

**Meeting:** International Public Sector Accounting  
Standards Board

**Meeting Location:** Toronto, Canada.

**Meeting Date:** December 5–8, 2017

# Agenda Item 7

For:

☐ Approval

☒ Discussion

☒ Information

## Heritage

<b>Project summary</b>	Provide requirements and guidance on accounting for heritage.	
	<b>Topic</b>	<b>Agenda Item</b>
<b>Project management</b>	Instructions—Up to December 2017 meeting	7.1.1
	Decisions— Up to December 2017 meeting	7.1.2
	Project roadmap	7.1.3
<b>Information for this meeting</b>	1. Overview of responses	7.2.1
	2. Description of heritage items	7.2.2
	3. Heritage items as assets	7.2.3
	4. Heritage measurement and recognition	7.2.4
	5. Subsequent measurement	7.2.5
	6. Obligations related to heritage items	7.2.6
	7. Presentation of information about heritage	7.2.7
<b>Other supporting items</b>	Staff summary of responses to Consultation Paper, <i>Financial Reporting for Heritage in the Public Sector</i>	7.3.1
	Analysis of responses by region, function and language	7.3.2
	Comment letters on the Consultation Paper (CP)	Available <a href="#">here</a>

# Agenda Item

## 7.1.1

### INSTRUCTIONS UP TO SEPTEMBER 2017 MEETING

Meeting	Instructions	Actioned
Sept 2017	Address measurement of heritage assets in the Public Sector Measurement project.	See Public Sector Measurement project
June 2017	None.	
March 2017	Publish CP in April, with a deadline for comments of September 30, 2017.	Done
Earlier meetings	Earlier instructions relate to development of the CP, which the IPSASB approved at its March 2017 meeting.	Done

### Decisions to September 2017 Meeting

Meeting	Decision
September 2016	Address measurement of heritage assets in the Public Sector Measurement Project.
March 2017	Approved CP for publication.
December 2016	<ol style="list-style-type: none"> <li>1. Approved Chapters 1-3</li> <li>2. Measurement should be discussed in two chapters; Chapter 4 on recognition and initial measurement and Chapter 5 on subsequent measurement</li> </ol>
September 2016	Supported a preliminary view on definition of heritage items.
June 2016	<ol style="list-style-type: none"> <li>1. The CP should be named “Financial Reporting for Heritage in the Public Sector”.</li> <li>2. The description of “heritage items” should include “archaeological” and convey that heritage items are “held indefinitely” and “preserved”, rather than “preserved indefinitely”.</li> <li>3. The CP should discuss intangible cultural heritage.</li> </ol>
March 2016	<ol style="list-style-type: none"> <li>1. Rename “Heritage Assets” project as the “Heritage” project.</li> <li>2. Have separate chapter on heritage responsibilities and information needs.</li> </ol>
December 2015	<ol style="list-style-type: none"> <li>1. Support for draft description of heritage-related activities as useful background for reporting on heritage.</li> <li>2. The description of activities should include conservation, which is wider than preservation and include activities such as restoration, reconstruction, rehabilitation and adaptation in addition to preservation.</li> <li>3. The working description of “heritage items” should remain focused on “preservation”, without reference to conservation.</li> <li>4. Heritage status reports are outside of this project's scope.</li> <li>5. The CP should focus on reporting information about heritage items that are controlled and have the potential to be assets.</li> </ol>
September 2015	<ol style="list-style-type: none"> <li>1. Support for: <ol style="list-style-type: none"> <li>(a) Working description of heritage items, as per description used in subsequent agenda paper and draft CP.</li> <li>(b) Broad approach, with consideration of four categories of heritage items: cultural property heritage, underwater cultural heritage, natural heritage and intangible heritage, based on the UNESCO definitions of different heritage categories.</li> </ol> </li> </ol>
June 2015	Approved the “Heritage Assets” project brief.

**HERITAGE PROJECT ROADMAP**

<b>Meeting</b>	<b>Objective: IPSASB to consider:</b>
September 2015 to March 2017	Develop, approve and publish consultation paper
June 2017	Consultation Period
September 2017	
December 2017	Review of Responses
Subsequent meetings	<p>To be decided.</p> <p>The subsequent roadmap is expected to be developed after the December 2017 meeting, to reflect the IPSASB's (a) September decision to transfer heritage measurement into the Public Sector Measurement Project and (b) planned December 2017 discussion of project management issues.</p>

**1. Overview of Responses****Background—the Heritage Consultation Paper**

1. The IPSASB approved its Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*, in March 2017, with a request for comments by 30 September 2017.
2. The CP asked respondents 13 questions; a mixture of specific matters for comment (SMCs) and Preliminary Views (PVs). These covered the following topics:
  - (a) Heritage items. (See Chapters 1 and 2 and SMC–Chapter 1, PV–Chapter 2.1, and PV–Chapter 2.2.)
  - (b) Heritage assets. (See Chapter 3 and PV–Chapter 3.)
  - (c) Recognition and initial measurement of heritage assets. (See Chapter 4 and SMC–Chapter 4.1, PV–Chapter 4.1, SMC–Chapter 4.2, PV–Chapter 4.2, and SMC–Chapter 4.3.)
  - (d) Subsequent measurement of heritage assets. (See Chapter 5, PV–Chapter 5 and SMC–Chapter 5.)
  - (e) Obligations related to heritage. (See Chapter 6 and PV–Chapter 6.)
  - (f) Presentation of information about heritage. (See Chapter 7 and PV–Chapter 7.)

**Responses Received**

3. 40 comment letters were received. This is good number of responses, given an average (mean) of 30 responses over the last six CP-related consultations, with a range from 25 to 36<sup>1</sup>.
4. The responses reflect a good mix when considered in terms of respondents' function, perspective, expertise, their financial reporting background (e.g. IPSAS or another accruals basis set of standards) and their geographic region.
5. The majority of responses came from jurisdictions or entities where English is generally the official and/or the most commonly spoken language. There was a lack of respondents that are users of General Purpose Financial Reports (GPFRs). However, some respondents (e.g. Audit Offices and Standard Setters) aim to have a GPFR user perspective when they respond.

**No decision required**

This overview provides context for subsequent discussion of issues. No decisions are required.

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<sup>1</sup> Social Benefits (36), Service Performance Reporting (33), Public Sector Financial Instruments (31), Applicability of IPSASs (28), Combinations (26) and GFS Reporting Guidelines and IPSASs (25).

**2. Heritage Items****For information**

The IPSASB is asked to note the issues raised in constituents' responses on heritage items, which relate to the following SMC and PVs:

- (a) Heritage characteristics and consequences for financial reporting (SMC–Chapter 1);
- (b) Description of heritage items (PV–Chapter 2.1); and
- (c) Natural heritage meaning (PV–Chapter 2.2).

**Heritage Item Characteristics and Consequences for Financial Reporting**

1. SMC–Chapter 1 asked constituents whether paragraphs 1.7 and 1.8 captured all of the characteristics of heritage items and the potential consequences for financial reporting<sup>2</sup>.
2. About half of respondents agreed with the paragraphs' description (22 respondents, 55%). Nine (22%) partially agreed. Eight (20%) did not agree. One (3%) did not comment.
3. Many of the respondents who agreed also suggested revisions to the wording, additional characteristics or other consequences. (See, for example, R02, R04, R07, R09, R17 and R25.)
4. Most of the respondents who disagreed argued that the paragraphs either:
  - (a) Left out important detail (see, for example, R06); and/or
  - (b) Understated the special nature of heritage items and the resulting financial reporting consequences, emphasizing, for example, that heritage items cannot be measured, should not (or cannot) be represented as assets for financial reporting purposes, and are always irreplaceable. (See, for example, R07, R12, and R14.)
5. That the value of heritage items usually increases over time was the missing characteristic most frequently raised by respondents. (See, for example, R01, R12, R24, R28, and R32.)
6. Some respondents argued that the paragraphs overstated the financial reporting consequences arguing, for example, that heritage items can be measured, and should be included in the statement of financial position. (See, for example, R26.)

**Description of Heritage Items**

7. PV–Chapter 2.1 asked constituents whether they agreed with the CP's description of heritage items. The description was:
 

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/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.
8. About half of respondents agreed with this description (22 respondents, 55%). Nine (22%) partially agreed. Eight (20%) did not agree. One (3%) did not comment.
9. The boundary between respondents who agreed or partially agreed was at times difficult to determine. Respondents in both groups frequently identified further points to consider and/or indicated some level of agreement. A respondent was classified as "agreeing" where they

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<sup>2</sup> [Appendix A](#) has paragraphs 1.7 and 1.8.

started with clear agreement and subsequent comments did not indicate significant reservations. By contrast, partial agreement responses would use words that weakened their agreement (e.g. “broadly agree” or “generally agree”) and then have strongly stated views on how to improve the description.

10. The main issues raised in responses were:

- (a) Additional examples of heritage types should be added; e.g. add “religious” or “social”. See, for example, R07, R21, R24 and R27.)
- (b) The list of heritage types should be shortened; e.g. combine agriculture with natural (R28).
- (c) Strengthen the description so that it can operate as a definition. (See, for example, R01, R14, and R20.)
- (d) Address the significance of those heritage items that are used operationally, for example historic buildings used for other, non-heritage purposes. (See, for example, R20 and R29.)
- (e) Either amend the idea of “intended to be held indefinitely” or address its implications for financial reporting, with concerns focusing on both “intended” and “indefinitely”. (See, for example, R26, R32, R33, R34, and R35.)

### **Natural Heritage**

11. PV–Chapter 2.2 asked constituents whether they agreed that:

For the purposes of this CP, natural heritage covers areas and features, but excludes living plants and organisms that occupy or visit those areas and features.

- 12. The majority of respondents 24 (60%) disagreed with this PV. 11 respondents agreed (28%), four (10%) partially agreed, while one respondent (2%) did not comment.
- 13. Reasons for disagreement related to the idea that living plants and organisms should be classified as heritage, on the basis that they:
  - (a) Meet the CP’s description of heritage items. (See, for example, R01, R07, R10 and R22.)
  - (b) May live for such long periods that the distinction with other heritage items (a limited life) does not hold, especially given that non-living heritage may also have a limited life. (See, for example, R02, R07, R09, and R27.)
  - (c) Are important for identification of natural heritage areas and may be indistinguishable from the heritage area. (See, for example, R06, R07, R18, R19, R20, R24, R26 and R35.)
  - (d) Are heritage and should be classified as such, with that classification linked to holding the entity accountable in some cases. (See, for example, R12, R14, R18 and R33.)

### **No decision required**

At this stage no decision is required.

**3. Heritage Assets****For Information**

The IPSASB is asked to note the issues raised in responses on heritage items as assets:

**Heritage Items as Assets**

1. PV–Chapter 3 asked constituents whether they agreed that:
 

The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.
2. The majority of respondents agreed with this PV; 32 (80%). Four (10%) respondents partially agreed. Three (7%) respondents disagreed, while one (3%) respondent did not comment.
3. Many of the respondents were in concurrence without any major reservation. (See, for example, R04, R06, R07, R13, R19, R21, R23, R25, R26, R29, R30, R31, R33, R34, and R37.)
4. Numerous respondents who agreed also suggested additional details, characteristics and further information. (See, for example, R01, R02, R05, R09, R12, R18, R20, R22, R24, R27 R28, and R38.)
5. Respondents who were in agreement raised issues with respect to lack of control over knowledge-in-action, existence of service potential or future economic benefits, the ability to measure reliably, the meaning of control, and extent to which intangible heritage items are assets. (See, for example, R02, R05, R12, R17, R18, R20, R22, R24, R27, R28, R32, R36 and R38.)
6. The main issues raised when respondents were in partial agreement were as follows:
  - (a) Heritage assets should be presented as a separate line item with a greater focus on disclosure. (See, for example, R03.)
  - (b) Exclude natural areas and features and intangible cultural heritage items from being classified as assets, with inclusion of restricted and non-restricted contributions from donors and other entities. (See, for example, R11.)
  - (c) Individual heritage assets should consider factors such as service potential, future economic benefits, restrictions and transfer on sale (See, for example, R16.)
7. The main reasons for disagreement were that:
  - (a) The CP does not clearly address whether the use of the term ‘assets’ for heritage items is appropriate. (See, for example, R14 and R39.)
  - (b) How to apply the following concepts to heritage items is unclear; economic benefits, service potential, control, measurement reliability and completeness of financial information (See, for example, R35 and R39.)

**No decision required**

At this stage no decision is required.



**4. Recognition and Initial Measurement of Heritage Assets****For information**

The IPSASB is asked to note responses on recognition and initial measurement of heritage assets.

**Initial Measurement at Nominal Cost (One Currency Unit)**

1. SMC—Chapter 4.1 asked constituents whether they supported initially recognizing heritage assets at a nominal cost of one currency unit where historical cost is zero, such as when a fully depreciated asset is categorized as a heritage asset then transferred to a museum at no consideration, or an entity obtains a natural heritage asset without consideration.
2. The majority of respondents (23, 58%) disagreed with this measurement approach. 11 respondents (28%) agreed. Three (7%) partially agreed. Three (8%) did not comment.
3. The issues raised by those respondents who supported a nominal cost of one currency unit where historical cost is zero mainly related to the difficulty of heritage measurement and the meaning of the resulting information. Further consideration of these issues will occur as part of the Public Sector Measurement project<sup>3</sup>.

**Recognition of Heritage Assets**

4. PV—Chapter 4.1 asked constituents whether they agreed with the IPSASB's PV that heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.
5. The majority of respondents agreed (31 respondents, 77%). Four (10%) partially agreed. Three (8%) disagreed. Two (5%) did not comment.
6. The level of agreement may link to the use of 1 currency unit for initial measurement. 11 "agree" responses (28% of total respondents) also agreed with initial measurement of heritage assets at 1 currency unit<sup>4</sup>. (See R02, R03, R04, R09, R16, R19, R21, R22, R24, R29, and R38.) Two respondents (R07 and R13) linked their agreement back to availability of 1 currency unit for measurement. The responses to SMC—Chapter 4.2—where 67% of respondents said that there are situations where heritage assets should not initially be recognized and/or measured—are also relevant to respondents' views on recognition of heritage assets.
7. The three respondents who disagreed (R14, R15, and 39) disagreed with the idea that heritage items should be recognized in the financial statements. They raised the following points:
  - (a) Heritage items are not assets (R14). (See R14's response to PV—Chapter 3.)
  - (b) Heritage assets should not be recognized on the statement of financial position but qualitative information could be reported in a note linked to a line item. (See R15's General Comments.)
  - (c) Heritage items that do not have economic benefits or service potential are not assets. Indicators of economic benefits or service potential are (a) whether a heritage item is used in carrying out the objectives of the organization; or (b) whether in an event of loss or damage to the item, the organization would replace such item. (See R39's response to PV—Chapter 3.)

<sup>3</sup> See IPSASB's September 2017 decision to address heritage measurement within the Public Sector Measurement Project.

<sup>4</sup> Subtracting those 11 respondents from the total number of "recognition" agrees (i.e. 30) leaves a significantly lower level of support for "recognition applying measurement bases other than 1 currency unit", i.e. only 19 respondents (49%).

