

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: New York, USA

Meeting Date: March 8–11, 2016

Agenda Item 4

For:

☐ Approval

☒ Discussion

☐ Information

Heritage Assets

Objectives of Agenda Item

1. The objective of this session is to provide direction on development of a consultation paper.

Materials Presented

Agenda Item 4.1 Issues Paper

Agenda Item 4.2 Draft Chapter 1 for Consultation Paper, *Accounting for Heritage*

Actions Requested

2. The IPSASB is asked to discuss the issues identified and provide direction on development of the consultation paper.

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Agenda Item

4.1

Objectives of this Paper

1. This paper identifies issues for development of a consultation paper (CP) on accounting for heritage assets. Staff seek direction from the IPSASB on these issues.

Background

2. The International Public Sector Accounting Standards Board (IPSASB) approved its Heritage Assets project in June 2015.
3. A Task Force has been established and will contribute to project developments, starting after the March IPSASB meeting. The Task Force consists of Howard (Mike) Blake (IPSASB, Australia), Amanda Botha (Accounting Standards Board (ASB)–South Africa), Michel Camoin (IPSASB, France), Annalien Carstens (Managing Director, Altimax, South Africa), Bernard Schatz (IPSASB, Austria), Adriana Tiron Tudor (IPSASB, Romania), and David Tomback (United Kingdom, referred by the International Valuation Standards Council (IVSC)).
4. At IPSASB discussions during 2015 the IPSASB:
 - (a) Indicated support for the following description of heritage items:

Heritage items are items that, because of their rarity, importance and/or significance, are expected to be held for the benefit of present and future generations and preserved indefinitely. They are preserved for many different reasons including, and not limited to, their architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific and technological importance.
 - (b) Discussed the following issues and directed staff to do further work as indicated:
 - (i) Asset definition applied to heritage items in four UNESCO convention categories for heritage (cultural property, intangible heritage, natural heritage and underwater heritage), with further work to identify criteria applicable to asset existence.
 - (ii) A draft description of public sector activities related to heritage and possible information needs, with further work to focus on information reported in the financial statements and link discussion directly to the Conceptual Framework.
 - (iii) Heritage related obligations, with further work to apply the Conceptual Framework to different obligations raised by heritage items without introducing new terminology.

Overview of Issues

5. This paper discusses the following issues for IPSASB consideration:
 - (1) Proposed structure for the CP, *Accounting for Heritage*;
 - (2) Review of draft Chapter 1 of the CP;
 - (3) Recognition of heritage assets;
 - (4) Treatment of intangible heritage and natural heritage; and
 - (5) Heritage-related liabilities.

Issue 1: Proposed Structure for Heritage Consultation Paper

6. A proposed structure for the CP, *Accounting for Heritage*, is provided in Appendix A. After IPSASB review and revision the structure guide the CP's development. The structure can be adapted, if necessary, as the project proceeds.
7. This structure is similar to that used in the recently issued CP, *Recognition and Measurement of Social Benefits*, adapted to allow for heritage specific issues. The contents page from that CP is also in Appendix A to support IPSASB members' consideration of the proposed structure.
8. Staff asks IPSASB members for their views on the proposed structure as a whole, including whether it addresses all those topics that they expect should be covered in the CP. The following specific points are also noted for consideration:
 - (a) *Liabilities chapter*. Staff proposes that this be located before chapters on heritage assets, recognition and measurement, but it could also come after those chapters, towards the end of the CP.
 - (b) *Intangible and natural heritage chapter*. Staff proposes a separate chapter on issues raised by these two categories of heritage. This depends on IPSASB consideration of the approach proposed in Issue 4 of this Issues Paper, where accounting treatments for these two categories are discussed.
 - (c) *Separate chapters on heritage assets, recognition and measurement*.
 - (i) Staff proposes to dedicate a chapter to each of these issues, which will discuss different views on each topic, identify approaches (or preliminary views) and apply the Conceptual Framework to the approaches identified.
 - (ii) By contrast, other consultation papers, for example CP, *Recognition and Measurement of Social Benefits*, have dedicated one chapter to each accounting approach addressing both recognition and measurement as it applies to each approach.
 - (iii) Measurement for the purpose of asset recognition would need to be addressed in any chapter on recognition, but a chapter dedicated solely to measurement would address the appropriate measurement basis, initial and subsequent measurement (including whether heritage assets should be revalued or depreciated) measurement and any other measurement issues identified.

Action Requested:

1. The IPSASB is asked to provide direction on the draft structure in Appendix A.

Issue 2: Draft Chapter 1 of Consultation Paper

9. Agenda item 4.2 is a draft Chapter 1 for the CP, *Accounting for Heritage*. This chapter is similar to those in other IPSASB CPs. Its structure is based on chapter 1 of CP, *Recognition and Measurement of Social Benefits*. A comparison of the two sets of subheadings is provided below:

Social Benefits—Chapter 1	Heritage—Proposed Chapter 1
Introduction	Introduction
History of the Project	IPSASB's Heritage Assets Project:
Conceptual Framework	–History of project
RPG 1, Reporting on the Long Term Sustainability of an Entity's Finances	– Project objective
Project Objective	Approach taken in this CP
Approach taken in this CP	–Application of Conceptual Framework
	Previous Work on Accounting for Heritage Assets
	Public Sector Entities' Heritage Responsibilities and Information Needs

15. Staff asks IPSASB members for their views on the draft Chapter 1 and the following specific points:
- Description of the 2006 CP's approach:* Should more on the content of this CP be said in Chapter 1? Staff view is that time has moved on and the 2006 CP's approach provides history rather than a starting point for this IPSASB project. On that basis, staff proposes any detail on the 2006 CP's approach should be included in the appendices, once they have been updated for recent developments.
 - Appendices on previous work by national standard setters:*
 - These have not yet been updated, but staff will do this, if the IPSASB supports including them in the CP.
 - It is likely that permission to use these tables in the CP will need to be gained from the United Kingdom's Financial Reporting Council. Staff will clarify the situation.
 - Description of application of the Conceptual Framework* is fairly brief. Staff's view is that more detail on sections of the Conceptual Framework should be provided either in the relevant CP chapters (e.g. recognition sections in the chapter on recognition of heritage assets) or in an appendix. The CP on Social Benefits, for example, used an appendix for its evaluation of different accounting approaches against the Conceptual Framework.
 - Section 5's description* of heritage responsibilities and information is based on the description discussed in December. IPSASB views are requested on whether:
 - This section should be included in Chapter 1 or in a separate chapter.
 - The revised description captures IPSASB comments from December.

Public Sector Entities' Heritage Responsibilities and Information Needs

16. With respect to point (d) above, staff recommends that the discussion of responsibilities and information be included early in the CP, before subsequent chapters focused on information in the financial statements.
17. Some commentators have expressed concern that accounting for heritage as “assets” in the statement of financial position, where they are represented with a monetary value, could imply that they are available for sale. Those most concerned with heritage preservation do not necessarily view accounting for heritage as supportive of that aim. The discussion in Section 5 of draft Chapter 1 aims to partially address that concern by explaining that financial statement information is only one part of the overall picture. Financial reporting could cover heritage-related service performance information, while there is also scope to provide comprehensive information on the status of heritage outside of the General Purpose Financial Reports (GPFRs), with linkage, if appropriate, to service performance information reported in a GPFR.

Draft Chapter 1's Coverage of an Entity's Heritage Preservation Responsibilities

18. In December the IPSASB considered different types of heritage-related obligations, which staff divided into “general obligations” (also described as a “responsibility or policy”) and “specific obligations”. The IPSASB directed staff to provide a further discussion of heritage related liabilities applying the Conceptual Framework. Issue 5 of this issues paper discusses what was previously described as “specific obligations”. Paragraphs 32 to 37 in draft Chapter 1 cover “major responsibilities to preserve heritage”, which are similar in nature to what was previously termed “general obligations”. Those paragraphs also discuss information needs arising from such responsibilities and their relationship to financial reporting.

Action Requested:

- (2) The IPSASB is asked to:
 - (a) Provide direction on agenda paper 4.2, Chapter 1 of the CP, *Accounting for Heritage*; and
 - (b) Provide comment on the description, in section 5 of Chapter 1, of information that can be reported by those public sector entities for which heritage preservation is a major part of their service performance responsibilities.

Issue 3: Recognition of Heritage Assets

19. This issue discusses the recognition of heritage assets, applying the Conceptual Framework's recognition criteria. It provides a summary of national standard setters' present and past practice. The information here is intended as a basis for the IPSASB's first discussion of this topic.

Conceptual Framework and Recognition

20. Chapter 6 of the Conceptual Framework addresses recognition of elements in the financial statements. For a heritage item to be recognized as an asset it needs to:
- (a) Satisfy the definition of an asset; and
 - (b) Be able to be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs.
21. The discussion below focuses mainly on heritage measurement's achievement of the qualitative characteristics, taking account of the constraints. Appendix B evaluates three broad recognition approaches against the Conceptual Framework's objectives for financial reporting and the qualitative characteristics, which is a similar approach to that used in CP, *Recognition and Measurement of Social Benefits* to evaluate three accounting options. Appendix B's illustrative other evaluation aims to support the IPSASB's discussion of recognition. The accounting options for eventual inclusion in the CP are not yet known and they may, for example, combine recognition and measurement, rather than focus solely on recognition.

Heritage Items that meet Asset Definition

22. The Conceptual Framework defines an asset to be:
- (a) A resource that is...
 - (b) Presently controlled by the entity....
 - (c) As a result of a past event¹.
23. In December the IPSASB considered whether examples of different categories of heritage items meet this asset definition. Issue 4 below discusses issues raised with respect to natural and intangible heritage items, while this discussion of recognition focuses on "cultural property". In December the IPSASB indicated support for staff views that various examples of "cultural property" were resources presently controlled by an entity as a result of a past event, and did, therefore, meet the Conceptual Framework's definition of an asset. An illustrative selection of such items is provided in Table 1 on the following page.

Is the Heritage Item a Resource?

24. Table 1 provides examples of heritage items which are resources, however December's discussion also identified some cultural property items where the item's value as a "resource" could be in doubt. For example:

¹ See Chapter 5, paragraphs 5.6 to 5.13.

