, plant and equipment or a separate class of asset. See also analysis of SMC 2.
8	South African Accounting Standards Board	As some public sector entities have previously recognised and capitalised heritage assets as part of other tangible assets the inclusion of guidance on the transfer of previously recognised heritage assets should be considered.	Noted. Requirements on redesignation are likely to be necessary.

Submission Number	Name	Respondent Comment	Staff Response
7	South African Accounting Standards Board	Consideration should be given to the inclusion of guidance where recognised heritage assets need to be transferred to other types of assets. For example where a legislative requirement requires a heritage asset to be recognised as an item of property, plant and equipment.	Noted. However, staff is of the view that the substance of an asset rather than its legal status should determine whether it meets any agreed definition of a heritage asset.
7	South African Institute of Chartered Accountants	There may be instances where a building has multiple purposes e.g. used to offer a service and as a heritage asset. Guidance should be provided in the standard on how to classify such an asset.	Staff agrees. See analysis of SMC 2.
8	CPA-Australia	Some assets have heritage value but are also used by agencies in delivering services to the public. heritage listed buildings. Where assets have both functional (e.g. office accommodation) and heritage value (e.g. the façade of a building), and when separation is practical and material in relation to the value of the building as a whole, these should be separated and the functional value depreciated. For a heritage-listed building used as office space in a major city will normally be valued as office space, taking into account the restrictions imposed on a building. The valuation of the heritage component becomes more difficult as in these situations the intention is usually not to sell the asset and the market is limited due to heritage restrictions.	Also see analysis of SMC 2. Staff can see value in providing guidance on bi-furcation where the heritage components are readily identifiable. and separable, as in the example provided by CPA-Australia. However, staff have concerns that bi-furcation of assets between functional and heritage components will often be difficult and liable to impose onerous requirements on preparers.
12	Australian Accounting Standards Board	Noted that there are some heritage assets for which a reliable measure can be obtained for some or all of the non-heritage attributes of the assets but none of the heritage attributes. Assets that fall into this category create the most difficulty from a measurement perspective. This may be the case for a heritage building currently used as office space. The AASB suggests that IPSASB considers whether these kinds of asset should be recognised and initially measured at an appropriately determined amount, with disclosures to explain the measurement basis and to provide non-financial information about the heritage attribute that may not be adequately captured in the measurement.	Staff agrees See analysis of SMC 2.

Submission Number	Name	Respondent Comment	Staff Response
33	University of Wisconsin-LaCrosse-USA	Recommend that sub-classes of heritage assets be established to better reflect/represent the type of assets on the entity's balance sheet. All heritage assets are not alike and should be broken into classes to reflect their respective purposes and/or origins. Heritage assets should not be mingled with other assets such as general property, plant and equipment.	Staff agrees. Staff is of the view that some entities with a strong "heritage focus" are likely to have a number of classes of heritage assets and that any separate Standard or amendments to IPSAS 17 should contain guidance.
		LIVING HERITAGE ASSETS	
11	South African Accounting Standards Board	Recommend that consideration be given to the inclusion of guidance on accounting for living heritage assets, for example endangered species and plants growing in a botanical garden.	Initial view of staff is that such items would be recognised and measured on same basis as other items meeting a heritage asset definition. Some consideration of the relevance of the recognition and measurement requirements in IAS 41, "Agriculture" may be necessary.
		HERITAGE ASSETS AS INTANGIBLE ASSETS	
18	Department of Finance & Treasury: Victoria	Consider that many heritage assets have more than one attribute or component and that in many cases heritage assets are really intangible assets with some physical form.... If much of a heritage asset's value is intangible and can be retained without the asset then it should be recognised in accordance with the intangible asset standard.	Staff acknowledges this point. Practically, however, distinguishing the intangible heritage component and the physical component will be extremely difficult and it is not clear what practical help this will give to measurement. Staff also notes that a Standard on intangible assets is not within the current suite of IPSASB standards.
28	Auckland Museum Trust Board-New Zealand	Collection items have substantial intangible characteristics.	See above.
31	Canterbury Museum-New Zealand	Collection items have substantial intangible characteristics. The story behind an object is often more important than the object itself	See above.
		CONTROL	

Submission Number	Name	Respondent Comment	Staff Response
10	New Zealand Financial Reporting Standards Board	There are heritage assets over which the entity has no control, but has trustee responsibilities for the assets. As such items are not controlled they are not assets of the entity and should not be capitalised, regardless of whether they can be reliably measured. Within New Zealand there is a question of "ownership" of the heritage assets held by, for instance, the museums in New Zealand. In many cases, the Maori heritage assets are not "owned" or under the control of the entities holding them, but are on loan from the Maori people. In some cases, the ownership of the assets is unclear. In some cases the entities holding the assets have no rights to sell or transfer the assets; instead they operate under mutually agreed criteria and policies for their custody, display, development, protection and preservation. At most, these entities only have trustee responsibilities for the assets. Financial and/or non-financial information may be provided for the holding of such items by the entity. Guidance from the IPSASB useful.	Staff notes that many heritage assets are likely to have restrictions imposed on them as a result of the terms of bequests and donations. Such restrictions may include "inalienability". Such assets still embody service potential. Staff acknowledges that there are issues where it is unclear who "owns" such assets or where assets are "held in trust" and that, in many jurisdictions, decisions on whether a reporting entity should recognize such assets will be a culturally very sensitive issue. Staff notes that "control of an asset" was defined in ED 29 as arising "when the entity can use or otherwise benefit from an asset in pursuit of its objectives and can exclude or regulate the access of others to that benefit". The appropriateness of such a definition to heritage assets needs to be evaluated.
		RISK IMPLICATIONS	
11	South African Accounting Standards Board	Heritage assets under the control of an entity can have some risk implications for the entity. For example, the risks related to not insuring certain heritage assets, or the risk that sufficient funds are not available for the maintenance of a collection to its current condition. Guidance should be provided on how these risk implications should be considered and disclosed in the financial statements. The inclusion of these disclosures could also be required in a stewardship report.	Staff notes that the SAASB has proposed a disclosure on insurance arrangements and reason for not insuring certain items
		TRANSITIONAL PROVISIONS	