8. A respondent (R18) who agreed with recognition nonetheless disagreed with the idea that monetary values for heritage “increase the inherent understanding of a heritage asset for management purposes.” The respondent stated that:

However, the IPSASB proposal that monetary values increase the inherent understanding of a heritage asset for management purposes is demonstrably false. The Australian experience, involving over twenty years of market testability in valuation and audit function has failed to produce a coherent, consistently applicable methodology within or between jurisdictions, resulting in fluctuation in the valuation of even high-value, well understood assets. This has led to collection valuations fluctuating over time and jurisdictional authorities refusing to accept the results of valuations.

9. Staff highlights this view because of the respondents’ experience with heritage valuation and the point made with respect to one group of users (jurisdictional authorities) refusing to accept the results of valuations<sup>5</sup>.

#### **Situations (Factors) where Heritage Assets not Recognized or Measured**

10. SMC–Chapter 4.2 asked constituents whether there are heritage-related situations (or factors) in which heritage assets should not initially be recognized and/or measured because:
  - (a) It is not possible to assign a relevant and verifiable monetary value; or
  - (b) The cost-benefit constraint applies and costs of doing so would not justify the benefits.
11. Where they responded “yes”, constituents then described the situations (or factors) and reasons why heritage assets should not be recognized.
12. The majority of respondents responded that there are situations (or factors) where heritage assets should not initially be recognized and/or measured; 27 respondents, 67%. 11 respondents (28%) did not agree. Two (5%) did not comment.
13. Responses focused on measurement difficulties; inability to assign a relevant and verifiable monetary value and measurement costs that exceed the benefits. Further consideration of issues raised will be in the Public Sector Measurement project.

#### **Initial Measurement of Heritage Assets and Measurement Bases**

14. PV–Chapter 4.2 asked constituents whether they agreed with the IPSASB’s PV that:
  - (a) In many cases it will be possible to assign a monetary value to heritage assets, and
  - (b) Appropriate measurement bases are historical cost, market value and replacement cost.
15. 17 respondents (43%) disagreed with this PV. 14 (35%) agreed. Nine partially agreed (22%).
16. For those respondents who disagreed with this PV, the main issues raised were:
  - (a) That particular measurement bases would be unavailable or are inappropriate.
  - (b) The resulting monetary values are irrelevant.
  - (c) There needs to be scope to use other measurement bases, including the one currency unit (or a symbolic value) either in some situations or for all heritage assets.
17. The following views, expressed by R10, are fairly representative of the “disagree” group:
 

Heritage assets, as defined, generally do not have active, open and orderly markets. Even where a market exists, for example for a work of art, restrictions on disposal will

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<sup>5</sup> R18 represents the views of the Council of Australasian Museum Directors (CAMD).

make such a value inappropriate Conceptual Framework Para 7.27 states that for an orderly market “There are no barriers that prevent the entity from transacting in the market”. Clearly restrictions on disposal would be a barrier.

By their nature heritage assets are typically irreplaceable, e.g. a work of art may be copied, but cannot be replaced. Therefore, whilst in principle the valuation bases are appropriate, in practice restrictions on disposal and/or irreplaceability make such valuation bases inappropriate for most heritage assets

Paragraph 4.24 refers to heritage assets that are to be sold—but the decision to sell heritage assets means that by definition they are no longer heritage assets.

This only leaves cost as a valuation base. However, many heritage assets have no cost, or only some items of a collection have a cost, or the acquisition was so long ago as to make the cost meaningless.

Our conclusion is therefore that it is only exceptionally that a monetary value can be assigned to a heritage asset.

18. Respondents from those national jurisdictions that do value and recognize heritage items generally saw this as feasible, while acknowledging very real difficulties, including the cost of valuations. (See, for example, R06, R07, R18, R23, R26, R27, and R32.) R35 appeared to be an exception, focusing on the inability to measure heritage assets, but that respondent also recommended additional guidance to support measurement.
19. Some respondents raised the issue of distinguishing between operational and non-operational heritage assets, when measuring them. (See, for example, R32 and R34.)
20. The responses received on initial measurement of heritage assets will be considered as part of the Public Sector Measurement project.

#### **Additional Measurement Guidance for Heritage Assets**

21. SMC—Chapter 4.3 asked constituents what additional guidance should be provided by the IPSASB through its Public Sector Measurement project to enable these measurement bases (i.e. historical cost, market value and replacement cost) to be applied to heritage assets.
22. 32 respondents (80%) identified additional guidance. Eight respondents (20%) did not comment.
23. The additional guidance identified by constituents will be considered as part of the Public Sector Measurement project.

#### **No decision required**

At this stage no decision is required.

**5. Subsequent Measurement of Heritage Assets****For information**

The IPSASB is asked to note respondents' views on the subsequent measurement of heritage assets.

**Subsequent Measurement as for Non-Heritage Assets**

1. PV—Chapter 5 asked constituents whether they agreed with the IPSASB's PV that subsequent measurement of heritage assets:
  - (a) Will need to address changes in heritage asset values that arise from subsequent expenditure, consumption, impairment and revaluation.
  - (b) Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.
2. More respondents disagreed with this PV (18 disagreed, 45%) than agreed (15 respondents, 37%)<sup>6</sup>. Five partially agreed (13%) while two (5%) did not comment.
3. The areas of disagreement covered all aspects of subsequent measurement:
  - (a) Consumption (depreciation or amortization). (See, for example R01, R02, R03, R06, R09, R16, R19, R20, R21, R24, R25, R28, and R37.)
  - (b) Impairment. (See, for example R03, R12, R16, R19, R24 and R35.)
  - (c) Subsequent expenditure. (See, for example R02, R09, R14, R24 and R36.)
  - (d) Revaluation. (See, for example R03, R12, R18, R19, R20, R22, and R35.)
4. Issues raised included:
  - (a) Lack of usefulness of the resulting information;
  - (b) Inability to determine consumption given an indefinite useful life;
  - (c) Cost-benefit issues for revaluation and impairment; and
  - (d) Proposals that subsequent expenditures should be expensed.
5. The Public Sector Measurement project will consider these issues.

**Subsequent Measurement—Types of Heritage Assets (Factors) that Raise Special Issues**

6. SMC—Chapter 5 asked constituents:
  - (a) Whether there any types of heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets; and
  - (b) If so, to identify those types and/or factors, and describe the special issues raised and indicate what guidance IPSASB should provide to address them.
7. 25 respondents (62%) identified situations that raise special issues for the subsequent measurement of heritage assets. 15 (38%) did not comment.

**No decision required**

At this stage no decision is required.

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<sup>6</sup> Some of the "agrees" identified areas where a special, heritage-related approach would be needed for subsequent measurement. (See, for example, R25, R27 and R28.)

**6. Heritage-Related Obligations****For information**

The IPSASB is asked to note the issues raised in responses on heritage-related obligations.

**Heritage-Related Obligations**

1. PV–Chapter 6 asked constituents whether they agreed that:

The special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources.

2. The majority of respondents agreed with this PV; 31 (77%). Four (10%) respondents disagreed. Four (10%) did not comment, while one (3%) respondent partially agreed.
3. Respondents who agreed generally did not raise issues.
4. The main issues raised were<sup>7</sup>:
  - (a) Heritage preservation may give rise to legally binding obligations. For example, some cemetery trusts in Australia are legally required to set up maintenance reserves and recognize associated liabilities (R01 and R35).
  - (b) Specific circumstances need to be considered. For example, if funding is received to undertake a specific project relating to heritage assets then that does create a liability on the part of government. (See, for example, R06.)
  - (c) Further guidance is needed on presentation of non-financial information about legal and moral obligations, and disclosures in the financial statements if the amounts are material. (See, for example, R01, R06, and R35.)

**No decision required**

At this stage no decision is required.

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<sup>7</sup> Issues were raised by respondents who agreed, disagreed and partially agreed.

**7. Presentation of Information about Heritage****For information**

The IPSASB is asked to note the issues raised on presentation of information about heritage.

**Presentation in line with IPSASB Pronouncements**

1. The CP asked constituents whether they agreed with the IPSASB's PV–Chapter 7 that information about heritage should be presented in line with existing IPSASB pronouncements<sup>8</sup>.
2. The majority of respondents agreed with the PV (23 respondents, 57%). Three (7%) partially agreed. 11 (28%) did not agree. Three (8%) did not comment.
3. "Agreement" often included respondent support for additional, heritage-related requirements in IPSASs. 14 of the "agree" respondents identified additional presentation requirements for heritage. (See, for example, R03, R13, R17, R22, R23, R24, R25 and R28.) Additional requirements identified under "agree" were considered to identify the issues below.
4. The main presentation issues raised were<sup>9</sup>:
  - (a) In the financial statements:
    - (i) Additional note disclosures on, for example, heritage assets held or their measurement. (See, for example, R06, R12, R13, R14, R22, R23, R25, and R36.)
    - (ii) Disclosures if heritage assets are measured at a nominal value or measurement is impossible. (See, for example, R03, R17, R21, R30, and R33.)
    - (iii) A heritage line item on the face of the statement of financial position. (See, for example, R23, R33, and R37.)
  - (b) Information that is more extensive and/or different in nature from that which would usually be presented in the financial statements:
    - (i) More information, but did not refer to a new report or schedule. (See, for example, R05, R07, R24, R28, and R33.)
    - (ii) Heritage-specific report or schedule. (See R10, R14, and R33.)
5. Some respondents highlighted that heritage information should not be viewed exclusively in terms of the financial statements. For example, R16 and R27 commented:
 

*R16: Financial statements are not the most appropriate reports to provide heritage information that is most useful to those concerned with assessing management's stewardship over the item or collection of items. Many jurisdictions prepare reports on the extent and current condition of their heritage items, and plans for their restoration. As well, long-term sustainability reports which indicate the entity's future obligations to hold and preserve heritage assets would be useful for accountability and decision-making.*

*R27: Although we support heritage assets that meet the recognition criteria being recognised in financial statements, we acknowledge the limitations of financial*

<sup>8</sup> Chapter 7 had highlighted that IPSASB pronouncements included both IPSASs, which address information presented in the financial statements and, through IPSAS 24, reporting against budget, and the Recommended Practice Guidelines (RPGs). The RPGs address information presented in other GPFs. There are three RPGs; 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*.

<sup>9</sup> Note that "Other comments" from the following respondents provided further views on presentation; R14 and R33

statements, and the role that disclosures, or other forms of reporting, have in providing information about heritage items. For example, it is relevant for an entity with responsibility for managing heritage assets to provide information on its management of heritage assets in its service performance report.

We acknowledge that the value obtained for financial reporting purposes is not the only value that a heritage item may have for a community. In particular, the significance of a heritage item to an ethnic group is not readily converted to financial value but is nonetheless an important indicator of heritage in the museum community. The seminal reference on significance is *Significance 2.0, a guide to assessing the significance of collections*, a publication of the Collections Council of Australia Ltd.<sup>10</sup> This guide promotes the writing of a statement of significance for heritage collection items.<sup>11</sup> The statement of significance would usually be a one page summarised pictorial and written statement of the meaning and importance of the specific heritage item. Information from these statements could form the basis for some non-financial disclosures about heritage items. In some cases, it is the human context that gives an item its value. For example, a weapon has more significance when it has been used by a famous person, than when it is just an example of 19<sup>th</sup> Century weaponry.

**No decision required**

At this stage no decision is required.

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<sup>10</sup> <https://www.arts.gov.au/sites/g/files/net1761/f/significance-2.0.pdf>

<sup>11</sup> *Ibid* pp38-41.

**APPENDIX A****Paragraphs 1.7 and 1.8 for SMC–Chapter 1**

- 1.7 Characteristics of heritage items include that:
- (a) They are often irreplaceable;
  - (b) There are often ethical, legal and/or statutory restrictions or prohibitions that restrict or prevent sale, transfer or destruction by the holder or owner; and
  - (c) They are expected to have a long, possibly indefinite, useful life due to increasing rarity and/or significance.
- 1.8 These characteristics of heritage items may have consequences for financial reporting for heritage in the following areas:
- (a) *Measurement*: Is it possible to measure heritage items in a way that reflects their service potential or their ability to generate economic benefits?
  - (b) *Value*: If assignment of monetary values does not convey the heritage significance of heritage items or their future claims on public resources, would users of GPFRs benefit more from non-financial information about heritage items, reported outside the financial statements?
  - (c) *Preservation*: If an entity's responsibility is to preserve heritage items rather than to generate cash flows from them, are heritage items resources or obligations from the entity's perspective?
  - (d) *Restrictions on use*: Given restrictions on entities' ability to use, transfer or sell heritage items, should heritage items be shown as assets in the financial statements?
  - (e) *Benefits to others*: Can a reporting entity be said to control a heritage item for financial reporting purposes, when it is held for the benefit of current and future generations?



## STAFF SUMMARY OF RESPONSES TO HERITAGE CONSULTATION PAPER

**Note:** This paper includes extracts from each response received to the CP, which have been grouped to identify respondents' views on the Specific Matters for Comment (SMCs) and Preliminary Views (PVs) in the CP. In some cases, an extract may not do justice to the full response. This analysis should therefore be read in conjunction with the submissions themselves.