- (a) Castle ruins on land with no commercial value, while the ruins are not presently viewed as worthy of either research or tourism, although listed in the national register of historic sites;
 - (b) Historic buildings buried in the foundations of existing buildings where the benefits of their excavation is unclear;
 - (c) Graffiti works of art that are heritage to some commentators and worthless to others; and
 - (d) Statues that involve costs to clean, but may not be much missed by either the city council or the public if they were to disappear overnight.
25. With respect to the list of items above, arguably, if the value of an historic or artistic item is unclear then it is not a heritage item. Staff view is that, when developing accounting guidelines for heritage, it is sufficient to say that such examples do not meet the definition of an asset for financial reporting purposes.

Table 1: Cultural Property Heritage Items

Heritage Item	Asset—Yes	
	Control (Legal Right) &....Resource
1) Land beneath and around an historic building	Yes	Yes, service potential (and potential for cash flows)
2) Land that forms an historic open space (e.g. Times Square)	Yes	Yes
3) Historic and architecturally significant building	Yes	Yes
4) Collections of items, e.g. collection of historic manuscripts and books	Yes	Yes
5) Artwork of historic or other importance, e.g. Picassos and Monets	Yes	Yes
6) Precious and historic items such as necklaces, crowns, scepters, etc.	Yes	Yes

Control over Heritage Item

26. Table 1 provides examples of heritage items which are controlled by an entity, however December's discussion also identified situations in which control over a heritage item was in doubt. For example:
- (a) Situations of multiple—entity trustee arrangements over, for example an area that either crosses national boundaries or involves a complex set of intersecting responsibilities with respect to usage, guardianship and/or management;

- (b) Sacred sites that are viewed as people, who cannot be owned²; and
 - (c) Situations in which rights over heritage have not been established or are unclear.
27. Despite the existence of situations where either resource or control may not apply for a particular heritage item, generally-speaking cultural property heritage items do appear to meet the Conceptual Framework's definition of an asset.
28. In the discussion of measurement below the term "heritage asset" means "heritage item that meets the definition of an asset".

Measurement, Qualitative Characteristics and Constraints

Conceptual Framework and Measurement for Recognition

29. The Conceptual Framework states that, for recognition, an item should be "...able to be measured in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs". It further states that measurement involves:
- (a) Attachment of a monetary value to the item.
 - (b) Choice of an appropriate measurement basis.
 - (c) Determination of whether the measurement of the item achieves the qualitative characteristics, taking into account the constraints on information in GPFRs, including that the measurement is sufficiently relevant and faithfully representative for the item to be recognized in the financial statements.
30. The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Pervasive constraints on information included in GPFRs are materiality, cost-benefit, and achieving an appropriate balance between the qualitative characteristics. The Conceptual Framework identifies the following measurement bases as applicable to assets:
- (a) Historical cost;
 - (b) Market value;
 - (c) Replacement cost;
 - (d) Net selling price; and
 - (e) Value in use.

² The concern is included here because it could be a factor in some jurisdictions. A real-world example discussed by the IPSASB in December 2015 identified a mountain where the concept of ownership was culturally offensive. In that case the mountain (or land involved) had nonetheless been recognized as an asset in the government's financial statements on the basis that the government controls, but *does not own*, the mountain for the purpose of financial reporting. Control was viewed as an acceptable concept while also reflecting the government's management responsibilities and its ability to control access to the area.

Measurement of Heritage Assets for Recognition

31. For this discussion the focus continues to be on the types of cultural property illustrated in Table 1, such as land, buildings, artwork, and collections or individual items of significance such as historic manuscripts and culturally significant jewellery.
32. From a recognition perspective the question is whether any measurement base, when applied to heritage assets, will:
 - (a) Be able to attach a monetary value to the asset, such that...
 - (b) Measurement achieves the qualitative characteristics, taking into account the constraints on information in GPFRs.
33. The discussion below uses market value. An evaluation of different measurement bases should occur before deciding which measurement base(s) should be proposed in the CP as appropriate options for the measurement of heritage assets.
34. **Table 2** below, which uses the same examples as those in Table 1 above, provides an initial evaluation to prompt discussion. The basis for this evaluation is then discussed.

Table 2: Cultural Property Heritage Assets—Measurement

Example	Monetary Value	Relevant & Rep. Faithful	Understandable	Cost-benefit
1) Land beneath and around historic building	Yes	Yes	Yes	Yes
2) Land that forms historic open space (e.g. Times Square)	Yes	Yes	Yes	Yes
3) Historic and architecturally significant building	Yes	Yes	Yes	Yes
4) Collections of items, e.g. collection of historic manuscripts and books	Yes	Yes	Yes	Yes
5) Artwork of historic or other importance	Yes	Yes	Yes	Yes
6) Precious and historic items such as necklaces, crowns, etc.	Yes	Yes	Yes	Yes

Attach Monetary Value

35. There are many heritage assets for which information about historic cost is not available. However, staff view is that a market value (or a reasonable estimate of market value) can usually be determined. For example, in the Table 2 examples above, the market value for surrounding land provides an indication of the market value for land occupied by an historic building, under gardens

and forming an historic open area. There is a market for historic manuscripts, artwork and precious items such as significant jewellery. Public sector entities that hold heritage assets will often be in the situation of insuring those assets, which involves determination of their insurance value, with probable reference made to market values for similar items or similar collections of items.

Qualitative Characteristics and Constraints

36. For measurement, in the context of recognition, the Conceptual Framework highlights the importance of relevance and representational faithfulness. Staff view is that, for heritage assets, understandability and the cost–benefit constraint are also particularly important.

Relevance and Representational Faithfulness

37. Users of the financial statements are interested in information about the resources controlled by the entity. That information is relevant for the purposes of accountability and decision–making. Although heritage assets may not be available for sale, the entity is accountable for their care. Information about their asset values is relevant to holding an entity accountable. This type of information is also important for certain types of decision. Information on heritage assets places into context other information about an entity’s revenue and expenses. For example,
- (a) Are there sufficient funds available given the extent and significance of an entity’s heritage holdings?
 - (b) Are the annual expenses incurred by the entity appropriate to the heritage preservation responsibilities that it has?
38. Staff view is that the market value for heritage assets provide representationally faithful information about the asset. Although market value does not necessarily convey the full heritage significance of a heritage item, it does place financial value on the item and faithfully represent the significance of such assets to the entity as resources. Representing heritage items held by an entity as assets reflects their economic substance, which is that they are resources that have service potential and may also be able to generate future cash flows.
39. Some argue that a market value (or any monetary value) could mislead users of the financial statements, because it would imply that heritage assets are for sale. Such a valuation, made available to users in the financial statements, could also have the negative consequence of encouraging the sale of such assets. Some also argue that a mere monetary value misrepresents the “true value” of the asset, which is much higher than its financial value.
40. Counter arguments that support reporting a market value (or other monetary value) for heritage assets in the financial statements include that:
- (a) Users of the financial statements appreciate that recognition of assets does not mean that they are for sale, since many types of non–heritage assets are held for delivery of services with no expectation of sale in order to realize their value.
 - (b) Lack of transparency in the financial statements does not prevent internal management and others interested in the entity’s heritage assets knowing their estimated monetary value, but only prevents parties external to the entity from having that information. That type of informational asymmetry is likely to have negative consequences for heritage preservation, because it undermines accountability and decision–making.

- (c) Non-recognition allocates zero value to heritage assets, which appear to be even less representationally faithful as an indication of their value.
 - (d) There is scope to present information in the financial statements on heritage assets (e.g. a separate line item, supporting note disclosures) in order to emphasize that they are *not* available for sale but instead are preserved for present and future generations. This would support users of the financial statements that want to hold an entity accountable for preservation of the heritage assets over which it has control.
41. Non-recognition of heritage assets undermines decision-making and reduces scope to hold entities accountable for their use of resources, including their preservation of heritage assets. When heritage is not recognized an entity has more scope to:
- (a) Sell heritage assets in order to “balance the budget” because sale of an unrecognized item is pure revenue, by comparison to sale of recognized items which will show a reduction in assets and revenue reflecting the sale price less the heritage asset’s carrying value.
 - (b) Provide less than appropriate levels of funding to safe-guard heritage assets through modern security, fire protection and appropriate air-condition, etc., depending on the type of asset involved, because there is insufficient appreciation of the “financial loss” that would result if the heritage asset(s) was destroyed or otherwise lost.
 - (c) Inadequately monitor heritage assets on a regular basis thereby placing them at higher risk of theft, because there is no regular, external audit of their existence, nor pressure from an auditor to have the appropriate systems in place to facilitate regular verification of heritage asset holdings.
42. Non-recognition of heritage means that users of the financial statements lack information that they need to hold the entity accountable and make decisions.

Understandable

43. A market value is likely to be understandable to users of the financial statements. As indicated above, a market value for heritage assets provides understandable and useful information that supports accountability and decision making.

Cost-Benefit

44. Given the benefits outlined above in terms of information needed for accountability and decision-making, staff view is that these benefits are likely to be higher than the costs involved in measuring heritage assets. However, some argue that the costs of valuation can be dauntingly large for public sector entities that hold heritage assets, so much so that the entity’s viability would be at risk, if it were forced to incur such costs. This question is one where more information is needed in order to better evaluate the arguments for and against application of the cost-benefit constraint to heritage asset measurement.

Present Practice—Three Approaches to Recognition of Heritage Assets

45. National standard setters’ different heritage asset recognition approaches can be grouped into three broad approaches:

- (a) Approach 1, *Full Recognition*: Recognize heritage assets that meet the recognition criteria, applying a working assumption that heritage assets can be measured and benefits exceed the costs.
- (b) Approach 2, *Partial Recognition*: Recognize heritage assets when the benefits of recognition exceed the costs, with non-recognition if measurement is likely to be costly or otherwise difficult. For example, recognition of heritage assets purchased from date of first-time application of the accounting standard. Optional recognition of heritage assets already held.
- (c) Approach 3, *Non-Recognition*: Do not recognize any heritage assets.

46. Table 3 below classifies a selection of different pronouncements into these three groups.

Table 3 Recognition in National Standard Setters' Pronouncements on Heritage

Pronouncement	Recognition	Partial	No recognition	Comments
France—Standard 17	✓			May use different measurement bases
South Africa, GRAP 103	✓			Measurement at cost or fair value. Rebuttable assumption that fair value is possible.
Australia AASB 116	✓			Measure initially at cost or fair value for donated assets
UK—FRS 30		✓		Recognize if information available. Do not if cost or value not available & cost exceeds benefits
USA—FASAB SFFAS 29		✓		Multi-use heritage assets are recognized, but not donated or other heritage
USA—GASB GASBS 34		✓		Recognize if not in collections. Encourages but does not require recognition of assets in collections.
Canada—Canada PS 3150			✓	Estimate of future benefits not possible

47. Factors important for the choice of recognition approach include:

- (a) Ability and cost of measuring heritage assets;
- (b) Whether asset:
 - (i) Measurement/valuation information is readily available;
 - (ii) Is donated or purchased;
 - (iii) Is multi-use or used exclusively for heritage uses; and

- (iv) Is in collection or outside of a collection.
48. Appendix B's evaluation takes the three recognition approaches above and then evaluates them in terms of whether they:
- (a) Provide information that users need for the purposes of decision making and accountability; and,
 - (b) Achieve the qualitative characteristics.