Submission Number	Name	Respondent Comment	Staff Response
7	South African Institute of Chartered Accountants (SAICA)	The proposed Standard should include guidance on how to account for heritage assets that have been accounted for as different assets previously e.g. property, plant and equipment.	Staff agrees. Transitional arrangements will depend upon the detail of requirements. One possible approach is to have an effective date some time after issuance of any amendments to IPSAS 17 or separate Standard.
11	South African Accounting Standards Board	Paragraph 4.19 of the UK Discussion Paper provides transitional provisions to entities that currently capitalise values for their heritage assets and paragraph 4.20 of the UK Discussion Paper provides transitional provisions to entities that report heritage assets at historical cost. In addition to these transitional provisions, specific transitional provisions are required for entities that did not recognise or capitalise any heritage assets in the past.	See above.
12	Australian Accounting Standards Board	The AASB acknowledges that the transition to recognition of previously unrecognised heritage assets that meet the asset recognition criteria raises some difficult issues. Although the preference is for full recognition of those heritage assets that satisfy the asset recognition criteria, given the transitional nature of the issues, and subject to a cost./benefit assessment, the AASB could accept a mixed model so that at least the accounting for future acquisitions of heritage assets is consistent with the accounting for other types of property, plant and equipment.	See above. Staff have some reservations about the usefulness of a "mixed model" of recognition.
19	Treasury of Hong Kong	Should the requirements set out in this consultation paper be adopted as a standard, a sufficient transitional period for public sector entities to comply with the requirements should be allowed.	See above. It is not the intention to adopt the proposals in the consultation paper as a Standard and there will be further 'due process' before the issuance of any separate Standard or amendments to IPSAS 17.
		"NEGATIVE" ASSETS	

Submission Number	Name	Respondent Comment	Staff Response
27	Horwath,Clark, Whitehill-UK	The concept of "negative assets" in the economic sense must also be considered, especially where heritage is a factor, in that charities such as the National Trust in the UK are known to be reluctant to accept heritage gifts of assets that are subject to onerous repair and maintenance obligations imposed by legislation or the terms of trust of the gift. By requiring an adequate financial endowment to accompany the assets' proposed gift, such charities are signalling the need for recognition of the negative asset concept here-which is also valid for accounting purposes.	Staff do not accept that an asset can have a value below zero. Where "endowments" accompany donated assets these should be accounted for in accordance with the Standard under development from ED 29, "Non-Exchange Revenue (including Taxes and Transfers)".
33	University of Wisconsin-LaCrosse-USA	Heritage assets are likely to sustain damage or impairment like any other assets, but in addition environmental and political risks could be causes of capital erosion. For example, the national park/reserve in Belarus after the Chernobyl disaster would likely be the subject of a write-down if accrual accounting had been in use.	Guidance on possible impairment triggers for natural heritage assets may be needed.
FUNDING THE DEVELOPMENT OF HERITAGE ASSETS			
30	Auckland City Libraries-New Zealand	On key issue is funding the development of heritage assets. For non-heritage assets, depreciation is used to fund replacement and renewal of these asset. However, we have a no depreciation policy on our heritage assets and therefore do not receive any funding to develop them.	Staff accepts that, in some jurisdictions, depreciation expenses can inform funding decisions. However, staff is of the view that funding will not be within the scope of accounting requirements for heritage assets.
DONATED CAPITAL			
33	University of Wisconsin-LaCrosse-USA	In many cases, heritage assets are donated. Donated capital causes an increase in total capital if the entity is using the accrual basis of accounting. However, once the heritage asset is accepted on behalf of the citizenry, the government entity or NGO takes on the obligation of perpetual maintenance with respect to the heritage asset.	IPSAS 17 deals with initial recognition of items of property, plant and equipment acquired at nil or nominal cost. It will be necessary to consider how appropriate these requirements are for heritage assets.
CONTINGENT/DEFERRED LIABILITY			

Submission Number	Name	Respondent Comment	Staff Response
33	University of Wisconsin-LaCrosse-USA	The entity will be responsible for restoration of such (donated) heritage assets. Therefore, we recommend a sinking fund be established in order to account for the liability arising from this obligation that the donated assets create. The amount set aside in this sinking fund should be reviewed quinquennially for adequacy given the nature of heritage assets owned by the entity. At the time of the review, there should also be an objective appraisal of impairment, if any, regarding the asset and the sinking fund.	Staff does not think that arrangements for the financial management of maintenance costs should be prescribed.
		CONSOLIDATION	
37	<u>FEE</u>	The requirement for 'centrality' as discussed above, raises issues where the financial statements of a 'heritage central' entity are incorporated into a larger consolidation for which heritage purposes are not central. Under such circumstances straightforward interpretation of the proposals in the discussion paper suggests that the balance sheet of the consolidating entity should include material heritage type assets, notwithstanding the fact that these were not capitalised by the lower tier entity. These issues do not arise, if as we suggest, the requirement for 'centrality' is removed from the definition.	As noted in the IPSASB Introduction to the Consultation Paper staff considers that consolidations could raise tricky issues where controlled and controlling entities adopt different policies for heritage assets. Staff agrees that the removal of the "centrality" requirement from the definition of heritage assets might make this issue less salient, but thinks that consolidation problems may still arise under the proposals in the UK Discussion Paper.