### Table of Contents for this Agenda Paper:

Section	Page
<a href="#"><u>List of Respondents</u></a>	<a href="#"><u>2</u></a>
<a href="#"><u>General Comments</u></a>	<a href="#"><u>4</u></a>
<a href="#"><u>SMC–Chapter 1</u></a>	<a href="#"><u>23</u></a>
<a href="#"><u>PV–Chapter 2.1</u></a>	<a href="#"><u>35</u></a>
<a href="#"><u>PV–Chapter 2.2</u></a>	<a href="#"><u>42</u></a>
<a href="#"><u>PV–Chapter 3</u></a>	<a href="#"><u>50</u></a>
<a href="#"><u>SMC–Chapter 4.1</u></a>	<a href="#"><u>58</u></a>
<a href="#"><u>PV–Chapter 4.1</u></a>	<a href="#"><u>69</u></a>
<a href="#"><u>SMC–Chapter 4.2</u></a>	<a href="#"><u>74</u></a>
<a href="#"><u>PV–Chapter 4.2</u></a>	<a href="#"><u>83</u></a>
<a href="#"><u>SMC–Chapter 4.3</u></a>	<a href="#"><u>100</u></a>
<a href="#"><u>PV–Chapter 5</u></a>	<a href="#"><u>106</u></a>
<a href="#"><u>SMC–Chapter 5</u></a>	<a href="#"><u>115</u></a>
<a href="#"><u>PV–Chapter 6</u></a>	<a href="#"><u>120</u></a>
<a href="#"><u>PV–Chapter 7</u></a>	<a href="#"><u>125</u></a>
<a href="#"><u>Other Comments</u></a>	<a href="#"><u>132</u></a>
<a href="#"><u>Analysis of responses by region, function and language</u></a>	<a href="#"><u>143</u></a>

## List of Respondents

Response #	Respondent Name	Country	Function
01	Government Accounting and Finance Statistics Center (GAFSC) of the Korean Institute of Public Finance (KIPF)	Korea	Standard Setter/Standards Advisory Body
02	Conseil de Normalisation des Comptes Publics (CNOCP)	France	Standard Setter/Standards Advisory Body
03	Institute of Chartered Accountants Ghana (ICAG)	Ghana	Member or Regional Body
04	Direction Générale des Finances Publiques (DGFIP)	France	Preparer
05	Chartered Accountants Australia + New Zealand (CA ANZ)	Australia + New Zealand	Member or Regional Body
06	The Institute of Certified Public Accountants in Ireland (CPA Ireland)	Ireland	Member or Regional Body
07	CPA Australia Ltd. (CPA Australia)	Australia	Member or Regional Body
08	Jean Raar	Australia	Other
09	Cour des Comptes	France	Audit Office
10	The International Consortium on Governmental Financial Management (ICGFM)	International	Other
11	Ricky Perry	USA	Other
12	FOCAL (Working Group representing Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay and Peru)	International, Latin America	Other
13	Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP)	Switzerland	Standard Setter/Standards Advisory Body
14	Task force IRSPM A&A SIG, CIGAR Network, EGPA PSG XII	International	Other
15	Federal Accounting Standards Advisory Board (FASAB)	USA	Standard Setter/Standards Advisory Body
16	Government Accounting Policy and Reporting, Treasury of the Government of Canada	Canada	Preparer
17	World Bank (Governance Global Practice)	International	Other
18	Council of Australasian Museum Directors (CAMD)	Australia	Other
19	Amafa AkwaZulu Natali (Statutory entity – Heritage)	South Africa	Other
20	Institut der Wirtschaftspruefer (IDW)	Germany	Members and Associates

Response #	Respondent Name	Country	Function
21	Institute of Chartered Accountants of India (ICAI)	India	Members and Associates
22	The Japan Institute of Certified Public Accountants (JICPA)	Japan	Members and Associates
23	Chartered Institute of Public Finance and Accountancy (CIPFA)	UK	Members and Associates
24	Public Sector Accounting Standards Board (PSASB)	Kenya	Standard Setter
25	KPMG-Reporting Accounting and Assurance, Zambia	International	Accountancy Firm
26	Liquid Pacific	Australia	Other
27	New Zealand Accounting Standards Board (NZASB)	New Zealand	Standard Setter
28	Accounting Standards Board (ASB) - Secretariat	South Africa	Standard Setter
29	Agency for Modernisation of Public Administration, Ministry of Finance	Denmark	Preparer
30	IPSAS Working Group: Federal Ministry of Finance and Court of Audit	Austria	Other
31	Office of the Auditor General of Canada (OAG)	Canada	Audit Institutions
32	Institute of Chartered Accountants in England and Wales (ICAEW)	UK	Members and Associates
33	Public Sector Accounting Board (PSAB) - Secretariat	Canada	Standard Setter
34	Accountancy Europe	Europe	Members and Associates
35	Australasian Council of Auditors-General (ACAG)	Australia	Audit Offices
36	Italian Ministry of Economy and Finance (MEF)	Italy	Preparer
37	Malaysian Institute of Accountants (MIA)	Malaysia	Members and Associates
38	Association of National Accountants of Nigeria (ANAN)	Nigeria	Members and Associates
39	United Nations System Task Force on Accounting Standards	International	Preparers
40	Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)	Australia	Preparer

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
01	KIPF truly appreciates IPSASB's efforts to enhance the quality, consistency, and transparency of public sector financial reporting. The response was prepared by the Government Accounting and Finance Statistics Center (hereinafter referred to as the "GAFSC") in the KIPF, a national think tank in Korea that has played a critical role in the development of tax and fiscal policy. In particular, the GAFSC is a standard-setter who not only conducts researches on the accounting system of central government/public sectors, but also compiles Government Financial Statistics (GFS) and Public Sector Debt Statistics (PSDS). For further information, please visit our website here. <a href="http://gafsc.kipf.re.kr/eng/Main.aspx">http://gafsc.kipf.re.kr/eng/Main.aspx</a> .	
02	<p>The CNoCP supports the description provided for heritage items in Chapter 2 of the Consultation Paper. It is wide enough to encompass the vast majority of heritage-related instances. However, based on experience in our jurisdiction, and for practical and cost/benefit reasons, we express the need to rely upon national regulation that provides lists of those outstanding elements that should be retained as heritage items. Such lists ensure that only those elements that are relevant to the users of financial statements are recognised. From the viewpoint of the provision of high quality information, our constituents are concerned that too many elements might be recognised that would unduly gross up the total assets.</p> <p>Therefore, with the need for practicability in mind, we would favour an approach that would <b>combine</b> the "description and asset definition" approach with that of existing lists of striking items resulting from national regulation<sup>1</sup>.</p> <p>On this very subject, from discussions with European Union Member States as part of the EPSAS<sup>2</sup> project, we understand that lists of heritage items are considered practical means for supporting the implementation of a principles-based approach.</p> <p>With respect to measurement, we would support initial measurement at one currency unit for very specific heritage assets, for lack of a better way to convey the heritage significance of those heritage assets. Even more important is the fact that keeping track of those assets allows for recognition of subsequent expenditures. Also, setting up national regulation well reflects the sovereign power's decision to put emphasis on the specific features of those outstanding assets, on the fact that some assets cannot be sold and belong to the public domain. In our opinion, addressing measurement for those very specific heritage assets would justify by itself the need for standalone requirements; otherwise, we would fail to see the need to develop a standard. To the extent that users' needs are met, we would advocate that there is no hierarchy in terms of quality of information provided between recognising a heritage asset at one currency unit and disclosing relevant information only in the notes to the accounts on the basis that the asset cannot be reliably measured. In addition, applying complex measurement methods to some very remarkable assets would outweigh by far the cost/benefit ratio. Eventually, increased complexity in measurement methods could lead to inconsistent measures for assets that would convey similar heritage significance.</p> <p>Lastly, the provision of information in the form of meaningful and significant disclosures is a strong concern of ours, especially in view of a smooth and sensible implementation.</p> <p>We expand upon these points in the Appendix to this letter, which provides responses to the questions posed in the Consultation Paper.</p>	<p>Note identification linked to lists and national regulation</p> <p>1 CU issue</p> <p>Disclosures important</p>
03	Thank you for giving us the opportunity to comment on your draft on "Financial Reporting for Heritage in the Public Sector". We submit herewith our comments and proposal for your perusal. We appreciate the opportunity given to us to add our voice to the IPSASB's upcoming guidance on Financial Reporting for Heritage in the Public Sector. We acknowledge the importance of such guidance as there are numerous and varied heritage items, owned by the public sector which need to be accounted for in the financial statements.	

<sup>1</sup> In France, the lists are established by decrees.

<sup>2</sup> EPSAS: European Public Sector Accounting Standards.

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
04	<p>We broadly agree with the IPSASB's preliminary views provided in the CP.</p> <p>We support the definition of heritage items, based on their common characteristics as described in chapter 2. This broad definition fits within a very large scope, covering both natural and cultural items, whether cultural items are tangible or intangible (it means respectively with or without physical substance).</p> <p>Nevertheless, this conceptual approach should be completed by a practical approach. In France, the scope of the standard that is dedicated to historical and cultural assets, refers to legal regimes which are restrictively listed by laws or regulations.</p> <p>Based on our experience, such a list allows to consider national context and specificities. If every national jurisdiction needs to define its own list of outstanding heritage assets, this would help to identify assets falling within the scope of this IPSASB's heritage standard's draft. In this way, its implementation should be easier.</p> <p>As the IPSASB, we are convinced that no liability should be recognised, resulting from preserving heritage assets for present and future generations.</p> <p>Moreover, we believe that specific characteristics of heritage assets put them generally out of the sphere of economic transactions. Therefore, a specific assessment method should be preferred for initial recognition namely the symbolic value. Other measurement basis such as historical cost could be used when heritage items are purchased.</p> <p>Lastly, we consider that high quality and useful financial information result from a set of financial statements. Thus, for the DGFIP, disclosure in the notes is essential, because it provides a qualitative description, which is essential for financial statements understanding.</p>	<p>Need for lists of heritage assets</p> <p>Symbolic value</p>
05	<p>We welcome the opportunity to comment on the Consultation Paper: <i>Financial Reporting for Heritage in the Public Sector</i> ("the CP"). We applaud the Board for recognising the important role that heritage items have in our society and the need for them to be separately considered. Our responses to the specific questions raised in the CP are set out in Appendix A. Appendix B includes more information about Chartered Accountants Australia and New Zealand (CA ANZ).</p> <p>We support the objective of the CP to reduce divergence in accounting for heritage items and believe the CP is a useful starting point to address this. Clarifying the treatment of heritage items will improve the communication effectiveness of financial reports for accountability, and enhance the usefulness of information provided to users for decision making. Additional benefits include supporting entities to demonstrate their need for ongoing funding for preservation purposes.</p> <p><b>The New Zealand context</b></p> <p>In New Zealand the accounting standards for public benefit entities (PBEs), which includes public sector entities, are mainly based on IPSAS. PBE IPSAS 17 <i>Property, Plant and Equipment</i> goes further than IPSAS 17, in that it mandates recognition of heritage assets where they can be reliably measured. In Maori culture, the concept of ownership and how this aligns with the recognition criteria for assets under the Conceptual Framework needs to be considered. There are also sensitivities around assigning a value to certain heritage items with cultural significance.</p> <p><b>Application to not-for-profits</b></p> <p>We also note that the PBE Standards in New Zealand are not just applied by public sector entities. They are also applied by not for-profit entities (NFPs). The New Zealand Accounting Standards Board (NZASB) modifies IPSAS for application by NFPs. Where applicable, the language is generalised and NFP-specific illustrative examples are added. NFPs have their own set of unique challenges, and as such the implications for this sector must be considered too.</p> <p><b>Subsequent measurement</b></p> <p>We encourage the IPSASB to further explore the area of subsequent measurement. The New Zealand experience has seen a tendency towards the revaluation model for subsequent measurement and regular cyclical revaluations. Although there is no requirement in PBE IPSAS 17 to use an independent valuer, the existence of in-house experience and expertise in measuring fair value of heritage assets is limited so</p>	<p>Benefits:</p> <p>Better communication and Information usefulness, including entities ability to show need for preservation funding.</p> <p>See point on subsequent measure - ment - cost</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	entities often have to seek an external expert. This method becomes a costly exercise when it is conducted frequently and the usefulness of the approach in terms of the objective of financial reporting is questionable.	
06	No General Comments	
07	<p>CPA Australia commends the IPSASB for its efforts in developing proposals for public sector financial reporting to include heritage items. We support the approach to draw on the Conceptual Framework in considering whether heritage items could be recognised in financial statements.</p> <p>We note that the Consultation Paper (CP) does not include any substantive consideration of disclosures to support heritage items. We consider disclosures an important mechanism to allow public sector entities to provide a more complete representation of relevant heritage items. Any financial value that can be attributed to a recognised heritage item is in many cases likely to only reflect some aspects of the value associated with that heritage item. In some cases, the financial value may not provide relevant information or a faithful representation of the special characteristics of heritage items.</p> <p>We recommend the IPSASB develops proposals on how disclosures may complement or enhance heritage items recognised in financial statements. It is also possible that there may be instances where note disclosures provide information on heritage items that may not be able to be recognised in the financial statements.</p>	Disclosures need thought
08	<p>SUMMARY: The IPSASB's Consultation Paper on the financial reporting of heritage assets managed in the public sector, is encouraging. Its objective is accountability, for the sound management of these assets, and the financial benefits and resources used to do so.</p> <p>Accounting standards have directed their focus to financial benefits and resources used in the management of marketable assets. The valuation and reporting of non-marketable assets, places this standard into a relatively unfamiliar area where relevance and reliability of asset measurement may differ for each asset, and indeed for each organization controlling a similar asset on behalf of the public. Thus as mentioned above, the aspects of measurement relevance and reliability may be worthy of further dialogue.</p> <p>For some organisations, the reporting of biodiversity within areas of national heritage may need to be aligned with this standard. While this standard is limited to areas of natural heritage alignment its interrelationship with the issue of plant and wildlife may also prompt further dialogue.</p>	Relevance & reliability Natural heritage
09	<p>The French Cour des comptes supports the French Public Sector Accounting Standards Council's (CNoCP) response to the Consultation Paper on Financial Reporting for Heritage in the Public Sector sent on July, 7<sup>th</sup> (see file attached). The French Cour des comptes agrees with all the positions taken in this response.</p> <p>When public heritage is concerned, the French Cour des comptes underlines the necessity to take into account cost/benefit calculations of any wider financial reporting related to those assets. We support the description provided for Heritage by the CNoCP and believe in the need to rely upon national regulations to provide lists of relevant Heritage items. The assessment of those items is to be done through a simple method: as they are not to be sold, we think that the best measurement basis is at one currency unit. This costless method enables to keep track of those assets and allows for the recognition of subsequent expenditures in order to maintain or improve them.</p>	See note on R02
10	<p>We are supportive of the intent to bring heritage assets within a consistent reporting framework. However, we have significant reservations about the approach adopted as the preliminary view in the Consultation Paper. Our particular concerns are with the following issues:</p> <ol style="list-style-type: none"> <li>Whether an approach based on financial values can provide useful information on the heritage assets of a country</li> <li>The inclusion within a Governments' Statement of Financial Position heritage assets where there are no legal, cultural or social restrictions on the disposal of such assets</li> </ol>	Concerns about recognition