Action Requested:

- (3) The IPSASB is asked to consider the recognition of heritage assets and provide their views on:
 - (a) Whether heritage items meet the recognition criteria in the Conceptual Framework and be recognized as assets in the financial statements; and
 - (b) Any further factors or considerations that should be included when discussing recognition of heritage assets in the CP;
 - (c) Whether there are situations or types of heritage assets for which recognition is not appropriate.

Issue 4: Intangible and Natural Heritage

49. The IPSASB's December discussion of whether individual items of intangible and natural heritage met the asset definition raised questions of what is meant by heritage items in these two categories, including circumstances in which intangible and natural items may not fall within the IPSASB's working description of heritage items.

Heritage-Related Intangibles and Intangible Heritage

50. Application of financial reporting's identification of intangible assets and the UNESCO convention's definition of intangible heritage generate the following two groups:
- (a) *Intellectual property rights* over creative or cultural expressions that are heritage in nature. For example, copyright over important books, films, television series, pictures (e.g. painting and photographs), statues and symbols that are viewed as culturally significant.
 - (b) *Knowledge-in-action* which is expressed or seen in the enactment of traditional skills, languages, story-telling, dance, religious or societal behaviors, etc. all of which depend for their preservation on the continued enactment of the knowledge by living people.

Intellectual property rights over heritage items

51. Intellectual property rights over heritage items could include, for example, copyright over culturally significant:
- (a) Books such as *Les Misérables*, *The Catcher in the Rye*, and *Pride and Prejudice*;
 - (b) Films such as *Rashomon*, *2046*, *The Good the Bad and the Ugly*, *Casablanca* and *Vertigo*;
 - (c) Television series such as *The Andy Griffiths Show*, *Neighbors*, *Coronation Street* and *Shortland Street*.
52. A public sector entity that holds such rights and, where applicable, the underlying physical objects that contain the property (e.g. book, film reel, or video recording) has property that forms part of a nation's heritage. However, accounting issues that arise from holding such items could, arguably, be very similar to those related to non-heritage intellectual property.
53. Staff proposes that the CP:
- (a) Describe intellectual property rights over heritage;
 - (b) Discuss whether intellectual property rights over heritage are heritage items, given the inability of a single entity to maintain control over such items and thereby preserve them for present and future generations; and,
 - (c) Propose that intellectual property rights over heritage should be accounted for in the same way as other non-heritage intangible assets, applying IPSAS 31, *Intangible Assets*.
54. These points are discussed below.

Asset Definition and Recognition

55. Intellectual property rights over heritage have the following characteristics, which indicate an asset:

- (a) Can be controlled by an entity through legal ownership or guardianship that controls access to the property; and
 - (b) Are resources, because they have service potential and/or are able to generate future cash flows.
56. Applying the same arguments as those in Issue 3, the second criteria for recognition—measurement achieves the qualitative characteristics, taking into account the constraints on information in GPFRs—is likely to be met.
57. Cost–benefit considerations are likely to be less important for heritage–related intellectual property, when compared to certain types of cultural property, because the limited lifetime aspect (see below) prevents existence of controlled items that go back many, many years. However, public sector entities that have not previously kept track of their intellectual property holdings may still face a large and potentially expensive exercise to identify, record and value their intellectual property assets. Publicly–funded television networks, for example, have already had the experience of losing historically important television series and other items, because they failed to appreciate their significance as part of the nation’s shared memory and heritage.

Limited Life for Control over Intellectual Property Rights

58. Intellectual property rights over heritage items have a limited life, because the usual intellectual property or copyright laws apply. Staff has not found an example of a country that places special constraints on heritage–related intellectual property to vest them eternally in the hands of a public sector entity. National intellectual property legislation establishes the length of time during which intellectual property rights exist and when such rights enter into “the public domain”, at which point such “rights” belong to everyone and control by a single entity is lost³.

Apply IPSAS 31 to Intellectual Property Rights over Heritage Items

59. Staff view is that intellectual property rights over heritage have very similar characteristics to other intellectual property rights when considered from a financial reporting perspective. On that basis staff proposes that such rights should be accounted for in the same way as other non–heritage intangible assets, applying IPSAS 31, *Intangible Assets*.

Knowledge–in–Action Intangible Heritage

60. As noted above, “knowledge–in–action” intangible heritage is expressed or seen in the enactment of things such as traditional skills, languages, story–telling, and dance. The preservation of this type of heritage depends on its use by groups of living people. As discussed in December, this type of intangible heritage does not meet the definition of an asset, because it cannot be controlled by an entity.
61. Heritage items that are indicated by symbols (for example, a national flag) can be represented by a physical item (e.g. an historic example of the flag or a mass–produced commercial version) and the physical item can meet the asset definition. But the physical representation is not the intangible

³ Without making any claim as to the accuracy of its specific coverage, this Wikipedia entry (a list of countries and the length of time for copyright in each country) illustrates that intellectual property rights usually cover the life of the author/creator plus 50 to 70 years from the end of that life. https://en.wikipedia.org/wiki/List_of_countries%27_copyright_lengths

heritage item, but merely a representation of that item. This type of intangible heritage item (a symbol, ideal or idea) is not an asset for financial reporting purposes, because it cannot be controlled. To be transformed into an asset involves identification of a specific incarnation or other type of representation (e.g. copyrighted symbol) of the general idea.

Natural heritage

62. Natural heritage can be conceived in terms of :

- (a) An area such as:
 - (i) Parks, reserves or geographic regions (e.g. the Antarctic, the Andes or the Atacama Desert);
 - (ii) Land and marine forms (e.g. the Matterhorn, the Danube or the Caspian Sea);
- (b) Ecosystems (e.g. a particular rainforest or ancient forest or marine reef, with all of its interconnected life forms involving a myriad of different plants and animals);
- (c) Groups or populations of living organisms, such as a particular herd of elephants or the population of Giant Tortoises (or wolves or butterflies, etc.) living in a particular region or throughout the world or a group of trees and other plants that form a forest or parkland; and,
- (d) Individual plants and animals.

63. The first three concepts of natural heritage given above can be preserved for present and future generations, which is an essential characteristic of the IPSASB's working description of heritage items. Individual plants and animals cannot be so preserved, because they have a finite life. Individual of some species, e.g. American redwood trees, can live long enough to be appreciated by several generations. But sooner or later an individual living organism dies, and only the group or species as a whole can be preserved for future generations.

64. Natural heritage can be distinguished from cultural property, because continuance of a species or an ecosystem requires preservation of the whole, while collections of art or other cultural items can be broken up and preserved as individual items, without placing the survival of the individual items (e.g. a particular heritage painting) at risk.

What is the Heritage Item?

65. These different concepts of natural heritage raise questions over what should be identified as the heritage item for financial reporting purposes. Is the heritage item a defined area or an ecosystem or individual plants and animals? Different perspectives on the item have implications both for its heritage nature (can it be preserved long-term?) and for consideration of:

- (a) Control over resources;
- (b) Measurement; and
- (c) Recognition.

Land that forms part of Natural Heritage

66. If land can be considered separately from the natural heritage that it supports, then “natural heritage land” is likely to meet the Conceptual Framework's asset definition. It can usually be

controlled and is likely to be a resource because it has service potential and/or can generate future cash flows.

67. For recognition of the “natural heritage land” asset, measurement issues similar to those for cultural property (see Issue 3) arise. The restricted use of natural heritage land does not need to be a barrier to recognition as an asset, for the same reasons as those given for cultural property. Cost–benefit considerations could be less of a concern, because application of nearby land values could be a relatively low cost approach to measurement. Following this line of reasoning, IPSAS 17, *Property, Plant and Equipment* could be viewed as applicable to natural heritage land

Ecosystems, Populations and Groups of Individual Living Organisms

68. If an ecosystem or a population is viewed as the natural heritage item then the following points arise:
- (a) *Control:* An entity may have control over a whole living system or over a defined population, but it may also be the case that the heritage item spreads (or moves) across entity boundaries, existing both in areas controlled by the reporting entity and areas controlled by other entities.
 - (b) *Resource:* A resource may exist, depending on the type of ecosystem or population and its service potential and/or ability to generate cash flows.
 - (c) *Measurement:* The appropriate measurement approach for an ecosystem as a whole seems unclear. What measurement base would apply? Historic cost is not appropriate, given the living, growing nature of an ecosystem or population. For a defined group of animals or plants it may be possible to determine a market value, although for protected species such a value will be a black market value and, sometime in the future, there is the hope that such values will no longer exist. The market–value of an ecosystem would probably reflect its land value rather than the ecosystem that lives on the land.
69. An alternative approach would be to value each individual living organism and then aggregate to derive a value for the group or ecosystem as a whole. The asset definition issues raised by this are:
- (a) Existence of resources, when focused on individual living organisms, given that it is the whole system that provide heritage value and operates to provide services and/or generate cash flows;
 - (b) Control over individual living organisms, where they live in the wild; and
 - (c) Cost–benefit issues arising from the extreme difficulty of measuring the whole set of individuals.

Wild or Controlled?

70. For a group of individual living organisms, an important factor could be whether the group exists in the wild or whether it is held in a confined space and “managed”. The boundary between these two states will be clear in most cases, although there could be some situations where judgement must be applied. For example, butterflies and other insects in a vast national park are living in the wild and their preservation depends on the continued preservation of the ecosystem that they inhabit. By contrast, a group of elephants in a restricted space such as a zoo or a reserve, where the number of elephants is closely monitored and movement of elephants to other entities takes place

(e.g. sale to zoos or transfers to other reserves) could indicate that the group is better conceptualized as individuals. Where living organisms are managed arguably IPSAS 27, *Agriculture*, could be applied.

