

Agenda Item 6: Heritage

Gwenda Jensen

IPSASB Meeting

September 20—23, 2016

Toronto, Canada

Objective of this Session

- Review and approve draft chapters
- Provide directions on issues

Materials Presented

6.1 Project management, including IPSASB directions and decisions

6.2 Issues paper: 6.2.1 to 6.2.6

6.3 Draft Chapters: 6.3.1 to 6.3.6

6.2.1 Draft Chapter 1, *Introduction*

- See agenda item 6.3.1 (draft Chapter 1)
- Review of chapter on an “exceptions basis”
- IPSASB asked to:
 - Review Chapter 1; and
 - Approve

6.2.2 Draft Chapter 2, *Heritage Items and Categories*

- See agenda item 6.3.2 (draft Chapter 2)
- Key revisions since June:
 - New structure, which leads to Preliminary View;
 - Draft Preliminary View on definition of “heritage items”; and
 - Detailed discussion of categories removed
- IPSASB asked to approve:
 - Chapter 2 and Preliminary View 1

6.2.2 Preliminary View 1—Heritage Items

“...the following definition captures the special characteristics that define heritage items and distinguish them from other phenomenon for the purposes of financial reporting:

Heritage items are items that, because of their rarity, importance and/or significance, are expected to be held indefinitely for the benefit of present and future generations and preserved. They are held and preserved for many different reasons including, and not limited to, their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological importance.”

6.2.3 Draft Chapter 3, *Heritage Items as Assets*

- See agenda item 6.3.3 (draft Chapter 3)
- Key revisions since June:
 - Revised structure for Chapter 3;
 - Alternatives for whether heritage items are assets; and
 - Draft preliminary view on heritage items being assets
- IPSASB asked to:
 - Approve Chapter 3 and Preliminary View 2

6.2.3 Preliminary View 2—Heritage Items as Assets

The IPSASB's preliminary view is that:

- (a) Heritage items may be assets for the purposes of financial reporting; and
- (b) Those heritage items that meet the Conceptual Framework's definition of an asset (i.e. they are resources, presently controlled by the entity, as a result of a past event) should be considered assets for the purposes of financial reporting.

6.2.4 Draft Chapter 4, *Recognition and Measurement*

- See agenda item 6.3.4 (draft Chapter 4)
- Substantial revisions since June
- IPSASB asked to provide instructions on:
 - Chapter 4's structure and coverage;
 - Other coverage to include in Chapter 4; and
 - Preliminary views 4.1–4.4.

6.2.4 Draft Chapter 4, *Recognition and Measurement*

- Does IPSASB agree with Chapter 4's:
 - Focus on cost–benefit to discuss heritage asset recognition;
 - Alternative approaches for heritage asset recognition; and
 - Preliminary views on measurement, recognition of heritage assets?
- Comments on Chapter 4's:
 - *Coverage*: Is coverage sufficient? More (less) coverage needed?
 - *Structure*: Is order of topics appropriate?
 - *Comments*: Any other comments on the chapters coverage?

6.2.4 Preliminary View 4.1

- A relevant monetary value will usually be able to be attached to heritage assets;
- Measurement bases are available to measure heritage assets so that their measurement provides information that would be useful to users of GPFRs; and
- A cost–benefit assessment may indicate that heritage assets should either:
 - Not be recognized in the statement of financial position; or
 - Be measured (and then recognized) through the use of a simpler approach to measurement than that envisaged in the Conceptual Framework, such as use of a 1–unit value (also termed a symbolic value)

6.2.4 Preliminary View 4.2

The IPSASB has reached a preliminary view that:

- All heritage assets that meet the definition of an asset and are able to be measured, applying the measurement bases identified in Preliminary View 4.3, should be recognized as assets in an entity's statement of financial position

6.2.4 Preliminary View 4.3

- [Measurement bases] depend on the:
 - Category of heritage asset (for example, tangible versus intangible); and/or
 - Purpose for which the entity holds the heritage asset, for example:
 - To provide either heritage or non–heritage (operational) services; and/or
 - Held for the long–term versus or held ready for sale or exchange.
- Should include...use of a “1–unit entry value”, where specific conditions met:
 - Cost–benefit indicates costs of another basis exceed benefits; and
 - Heritage assets’ sole purpose is to provide heritage services.

6.2.4 Preliminary View 4.4

Preliminary view on subsequent measurement for heritage assets is that appropriate subsequent measurement will depend on:

- (a) The heritage assets' initial measurement and category of asset (for example, tangible or intangible); and
- (b) An assessment of the costs and benefits of carrying out a particular subsequent measurement approach, given the nature of the event giving rise to a value change.

6.2.5 Draft Chapter 5, *Heritage and Obligations*

- See agenda item 6.3.5 (draft Chapter 5)
- IPSASB asked to review and discuss draft Chapter 5's:
 - Selection and ordering of topics;
 - Discussion of alternative accounting approaches; and
 - Preliminary view on recognition of liabilities for heritage preservation.

6.2.5 Preliminary View 5, Liability Recognition

The IPSASB's preliminary view on recognition of heritage preservation liabilities is as follows:

An entity will have a recognizable liability related to preservation of a heritage item where it has carried out heritage preservation activities and the resulting binding and unavoidable obligations to pay contractors, employees or others for the preservation services provided by them have not yet been discharged, so the entity has little or no realistic alternative to avoid an outflow of resources.

6.2.6 Draft Chapter 6, *Presentation of Information*

- IPSASB is asked to provide instruction on:
 - Chapter 6's structure and coverage;
 - Other coverage to include in draft Chapter 6; and
 - Preliminary views 6.1–6.4

6.2.6 Preliminary View 6.1, Heritage Assets

The IPSASB's preliminary view is that:

Sufficient information should be presented in an entity's GPFRs to allow users to understand the full extent of an entity's heritage asset holdings.

6.2.6 Preliminary View 6.2, Condition of Heritage Assets and Deferred Maintenance

The IPSASB's preliminary view is that:

Information on the condition of heritage assets held by an entity and any deferred maintenance should be presented in either a supplementary schedule with the financial statements or in another GPFR.

6.2.6 Preliminary View 6.3, Information on Unrecognized Heritage Assets

The IPSASB's preliminary view is that:

Sufficient information on an entity's unrecognized heritage assets should be presented to allow users to hold the entity accountable for its stewardship of those heritage assets and make decisions on resources needed to preserve them. That information should include annually updated information on physical units of heritage assets, presented in either a supplementary schedule with the financial statements or in another GPFR.

6.2.6 Preliminary View 6.4, Recognized Heritage Assets

The IPSASB's preliminary view is that:

The amount and type of information presented in the financial statements with respect to recognized heritage assets should be similar to that presented on other, non-heritage assets (for example, property, plant and equipment or intangible assets) that are recognized in the statement of financial position.

Next Steps

- Revisions to:
 - Chapters; and
 - Preliminary view
- Revised consultation paper submitted to IPSASB's December 2016 meeting



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