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	3. The valuation of heritage assets that are subject legal, cultural and/or social restrictions on disposal These concerns are reflected in our responses to the points for comment in the paper, as listed below.	
11	No General Comments	
12	<p>In this document you will find a compilation of comments by 8 Latin American countries: Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay and Peru.</p> <p>Looking mainly for a logical line, we divided it into three sections, beginning with the definition of the concept being sought, its nature and finally its recognition, measurement and presentation. Therefore, you will find the 13 questions answered in the following sections:</p> <p>Section 1: Definition of the concept and identification of heritage (Chapters 1 and 2)</p> <p>Section 2: Elements of heritage as assets and related obligations (Chapters 3 and 6)</p> <p>Section 3: Recognition, measurement and presentation of heritage (Chapters 4, 5 and 7)</p> <p>FOCAL: The Governmental Accounting Forum in Latin America is a permanent, autonomous, apolitical and non-profit meeting network, whose objective is to become a space for analysis, studies, reflection and exchange of experiences, knowledge and good practices, for the development of professional and technical accounting models. The ultimate goal of FOCAL is to promote the development and strengthening of public accounting as a language of transparency and accountability for the financial administration of Latin American countries for greater fiscal transparency.</p>	8 Latin American countries responding
13	<p>1. Introduction</p> <p>The Swiss Public Sector Financial Reporting Advisory Committee (SRS-CSPCP) was established in 2008 by the Swiss Federal Ministry of Finance together with the cantonal Ministers of Finance. One of its aims is to provide the IPSAS Board with a consolidated statement for all three Swiss levels of government (municipalities, cantons and Confederation).</p> <p>The SRS-CSPCP has discussed the CP Financial Reporting for Heritage in the Public Sector and comments as follows.</p> <p>2. General Remarks</p> <p>The SRS-CSPCP welcomes the fact that the IPSASB has drawn up a CP on heritage assets. In particular, it is important that heritage assets are precisely defined and their valuation (initial and subsequent measurement) is governed. Unfortunately, in this CP the economic approach to heritage assets, or in a broader sense the valuation of non market goods, is ignored. The CP sets aside the extensive literature in economics on this topic. This literature, both theoretical and empirical, is unanimously of the opinion that for this kind of goods the individuals' willingness to pay (WTP) should be used as the basis for valuation. This principle is notably recognized by the courts, in particular in United States of America, in order to award owners of such goods damages, when these goods are damaged. There are various methods for estimating the WTP (hedonic prices, contingent valuation, travel costs, replacement costs, etc.). Of course, these methods are not always applicable, above all because they do not conform with the "cost-benefit characteristic" of the Conceptual Framework. Nevertheless, the CP would gain credibility and acceptance, if this aspect had been expressly developed.</p> <p>Furthermore, the SRS-CSPCP is of the opinion that in order to harmonize accounting, not too many valuation options should be proposed. In our view, the CP proposes too many options to pursue successfully the objective of harmonization. The SRS-CSPCP proposes that operating heritage assets (e.g. heritage buildings used as offices) should be considered as "normal" fixed assets and should therefore be treated based on IPSAS 17, whereas non operating heritage assets (e.g. historic documents) should be valued at symbolic value.</p> <p>7. General Remarks to Chapters 4.1. and 4.2.</p> <p>Basically, the SRS-CSPCP is of the opinion that heritage assets can be divided into two different categories. If heritage assets are used for operating purposes, e.g. an historic building as an administrative offices, they are operating heritage assets. They are to be valued in the</p>	<p>Needs to consider valuation of non market goods (economic approach) i.e. WTP</p> <p>Too many MB options</p> <p>Use operating/not distinction</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	same way as “normal” operating assets, that is at initial cost less depreciation over their useful life. The non operating assets are all other heritage assets. As explained in the above response to Preliminary View – Chapter 2.2 (following paragraph 2.12), in the view of the SRS-CSPCP this also includes living animals and organisms. Non operating heritage assets, which typically have no initial cost, should be valued at a symbolic amount of one currency unit.	
14	<p>The IRSPM A&amp;A SIG, CIGAR Network and EGPA PSG XII are three research networks that focus on Public Sector Accounting. The Task Force is made up of 15 researchers from these networks. The responses being presented are based on an analysis of the Consultation Paper, the IPSASB Conceptual Framework, relevant IPSAS, and various published research papers on the subject. Following various meetings and discussions, the members of the Task Force have reached the following common conclusions and suggestions.</p> <p>The views expressed in this document represent those of the members of the Task Force and not of the whole research community represented by the networks, and neither of the Institutions/Universities with which they are affiliated.</p>	Three research networks represented
15	<p>The views expressed in this letter do not necessarily represent the current views of the Federal Accounting Standards Advisory Board (FASAB or Board), its sponsors, individual members, committees, task forces, or staff. As you know, formal positions of the FASAB are developed only through extensive due process and deliberation. Although I am not addressing each question in your consultation paper, I am providing insights gained from Board positions in existing FASAB guidance and alerting you to an ongoing project addressing land that should be relevant to your efforts.</p> <p><u>Asset Definition</u></p> <p>The Board has consistently concluded that heritage items can be assets. Key points from our concepts statements include:</p> <ol style="list-style-type: none"> <li>To be an asset, an item must have “the ability to provide economic benefits or services.” The Board noted that the services embodied in an asset may benefit the government in ways other than inflows of cash or other resources. For example, assets such as museums and art galleries often provide educational and research opportunities to the public at no charge, “thereby assisting the federal government to achieve its mission to provide public services.”</li> <li>An item that meets the definition of an asset is an asset even if it is not recognized in the accrual-basis financial statements. “Unrecognized elements are candidates for disclosure in the notes to financial statements or as supplementary information.”</li> </ol> <p>Current standards provide that heritage assets should not be recognized on the balance sheet. Instead, a line item is presented on the balance sheet to refer readers to a note providing non-financial information about the heritage asset.</p> <p><u>Reporting Objectives, Qualitative Characteristics, and Cost-benefit Constraints</u></p> <p>In developing the current standards, the Board concluded that the primary reporting objective for heritage assets and stewardship land is stewardship. The stewardship objective is:</p> <p>Federal financial reporting should assist report users in assessing the impact on the country of the government's operations and investments for the period and how, as a result, the government's and the nation's financial condition has changed and may change in the future. Federal financial reporting should provide information that helps the reader to determine whether</p> <ul style="list-style-type: none"> <li>the government's financial position improved or deteriorated over the period,</li> <li>future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due, and</li> <li>government operations have contributed to the nation's current and future well-being.</li> </ul> <p>In contrast, the Board concluded that the primary object regarding other assets such as general property, plant, and equipment is operating performance which requires financial information such as depreciation expense.</p> <p>These decisions were based on user needs and led the Board to focus on two important questions regarding heritage assets:</p>	Existing FASAB guidance described-staff has classified in terms of agree/non-agree because deemed useful  Has not recognized  Other disclosure instead for stewardship



R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>1. What and where are the important assets?</p> <p>2. Is the government effectively managing and safeguarding its assets?</p> <p>The Board sought to address these questions by providing information that meets the qualitative characteristics established in its concepts. A key qualitative characteristic is that information be relevant to the user. To be relevant, a logical relationship must exist between the information provided and the purpose for which it is needed. To focus on the established reporting objective and the questions users raised, the Board concluded that information about the existence and condition of heritage assets would be relevant. In contrast, the Board concluded that attempting to capitalize and depreciate heritage assets is not useful because of the uncertain useful life and historical cost basis of such assets.</p> <p>During due process, the Board proposed requiring reporting on the fair value of assets transferred to state and local governments. However, respondents to the proposal questioned the cost-benefit of doing so even for this limited portion of heritage assets. The Board agreed and did not require fair value information.</p> <p><u>Recognition</u></p> <p>The Board concluded that attempting to capitalize and depreciate heritage assets would not provide valuable information to readers of financial reports. This decision was made because the Board could not identify a relevant measurement attribute and expressed concern about the cost and benefit of producing financial amounts that likely have little or no relevance. Current standards require the cost of acquiring heritage assets to be expensed when incurred.</p> <p><u>Disclosure of Non-financial Information</u></p> <p>Given the reporting objectives and the conclusion that it is not meaningful to assign a monetary value to heritage assets, the Board developed disclosure requirements to meet our stewardship objective. Current standards require the following non-financial information:</p> <ul style="list-style-type: none"> <li>a. A concise statement explaining how the heritage assets relate to the mission of the entity</li> <li>b. A brief description of the entity's stewardship policies for heritage assets</li> <li>c. A concise description of each major category of heritage asset</li> <li>d. The physical units of each major category of heritage assets at the beginning and end of the reporting period as well as the number of units acquired and withdrawn during the reporting period</li> </ul> <p>To ensure condition information is available, entities also should include a reference to deferred maintenance and repairs information reported in required supplementary information.</p> <p>The Board has consistently found the relevance of non-financial information regarding heritage assets especially high in the public sector.</p> <p><u>Deferred Maintenance and Repairs Information</u></p> <p>Heritage assets often possess distinctive features which create significant financial obligations including obligations to maintain or preserve them. The Board concluded that reporting of deferred maintenance and repairs should be mandatory. This information is directly responsive to the second question identified by users – Is the government effectively managing and safeguarding its assets?</p> <p><u>Land</u></p> <p>The Board recently amended standards regarding land that qualifies as general property, plant, and equipment (general PP&amp;E). The amendments allow entities to elect to exclude such land values from opening balances when they first adopt generally accepted accounting principles. Further, entities making the election are required to expense future acquisitions and to disclose the number of acres of land they control as well as changes in acreage during each reporting period.</p> <p>In adopting this new standard, the Board considered that, unlike other general PP&amp;E, land is not depreciated. Depreciation expense for other general PP&amp;E provides information essential to assessing operating performance. In contrast, capitalizing land provides information</p>	<p>See disclosures</p> <p>See discussion of deferred maintenance &amp; land</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>primarily beneficial in the period of acquisition so that the acquisition can be evaluated. "The Board carefully considered those aspects of the land category, along with measurement challenges, cost-benefit considerations, and the qualitative characteristics of financial information. The Board determined the most practical and cost-beneficial approach to establishing an opening balance for land would be to permit the reporting entity to exclude land from the opening balance of general PP&amp;E and to support accountability through disclosures."</p> <p>However, members expressed concern regarding the resulting inconsistent reporting; reporting entities making this election would provide nonfinancial information about land and other entities would provide historical cost information for land qualifying as general property, plant, and equipment. Further inconsistencies have existed for some time because stewardship land is reported through disclosure of nonfinancial information such as physical quantities and policies.</p> <p>The Board is currently considering proposals to address these inconsistencies. One proposal is to require acreage information for all land in lieu of assigning a monetary value. A proposal is expected before the end of 2017 and we hope it will prove relevant to your discussion of heritage items.</p>	
16	<p>The Government of Canada bases its accounting policies on the accounting standards issued by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada). Although the Government of Canada is not required to follow the International Public Sector Accounting Standards (IPSAS), IPSAS are regarded as an important secondary source of generally accepted accounting principles.</p>	
17	<p>Our comments on IPSASB preliminary views and on specific matters are organized in three sections as follows:</p> <p>Section I - Concept definition and heritage assets characteristics (Chapters 1 and 2);</p> <p>Section II - Heritage items as assets and related responsibilities (Chapters 3 and 6); and</p> <p>Section III - Recognition, measurement and presentation of Heritage Assets (Chapters 4, 5, and 7).</p>	
18	<p>The Council of Australasian Museum Directors (CAMD) is the regional peak body representing the principal museums in Australia and New Zealand. Collectively we hold more than 100 million heritage collection objects. The asset value represented by the natural and cultural collection objects of our member institutions comprises many billions of dollars and the valuation and auditing of these collections represents a major resource investment by our members.</p> <p>Many of our members encounter ongoing challenges posed by the absence of a national standard for valuation of collections, with inconsistency in approaches on the appraisal and valuation of objects, the calculation of fair value, revaluation and the itemising of large collections being just a few of the many issues we face. Some of our members hold concerns as to whether collections housed as a public good venture for future generations should be valued at all.</p> <p>Recognising that the Australian Accounting Standards and the regulatory frameworks of most jurisdictions in Australia require valuation of collections, over the past nine months CAMD has undertaken a considerable body of work aimed towards developing a national framework for valuation of heritage collections. After lengthy consultation between member institutions, we are now at the point of a preliminary draft that still requires a significant amount of work in synthesising with the Australian Accounting Standards as well as consultation with audit agencies and government agencies.</p>	<p>Respondent represents museum CEOs of Australia and NZ</p> <p>Need valuation standard for collections</p> <p>Project to develop</p>
19	No General Comments	
20	<p>We support the IPSASB's decision to consult on financial reporting for heritage, since heritage is a public sector specific issue and there is currently little in the way of standards and guidance available to drive consistent reporting internationally in this area.</p> <p>In our opinion, the principles that are generally applicable to financial reporting for public sector entities apply equally to heritage, and so we believe that specific guidance on certain heritage-specific aspects of financial reporting may be needed in some areas. Irrespective of</p>	<p>Apply same principle with</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>whether public sector entities may – dependent on various factors, including but not limited to the significance of heritage in their jurisdiction – choose to prepare separate reports on heritage, heritage items are an integral part of the public sector and should also be reported in the financial statements, in order to meet users' needs.</p> <p>In responding to the SMCs and commenting on IPSASB's PVs, we explain in more detail why we believe the IPSASB will need to provide guidance on the following specific matters:</p> <p><i>Qualitative Materiality Considerations Specific to Heritage Items</i></p> <p>In our view, there may be circumstances in which it may be appropriate for heritage items to be considered material because of their heritage nature – irrespective of the magnitude of the amounts involved. We suggest the IPSASB provide specific guidance in this regard, in particular as to the impact on recognition decisions.</p> <p><i>Classification of Heritage Items Used for Non-Heritage Purposes</i></p> <p>Some heritage items are held solely in order that they can be preserved for future generations and thus generate neither tangible service potential nor other economic benefits. Others (or part thereof) may be used for a variety of non-heritage purposes – e.g., as office accommodation, or to attract visitors for an entrance fee. We suggest the IPSASB address how such different-use items might be classified for presentation purposes (we refer to our comments on Preliminary View—Chapter 2.1). Specifically, should a heritage item (or part thereof) used for a non-heritage purpose be classified solely as heritage, solely as non-heritage, or partly as heritage and partly non-heritage?</p> <p>Besides presentation, there are a variety of related issues that need clarification. For example is depreciation only relevant to the use (i.e., non-heritage use, or assets that attract entrance fees)? Does a heritage item used for a non-heritage purpose possess an additional (intangible) value i.e., “heritage value” beyond its value in use to the entity? If so, can this be recognised?</p> <p><i>Consideration of Living Organisms</i></p> <p>Whilst acknowledging the IPSASB's PV, we believe that there may be an argument for assessing whether living organisms can form an integral part of a heritage site, provided the entity fulfils the criterion of control. For example a specific site devoid of moveable assets, including an animal population or specific flora and fauna (viewed as a species rather than individual organisms), may essentially cease to have heritage character.</p> <p><i>Appropriateness of Measurement Bases</i></p> <p>In our opinion, the selection of the measurement basis for a heritage item most suitable for providing users with the relevant information for accountability or decision-making purposes will depend on individual circumstances. For heritage items assets held solely for posterity, but not otherwise used to derive service potential or other economic benefits, measurement based on historical cost may be most appropriate (accountability for use of public monies). In contrast, for a heritage asset that attracts visitors who pay an entrance fee or similar, measurement based on market value that reflects expected future flows of resources may provide suitable information for decision-making purposes. We doubt that replacement cost will generally be an appropriate measurement basis because, by its very nature, heritage is normally considered irreplaceable.</p> <p>We refer to the appendix for further details regarding these comments.</p>	<p>extra guidance</p> <p>Materiality issue</p> <p>Classification issue (sole vs other use for heritage)</p> <p>See other issues</p>
21	<p><i>Paragraph 3.4 of the Consultation Paper states that heritage items may also provide services that contribute to achievement of an entity's objectives, for reasons other than their heritage characteristics. For example, a heritage building being used as office space:</i></p> <ul style="list-style-type: none"> <li>It is not clear from the Consultation Paper (CP) whether accounting for heritage assets mentioned in paragraph 3.4 is within the scope of the proposed Standard on Heritage Assets, i.e., whether recognition and measurement principles as laid down as per this CP would apply to these assets as well or the same would be covered/ accounted for as per the other relevant IPSASs such as IPSAS 17 (for such</li> </ul>	<p>Need to clarify treatment of heritage used for other purposes</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>tangible heritage items) and IPSAS 31 (for such intangible heritage items):</p> <ul style="list-style-type: none"> <li>o In case where IPSAS 17/31 is applicable, it needs to be considered that the said Standards only prescribe Fair Value measurement at initial recognition in case of assets acquired through non-exchange transactions. These IPSASs do not provide any option of valuing the assets at symbolic/ nominal value of one currency unit in any case. Therefore, the measurement basis provided in those Standards would require reconsideration so as to be applied to the aforesaid assets.</li> <li>o In case the said assets are to be covered within the scope of the heritage assets proposed to be covered by this Consultation Paper, the same need to be excluded from the scope of the IPSAS 17/31 as currently these IPSASs prescribe to meet the disclosure requirements prescribed therein if such heritage assets meet the definition of and recognition criteria for Property, Plant and Equipment/Intangible Assets. The option of applying the measurement requirements as prescribed in these IPSASs is also available to the entities in case of the said assets. Therefore, the said IPSASs would require appropriate amendments as a consequence of the principles being proposed in this Consultation Paper.</li> <li>o In situations where any heritage assets is being used partially as heritage and partially in the achievements of entity's objectives, e.g., as office building, explanation/clarification should be provided in the Consultation Paper with regard to their accounting.</li> <li>o We are, however, of the view that the heritage assets used by an entity for purposes other than heritage should continue to be covered by IPSAS 17/31.</li> </ul>	
22	No General Comments	
23	<p>CIPFA is pleased to present its comments on this Consultation Paper, which has been reviewed by CIPFA's Accounting and Auditing Standards Panel.</p> <p>As noted in the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i>, one of the distinguishing features of public sector financial reporting relates to the fact that public sector entities may hold assets for their service potential, rather than as a means to generate income. The valuation of such assets raises a number of issues, given that the benefit received from the asset will often not directly equate to any monetary settlement which might be achieved through the sale or use of the assets.</p> <p>It is against this background that CIPFA agrees with one of the core proposals in this Consultation Paper. While heritage assets undoubtedly have special characteristics, these do not affect the rationale for financial reporting. These characteristics may and often do affect the attribution of value to assets, and can require special explanation. But this is also the case for many assets held for their service potential, as well as for some income generating assets which are difficult to measure for other reasons.</p>	Same treatment as for other assets
24	<p>The Public Sector Accounting Standards Board is pleased to submit its comments on the Consultation Paper (CP) <i>financial reporting for heritage in the public sector</i> to the International Public Sector Accounting Standards Board. PSASB supports the work of IPSASB in providing guidelines for heritage reporting in the public sector in order to meet the needs of users of General Purpose Financial Reports for information for the purposes of accountability and decision making.</p>	
25	<p>The Consultation Paper, <i>Financial Reporting for Heritage in the Public Sector</i> aims to improve financial reporting for heritage by public sector entities and support the comparability of heritage-related information in general purpose financial reports, while providing information that users need for accountability and decision making.</p> <p>Overall, we are supportive of the IPSASB's Consultation Paper: <i>Financial Reporting for Heritage in the Public Sector</i>. Our responses to the preliminary views and specific matters for comment are listed below.</p>	Overall support

