



## Agenda Item 5: Heritage

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## Objective of this Session (1)

- Review consultation paper for approval

# Materials Presented

5.1 Project management, including IPSASB directions and decisions

5.2 Issues paper: 5.2.1 to 5.2.4

5.3 Draft Chapters and consultation paper

- 5.3.1 Chapters 1–3
- 5.3.2 Chapter 4
- 5.3.3 Chapter 5
- 5.3.4 Chapter 6
- 5.3.5 Consultation Paper (whole)

## 5.2.1 Draft Chapters 1–3

- Does IPSASB agree with revisions?
  - (See agenda item 5.3.1)
- Main revisions:
  - Chapters are shorter
  - Chapter 3's discussion of heritage items as assets: Simplified
  - Preliminary Views (PVs) 1 and 2: revised
  - Specific Matters for Comment (SMCs): added to Chapters 2 and 3

## Chapter 2: Preliminary View and SMC

*PV:* The following definition reflects the special characteristics of heritage items and distinguishes them from other phenomena for the purposes of financial reporting:

Heritage items are items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.

*SMC:* In your view, is the scope of this CP, which covers cultural heritage (tangible and intangible) and natural heritage, appropriate? If not, how should the scope be modified?

## Chapter 3: Preliminary View and SMC

- *PV*: The special characteristics of heritage items do not prevent them from being assets for the purposes of financial reporting.
- *SMC*: In your view,
  - a) Are there types of heritage items that cannot be assets for financial reporting purposes?
  - b) If you responded “yes” to (a),
    - i. What types of heritage items do you consider cannot be assets for financial reporting purposes, and
    - ii. Why do you think that those heritage items cannot be assets?

## 5.2.2 Draft Chapter 4, *Recognition and Measurement*

- Does IPSASB agree with revisions?
  - (See agenda item 5.3.2)
- Areas for consideration:
  - Measurement bases: more coverage, split into:
    - Measurement for recognition, (ability to measure, achieve the qualitative characteristics, take constraints into account)
    - Choice of measurement base(s) (measurement objective--useful information for assessments of costs of services, operational capacity and financial capacity)
  - “1 currency unit” raised for both historical cost and symbolic value
  - More on subsequent measurement (e.g. alternative views)

## Chapter 4: Preliminary Views

*PV: Chapter 4.1:* Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria

*PV: Chapter 4.2:* Historical cost, market value and replacement cost (where replacement cost includes restoration cost) are appropriate measurement bases for heritage assets, dependent on circumstances

*PV: Chapter 4.3:* There are no special issues related to the subsequent measurement of heritage assets



## Chapter 4.1 Specific Matter for Comment

In your view,

- a) Are there any types of heritage assets that should not be recognized in the statement of financial position, if they meet the recognition criteria?
- b) If you responded “yes” to (a), what types of heritage assets should not be recognized in the statement of financial position, even though they meet the recognition criteria?
- c) Are there heritage-related situations (or factors) in which the cost–benefit constraint applies and heritage assets should not be recognized because the costs of doing so would not justify the benefits? (If yes, please describe those heritage-related situations (or factors).)

## Chapter 4.2 Specific Matter for Comment

In your view,

- a) For initial recognition, should measurement of a heritage asset apply one of the following measurement bases: historical cost, market value or replacement cost?
- b) Are there other measurement bases that you consider should be applied to heritage assets when they are initially recognized? (If so, please identify those bases and describe the circumstances in which they should be applied.)

## Chapter 4.3 Specific Matter for Comment

In your view, are there any types of heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets? (If so, please identify those types and/or factors, and describe the special issues raised and how to address them.)

## 5.2.3 Chapter 5, *Heritage and Related Obligations*

- Does IPSASB agree with revisions?
  - (See agenda item 5.3.3)
- Areas for consideration:
  - Sufficient basis for consultation or more needed?
  - Expand discussion to say more?
    - Alternative views on heritage-related liabilities
    - Measurement of heritage-related liabilities, including whether measurement/recognition provides useful information on costs of services, operational capacity and financial capacity
    - Apply requirements in IPSAS 19 to discuss liabilities
    - Include worked examples with journal entries (e.g. provisions)

## Chapter 5: Preliminary View and SMC

*PV:* The special characteristics of heritage items do not, of themselves, give rise to liabilities

*SMC:* (a) In your view, are there any types of obligations which are special to heritage items and should be recognized as liabilities in the statement of financial position?

(b) If you answered “yes” to (a), please identify those heritage-related obligations, and explain why they are special to heritage items and should be recognized as liabilities in the statement of financial position.

## 5.2.4 Chapter 6, *Presentation of Heritage Information*

- Does IPSASB agree with revisions?
  - (See agenda item 5.3.4)
- Areas for consideration:
  - Discuss information about recognized heritage assets, but not unrecognized ones?
  - Include alternative approaches for discussion?
  - Include proposals for:
    - Specific heritage-related disclosures;
    - Information for management's stewardship of heritage resources?
  - Discuss current IPSAS disclosure requirements (for assets, liabilities, etc.) and their relevance to heritage items?

## Chapter 6: Preliminary View

The objectives of presenting information about heritage assets and heritage obligations are to help users to:

- a) Hold entities accountable for their preservation of heritage assets;
- b) Make decisions for heritage preservation, including decisions on resource allocation;
- c) Assess the effect of the entity's holding of heritage items on its operational capacity, cost of services and financial capacity; and
- d) Understand the extent of an entity's:
  - i. Heritage holdings, covering both recognized and unrecognized heritage assets; and
  - ii. Heritage-related obligations, covering recognized liabilities, contingent liabilities and further obligations that do not give rise to liabilities.

## Chapter 6.1: Specific Matter for Comment

For heritage assets and heritage-related liabilities that are recognized, what are your views on:

- a) The type of information that should be presented so that users of GPFRs have the information that they need for accountability and decision making?
- b) Where this information should be presented—on the face of the financial statements; in the notes to the financial statements; and/or in other locations, including financial statement discussion and analysis and other GPFRs?



## Chapter 6.2: Specific Matter for Comment

If you consider that some or all heritage assets should not be recognized, even though they meet the asset definition criteria, for unrecognized heritage assets, what are your views on:

- a) The type of information that should be presented so that users of GPFRs have the information that they need for accountability and decision making?
- b) Where this information on unrecognized heritage assets should be presented?

## Chapter 6.3: Specific Matter for Comment

Where an entity has obligations to maintain heritage items, which do not result in recognized liabilities, what are your views on:

- a) Information that should be presented on those moral obligations; and
- b) Where that information should be presented?

## Next Steps

- Publish consultation paper



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