Zoo, Public Gardens and Parks and IPSAS 27, Agriculture

71. IPSAS 27, *Agriculture*, covers “biological assets”, and defines a “biological asset” to be “a living animal or plant”. “Agricultural activity” is the management by an entity of the biological transformation and harvest of biological assets for:
- (a) Sale;
 - (b) Distribution at no charge or for a nominal charge; or
 - (c) Conversion into agricultural produce or into additional biological assets for sale or for distribution at no charge or for a nominal charge.
72. Arguably individual plants and animals that are grown and multiplied for conservation and environmental purposes are captured by these two definitions and presently fall within IPSAS 27’s accounting requirements. IPSAS 27 does not discuss heritage assets and there is no scope exclusion for heritage assets.

Action Requested:

- (4) The IPSASB is asked to:
- (a) Indicate whether it agrees with staff proposals on the CP’s discussion of intangible heritage; and
 - (b) Provide comment on the discussion of natural heritage, including:
 - (i) The suggested treatment of natural heritage land;
 - (ii) Identification of a “natural heritage item” in terms of either individual living organisms, ecosystems, or areas that include both living organisms and the land beneath; and
 - (iii) Asset recognition implications for different concepts of a “natural heritage item”.

Issue 5: Discussion of Heritage Related Liabilities

73. This discussion considers application of the Conceptual Framework's definition of a liability to resource outflows that arise when an entity *holds* heritage items.

Some argue that heritage items represent liabilities

74. Many entities incur higher costs when they hold a heritage item than would be the case if they held an equivalent non-heritage item. Some commentators argue that heritage items should be considered liabilities rather than assets for financial reporting purposes. In addition to the higher cost concern there is also the long timescale for holding heritage items. If an entity plans to preserve a heritage item for future generations and, to the best of its ability, indefinitely, then the costs of this could be very high.

Conceptual Framework definition and recognition of a liability

75. The Conceptual Framework defines a liability to be “a present obligation of the entity for an outflow of resources that results from a past event”⁴. A present obligation could be a legally binding obligation (legal obligation) or non-legally binding obligation, which an entity has little or no realistic alternative to avoid⁵. Obligations are not *present* obligations unless they are binding and there is little or no realistic alternative to avoid an outflow of resources⁶.

76. To be recognized as a liability something must:

- (a) Satisfy the definition of a liability; and
- (b) Be able to be measured in a way that achieves the qualitative characteristics and takes account of the constraints on information in GPFRs.⁷

77. The discussion below focuses on the definition aspect, because staff view is that the measurement criterion will usually be met once a liability exists.

Resource Outflows—For Preservation and Enhancement of Heritage Asset

78. Resource outflows that directly related to holding a heritage item are:

- (a) Resource outflows to preserve a heritage item, for example, outflow of resources for purchase of materials and payment of staff and contractors to provide:
 - (i) Cleaning (e.g. cleaning of paintings to maintain their condition); or
 - (ii) Repair (e.g. replacement of a worn part of a heritage building).
- (b) Resource outflows to enhance or improve the heritage item, for example, outflow to:
 - (i) Reconstruct a ruined castle wall;
 - (ii) Replace the plumbing of an historic fountain; or

⁴ Paragraph 5.14 of the Conceptual Framework.

⁵ 5.15, *ibid*.

⁶ 5.15 *ibid*.

⁷ Paragraph 6.2 of the Conceptual Framework.

(iii) Restore a partially destroyed historic house to its original condition.

79. Whether or not the outflows under point (a) indicate the existence of a liability depends on whether there is a present obligation as a result of a past event or merely a plan or some type of avoidable commitment to carry out the intended work and therefore incur the resource outflow.
80. With respect to the second set of outflows, point (b) above, which enhance or add to the heritage asset resource, these would be capitalized if the heritage item itself is recognized as an asset.

Present Obligation as a Result of a Past Event?

81. For a liability to exist there must also be a present obligation. A present obligation has two key characteristics:
- (a) The obligation is binding; and,
 - (b) There is little or no realistic alternative to avoid an outflow of resources.
82. Table 4 on the following page provides an evaluation of four situations in which a liability due to a heritage item could arise. The analysis focuses on liability definition and, because in each case an outflow of resources is foreseeable sooner or later, the critical factor is whether or not there is a present obligation and the past event that has occurred to make that obligation binding so that the entity has little or no realistic alternative to avoid the outflow of resources.

Table 4 Heritage Items—Present Obligation and Liability

Situation	Resource Outflow and Situation	Present Obligation?	Liability
1	Heritage item needs regular maintenance. Entity can choose to let heritage item decay	No, able to avoid outflow of resources	No
2	As for Situation 2, except entity has made public commitment to preserve heritage item	No, able to avoid outflow of resources. The commitment is not binding	No
3	As for Situation 2, except entity is legally required to preserve heritage item	Legal obligation but the foreseeable maintenance is not yet required	No
4	As for Situation 3 and the heritage item requires maintenance	Yes, combination of legal requirement and maintenance need creates a present obligation and resource outflow	Yes

83. Example 1 below aims to illustrate these different situations with a specific heritage item.

Example 1, School's Responsibility to Maintain Heritage Building

84. A school owns an important heritage building. The building has its original wooden floors and, to maintain its special character, those wooden floors should be replaced as they wear out with the same type of wood, using the same artisanal techniques. That would be significantly more

expensive than modern floor replacement. Furthermore, the traditional style of flooring wears out more quickly and will need to be replaced more frequently, making this heritage aspect of building ownership very expensive compared to holding a similar non-heritage building. The following situations apply:

- (a) The heritage building is unlisted and there is no legal requirement that the school maintain its special character.
- (b) The heritage building is on a national register of heritage buildings and, under national legislation, any entity that holds a listed heritage building must accept responsibility for expenses necessary to maintain the building as specified by the Ministry of Culture and Heritage or risk fines and building forfeiture. The school is able to sell the building to the Ministry, if unable to afford necessary maintenance.
- (c) The heritage building is on a national register, the school has made a public commitment to maintain the building, but no maintenance is necessary presently. The floor is likely to require replacement within the next two to three years.
- (d) As for (c) except that an expert assessment indicates that the floor needs to be replaced within the next year at an estimated cost of \$50,000.

Do Heritage Assets involve a Special Type of Obligation?

85. Although heritage legislation may create legally binding and unavoidable obligations for an entity earlier than would be the case for a similar non-heritage asset, this type of situation is envisaged and addressed by IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets*. Where heritage asset repairs involve higher than normal resource outflows IPSAS 19's requirements can be still be applied to measure the size of the liability, given those expected costs. Staff view is that the liabilities arising from holding a heritage asset are no different, fundamentally, from the set of different types of liabilities already considered during development of IPSAS 19. If the IPSASB agrees with that view then the CP could briefly discuss heritage-related liabilities, focusing on those that could arise when holding a heritage item, and then recommend that no coverage of this issue is required in any pronouncement of accounting for heritage, because recognition of that type of liability is already adequately addressed in existing IPSASs.

Action Requested:

- (5) The IPSASB is asked to:
- (a) Provide comment on the discussion above, indicating whether the CP's discussion of heritage-related liabilities should include any further situations or significant factors; and
 - (b) Indicate whether the situations in which an entity may need to recognize a liability related to a heritage item have been adequately addressed.

Next steps:

86. Staff will develop a further issues paper for the IPSASB's June 2016 meeting.

APPENDIX A: HERITAGE CONSULTATION PAPER— DRAFT STRUCTURE

1 Chapter 1

- 1.1 Introduction
- 1.2 IPSASB's Heritage Assets Project
- 1.3 Approach in this Consultation Paper
- 1.4 Previous Work on Accounting for Heritage Assets
- 1.5 Public Sector Entities' Heritage Responsibilities and Information Needs

2 Definition of heritage

- 2.1 Heritage assets in existing IPSASB literature
- 2.2 Heritage assets in Government Finance Statistics and IFRS
- 2.3 Definitions of heritage
- 2.4 Description of heritage items
- 2.5 Key definitions

3 Intangible and natural heritage

- 3.1 Intangible heritage
- 3.2 Natural heritage

4 Liabilities related to heritage

- 4.1 Activities and resource outflows related to heritage
- 4.2 Obligations when entity holds heritage items
- 4.3 Application of IPSAS 19

5 Heritage assets

- 5.1 Application of the Conceptual Framework
- 5.2 Heritage items as resources
- 5.3 Control over heritage items
- 5.4 Heritage items that meet asset definition
- 5.5 Note issues raised by intangible and natural heritage items

6 Recognition approaches

- 6.1 Application of the Conceptual Framework
- 6.2 Recognition of heritage assets—approaches

7 Measurement approaches

- 7.1 Application of the Conceptual Framework
- 7.2 Measurement of heritage assets—approaches

8 Presentation of Information

- 8.1 Selection, location and organization
- 8.2 Display and disclosure (financial statements)

Appendix A: Examples of Heritage Items

Appendix B: Evaluation of Accounting Options

Appendix C: Selected Bibliography (National standard setters and research articles)

RECOGNITION AND MEASUREMENT OF SOCIAL BENEFITS

CONTENTS

	Page
1 Introduction.....	12
History of the Project	13
Conceptual Framework	14
RPG 1, Reporting on the Long Term Sustainability of an Entity's Finances	16
Project Objective.....	17
Approach taken in this CP	18
2 Scope and Definitions	19
Social Benefits in Existing IPSASB Literature	19
Government Finance Statistics.....	20
IPSASB Review of GFS Approach	24
Scope.....	25
Definitions	26
3 Identification of Approaches	30
4 Option 1: Obligating Event Approach	33
Introduction	33
Definitions relating to Liabilities	33
Factors to be Considered	34
When does an Obligating Event arise?	36
Measurement of the Liability.....	46
5 Option 2: Social Contract Approach.....	49
Introduction	49
Executory Contracts	50
Application of the Social Contract Approach	53
Potential Accounting Implications.....	54
6 Option 3: Insurance Approach	55
Introduction	55
Insurance Accounting	55
Accounting for Social Security under the Insurance Approach	58
Appendix A: Examples of Social Benefits	
Appendix B: Evaluation of Options against the Objectives of Financial Reporting and the QCs	

APPENDIX B: EVALUATION OF OPTIONS AGAINST FINANCIAL REPORTING OBJECTIVES AND QUALITATIVE CHARACTERISTICS

B.1 This Appendix provides a preliminary staff evaluation of the three recognition options in this issues paper against the objectives of financial reporting and the qualitative characteristics of information in financial reports. It is provided to support (a) the IPSASB's first discussion of heritage asset recognition for this project, and (b) development of the consultation paper.