R#	RESPONDENT COMMENTS GENERAL COMMENTS				STAFF COMMENTS
26	<b>Company Background</b>				Note valuation expertise with experience in public sector assets including museum collections
	Liquid Pacific is a valuation practice that specialises in the provision of asset valuations for inclusion in financial statements. Our primary client base is Government at all levels and across Australia. We are practicing members of the Australian Property Institute and the Royal Institution of Chartered Surveyors				
	<b>Company Experience</b>				
	Type of Assets Valued	Extent of experience with fair value measurements			
		Some	Fair	Extensive	
	Property, plant and equipment			✓	
	Intangible assets including goodwill		✓		
	Investment properties			✓	
	Biological assets		✓		
	Investments in subsidiaries, joint ventures or associates	✓			
Financial instruments	✓				
Collections (i.e museum, art, etc)			✓		
27	<p>To put our response to you in context, the requirement to recognise heritage assets in the statement of financial position has been mandated in our New Zealand accounting standards for many years. There is one significant difference between our current New Zealand standard, PBE IPSAS 17 Property, Plant and Equipment and IPSAS 17 Property, Plant and Equipment. PBE IPSAS 17 requires that heritage assets which meet the recognition requirements be recognised as property, plant and equipment when they can be reliably measured. PBE IPSAS 31 Intangible Assets takes a similar approach to PBE IPSAS 17.</p> <p>When developing PBE IPSAS 17 the New Zealand Accounting Standards Board (NZASB) noted there are instances where heritage assets are not able to be reliably measured and are therefore not recognised in the statement of financial position. The NZASB agreed that although non-recognition of heritage assets in such circumstances is appropriate, heritage assets should be recognised when they can be reliably measured. We support the recognition of heritage assets for accountability and decision making purposes. In particular, recognition of heritage assets provides transparency and visibility, thus highlighting the importance of such assets and the need for their preservation. If heritage assets do not fulfil the recognition criteria, we still support the provision of information and good disclosure about them in the financial statements.</p> <p>We note that, notwithstanding the measurement challenges for heritage items, many New Zealand public benefit entities, both in the public sector and not-for-profit sector, have managed to establish values for financial reporting purposes under PBE IPSAS 17.</p> <p>However, the unique characteristics of Māori heritage items in New Zealand can mean that attributing a financial value can be particularly challenging when applying the recognition and measurement principles for accounting purposes. The Māori people view themselves as custodians of Māori heritage for past, present and future generations. This is different to the one-dimensional concept of control by a</p>				<p>Note that NZ recognizes Heritage assets and has amended IPSAS 17 and IPSAS 31 to remove the non – recognition option</p> <p>Sensitivity around cultural heritage</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>reporting entity that is the accounting concept. Although a Māori heritage item may reside in a museum, “ownership” is still usually attributed to the Māori people. In the context of Māori guardianship, the Māori people consider attributing any monetary value to an item of Māori heritage unnecessary and in many cases, disrespectful.</p> <p>We have considered these Māori heritage matters in formulating our response to you. We note that other jurisdictions may also face challenges associated with the recognition and measurement of culturally sensitive items where the societal group responsible for such items see themselves as guardians rather than “owners”. Therefore, we have included comments on these challenges and the need to consider different forms of guardianships and ownership of heritage in financial reporting. In particular, we emphasise the need for good guidance on disclosure, either in the notes or in other reports, when appropriate financial values cannot be determined.</p> <p>Despite our broad support for many of the proposals in the CP we disagree with the suggestion that, in some situations, heritage assets could initially be recognised at a nominal cost of one currency unit. Our outreach provided a unanimous view from constituents, which the NZASB concurs with, that the nominal cost of one currency unit is not an appropriate measurement basis for heritage assets. This approach would not promote consistent measurement practices and would most likely be perceived as offensive and culturally insensitive, given the New Zealand view of heritage.</p> <p>We acknowledge that financial statements have limitations and that valuations used for financial reporting have limitations. Financial statements are not the sole source of information for decision making and accountability. There will be other valuations used for other purposes and a role for additional information about heritage items, possibly in the financial statements, but also in service performance information or other reports. Despite the limitations of financial statements and the measurement of items for financial reporting purposes, this does not stop us from striving for completeness in financial reporting when the recognition requirements are satisfied.</p> <p>We have undertaken constituent outreach on the CP, by facilitating roundtables in Wellington, Auckland and Christchurch. We have also received three written submissions (one from a museum, one from a museum umbrella entity and one from an academic). We also understand that the New Zealand membership body, Chartered Accountants Australia New Zealand, and the Office of the Auditor-General are making submissions directly to you.</p> <p>Overall, we support the proposals in the CP to develop additional guidance on the recognition and measurement of heritage items. We acknowledge that the IPSASB is at an exploratory stage in this project, and, at this stage, we see the development of guidance as a pragmatic way of assisting preparers in the public sector to account for heritage items.</p>	<p>Note experience with culturally sensitive items</p> <p>Opposes use of 1 CU</p> <p>Other reports provide information with other concepts of value</p> <p>Note extensive outreach</p> <p>Need for guidance</p>
28	<p>We welcome the opportunity to comment on the Consultation Paper on Financial Reporting for Heritage in the Public Sector. We support the initiative from the IPSASB to develop guidance on accounting for heritage as this will address the divergent and inconsistent practices in the public sector.</p> <p>The views expressed in this letter are those of the Secretariat and not the Accounting Standards Board (Board). In formulating its comments, the Secretariat consulted with a range of stakeholders including auditors, preparers, consultants, professional bodies and other interested parties.</p>	<p>Note extensive outreach</p>
29	<p>Currently, heritage (nationalejendom) is recognised and measured at zero in the financial statement in Denmark. It is initially recognised at the time of acquisition, but is neutralised in the financial statement, the same goes for subsequent maintenance. Which means heritage is registered as an asset with the value 0 DKK, this practice insures that the assets are recognized and presented in the financial reporting.</p> <p>In Danish financial reporting in the public sector heritage is limited to buildings. This is a deliberate decision, based on a cost-benefit analysis of having a broader definition of heritage. It was conclude that the information value of including for example art in the definition would have a higher administrative cost, than what the information value to the users of the general purpose financial reports war-ranted. Museum items of national importance are already catalogued in central registers and the museums inventories and when heritage is measured 2 different places there are no added value of including it in the financial statement</p>	<p>Present practice is no recognition, except for buildings</p> <p>Note other report</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>When determining if a building is heritage it is considered whether it is unique, deemed worthy of preservation and a protected building with independent cultural historical value. Furthermore it is required that the decisions regarding preservation and disposition powers or restrictions related to the execution of construction or building maintenance are carried out by authorities other than the institution itself. Whether a property is classified as national property depends partly on the nature of the property and partly on the administrative powers of each institution in relation to the construction and maintenance work it-self. A characteristic of heritage buildings are that they are not seen as being input in the state's normal operation.</p> <p>A part of a discussion in Denmark regarding heritage and financial reporting have been to determine the desired purpose of financial reporting, which have been determined to be the cost to insure that the heritage items have the same usefulness at the end of the year as at the beginning of the year. The preservation of heritage items also includes a desire to insure that the heritage items have an equal usefulness for future generations as for the present generation. A valuation of heritage buildings will not provide sufficient relevant information to justify the cost of the valuations.</p> <p>Some buildings that fulfil the definition of being heritage will be treated as property after IPSAS 17 <i>Property, Plant and Equipment</i>, when they for example are used as office space. It has been decided that the cost of having an administration building should be shown in the financial reporting even if it is a heritage building. When the building is used for administration purposes it is a part of the entity's production and therefore the cost involved should be reflected in the financial reporting as it represents future benefits for the public sector.</p>	<p>Valuation information not relevant</p> <p>Recognized when used as office space</p>
30	<p>This response was prepared by the IPSAS working group. The IPSAS working group is an internal group of professionals from the Austrian Federal Ministry of Finance and the Austrian Court of Audit. We meet regularly to present and discuss IPSASs and IPSAS related issues as well as the implications for the Federal level.</p> <p>Summary</p> <p>From our experience we mostly agree with the CP on Financial Reporting for Heritage in the Public Sector. The main points/arguments of our discussions evolved around:</p> <ul style="list-style-type: none"> <li>• The characteristic of a heritage item to have a "possibly indefinite, useful life" (SMC 1 &amp; PV 2.1)</li> <li>• The definition of natural heritage seems too comprehensive including natural features and areas (PV 2.2)</li> <li>• We don't support symbolic values for (natural) heritage assets (SMC 4.1)</li> </ul>	<p>Group of professions from MoFinace and auditors</p> <p>Three main issues here.</p>
31	<p>We agree that the holding of heritage items is a distinguishing feature of the public sector. Accordingly, we support the Board's initiatives to address heritage asset information needs of users of general purpose financial reports.</p>	
32	<p>This response of 29 September 2017 has been prepared on behalf of ICAEW by its Financial Reporting Faculty. Recognised internationally as a leading authority on financial reporting, the Faculty, through its Financial Reporting Committee, is responsible for formulating ICAEW policy on financial reporting issues and makes submissions to standard setters and other external bodies on behalf of ICAEW. Comments on public sector financial reporting are prepared with the assistance of the Faculty's Public Sector Financial Reporting Development Committee. The Faculty provides an extensive range of services to its members including providing practical assistance with common financial reporting problems.</p> <p><u>MAJOR POINTS</u></p> <p><u>Support for the consultation paper</u></p> <ol style="list-style-type: none"> <li>1. We welcome the opportunity to contribute to this consultation on financial reporting for heritage in the public sector. We support IPSASB's broader strategy of focusing on public sector- specific accounting standards since that is where there is a sizable gap in current accounting literature. It is in the public interest for more governments to adopt high quality internationally-recognised accounting standards and no doubt the attractiveness of adopting IPSASs will increase with a wider coverage of relevant accounting</li> </ol>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>issues. Nonetheless, we suggest IPSASB keeps an open mind as to whether current standards could be extended to accommodate issues around heritage assets, as opposed to producing a separate standard on this topic. If the bulk of heritage assets could be accounted for using existing standards, we should question the need for a specific heritage standard.</p> <p>2. Accounting standards for heritage assets are not new in the UK. The Financial Reporting Council consulted on this topic in 2006, 2007 and 2008 during the development of FRS 30 <i>Heritage Assets</i>. ICAEW's Financial Reporting Faculty was involved in this consultation process and we are delighted to share with you our previous experience in debating the difficult conceptual and practical financial reporting issues that arise in relation to heritage assets. We have rehearsed below as a matter of record some of the issues we identified in those previous discussions before answering the question posed in the consultation paper.</p> <p><u>Some conceptual issues</u></p> <p>3. The inclusion of heritage assets on the balance sheet is problematic when monetary amounts do not constitute an appropriate measure of those assets. The real value of heritage assets is often best appreciated in terms of the knowledge and culture that they will impart in future periods, and such 'units of public benefit' do not fit easily with the monetary framework of the balance sheet.</p> <p>4. In the majority of cases, heritage assets are not 'economic assets' in the normal sense, particularly where any value placed on them would be more than offset by the cost to the entity of meeting its obligations to maintain the assets.</p> <p>5. There may be implications for decisions over recognition, especially for those entities holding heritage assets with objectives not related to the restoration and maintenance of heritage items or the furthering of knowledge and culture via those items. Examples of entities that could hold heritage items yet have a different objective include local authorities, universities and national libraries.</p> <p><u>Some practical considerations</u></p> <p>6. In terms of practical considerations, in our experience the most important issue for many reporting entities is the likelihood that the costs involved in valuing many heritage assets will be far greater than the benefit to users. The cost/benefit argument is commonly made during discussions of this subject and whilst the costs are easily understood, the benefits may not be. We recommend that IPSASB provide guidance on the costs and particularly the benefits of recognising heritage items on the balance sheet to help preparers in their evaluation.</p> <p>7. Valuation techniques are not well developed for many types of heritage items. There are limits to what can actually be valued and disclosure requirements will play an important role in providing users with the relevant and complete information needed to hold entities to account and to understand the nature of heritage asset portfolios.</p> <p>8. The current situation in the UK is that assets are recognised on the balance sheet where they meet the recognition criteria and their value can be measured at a reasonable cost compared to the benefits. Other items are off-balance sheet, but enhanced disclosures are designed to counterbalance this limitation.</p> <p>9. In light of the practical considerations outlined above, we believe that IPSASB should consider more fully the identity of the key users of the financial statements that include heritage assets, and the information that they seek in relation to heritage assets. It might also be useful to reflect on the accounting and reporting approach taken by the UK central government. That approach to financial reporting is very pragmatic, in summary allowing for both cost and valuation measurement bases, the use of the most practical valuation techniques (external and internal) and non-prescribed minimum period between valuations. If costs of obtaining suitable valuations outweigh the benefits of doing so, non-recognition on the balance sheet is permitted but disclosures are still required.</p>	<p>Questions where a new IPSAS is needed of guidance</p> <p>"Real value" issue</p> <p>Distinguish between entities with heritage as primary objective and those not.</p> <p>Cost-benefit issue</p> <p>Consider users' needs Note practical approach – UK Govt.</p>
33	<p>We are supportive of the objective of the proposals to improve financial reporting for heritage in the public sector both in general purpose financial statements and in other financial reports. We also support looking at the type of information that should be reported about heritage items and heritage-related responsibilities, including approaches to their recognition and measurement. The holding, maintenance, preservation and management of heritage items are key stewardship responsibilities of public sector entities, particularly governments.</p>	



R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>The Canadian Public Sector Accounting (PSA) Handbook does not contain a standard on accounting for heritage items and related obligations in financial statements. Some guidance on items which could meet the definition of a heritage asset is provided in the PSA Handbook. Canada's Public Sector Accounting Board (PSAB) acknowledges that accounting for heritage is complex and very important for the government organizations, including government not-for-profit organizations, that hold, maintain and manage such items, and for their stakeholders. PSAB is closely monitoring the IPSASB's project on financial reporting for heritage. The outcome of this project may ultimately represent a topic for which Canadian convergence would easily fill in a gap in Canadian Public Sector Accounting Standards.</p> <p>PSAB staff supports the principle of accounting for public sector heritage items that meet the definition of assets in the financial statements of public sector entities. We also support the idea that heritage items that do not qualify for asset recognition in financial statements nevertheless deserve to be reported in other financial reports of the entity in order to provide sufficient information for accountability and decision-making purposes to users about the full nature and extent of the heritage items held, maintained, preserved and managed by the public sector entity on their behalf.</p> <p>Because the objective of public sector financial reporting is to provide information for accountability and decision-making purposes, we believe that the starting point for considering which heritage items can be considered for recognition as assets or presented as heritage items in other financial reports should be as broad as possible. Two of the Consultation Paper's proposals in particular may constrain the extent of items that would be considered for reporting as heritage items; we elaborate on our concerns in this regard below.</p> <p>Responses to the Specific Matters for Comment are set out in the attached document "Appendix - Heritage Asset". As well, we wish to draw the attention of the IPSASB to the following issues:</p> <ol style="list-style-type: none"> <li>1. <u>Definition of a heritage item:</u> <ul style="list-style-type: none"> <li>• <u>Characteristics of a heritage item:</u> We are concerned with the proposal that a long, possibly indefinite useful life is a definitive characteristic of a heritage item. A long or indefinite useful life may be a characteristic of some but not all heritage items. An item that would otherwise be considered a heritage item should not be disqualified from being accounted for as a heritage item and potentially a heritage asset because it does not have a long or indefinite useful life. Heritage assets may have a useful life if they are not preserved. Therefore, it is the process of preserving a heritage asset that may result in a heritage item having an indefinite life. If an item fits the definition of an asset under the conceptual framework and has the other identified characteristics of a heritage item, not accounting for it as such may reduce the accountability value of the financial statements or financial report from which it is excluded. Examples of items that might be excluded from being heritage items because of this characteristic are provided in Appendix A as part of the response to Specific Matter for Comment Chapter 2- description of heritage.</li> <li>• <u>GFS versus IPSASB Conceptual Framework:</u> Since 2009, IPSASB has had an approved policy to reduce differences between GFS reporting guidelines and IPSAS. We agree that unnecessary differences should not be created between GFS and IPSAS. Since 2014, the IPSASB has had a conceptual framework that is also a critical influence on its standard setting. Our understanding is that the new IPSASB conceptual framework would be the primary touchstone for setting public sector specific standards, although we recognize that the IPSASB has explained in its strategy document that it balances five possibly competing influences on its standard setting. The proposal to base the IPSAS definition of a heritage item substantially on GFS definition of a heritage asset may narrow the range of items considered to be heritage and evaluated for recognition as heritage assets or otherwise disclosed in financial reports. We are concerned that the choice to use a GFS based definition of heritage may reduce the information provided for accountability and decision making purposes. Meeting the stated objective of financial reporting in the conceptual framework should not be compromised to achieve the policy of GFS convergence. Examples of items that might be excluded from being heritage items as a result of using a GFS-based definition are provided in Appendix A as part of the response to Specific Matter for Comment Chapter 2 – description of heritage.</li> </ul> </li> <li>2. <u>Measurement Attribute(s):</u> When deciding what measurement attribute to use for reporting a heritage asset, an entity should assess whether or not a chosen attribute provides information useful for accountability and decision making purposes to its stakeholders.</li> </ol>	<p>No Canadian standard and interested in IPSASB's work</p> <p>If heritage items not recognized, report in other financial reports</p> <p>Disagrees with "long or indefinite life"</p> <p>Do not use GFS definition for heritage</p> <p>CF should be primary source, not GFS</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>Arguably, the choice should be consistent with the measurement objective in Chapter 7 of the conceptual framework. Depending on the nature of a heritage asset and an entity's objective in relation to the asset, the asset may be part of the entity's operating or financial capacity. Such classification, or re-classification, may drive the choice of the best attribute for its recognition at a point in time. Reference to the measurement objective, however, may not be relevant for heritage items as many are not held for the provision of services or use in operations (i.e., so not part of "operational capacity") and they do not comprise part of the financial capacity of a public sector entity. They are a unique type of public sector activity. The incompatibility of the nature of some heritage items with the measurement objective should not preclude their recognition in financial statements (see comment 3 below).</p> <p>We provide the following specific comments for consideration:</p> <ul style="list-style-type: none"> <li>• The historical cost of an item may not provide relevant information; cost incurred decades ago may not be relevant today.</li> <li>• Recognizing a heritage asset at market value may be the most relevant measurement basis for an entity that can sell the asset and benefit from the appreciation in value.</li> <li>• In other cases, as mentioned in the Consultation Paper, an entity may not be able to sell the heritage asset due to its rarity, significance or the law. In such circumstances, initially measuring a heritage asset at market value may not provide any beneficial information to stakeholders. In fact, its use may provide a misleading picture to stakeholders because it cannot be sold or exchanged.</li> <li>• Initially recognizing a heritage asset at market value may also make sense if it has been acquired through an exchange transaction and there are no restrictions on its sale or exchange.</li> </ul> <p>This may be an appropriate time to address the measurement attributes of assets that do not fall under entity's operating or financing capacity as IPSASB is currently working on Public Sector Measurement project and may require revising Chapter 7 of the conceptual framework.</p> <p>Considering how complex this item is, achieving consistency on the statement of financial position may be difficult. This standard may provide the preparer with an option to adopt different measurement attributes. We believe that consistency can be achieved in other parts of the financial statements, i.e. in the notes to the financial statements. Consistent information can be required to be disclosed in the notes to the financial statements without impacting the financial statement ratios (e.g., working capital ratio) that an entity is required to maintain or a risk of showing an entity "richer or poorer" than what it actually is.</p> <p>3. <u>Presentation of Heritage Items:</u></p> <p>We suggest that the IPSASB may want to consider creating a Stewardship Asset Category for heritage assets that cannot be used under operational or financial capacity. This approach would require designating two types of public sector assets: stewardship heritage assets and other heritage assets.</p> <p>The IPSASB model distinguishes between "operational capacity" and "financial capacity". Assets and liabilities are either part of "operational capacity" or "financial capacity". Some heritage items do not fit easily into the definitions of these categories unless the definitions of these capacities are stretched (Conceptual Framework, Chapter 7, paragraph 7.3). Trying to force-fit heritage items into either operational or financial capacity may not reflect their substance for accountability and decision-making purposes. Please see details of proposal in Appendix B. (<i>Staff note: Appendix B included under "Other Comments".</i>)</p>	<p>Issues around measure - ment</p> <p>Assets that do not provide operating or financial capacity</p> <p>Stewardship assets as new category</p>
34	<p>We encourage the development of high quality financial reporting standards which are designed to address the specificities of the public sector environment.</p> <p>The holding of heritage items is significant in the public sector environment, but currently we observe nevertheless an important diversity in heritage reporting based upon the current guidance stipulated in IPSAS 17 Property, Plant and Equipment and IPSAS 31 Intangible assets. We recognize that the <i>Financial Reporting for Heritage in the Public Sector</i> is a challenging, but much needed project.</p>	

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>We believe that the Preliminary Views and Specific Matters for Comment, outlined in this Consultation Paper, could contribute to the improvement of heritage reporting in the public sector. More robust heritage reporting principles would improve the comparability of heritage-related reporting while providing useful information that users need for accountability and decision-making purposes.</p> <p><i>Characteristics of heritage items and scope</i></p> <p><i>We would agree with the Preliminary View of the IPSASB on the description of the special characteristics of heritage items except for the use of the notion 'indefinitely'. We would suggest removing this notion from the special characteristics' description.</i></p> <p><i>Accountancy Europe has difficulties with the preliminary scope of natural heritage, i.e. the exclusion of the living plants and organisms from the scope. We understand that the recognition and measurement of living plants and organisms might be challenging and would consequently necessitate both a pragmatic 'recognition and measurement' approach, and detailed implementation guidance.</i></p> <p><i>Initial recognition and measurement</i></p> <p><i>We would not recommend recognizing heritage assets at a nominal cost of one currency unit as a general principle with respect to the situations referred to in question 5 (i.e. transfer at no consideration or donation). We believe that the one currency unit approach is not useful for decision-making and accountability purposes among other things.</i></p> <p><i>We understand that, in certain cases, it might be difficult to reliably measure heritage assets (e.g. land under a monument) or the cost-benefit constraint would be applicable. In the aforementioned, specific situations, we would however suggest recognising those items at one currency unit value in the statement of financial position instead of not recognizing at all. We believe that the recognition at one currency unit value would facilitate asset management and would allow the potential capitalization of subsequent expenditure (considering that all related recognition and measurement criteria are met), among other things.</i></p> <p><i>We also would like to refer to the UK accounting guidance, concerning the measurement of heritage assets, which makes a distinction between operational and non-operational heritage assets.</i></p> <p><i>Subsequent measurement</i></p> <p><i>Heritage assets of a tangible nature might also have an indefinite or indeterminable useful life (e.g. crown jewelry). IPSAS 17 Property, Plant, and Equipment currently does not provide subsequent measurement guidance with respect to tangible assets with an indefinite useful life.</i></p> <p><i>In certain circumstances (e.g. assets held for their heritage significance), it might be challenging to determine the useful life of a heritage asset. It could be helpful to provide some principles to assist entities in estimating the useful life of such assets.</i></p> <p><i>Recognition of related liabilities</i></p> <p><i>We concur with the view that the special characteristics of heritage items do not themselves give rise to present obligations that would result in the recognition of a liability. Having said that, we believe that based on the facts and circumstances the potential existence of a legal or non-legally binding obligation (i.e. constructive obligation) should be carefully assessed. The existence of a present obligation might result in the recognition of a liability.</i></p>	<p>Natural heritage scope issue</p> <p>Support for 1 CU, but only when measure – ment not possible</p> <p>Consider operational vs non-operational distinction</p> <p>Need to address sub. measure – ment when indefinite useful life</p>
35	<p>ACAG supports the board's work to develop additional guidance on financial reporting for heritage assets and associated liabilities. We agree that the specific and possibly unique characteristics of heritage items do not preclude them from being considered as assets.</p> <p>Fundamentally, relevant and useful information is paramount to the financial statements, and ACAG is concerned about potential waste of public funds valuing certain types of heritage assets. For example, it will be costly to value archeological and natural heritage assets for little apparent benefit to the users of the financial statements.</p> <p>Consequently, ACAG questions the utility of applying conventional accounting valuations to the measurement and reporting of many heritage items in the public sector. This on the basis that the public sector's primary function is to fulfill broad economic, environmental,</p>	<p>Support for heritage items as assets, but questions waste of funds on valuations of</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>social and cultural objectives.</p> <p>ACAG believes a framework of relevant non-financial measures defined specifically to measure the social objectives of holding heritage items should be developed. Such a framework would ensure entities are held accountable for the ongoing management of heritage assets under their custodianship/stewardship that have significant 'community value' attached to them.</p> <p>ACAG believes further research is required to develop a set of generally applicable principles that would support the framework for metrics of cultural 'values' that could be applied by entities holding heritage assets on a custodial basis.</p>	<p>certain types</p> <p>Need framework for non-financial information</p>
36	<p>This contribution is the result of work coordinated by the Ministry of Economy and Finance, with the collaboration of the Ministry of Cultural Heritage and Tourism, the Ministry of the Environment, Land and Sea, the State Property Office, Italy's Court of Auditors, the National Institute of Statistics and the Academics of the Accrual accounting Working Group (established within the MEF).</p> <p>We are pleased to offer our input as a result of the issues raised by the IPSAS Board with the Consultation Paper "<i>Financial Reporting for Heritage in the Public Sector</i>". In particular, we take a favourable view of the efforts made in trying to systematise the financial reports of cultural and natural heritage assets, essential elements for individual and collective well-being.</p> <p>The on-going work within the IPSAS Board represents an ambitious research effort, which we view as strongly associated with the work produced in Italy by the Ministry of Cultural Heritage, which has recently completed the census of all cultural assets<sup>3</sup>, and by the Ministry of the Environment, with the establishment of the Natural Resources Committee in 2016<sup>4</sup>.</p> <p>It is worth mentioning in particular that as concerns accounting standards in relation to cultural heritage, within the framework of financial accounting applied to Territorial Bodies (Annex 4/3 to Legislative Decree 118/2011), Principle 6.1.2, on tangible fixed assets, and Principle 6.3 on net equity, have been drawn up in Italy.</p> <p><u>Principle 6.1.2 – Tangible Fixed Assets</u></p> <p><i>All assets, movable and immovable, qualified as "cultural heritage", pursuant to art 2 of Legislative Decree no 42/2004 - Code of Cultural and Landscape Heritage, are not subject to amortization.</i></p> <p><i>Among the bibliographic heritage evaluation criteria: "bibliographic heritage qualified as "cultural heritage", pursuant to art 2 of Legislative Decree no 42/2004, are included in the balance sheet under "Other state assets" and are not subject to amortization.</i></p> <p><u>Principle 6.3 - Net equity</u></p> <p><i>"Non-disposable reserves for inalienable state property and heritage assets" have been established among the net equity reserves, as a guarantee of the state property and heritage assets, for an amount equal to the value of the state property and heritage assets registered in the asset side of the financial position (balance sheet), which may vary as a result of amortization and of the acquisition of new assets. Non-disposable state and financial assets are defined by the Civil Code, Article 822 et seq. Assets, movable and immovable, qualified as "cultural heritage", pursuant to art 2 of Legislative Decree no 42/2004 - Code of Cultural and Landscape Heritage, are also non-disposable assets, which, if owned by the operating bodies of territorial entities, are not classified as state property and non-available property. These reserves are used in case of sale of the assets, carried out in accordance with the constraints provided for by law. As regards state and non-</i></p>	<p>Response represents wide group, including heritage, environ – ment, finance, statistics, and audit.</p> <p>No amortization</p> <p>Recognition</p> <p>Reserves under net equity</p>

<sup>3</sup> Legislative Decree no 42 dated 22 January 2004 (Code of Cultural Heritage and Landscape, pursuant to Article 10 Law No 137 of 6 July 2002).