Extract from Conceptual Framework	Option 1: Recognition of all heritage assets	Option 2: Recognize heritage assets if historic cost is known	Option 3: Do not recognize heritage assets
<p>2.1 The objectives of financial reporting by public sector entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes (hereafter referred to as “useful for accountability and decision-making purposes”)....</p> <p>2.11 For accountability and decision-making purposes, service recipients and resource providers will need information that supports the assessments of such matters as:</p> <ul style="list-style-type: none"> • The performance of the entity during the reporting period in, for example: <ul style="list-style-type: none"> ○ Meeting its service delivery and other operating and financial objectives; ○ Managing the resources it is responsible for; and ○ Complying with relevant budgetary, legislative, and other authority regulating the raising and use of resources; • The liquidity (for example, ability to meet current obligations) and solvency (for example, ability to meet obligations over the long term) of the entity; • The sustainability of the entity's service 	<p>Recognition of heritage assets provides information that is useful for accountability and decision-making purposes. This information helps users to understand the resources available to the entity. Information about resources is relevant to several of the different types of assessment that the Conceptual Framework identifies as those for which users of the financial reports require information.</p>	<p>Partial recognition of heritage assets does not provide all the information that users need in GPFRs for accountability and decision-making purposes. Partial recognition provides only a partial picture of the heritage resources available to the entity for delivery of services.</p>	<p>Non-recognition of heritage assets does not provide all the information that users need in GPFRs for accountability and decision-making purposes.</p> <p>However, for those that subscribe to the view that heritage items are not resources for entities that hold them non-recognition does support users' needs because it will ensure that information on an entity's resources faithfully represents those resources.</p>

Extract from Conceptual Framework	Option 1: Recognition of all heritage assets	Option 2: Recognize heritage assets if historic cost is known	Option 3: Do not recognize heritage assets
<p>delivery and other operations over the long term, and changes therein as a result of the activities of the entity during the reporting period ...;</p> <ul style="list-style-type: none"> The capacity of the entity to adapt to changing circumstances... 			
<p>3.6 Financial and non-financial information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Financial and non-financial information is capable of making a difference when it has confirmatory value, predictive value, or both. It may be capable of making a difference, and thus be relevant, even if some users choose not to take advantage of it or are already aware of it.</p>	<p>Recognition of heritage items as assets supports users to make decisions about the entity's resources, funding, etc., and also helps users to have the information they need to hold an entity accountable for its stewardship of heritage items.</p>	<p>Non-recognition of heritage items as assets undermines users' ability to make decisions about the entity's resources, funding, etc., and also undermines users' ability to hold an entity accountable for its stewardship of heritage items.</p>	<p>Non-recognition of heritage items as assets undermines users' ability to make decisions about the entity's resources, funding, etc., and also undermines users' ability to hold an entity accountable for its stewardship of heritage items.</p>
<p>3.10 To be useful in financial reporting, information must be a faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error. Information that faithfully represents an economic or other phenomenon depicts the substance of the underlying transaction, other event, activity or circumstance—which is not necessarily always the same as its legal form.</p>	<p>Recognition of heritage items as assets is a faithful representation of the heritage item phenomenon, for those who subscribe to the view that they are, in substance, resources available to the entity.</p>	<p>Recognition of some heritage assets faithfully represents those assets that are recognized. There are differing views on whether a cost-benefit evaluation supports non-recognition of difficult to measure heritage assets. By not recognizing all heritage assets there is a risk that the assets total will not faithfully represent the resources available to the entity.</p>	<p>There are different views on whether heritage is, in substance, an asset and whether cost-benefit means that heritage assets should not be recognized. Depending on the views on that question either non-recognition of heritage assets better reflects the heritage items as <i>not</i> being assets or does not faithfully represent them as assets. Supplementary disclosures on heritage holdings could support users' information needs.</p>
<p>3.17 & 3.18 Understandability is the quality of information that enables users to comprehend its meaning. GPFs of public sector entities should present information in a manner that responds to the needs and knowledge base of users, and to the nature of the information presented....</p>	<p>Users are familiar with financial information about items that are resources used to deliver services rather than used to generate cash flows. Recognition of heritage items as assets will provide understandable information to</p>	<p>Partial recognition of heritage items provides difficult to understand information. It is not clear what further disclosures could support users' understanding although, at a minimum, disclosures that explain that all part of the entity's heritage has</p>	<p>Non-recognition is an understandable approach for those who subscribe to a view that heritage items are not resources. If the non-disclosure approach involves disclosure of other, non-monetary information on heritage</p>

Extract from Conceptual Framework	Option 1: Recognition of all heritage assets	Option 2: Recognize heritage assets if historic cost is known	Option 3: Do not recognize heritage assets
However, information should not be excluded from GPFRs solely because it may be too complex or difficult for some users to understand without assistance.	users. Disclosures on heritage asset restrictions and/or their special nature can be used to further support users' understanding of the information reported. An alternative view is that recognition of heritage items will confuse users because these are not resources for the entity.	been recognized would be required. An estimate of the value of the unrecognized set of heritage would also be helpful to provide users with a better understanding of total heritage resources held by the entity.	items then the understandability of such information could be in doubt for most users of the financial statements, although some users with a specialist interest in heritage could find such information understandable and relevant.
3.19 Timeliness means having information available for users before it loses its capacity to be useful for accountability and decision-making purposes. Having relevant information available sooner can enhance its usefulness as input to assessments of accountability and its capacity to inform and influence decisions that need to be made. A lack of timeliness can render information less useful.	Recognition provides timely information on resources available to the entity.	Because only those heritage items that can easily be measured are recognized this approach does not provide users with timely information on some resources for accountability and decision-making purposes.	The timeliness of the information provided under this approach will depend on what type of alternative information (if any) is reported in the financial reports and information systems or other preparation required to generate that information.
3.21 Comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. Comparability is not a quality of an individual item of information, but rather a quality of the relationship between two or more items of information.	Generally, the recognition approach will provide information that enables users to identify similarities in, and differences between heritage assets and total assets.	The partial recognition of heritage will make it more difficult for users to identify similarities in, and differences between heritage assets and total assets.	Non-recognition of heritage will make it more difficult for users to identify similarities in, and differences between resources available to entities.
3.26 Verifiability is the quality of information that helps assure users that information in GPFRs faithfully represents economic and other phenomena that it purports to represent...	Measurement of heritage items may be difficult and involve internal experts in some cases which could impact negatively on verifiability.	This approach ensures that only historic cost measures for which verification is straightforward are required for recognition, so the QC of verifiability will be met.	Whether verifiability is possible for this approach depends on what other information, if any, is disclosed on heritage items held by the entity.

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CONSULTATION PAPER: ACCOUNTING FOR HERITAGE

CHAPTER 1

1—Introduction

1. The preservation of heritage is an important responsibility for governments and other public sector entities. Chapter 2 discusses what is meant by “heritage”, proposes a description of heritage items and considers different definitions of heritage. In brief, heritage items range from tangible items such as historic buildings, historic artifacts, shipwrecks and archeological areas to intangible items such as language and dance, which rely on continued use for their preservation, and natural heritage, which covers nature reserves and parks that support combinations of living and non-living items including rare ecological systems and populations of rare animals. The critical shared aspect for all of these examples of heritage is that they are precious enough and important enough to be preserved for present and future generations.
2. Many public sector entities hold heritage items. This involvement with heritage is a distinguishing feature of the public sector. The Preface to *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* (the Conceptual Framework) explains that.

Governments and other public sector entities may hold items that contribute to the historical and cultural character of a nation or region—for example, art treasures, historical buildings, and other artifacts. They may also be responsible for national parks and other areas of natural significance with native flora and fauna. Such items and areas are not generally held for sale, even if markets exist. Rather, governments and public sector entities have a responsibility to preserve and maintain them for current and future generations¹.

2—IPSASB’s Heritage Assets Project

Need for a Heritage Assets Project

3. Present IPSASs allow entities to report on heritage items using different accounting practices. The description of a “heritage asset” in present IPSASs also allows inconsistent practices with respect to categorization of assets as heritage assets. This has negative consequences for the public interest because it impacts on the quality of information reported. There are costs for both preparers and users when financial reporting standards allow this type of discretion.
4. The IPSASB has long recognized the need to address accounting for heritage. Work began on a consultation paper in 2004, which was then issued in 2006. After considering responses to that paper, further work was deferred until after completion of the Conceptual Framework. With the Conceptual Framework’s completion the opportunity now exists to improve the IPSASB’s suite of standards by either:
 - (a) Revising existing IPSASs to better address accounting for heritage assets; or

¹ Paragraph 15 of the *Preface to the Conceptual Framework*.

- (b) Developing a new IPSAS on accounting for heritage.
- 5. This is expected to enhance the quality of information that General Purpose Financial Reports (GPFRs) provide for users' needs, thereby improving accountability and decision making, which supports the public interest. This project was identified as a priority for the IPSASB during its 2013–2014 strategy and work plan consultation. Constituents' responses to that consultation supported treating accounting for heritage assets as an IPSASB priority.

The IPSASB's Heritage Assets Project

- 6. This consultation paper (CP) is the first publication from the IPSASB's Heritage Assets Project since project brief approval in June 2015.
- 7. The objectives for this project are to:
 - (a) Issue a revised IPSAS 17, *Property, Plant and Equipment*, (or other IPSAS), with additional requirements and/or more detailed guidance on heritage assets; and
 - (b) Produce a CP highlighting the main options for accounting and disclosure and an Exposure Draft (ED) of proposed requirements and guidance related to heritage assets, as intermediate products².
- 8. The project's rationale, as explained in the project brief, is to:

...provide more detailed requirements and guidance on accounting for heritage assets in a revised IPSAS 17 or another IPSAS. The project may also result in more detailed requirements and guidance on accounting for heritage assets that are not property, plant and equipment, for example intangible heritage assets or heritage assets that meet the definition of biological assets. The project will consider development of an IPSAS, a Recommended Practice Guideline, and the possibility of doing both in order to address both information in the financial statements and information reported outside of the financial statements. [Paragraph 2.1.]

Heritage Assets Task Force

- 9. After IPSASB discussions in September and December of 2015, a Heritage Assets Task Force (the Task Force) was established in January 2016. The Task Force has advised on heritage accounting issues, including measurement and valuation of heritage, and provided significant direction and support to this project.
- 10. The Task Force has representation from IPSASB members, national standard setters and the valuation community. It consists of Amanda Botha (South Africa), Michel Camoin (France), Annalien Carstens (South Africa), Howard (Mike) Blake (Australia), Bernard Schatz (Austria), Adriana Tiron Tudor (Romania), and David Tomback (United Kingdom).