<sup>4</sup> Its establishment is provided for by Art 67 of Law no 221 dated 28 December 2015 (Environment-connected Provision). The Committee includes ten Ministers, the main public research institutions, and is complemented by a group of national experts. The First Report on Natural Heritage in Italy, sent to the Presidency of the Council and to the Ministry of Economy and Finance at the end of February 2017, emphasised, among other things, the methodological specifications required for the physical and economic accounting of natural assets in Italy and provided the first estimates on this matter.

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p><i>available property subject to amortization, the unavailable reserve fund is reduced annually in the adjusting entries by an amount equal to the amortization pertaining to the period, through a correcting entry equal to the cost generated by the amortization.</i></p> <p>As regards the Natural Heritage, it is deemed necessary to make further study in depth about their evaluation criteria and their inclusion in the financial reports coherently with international views.</p> <p>This contribution does not have the ambition to provide a unique and definitive answer to a particularly complex topic, such as the one in question, but simply intends to outline a first constructive approach, certainly not exhaustive, open to further and new in-depth analyses which will be carried out in the future.</p> <p>Among the various topics covered by the Consultation Paper, particular attention will therefore be paid to points 4. <i>Recognition and Initial Measurement of Heritage Assets</i> and 5. <i>Subsequent Measurement</i>.</p>	<p>More study needed on natural heritage</p>
37	No General Comments	
38	No General Comments	
39	<p>2 The United Nations System Task Force on Accounting Standards (Task Force) appreciates the work that the IPSASB is carrying out in developing accounting standards for public sector entities, including international organizations such as those making up the United Nations system. The Task Force is an inter-agency group consisting of directors of accounting, chief accountants and chief financial officers from United Nations System organizations. The comments below represent the views of Members of the Task Force.</p> <p>3 Our organizations hold a wide and diverse collection of heritage items which are in most cases donated by our Member States. Heritage items are composed of historical buildings, monuments, works of art (paintings, graphic arts, decorative arts and textiles), books and maps; and other items. These items are often irreplaceable, distinctly unique and are donated for political, prestigious and sentimental reasons.</p> <p>4 The Task Force notes that the CP refers to the IPSAS Conceptual Framework (CF), which states that assets are resources controlled by an entity as a result of a past event. A resource is an item with service potential or the ability to generate economic benefits while service potential is the capacity to provide services that contribute to achieving the entity's objectives. The CP only addresses heritage items that have service potential or economic benefits and ignores those items held by an entity that have no service potential or economic benefits.</p> <p>5 Our organizations frequently receive unsolicited donations from Member States as a goodwill and political gesture. These items are not used in the achievement of our objectives as mandated by our governing bodies and consequently have no service potential. Based on the above definition of an asset, these donated heritage items are not assets. The CF and CP fail to address the accounting treatment for such items, which is likely to result in inconsistent interpretations and accounting practices across various organizations and by auditors. The Task Force is of the opinion that this constitutes a significant conceptual gap that would need to be addressed prior to the Board moving to the next stage of this project. This gap directly impacts our organizations.</p> <p>6 The CP and any subsequent documentation on heritage should clearly define heritage items as those items that have service potential or economic benefits. Furthermore, the CP should be explicit about the treatment of items which have no service potential or economic benefits. It is the Task Force's position that it would be erroneous, confusing and misleading to include such heritage items that do not contribute to carrying out the objectives of our organizations on the Statement of Financial Position. The Task Force believes disclosure in the Notes to the Financial Statements for such items is the most appropriate treatment.</p> <p>7 Furthermore, the IPSAS Board should consider whether such matters are likely to impact not just the United Nations organizations but</p>	<p>Note group covers UN system directors of accounting, etc.</p> <p>Heritage items that have no SP or FEBs – need guidance on these</p> <p>Issue of unsolicited donations affecting international agencies</p>

R#	RESPONDENT COMMENTS GENERAL COMMENTS	STAFF COMMENTS
	<p>also other multilateral or regional organizations as well as national governments which similarly receive unsolicited donations.  <i>(Staff note: Response included deleted comments in track changes which staff concluded should be deleted from collation.)</i></p>	
40	<p>HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government. HoTARAC supports the development of guidance on heritage assets.</p> <p>HoTARAC agrees that reliability and cost should be considered in whether to recognise an asset and further recommends considering relevance through tailoring the valuation method to the use of the asset.</p>	<p>Group; Heads of Treasuries  Support for recognition</p>

**Specific Matter for Comment–Chapter 1**

Do you agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting in paragraphs 1.7 and 1.8?

If not, please give reasons and identify any additional characteristics that you consider relevant.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	02, 03, 04, 05, 07, 09, 11, 13, 16, 17, 18, 22, 23, 25, 27, 31, 33, 34, 37, 38, 39, 40	22
<b>B – PARTIALLY AGREE</b>	08, 10, 12, 20, 28, 29, 30, 32, 36	9
<b>C – DISAGREE</b>	01, 06, 14, 19, 21, 24, 26, 35	8
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>39</b>
<b>D – DID NOT COMMENT</b>	15	1
<b>TOTAL RESPONDENTS</b>		<b>40</b>


R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
01	C	We disagree. In general, the values of heritage items increase over time, and such characteristic of heritage needs to be considered together with other characteristics. Yet, there is no reliable way to measure an increase in values.	Value increases over time
02	A	<p>The CNoCP broadly agrees with the characteristics of heritage items and the potential consequences for financial reporting as stated in paragraphs 1.7 and 1.8 of the Consultation Paper.</p> <p>One consequence we would suggest focusing on is that it is critical that the significance constraint should be taken into account for assets recognition purposes. As far as heritage items are concerned, understandability is a key qualitative characteristic to be met.</p> <p>At a more detailed level, we would call into question the direct relation made in subparagraph 1.8(b) between irrelevant monetary values assigned to heritage items and the provision of non-financial information outside the financial statements. Indeed, incapacity to provide a relevant value does not prevent an item from meeting the definition of a heritage asset. While such an asset may not meet the recognition criterion, it would still be subject to disclosures within the notes to the financial statements. Should paragraph 1.8 be included in a standard, we would not focus on the location of information; therefore we would suggest that “<i>reported outside the financial statements</i>”<sup>5</sup> should be deleted.</p>	Note suggested revision(s)

<sup>5</sup> See Consultation Paper, subparagraph 1.8(b) *Value*.

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
03	A	We generally agree with the provisions of paragraphs 1.7 and 1.8. We believe that all the characteristics of heritage items and the potential consequences for financial reporting have been captured.	
04	A	For the DGFIP, main characteristics of heritage items and their potential consequences for financial reporting are correctly captured. Nevertheless, we believe that the CP does not draw all the consequences of this approach, especially when it deals with measurement basis.	
05	A	We agree that the IPSASB has adequately captured the most pertinent characteristics of heritage items and the potential consequences for financial reporting.	
06	C	We suggest that the following be considered with regard to the characteristics that have been included: <ul style="list-style-type: none"> <li>- More clarity is needed on the treatment of plant life (see also Chapter 2.2 comments)</li> <li>- There should be a clear distinction made between operational and non-operational heritage assets</li> </ul>	Note suggested revision(s)
07	A	We agree with the characteristics of heritage items as proposed. Restrictions or prohibitions preventing sale, transfer or destruction could also be associated with religious heritage items. The IPSASB may wish to also consider religious restrictions or prohibitions as a characteristic of heritage items. As stated in our cover letter, we believe disclosures should form an essential part of finding a complete solution to capturing and presenting information on heritage items in financial statements.	Understated special nature
08	B	<p>Preservation of heritage asset for future generations. What do we mean by the statement, as it can have different meanings depending on the viewpoint of public stakeholder/s?</p> <ul style="list-style-type: none"> <li>• There is a view by some conservationists that all natural resources should be protected from commercial, even human, activity. The value of nature is asset independent of human needs and should only be used by humans to satisfy their vital needs. (Devall and Sessions 1998, p. 221).</li> <li>• Another view is to protect the asset from exploitation, which means that the asset is to serve human requirements. What if any, is the commercial focus (self-interest) of the organisation being held accountable, and will this exploit the asset under management?</li> <li>• Some artefacts are preserved simply for their own sake.</li> </ul> <p>In the example of the Great Barrier Reef, is the preservation to keep the coral reef in their pristine condition, and human activity limited to tourism? Or does this mean that larger ships can use the reef subject to specific conditions? Thus, the fish and plant life living within the reef may not be preserved in the longer term, giving rise to the question: are we preserving the asset i.e. the barrier reef <i>per se</i> for future generations?</p> <p>Continuing from above, it may be difficult to avoid the management. Thus, some reporting exclusion of living plant-life, as these form part of the 'asset' to be managed and preserved (Chapter 2.2). (Please note the paper 2003 by Purnell <i>et al.</i> in which the issue of management and measurement of wildlife for financial statements of a listed public company was inconsistent with sound management practices. The company was subsequently liquidated. <sup>6</sup></p>	Response to issues raised in Chapters 1 & 2

<sup>6</sup> Purnell, A., Raar, J. and Hone P. (2003). "Valuation and Reporting Of Native Fauna In Monetary Terms: Compatibility Between A Market Based System And Natural Resources?" in T. Featherstone and J. Batten (eds) *Research in International Business and Finance*, special edition on Governance and Social Responsibility. (A copy can be forwarded if required). pp 173-198.



R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>Therefore, the definition of the heritage asset, and what constitutes its components; its ‘value’ to the community, and to the organisation may need be carefully determined prior to an attempt to measure and attach a monetary value/s to the asset to be reported.</p> <p>Furthermore, is the management of natural assets, e.g. wilderness areas, or the Great Barrier Reef, shared by a number of government or regulatory bodies? If so, who has control over the resources needed for its preservation? How are the economic costs and benefits of such assets shared between them?</p> <p>As mentioned each asset will differ, as will the options to manage for the ‘best use’ and preserve it for the future (Des Jardins, 2001). The report can include management’s goals, and integrate these with the resources used to efficiently and effectively manage their relevant asset.</p> <p><b>It is also noted in the Consultation paper in Section 2.7</b></p> <p>“Some jurisdictions have developed different ways to identify heritage items. For example</p> <ol style="list-style-type: none"> <li>1) Schedules or lists enshrined in legislation or regulation</li> <li>2) Criteria or principles enshrined in legislation or regulation</li> <li>3) A defined review and approval process, involving expert recommendation and independent review: or</li> <li>4) A combination of two or more of the approaches above.”</li> </ol> <p>RESPONSE:</p> <p>These are issues for government departments at all levels of government) that are involved in the management of natural assets, that are not mutually exclusive from the APSASB’s definition of “<i>Natural heritage covers natural features. Examples include mountains, lakes and waterfalls</i>”.</p> <p>The management of biodiversity may fall outside the above definition, but regulation is placing pressure on government departments, to manage it. Obviously, for some departments, there will be a number of ‘grey’ areas, that do not falling into a particular definition or category. As mentioned may e difficult to avoid the management of wildlife and plant life as these may form part of the ‘asset’ to be managed.</p> <p>Given regulatory requirements as outlined below; it may be feasible to draw a distinct line between the reporting of heritage assets and the reporting of the plant and wildlife inhabiting the landscape of a specific natural asset!</p> <p>Please note the following:</p> <p><b><i>Biodiversity legislation review</i></b></p> <p><b><i>Draft regulations and other key subordinate instruments that will support the land management and biodiversity conservation reforms were exhibited in May and June 2017.</i></b></p> <p> <b><i>Visit the NSW Government’s land management and biodiversity conservation reforms webpage for more information.</i></b></p> <p><b>Extract from Barut et al. (2016).</b></p> <p>“The Australian Government’s response to conserve Australian biodiversity is addressed in the Commonwealth <i>Environment Protection and Biodiversity Conservation Act 1999</i> (the EPBC Act) and <i>Australia’s Biodiversity Conservation Strategy 2010–2030</i>. As a framework for biodiversity conservation in future decades, these plans include integrating biodiversity considerations into the management of planning and performance at all levels of government, including local government. This national strategy acknowledges that “local government is a valuable and ongoing contributor to efforts to conserve biodiversity through its role in local</p>	

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>and regional planning and, increasingly, through its role in environmental management, monitoring and reporting” (AGDE, 2010, p. 69). Accordingly, the actions and responsibilities of local government authorities (LGAs) makes them important partners in monitoring the state of the Australian environment.</p> <p>On the global front the UN Convention on Biodiversity, notes that “local authorities ... are considered guardians of natural resources because they set local environment and development policy, are responsible for land-use planning, and develop and manage infrastructure that depend on and/or impact biodiversity, such as water and waste management systems” (UNEP, 2005). The role of LGAs in the biodiversity conservation agenda is crucial, as too is the recognition that they are the custodians of vast biodiversity assets.</p> <p>The reporting of sustainability issues in public sector organisations is still in its infancy. (Dickinson <i>et al.</i>, 2005; Ball and Grubnic, 2007.....”<sup>7</sup></p>	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	See R02
10	B	We agree that matters have been captured, though we do not agree with all of the conclusions in paragraph 1.8, as indicated in further responses	
11	A	I agree with paragraph 1.7. It seems as though IPSASB identified the appropriate, broad characteristics necessary for inclusion in paragraph 1.7, and excluded other more narrow characteristics that might not apply to all heritage items. Please note that my response here only relates to characteristics of heritage items—not heritage assets.	
12	B	<p>Partially agree</p> <p>Regarding to the characteristics of the elements of historical heritage</p> <p>A. It is requested to be more specific:</p> <ul style="list-style-type: none"> <li>• To say that they are ALWAYS IRREPLACEABLE, instead of often as the document says.</li> <li>• There are other characteristics which should be taken into account such as: that they are unique, authentic and irreplaceable, an exceptional testimony to a disappeared or existing culture or civilization, and that they constitute a masterpiece of man's creative ingenuity.</li> <li>• Include the fact that the value of such goods may increase over time.</li> <li>• To say that "There is a little probability that the monetary value reflects the characteristics of this type of elements".</li> <li>• To say that in addition to restricting or preventing the sale, transfer or destruction, include: DEMOLITION OR TRANSFORMATION.</li> </ul> <p>B. It is suggested that at the moment of speaking of restrictions to prevent the sale, transfer or destruction of heritage:</p> <ul style="list-style-type: none"> <li>• Do not include ethics, since it leads to subjectivities that make measurement difficult.</li> <li>• Colombia considers that the scope of the definition should be limited to the tangible heritage declared by the competent authority.</li> </ul> <p>C. Peru comments on its disagreement at the moment of defining the characteristics, since it considers that there are elements that should be considered by other standards (agricultural elements covered by NICSP 27) or have their own rules (agricultural and natural elements). It also asks to ignore the reference to the scientific and technological because it comprises elements of singular</p>	Value increases over time

<sup>7</sup> Barut, M., Raar, J. and Azim, M.I. (2016) 'Biodiversity and local government: A reporting and accountability perspective', *Managerial Auditing Journal*, 31(2), pp. 197–227. doi: 10.1108/maj-08-2014-1082.