3—Approach taken in this CP

Inclusive Approach—Heritage and Accounting Issues

- 11. This CP begins by taking an inclusive approach to both its description of heritage items and its consideration of heritage accounting issues. Previously there has been a tendency to focus on

² See paragraphs 2.2–2.3 of the Heritage Assets project brief.

tangible, non-living heritage items such as historic buildings, artwork and museum collections. This CP takes the four categories of heritage used in UNESCO conventions for the protection of heritage as its starting point. These four categories cover cultural property, intangible heritage, natural heritage and underwater heritage. By first developing a description of “heritage items” rather than a definition of “heritage assets” it allows for separate discussion of whether and when different heritage items could be assets for the purposes of financial reporting.

12. Prior to considering heritage assets, this CP considers the more fundamental questions of public sector entities’ involvement with heritage and the information needs that users of GPFRs could have for information about heritage, given those different types of involvement. That discussion frames the CP’s subsequent focus which, consistent with the project’s scope, is on what information should be reported in the *financial statements*, further focusing primarily on information about heritage assets, but also discussing information on heritage-related obligations.

Application of the Conceptual Framework and other IPSASB Developments

13. Application of the Conceptual Framework to the special characteristics of heritage items is what drives this CP’s discussion of users’ information needs, element definition, recognition and measurement, and presentation of heritage-related information in the financial statements.
14. This CP also takes into account the following IPSASB documents:
 - (a) *Process for Reviewing and Modifying IASB Documents*;
 - (b) *Process for Considering GFS Reporting Guidelines during Development of IPSASs*; and
 - (c) Recommended Practice Guideline (RPG) 3, *Reporting Service Performance Information*.
15. An overview of the IPSASB’s previous considerations of heritage accounting and of national accounting standard setters’ pronouncements on this topic are provided in Section 4 below and in the appendices to this CP. These have been reviewed to understand the special characteristics of heritage, previously identified by accounting standard setters, and accounting approaches developed to address those characteristics.

4—Previous Work on Accounting for Heritage Assets

16. Accounting for heritage assets has been a challenging topic for the IPSASB and for national standard setters for many years. Worldwide there are a range of different views on how to account for heritage items, including different perspectives on heritage definitions, whether such items are assets for financial reporting purposes, whether they should be recognized and, if recognized, how they should be measured.

Present IPSASs and IPSASB’s 2006 Consultation Paper

17. The IPSASB first considered heritage accounting during development of IPSAS 17, *Property, Plant and Equipment* (IPSAS 17). IPSAS 17 includes paragraphs on accounting for heritage assets. They describe heritage assets and allow reporting entities to recognize them. If an entity chooses to recognize some or all of its heritage assets then it needs to make the disclosures identified in the Standard. Entities are not required to apply IPSAS 17’s measurement requirements. The Standard takes the approach of allowing for different heritage accounting practices, but supports transparency by specifying that measurement approaches should be disclosed, including, for example, whether or not the entity depreciates some or all of the heritage items that it has recognized as assets.

18. The IPSASB took a similar approach in IPSAS 31, *Intangible Assets* (IPSAS 31). IPSAS 31 includes paragraphs on accounting for intangible heritage assets, which are based on those in IPSAS 17. Heritage accounting may also be relevant to the two IPSASs on impairment and to IPSAS 27, *Agriculture*, although those three standards do not refer to heritage assets.
19. In effect, the IPSASB's approach in these two Standards acknowledged the difficult financial reporting issues raised by heritage items, and allowed preparers or national jurisdictions to determine their accounting for heritage assets until this topic could be considered in depth.
20. In 2004 the IPSASB commenced a heritage assets project in collaboration with the United Kingdom's Accounting Standards Board (the UK ASB). A CP, *Accounting for Heritage Assets under the Accrual Basis of Accounting*, was published in February 2006. The CP consisted of a discussion paper developed and approved by the UK ASB, with an introduction and preface developed by the IPSASB's Heritage Assets Subcommittee. As stated above, after reviewing submissions in late 2006, the IPSASB decided to defer further work until after its Conceptual Framework had been completed.

National Standard Setters' Pronouncements

21. The 2006 consultation paper included two appendices with comprehensive summaries of national standard setters' accounting treatments for heritage asset. These have been updated for more recent developments and included as Appendix A and Appendix B of this CP. They demonstrate the wide range of different accounting approaches that exist at the national level for heritage items.
22. When developing accounting for heritage national standard setters have focused on "heritage assets". The main accounting issues raised by heritage assets are:
 - (a) The definition of a "heritage asset" and the types of heritage asset for which a pronouncement should be development;
 - (b) Recognition of a heritage asset, where recognition could be viewed as appropriate for all heritage assets that meet the applicable recognition criteria, a defined subset of such assets or no heritage assets; and
 - (c) Measurement of heritage assets, including whether subsequent measurement should involve depreciation.
23. The majority of standard setters have focused on physical, non-living heritage such as historic buildings, museum collections, artwork and precious moveable physical items of historic or cultural importance. Heritage is indicated by the cultural or historic significance of items and the likelihood that they will have either a very long life or an indefinitely long life, because they are preserved for future generations. Recognition and initial measurement of heritage assets are viewed as difficult both because the value of heritage items could be difficult or costly to ascertain and because any financial value is viewed as inappropriate given the over-riding heritage value of such items, as well as their likely unavailability for sale or disposal in the ordinary course of events. In addition, subsequent measurement of heritage times, which for property, plant and equipment generally involves depreciation, is viewed as open to debate because the worth and value of heritage items is expected to either remain constant or grow over time.

5—Public Sector Entities' Heritage Responsibilities and Information Needs

24. This CP focuses on information about heritage items reported in the financial statements. However, it is important to place this within the wider context of governments' heritage aims and the wide-ranging set of activities undertaken by public sector entities in order to achieve those aims. Financial information is likely to be only one part, albeit an important part, of the overall set of heritage-related information available to the public.

Governments' Heritage Preservation and Conservation Aim

25. National governments and other levels of government aim to preserve the nation's and local communities' heritage. In pursuit of this aim governments are likely to establish legislation and regulation to protect heritage items. National governments also sign up to UNESCO conventions to protect the world's heritage, which includes international level identification of heritage items. UNESCO conventions cover the following four types of heritage:
- (a) Cultural property, which covers physical items such as buildings, sculptures and artwork;
 - (b) Natural heritage, which covers land and water areas and the living items (plants and animals) that inhabit those areas;
 - (c) Intangible heritage; and
 - (d) Underwater heritage.
26. Given governments' over-arching aim to preserve heritage, public sector entities' activities in pursuit of that aim could include any and all of the following:
- (a) Development of legislation and regulation for heritage preservation and conservation;
 - (b) Definition, classification, identification and listing of heritage items;
 - (c) Reporting on heritage items (descriptions, extent, status, trends with respect to their preservation; service performance related to heritage items);
 - (d) Financial support for people and institutions (public or private) that hold heritage items and for people who are heritage items and therefore receive state support so that their skills and abilities can be preserved and shared with others;
 - (e) Enforcement of legislation, which could involve prevention of destruction or removal of heritage items, enforcement of restrictions on heritage item sales, and other steps to prevent loss or alienation of heritage items;
 - (f) Holding, conservation, preservation and management of heritage assets (for example, the activities of public sector entities such as museums, art galleries, zoos, nature reserves, etc.);
 - (g) Education activities related to heritage items (e.g. appreciation and preservation);
 - (h) Construction of fences, buildings, etc. to protect and preserve heritage items; and
 - (i) Enforcement of restrictions on construction and other industry activities that could destroy or damage heritage items.

Public Sector Entities and Heritage Responsibilities

27. The list of public sector activities above indicates that the extent to which a public sector entity focuses on heritage is likely to vary. The following three heritage responsibilities can be identified:
- (a) Heritage items are held by the public sector entity and the entity is directly responsible for their preservation;
 - (b) Heritage preservation is the primary (or a very important) service performance objective for the entity—museums, art galleries, department or ministry primarily responsible for legislation, monitoring or management of heritage; and
 - (c) Heritage related services are a relatively small part of what the entity does—customs officials, police, schools, universities.
28. The responsibility of holding one or more heritage items affects the largest number of public sector entities. Holding heritage items, with the ability to control access to them, is not restricted to entities such as museums, art galleries, or agencies responsible for national parks or national wildlife reserves. For example, schools, universities and hospitals may have heritage buildings or heritage artwork. Similarly, an entity responsible for every-day activities such as water-supply or provision of rail transportation may operate using infrastructure or buildings that have been identified as heritage items. There are, for example, many beautiful, historic and architecturally significant railway stations.
29. Only a relatively small number of entities have the provision of heritage services as their service performance objectives.

Primary Focus of Consultation Paper—Accounting for Heritage Items Held

30. This CP primarily focuses on entities' accounting for the heritage items that they hold. Furthermore, its main focus is on information reported in the financial statements. Partly this is due to the Heritage Asset Project's intended focus as indicated by the project's title and its brief. However, it also reflects:
- (a) The Conceptual Framework's description of what information falls within the scope of financial reporting; and
 - (b) IPSASB pronouncements that already go some way towards addressing other heritage related information in financial reports.
31. These points are discussed in more detail below.

Entities with Major Heritage Preservation Responsibilities—Other Types of Information

32. Public sector entities with major responsibilities for heritage preservation may also produce the following types of heritage-related information:
- (a) Budget information that helps users to understand the budget available for heritage activities and the entity's actual application of that budget;
 - (b) Financial sustainability information that helps users to understand the entity's ability to provide heritage preservation services into the future; and

- (c) Service performance information focused on the heritage-related services that the entity provides;
 - (d) Reports on heritage items, including lists of, and status reports on, heritage items.
33. Of these four types of information the first three fall within the scope of financial reporting and the IPSASB has already issued pronouncements on them which an entity can use to report information relevant to assessment of its heritage preservation services. These information sets focus on a reporting entity and deal with information on either its finances or the services that it provides. By contrast, the fourth type of report focuses on heritage items, without restriction to those held by a particular entity. As discussed below, this type of “heritage status” report does not fall within the scope of financial reporting.

Budget Information and an Entity’s Heritage Related Commitments

34. A public sector entity responsible for heritage preservation should have a budget to deliver on that commitment. Depending on the entity, the approved budget may support preservation of a broad set of heritage items, including heritage that is not held by the entity and may not even be held in the public sector. Users of its financial reports hold the entity accountable for its budget usage and its achievement of heritage related service performance objectives. IPSAS 24, *Presentation of Budget Information in Financial Statements*, covers reporting on budgets and their usage.

Reporting of Information on Long-Term Sustainability of Entity’s Finances

35. Financial sustainability information helps users to understand whether an entity can continue to exist and deliver its intended services. Given the future orientation of heritage preservation, where the focus is on preservation for future generations, long-term financial sustainability information for such entities is likely to be important to users of their financial reports. The IPSASB has issued RPG 1, *Reporting on the Long-Term Sustainability of an Entity’s Finances*, which provides guidelines on reporting such information.

Reporting of Service Performance Information

36. Where a public sector entity’s responsibilities have a significant focus on heritage related services, the entity may, depending on national reporting requirements or guidelines, report service performance information on its heritage related activities. The IPSASB has issued a recommended practice guideline (RPG) on reporting service performance information. RPG 3, *Reporting Service Performance Information* (RPG 3), explains that:

Service performance information is information on the services that the entity provides, an entity’s service performance objectives and the extent of its achievement of those objectives. Service performance information assists users of GPFRs (hereafter termed “users”) to assess the entity’s service efficiency and effectiveness. [paragraph 1, RPG 3]

37. RPG 3 provides guidelines for such reporting, while allowing sufficient flexibility to ensure that national jurisdictions and individual public sector entities effectively and appropriately address users’ service performance information needs and report information that is relevant to their service performance objectives. Given the guidance already provided in RPG 3 this CP does not discuss further the topic of heritage-related service performance information.

Status of Heritage Items—Lists, Conditions and Other Developments

38. As is evident from the list of activities above, some public sector entities (for example, a government department responsible for legislation to preserve heritage) will have heritage preservation responsibilities that are not restricted to those items that the entity holds. Many of the activities listed above apply to all heritage items within a jurisdiction, regardless of whether they are held by:
- (a) Public or private sector entities;
 - (b) Reporting entities or entities not required to present a GPFR.
39. For example, a family or a private individual may own a heritage item such as an historic building or important artwork. That person has no requirement to prepare a GPFR. Yet information about that privately owned heritage item may be made publicly available by the government. The government may monitor the status of the heritage item, take steps to support its preservation, and have “first right of refusal” if the private owner considers selling the heritage item. The government may have put in place legal restrictions which prevent the private individual taking the item out of the country.
40. Where a public sector entity has a general responsibility to preserve heritage that entity is likely to produce publicly available listings or status reports on heritage items, which cover all relevant heritage items regardless of whether they are controlled by public sector entities. For example, a “Ministry of Heritage Buildings,” whose primary role is to preserve heritage buildings could publish a status report called “The State of the Nation’s Heritage Buildings”, which included the following information:
- (a) A list of all heritage buildings, based on definitions and a schedule in legislation;
 - (b) A quality indicator (A, B, C or “at risk”) for each building, showing their state of preservation; and
 - (c) Discussion of heritage building preservation, covering a broad set of public sector and private sector initiatives and achievements.
41. Such reports provide important information on heritage preservation and could be referenced in an entity’s service performance information. However, as discussed below, they do not, in themselves, fall within the scope of financial reporting.

Scope of Financial Reporting, Users’ Needs and Information about the Entity

42. The Conceptual Framework supports a more comprehensive scope for financial reporting than that solely encompassed by the financial statements. Consistent with this more comprehensive scope, the IPSASB has issued three recommended practice guidelines (RPGs) that address information presented outside of the financial statements; RPG 1, *Reporting on the Long-Term Sustainability of an Entity’s Finances*, RPG 2, *Financial Statement Discussion and Analysis*, and RPG 3, *Reporting Service Performance Information*. Consistent with the Conceptual Framework’s description of what information could be reported in “more comprehensive scope” GPFRs, in each case the information reported:
- (a) Enhances, complements, or supplements the financial statements;
 - (b) Responds to certain aspects of the objectives of financial reporting; and

- (c) Relates to the matters addressed within the scope of financial reporting.
43. The Conceptual Framework further explains that the scope of financial reporting is determined by the information needs of the primary users of GPFRs and the objectives of financial reporting.
44. The Conceptual Framework outlines the factors that determine what may be encompassed within the scope of financial reporting. It explains that the primary users of GPFRs are resources providers and service recipients. They are interested in information about the resources provided to the entity and services received from the entity. They need information about the entity that is useful to them for accountability purposes and for decision-making purposes. Information for these purposes helps users to hold the entity accountable and make decisions about the entity. Examples of information useful for these purposes focus on the entity. For example, users of GPFRs are likely to need information about the entity's performance, its liquidity and its sustainability.

Heritage Status Reports—Outside of Financial Reporting's Scope

45. The type of information provided in a listing of heritage items or a status report on heritage does not report only on heritage items held by the reporting entity. Instead, it aims to provide a full listing and/or description of heritage items, covering items in public and private ownership. Information in the financial statements focuses on resources controlled by the reporting entity. This type of reporting on resources held by many different entities does not fit within the scope of financial reporting, which has information about the entity as its focus. However, as noted above, some entities may report heritage-related service performance information and, in that situation, refer to heritage status information as outcome information. This will depend on the entity's service performance objectives and choice of performance indicators.

APPENDIX A: DEFINITIONS OF HERITAGE ASSETS (EXCERPT FROM 2006 CONSULTATION PAPER)

Jurisdiction	Source	Definition	Other defining criteria/ cited examples
ASB UK	FRS 15 <i>Tangible Fixed Assets</i>	No specific definition.	Refers to inalienable, historic and similar assets of particular historic, scientific or artistic importance.
UK	Charity Commission <i>2005 Charities SORP</i>	Assets of historical, artistic or scientific importance that are held to advance the preservation, conservation and educational objectives of charities and through public access contribute to the achievement of the purposes of such charities and include the land, buildings, structures, collections, exhibits or artefacts that are preserved or conserved and are central to the educational objectives of such charities.	Charities with preservation objectives may hold specified or historic buildings or a complex of historic or architectural importance or a site where a building has been or where its remains can be seen. Conservation charities may hold land relating to the habitat needs of species, or the environment generally, including areas of natural beauty or scientific interest. Museums and art galleries hold collections and artefacts to educate the public and to promote the arts and sciences.
UK	Chartered Institute of Public Finance and Accountancy <i>2005 SORP for local authorities</i>	No definition of heritage assets. Definition of community assets: 'assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.'	Examples of community assets are parks and historic buildings.
UK	HM Treasury and devolved administrations <i>Government Financial Reporting Manual</i>	Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.	They are held by the entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational heritage assets are those that are held primarily for this purpose. Operational heritage assets are those that, in addition to being held for heritage purposes, are also used by the entity for other activities or to provide other services (the most common example being buildings).
UK	English Heritage <i>Managing local authority heritage assets – some guiding principles for decision makers, June 2003</i>		Heritage assets include: scheduled monuments and other archaeological remains; historic buildings both statutorily listed and those of more local importance; conservation areas; historic

Jurisdiction	Source	Definition	Other defining criteria/cited examples
			landscapes, including registered parks and gardens, cemeteries and registered battlefields; and historic elements of the wider public realm, including publicly owned and managed spaces and recreational parks.
IPSASB	IPSAS 17 <i>Property, plant and equipment</i>	No generic definition. Notes that some assets are described as heritage assets because of their cultural, environmental, or historical significance.	Examples are historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art. Characteristics often displayed by heritage assets include: Cultural, environmental, educational and historical value unlikely to be fully reflected in a financial value based purely on market price; Legal/statutory obligations may impose prohibitions or severe restrictions on disposal by sale; Often irreplaceable and value may increase overtime even if physical condition deteriorates; Difficult to estimate useful lives which could be several hundred years.
FASB United States	FAS 116 <i>Accounting for contributions received and contributions made</i>	No generic definition	Reference to collections with the following characteristics: (a) held for public exhibition, education or research in furtherance of public service rather than financial gain (b) protected, kept unencumbered, cared for, and preserved (c) subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.
FASAB United States	SFFAS 29 <i>Heritage assets and stewardship land</i>	Property, plant and equipment unique for one or more of the following reasons: Historical or natural significance; Cultural, educational, or artistic (eg aesthetic) importance; or Significant architectural characteristics	Heritage assets consist of: <ul style="list-style-type: none"> Collection type heritage assets, such as objects gathered and maintained for exhibition, eg museum collections, art collections and library collections; and

Jurisdiction	Source	Definition	Other defining criteria/cited examples
			<ul style="list-style-type: none"> Non-collection type heritage assets, eg parks, memorials, monuments and buildings <p>Heritage assets are generally expected to be preserved indefinitely.</p> <p>Heritage assets may in some cases be used to serve two purposes - a heritage function and general government operations. In cases where a heritage asset serves two purposes, it should be considered a multi-use heritage asset if the predominant use of the assets is in general government operations. Heritage assets having incidental use in government operations are not multi-use heritage assets; they are simply heritage assets.</p>
GASB United States	Statement 34 <i>Basic financial statements – and managements’ discussion and analysis – for State and Local governments</i>	No generic definition. Reference to works of art and historical treasures.	Characteristics of collections defined as for FAS 116.
CICA Canada	Public Sector Handbook Section PS 3150, <i>Tangible Capital Assets</i>	No generic definition.	Works of art and historical treasures are property that has cultural, aesthetic or historical value that is worth preserving perpetually
CICA Canada	CICA Handbook Section 4440 <i>Collections held by not-for-profit organizations</i>	No generic definition.	Collections are works of art, historical treasures or similar assets that are (i) held for public exhibition or research; (ii) protected, cared for and preserved; and (iii) subject to an organizational policy that requires any proceeds from their sale to be used to acquire other items to be added to the collection or for the direct care of the existing collection.
ASB South Africa	GRAP 17 <i>Property, plant and equipment</i>	As IPSAS 17. ASB’s recent consultation included proposed definitions of heritage assets.	Heritage assets used for heritage purposes only are defined as inalienable and/or other items that are normally held for their unique cultural, environmental, historical, natural or artistic significance rather than for use in the day-to-day

Jurisdiction	Source	Definition	Other defining criteria/cited examples
			operations of the entity. Heritage assets used or held for multi purposes are defined as inalienable and/or other items that are normally held for their unique cultural, environmental, historical, natural or artistic significance, but are also used to generate future economic benefits or service potential.
FRSB New Zealand	FRS 3 <i>Accounting for property, plant and equipment</i> NZ IAS 16 <i>Property, plant and equipment</i>	Reference to heritage assets and community assets but no specific definitions.	Artefacts of cultural or historical significance.
New Zealand	<i>Valuation guidance for cultural and heritage assets. New Zealand Treasury, November 2002</i>	Cultural and heritage assets defined as assets that are held for the duration of their physical lives because of their unique cultural, historical, geographical, scientific, and/or environmental attributes. They assist holders of the assets to meet their objectives in regard to exhibition, education, research and preservation, all of which are directed at providing a cultural service to the community.	Cultural and heritage assets include, but are not limited to general collections in libraries; heritage collections in libraries; museum collections; art gallery collections; historical documents, historical monuments and heritage assets held in local authority trusts.
AASB Australia	The generic Standard AASB 116 <i>Property, Plant and Equipment</i> applies except when it conflicts with AAS 27 <i>Financial reporting by local governments</i> , AAS 29 <i>Financial reporting by government departments</i> and AAS 31 <i>Financial reporting by government</i> and then those standards apply.	AASs 29 and 31 explicitly refer to heritage assets and community assets but no specific definitions.	Examples of heritage assets are historical buildings and monuments. Examples of community assets are parks and recreational reserves.
France	Central Government Accounting Standards Standard 6 <i>Tangible Assets</i>	No generic definition. Reference to assets that have only historical or cultural uses with an unmeasurable service potential related	

Jurisdiction	Source	Definition	Other defining criteria/cited examples
		directly to their symbolic value, and works of art.	
Germany North Rhine Westphalia	Municipal accounting standards	No generic definition. Reference to movable assets for the maintenance of culture, works of art, exhibits and other moveable cultural objects, architectural monuments and archaeological monuments.	
UNESCO	<i>Convention concerning the protection of the world cultural and natural heritage, November 1972</i>	<p>The following shall be considered as “cultural heritage”:</p> <ul style="list-style-type: none"> monuments: architectural works, works of monumental sculpture and painting, elements or structures of an archaeological nature, inscriptions, cave dwellings and combinations of features, which are of outstanding universal value from the point of view of history, art or science; groups of buildings: groups of separate or connected buildings which, because of their architecture, their homogeneity or their place in the landscape, are of outstanding universal value from the point of view of history, art or science; sites: works of man or the combined works of nature and man, and areas including archaeological sites which are of outstanding universal value from the historical, aesthetic, ethnological or anthropological point of view. <p>The following shall be considered as “natural heritage”:</p> <ul style="list-style-type: none"> natural features consisting of physical and biological formations or groups of such formations, which are of outstanding universal value from the aesthetic or scientific point of view; geological and physiographical formations and precisely delineated areas which constitute the habitat of threatened species of animals and plants of outstanding universal value from the point of view of science or conservation; natural sites or precisely delineated natural areas of outstanding universal value from the point of view of science, conservation or natural beauty. 	

APPENDIX B: ACCOUNTING FOR HERITAGE ASSETS (*Appendix 2 in 2006 Consultation Paper*)

Jurisdiction	Standard	Recognition	Measurement	Disclosure	Notes
ASB UK	FRS 15 <i>Tangible Fixed Assets</i>	Requires recognition where heritage assets can be measured reliably and costs of doing so are not significant. Encourages but does not require retrospective capitalisation.	Cost. Donated assets measured at current value.	Requires disclosure of reasons for accounting treatment, and of the age, nature and scale of the assets and use made of them.	Standard's requirements supplemented by Charities SORP and Government Financial Reporting Manual.
IPSASB	IPSAS 17 <i>Property, plant and equipment</i>	Not required unless heritage assets meet definition of PPE.	For recognised heritage assets entity is permitted but not required to apply measurement requirements.	For recognised heritage assets, standard PPE disclosures are required.	Does not address treatment of un-recognised heritage assets.
FASB United States	FAS 116 <i>Accounting for contributions received and contributions made</i>	Permits non-recognition of donated works of art, historical treasures and similar assets if added to collections that are not capitalised and are held under specified conditions. Requires such contributions to be reported on face of statement of activities separately from revenues, expenses, gains and losses.	Fair value. In absence of quoted market prices then quoted market prices for similar assets, independent appraisals or valuation techniques.	For non-recognised collections requires description of collections, including relative significance and accounting and stewardship policies for collections. And for deaccessioned items, a description and fair value.	First time adoption encourages but does not require capitalisation of collections either retrospectively or prospectively.
	FAS 93 <i>Recognition of depreciation by not-for-profit organizations</i>	Permits policy of no depreciation for individual works of art or historical treasures* with extraordinarily long lives			* asset individually has cultural, aesthetic, or historical value that is worth preserving perpetually and holder has ability to protect and preserve essentially

Jurisdiction	Standard	Recognition	Measurement	Disclosure	Notes
					undiminished the service potential of the asset and is doing so.
FASAB United States	SFFAS 29 <i>Heritage assets and stewardship land</i>	Requires cost of acquisition, construction, reconstruction or improvement of heritage assets to be expensed. Donations are not recognised. Requires cost of acquisition, betterment or reconstruction of multi-use heritage assets* to be capitalised and depreciated. * predominant use of heritage asset is in general government operations.	Expense measured at cost. Donated multi-use heritage assets capitalised at fair value.	Requires detailed disclosures for heritage assets and multi-use heritage assets: Statement of how they relate to mission of entity, description of stewardship policies (concerning acquisition, maintenance, use and disposal), description of each major category, quantification in terms of physical units* for each major category: physical units held, acquisitions and withdrawals, fair value of donations if known and condition of assets. * may be a collection or group of assets located at one facility.	SFFAS 29 issued July 2005 is effective for reporting periods beginning 30 September 2005 and replaces the reporting requirements for heritage assets set out in SFFAS 6, SFFAS 8 and SFFAS 16. Stewardship disclosures are essential to fair presentation.
GASB United States	GASBS 34 <i>Basic financial statements – and managements' discussion and analysis – for State and Local governments</i>	Requires capitalisation of historical treasures not held in collections. Encourages but does not require capitalisation of collections and additions to those collections (whether purchased or donated) if collection meets specified conditions.	Capitalised at cost or, where donated, at fair value. Depreciation not required for capitalised collections or individual items that are inexhaustible.	For collections not capitalised, description of collection and reasons for non-capitalisation. Usual fixed asset disclosures for collections that are capitalised.	

Jurisdiction	Standard	Recognition	Measurement	Disclosure	Notes
CICA Canada	Public Sector Handbook Section PS 3150, <i>Tangible Capital Assets</i>	Works of art and historical treasures would not be recognized as tangible capital assets in government financial statements because a reasonable estimate of the future benefit associated with such property cannot be made.		The nature of the works of art and historical treasures held by the government should be disclosed.	
CICA Canada	CICA Handbook section 4440 <i>Collections held by not-for-profit organizations</i>	Recognition of collection not required although it is not precluded (collection items are excluded from the definition of capital assets).	Not specified [by inference, works of art and historical treasures not held in collections are measured at cost if known and fair value if cost is not known]	Description of collection, accounting policies followed, details of any significant changes to the collection in the period, expenditures on collection items in the period, proceeds of sales of collection items in period and how the proceeds were used.	Only applies to works of art, historical treasures or similar assets held as part of a collection. If not held as part of a collection accounting requirements for PPE apply.
ASB South Africa	GRAP 17 <i>Property, plant and equipment</i>	Not required even though the definition and recognition criteria of PPE are met. The recent discussion paper proposes that multi-purpose heritage assets should be recognised as an asset in accordance with PPE recognition requirements, and that the costs of acquisition, improvement,	For recognised heritage assets entity is not required to apply measurement requirements. The recent discussion paper proposes that multi-purpose heritage assets should be measured in accordance with PPE measurement requirements.	For recognised heritage assets, standard PPE disclosures are required. The recent discussion paper proposes the disclosure requirements in PPE be applied to multi purpose heritage assets. In addition, relevant and useful information disclosed in notes for both types of heritage assets.	Existing requirements based on IPSAS 17.

Jurisdiction	Standard	Recognition	Measurement	Disclosure	Notes
		reconstruction or renovation of assets used for heritage purposes only, be expensed when incurred.			
FRSB New Zealand	FRS-3 <i>Accounting for property, plant and equipment</i> NZ IAS 16 <i>Property, plant and equipment</i>	Requires recognition of all cultural and heritage assets that meet the definition of PPE and can be reliably measured.	Initial recognition at cost. Revaluation permitted using fair value, other market based evidence or depreciated replacement cost*. Donated assets measured at fair value.	No special requirements for heritage assets.	* Standard supplemented by valuation guidance issued by NZ Treasury for government bodies.
AASB Australia	The generic Standard AASB 116 <i>Property, Plant and Equipment</i> applies except when it conflicts with AAS 27 <i>Financial reporting by local governments</i> , AAS 29 <i>Financial reporting by government departments</i> and AAS 31 <i>Financial reporting by government and then those standards apply.</i>	Requires recognition providing it is probable future economic benefits arise and a cost or other value can be measured reliably.	Initial recognition at cost. Donated assets initially measured at fair value.	No specific disclosure requirements.	Standards supplemented by Government Finance Minister's Orders and similar orders made in each state and territory.
France	Central Govt Account Standards	Requires recognition to ensure consistency between physical and	Value at a non-revisable notional cost, or exceptionally at reproduction	Requires typical balance sheet note disclosures. Statement listing assets such	First time adoption: applies to assets with no directly observable market value and

Jurisdiction	Standard	Recognition	Measurement	Disclosure	Notes
	Standard 6 <i>Tangible Assets</i>	accounting inventories.	cost. Works of art must be recognised at a notional value. Market value for multi-purpose heritage assets. For all heritage assets, subsequent additions recognised at acquisition cost. Donations recognised at market value.	as historical monuments.	with an unmeasurable service potential related directly to their symbolic value
Germany North Rhine Westphalia	Municipal accounting standards	Requires recognition on first time adoption.	For significant moveable heritage assets – actual or notional insurance value. Other works of art, exhibits and monuments – notional value (€1). Subsequent additions recognised at cost.	No specific disclosure requirements. Accounting and valuation methods should be disclosed in a note.	Accruals based accounting standards are currently being introduced in the German Länder. Each Land may develop its own special regulations to apply to heritage assets.