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		existence of almost impossible measurement. In addition, it suggests incorporating aquatic and underwater heritage.	
13	A	The SRS-CSPCP agrees with this statement.	
14	C	<p>No. <i>Firstly</i>, IPSASB should keep in mind that if a government decides to assign a tangible or intangible good the status of a heritage item, then this heritage item is not intended to deliver economic benefits (they are not held to generate economic profits nor can they be sold or alienated); instead they are available for direct use by the public at large (Barton, 2005)<sup>8</sup>. As such, the benefits (e.g. cultural, educational, etc.) provided by heritage items <b>are not in favour of the government</b> as an accounting entity, but <b>flow back to the citizens who are different entities</b> and which are not part of a government's general ledger (Christiaens et al., 2012, p. 437-438)<sup>9</sup>. In other words, capital goods that <i>per se</i> provide cultural and social benefits for current and future generations are not assets in accounting terms and do not belong on the balance sheet, but need to be disclosed off-balance sheet.</p> <p>Differently, items of property, plant and equipment that a public sector entity uses <b>in order to provide tangible services for citizens, which results in revenues for that entity</b> (for example, office furniture, fixtures and fittings; motor vehicles; university computers available to students; energy-generating plant and machinery), should be categorized as assets. The same reasoning applies to the example of the ticketing equipment for a historic building, which would have nothing to do with the heritage item itself.</p> <p>The Consultation Paper should indicate that, in line with the definition, heritage items being given a societal status, cannot and should not be measured in monetary terms. Indeed, government has decided to preserve them for certain cultural or societal goals whereby there is no <b>usufruct</b> for the government itself, nor the right to <b>alienate</b>, nor the right to <b>destroy</b>; on the contrary there is the duty to preserve and maintain those heritage items.</p> <p>In the case of a heritage item that can be visited, e.g. a historic church building, there may be equipment necessary to organize this economic activity which may be assets. It will be necessary to account for and disclose these, like any other property, plant and equipment. In terms of accounting, this business-like activity has nothing to do with the heritage item itself.</p> <p><i>Secondly</i>, the characteristics under 1.7 whereby adverbs such as “often” and “possibly” appear, are insufficiently precise as the basis for a financial reporting standard.</p>	<p>Note suggested revision(s)</p> <p>Understates special nature</p>
15	D	No Specific Comments ( <i>Staff notes that general comments refer to FASAB having a definition of “heritage assets”.</i> )	See note
16	A	We agree that the characteristics of heritage items and their consequences for financial reporting have been captured in paragraphs 1.7 and 1.8.	
17	A	<ol style="list-style-type: none"> <li>1. The document has captured the main characteristics of heritage items and the potential consequences for financial reporting (following paragraphs 1.8 and 2.11). However IPSASB refers to and accepts the UNESCO definition which refers to other features that could be incorporated. For example that they typically represent the past, they have been created in previous generations, and usually gain value over time.</li> <li>2. Another important characteristic to consider could be that these assets may be held for social reasons to contribute to knowledge and culture. This could be important in order to differentiate those assets held by the private sector (i.e. corporate art).</li> </ol>	Value increases over time

<sup>8</sup> Barton, A. (2005) The conceptual arguments concerning accounting for public heritage assets: a note, *Accounting, Auditing & Accountability Journal*, Vol. 18(3), pp.434-440.

<sup>9</sup> Christiaens J., Rommel J., Barton A., Everaert P. (2012), Should All Capital Goods of Governments be Recognised as Assets in Financial Accounting? *Baltic Journal of Management*, Vol. 7(4), p. 429-443.

R#	C#	RESPONDENT COMMENTS SMC—Chapter 1	STAFF COMMENTS
18	A	The Council of Australasian Museum Directors (CAMD) agrees that the items in Chapter 1 encapsulate the key characteristics of heritage items and financial reporting from a Museum perspective. CAMD notes that the question of “scale” needs to be added to the consequences of financial reporting. Most Museums are not-for-profit public agencies or charities and the scale of many collections can number in the tens of millions of objects. The exponential cost of applying valuation methodologies to large non-commercial collections with a public good intent is at the limit or beyond what most institutions can afford to do in a cost effective manner.	Note suggested revision(s)  Cost and scale
19	C	<p>We do not agree that the all of the characteristics of heritage items have been captured. Important characteristics that have been omitted are:</p> <ul style="list-style-type: none"> <li>i. Ethnographic items;</li> <li>ii. Monuments and sites another class that should be separately classified; and</li> <li>iii. Archaeological items and collections should similarly be separately classified.</li> </ul> <p>Cultural heritage, which is vaguely documented in the CP, is ANYTHING that has an association with humanity and its practises. By virtue of use of sites, cultural significance can be attached to a site. It is wrong to make that comment that “cultural heritage consists of man-made items”. Cultural heritage, to expound or briefly unpack this idea, is any object, item, place and/or idea that is associated with human activity or endeavour.</p> <p>It must be noted that cultural heritage is NOT renewable and is therefore irreplaceable. The characteristics incorrectly use the word “often” in 1.7(a). The purpose of holding these items is for perpetuity and it is for this reason that it cannot be replaced. As per the technical standards governing the accessioning of items, an accession number that is assigned to such an item will remain with that specific item – even beyond the cessation of said item. An accession number cannot be reassigned. Each item is accessioned whereupon all the history, value, sourcing of that item (amongst other information pertaining to that item) is recorded.</p> <p>It would be preferable to apply the characteristics consistently with the definition in Chapter 2.1 and this should be applied uniformly throughout the document.</p> <p>In 1.7 (a) remove the word “often” and in 1.7 (c) remove the words “possible” and “expected” as this negates the perpetuity associated with the holding of an item for its heritage significance.</p>	Note suggested revision(s)
20	B	<p>We agree that IPSASB has listed the key characteristics and, apart from the issues discussed below, the consequential financial reporting issues associated with heritage.</p> <p>In our view, besides the issues already noted in paragraph 1.8, clarification of the materiality considerations that may impact financial reporting for heritage and their implications for presentation and disclosure would be useful. Specifically, qualitative factors may mean that heritage items may be material from a qualitative perspective because of the significance of heritage to users, even when the monetary values assigned to heritage items would mean they may not be material to the financial statements as a whole from a quantitative perspective (see Conceptual Framework, paragraphs 3.32-3.34 and also our response to Specific Matters for Comment—Chapter 4.1 in this appendix).</p> <p>We note the statement in 1.7(c), whereby heritage items are expected to have a long, possibly indefinite useful life due to increasing rarity and significance. The IPSASB’s Preliminary View on the description of heritage (below) also refers to the intention for heritage items to be held indefinitely. We agree that anticipated longevity is a distinguishing feature of heritage items, since it is not expected that such items would be willfully destroyed, scrapped, or otherwise cease to be upon the expiration of a certain period of time. This contrasts directly with non-heritage items that can be considered to have a finite useful life. However, issues such as non-heritage usage, changes over time in general perceptions as to what shall be considered as heritage would possibly need to be anticipated and so we suggest that the term “indefinite” may need to be revisited. Such clarification also has an impact on any decisions</p>	<p>Note suggested revision(s)</p> <p>Issue re. indefinite useful life</p>

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		concerning depreciation or amortization.	
21	C	<p>We suggest that the following characteristic in paragraph 1.7, '<i>Characteristics of Heritage Items</i>' may be considered for inclusion:</p> <p><i>These are generally inherited or discovered.</i></p> <p>Paragraph 1.7(a) may be amended as follows:</p> <p><i>These are often irreplaceable because of significant history attached to it.</i></p>	Note suggested revision(s)
22	A	<p>We agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting in paragraphs 1.7 and 1.8.</p> <p>However, we would like you to add "(therefore, oftentimes) that accompanies obligation of special maintenance" or some statement to this effect to the sentence of "They are often irreplaceable;"</p> <p>In relation to the areas of consequences for financial reporting (a) to (e) in paragraph 1.8, we find it inappropriate to explain three benefits of (b) Value, (d) Restrictions on use and (e) Benefits to others on the same level of (a) and (c) when considering the basis of "Conceptual Framework of General Purpose Financial Reporting by Public Sector Entities" (hereinafter referred to as "Conceptual Framework"). We would like you to examine the following suggestions for when similar statements are to be placed on exposure draft as well:</p> <ul style="list-style-type: none"> <li>• (b) Value should be explained as part of measurement of (a).</li> <li>• Considering the point of the issue as to if (d) Restrictions on use and (e) Benefits to others meet the element of control from the definition of assets, we believe that the title should be "Components," and that the point of explanation should be changed to that of fulfillment of relevant elements.</li> </ul>	Note suggested revision(s)
23	A	CIPFA agrees that paragraphs 1.7 and 1.8 cover the key characteristics and consequences.	
24	C	<p>PSASB does not agree that all characteristics related to heritage items have been captured.</p> <p>Under the Kenyan Law, we have the National Museums and Heritage Act which provides for the establishment, control, management and development of national museums and the identification, protection, conservation and transmission of the cultural and natural heritage of Kenya. Under section 25 of the law, a criterion has been set out for consideration when making heritage declarations. One of the characteristics that comes out of this section of the Act is that these heritage items are protected, conserved or maintained.</p> <p>Heritage items contribute to the knowledge, history and culture of a society or a people. In most cases, these assets are unique to a particular people or society for example, the pyramids in Egypt, the Kaya Forests in Kenya which are unique to the Mijikenda people due to the spiritual/ sacred significance they hold for this community.</p> <p>Another characteristic with heritage items is that their value or significance tends to increase over time. For example, consider the Fort Jesus in Mombasa which was designed by an Italian and used as a prison during colonial times by the British. Over time, the significance of this heritage item has increased over time. It is the most visited site in coastal Kenya.</p> <p>PSASB considers that the main objective of assigning characteristics to items is to facilitate their identification and definition. The three characteristics outlined in section 1.7 may assist in identification of some heritage items but not all. We therefore suggest addition of the following characteristics which will also contribute to consequences of financial reporting outlined in section 1.8 of the CP particularly to the characteristic of value.</p> <p>1. There are often legal or moral obligations to protect, conserve or maintain heritage items</p>	<p>Note suggested revision(s)</p> <p>Value increases over time</p>

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>2. They often contribute to knowledge, history and culture of a people or society</p> <p>3. Their significance/value tends to increase over time.</p> <p>4. Their value/ heritage significance may not be reflected in monetary terms</p>	
25	A	<p>We agree with the characteristics of heritage items and the potential consequences for financial reporting in paragraphs 1.7 and 1.8. We note that the use of “and” in paragraph 1.7 might create the impression that all the characteristics will need to be met to qualify as a heritage item. The IPSASB should consider rewording the paragraph to provide clarity as to whether some or all of the characteristics should be present for an item to be classified as a heritage item.</p>	Note suggested revision(s)
26	C	<p>1.8 These characteristics of heritage items may have consequences for financial reporting for heritage in the following areas:</p> <p>(a) <i>Measurement</i>: Is it possible to measure heritage items in a way that reflects their service potential or their ability to generate economic benefits?</p> <p>As valuers of heritage items and collections, we would argue all tangible items can be valued. The confidence level of the outcomes may vary; however by defining the appropriate valuation framework will enable realistic measurements.</p> <p>(b) <i>Value</i>: If assignment of monetary values does not convey the heritage significance of heritage items or their future claims on public resources, would users of GPFRs benefit more from non-financial information about heritage items, reported outside the financial statements?</p> <p>Given, in the first instance, it can be difficult to measure the monetary value of heritage assets; it would be extremely impressive to discover an entity was capable of measuring the extent to which heritage significance exceeds an assignment of monetary value. Heritage significance may differ radically between various entities or groups depending on their connection (or not as the case maybe) to the heritage asset being valued but theoretically, in a market environment, such groups or entities would only be expected to pay \$1 more than the next market participant to obtain those benefits.</p> <p>We agree users of GPFRs would benefit from non-financial information about heritage items but not to the extent that it replaces the fair value of the asset, rather adds to the inclusion, somewhat akin to triple bottom line reporting.</p> <p>(c) <i>Preservation</i>: If an entity's responsibility is to preserve heritage items rather than to generate cash flows from them, are heritage items resources or obligations from the entity's perspective?</p> <p>No comment</p> <p>(d) <i>Restrictions on use</i>: Given restrictions on entities' ability to use, transfer or sell heritage items, should heritage items be shown as assets in the financial statements?</p> <p>If a heritage item meets the definition of an asset, then it would seem appropriate to record those items as assets. That heritage items exist at all infers economic benefits attributable to some entity, whether that be the entity itself or the entity as custodian for the public.</p> <p>If a heritage item meets the definition of an asset, then it would seem appropriate to record those items as assets. That heritage items exist at all infers economic benefits attributable to some entity, whether that be the entity itself or the entity as custodian for the public.</p> <p>With reference to the South Australian Government's Accounting Policy Framework;</p> <p><i>“ . . in determining whether a resource or right needs to be accounted for as an asset, the potential to contribute to the objectives of the entity should be the prime consideration.”</i><sup>1</sup></p> <p>If the restrictions on the entities ability to use, transfer or sell heritage items is entity specific, then that would appear to fail the fair</p>	<p>Note view that consequences for financial reporting are overstated</p> <p>Non- financial information useful but should not replace fair value</p>

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>value framework. If such restrictions were imposed on all market participants (i.e. planning regulations) then it would follow such restrictions would need to be taken into consideration in determining a fair value.</p> <p>IFRS 13 Fair Value highlights the treatment of assets that may not be readily traded;</p> <p><i>“Because fair value is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. As a result, an entity’s intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value”<sup>2</sup></i></p> <p>And,</p> <p><i>“Although an entity must be able to access the market, the entity does not need to be able to sell the particular asset or transfer the particular liability on the measurement date to be able to measure fair value on the basis of the price in that market”<sup>3</sup></i></p> <p>(e) <i>Benefits to others</i>: Can a reporting entity be said to control a heritage item for financial reporting purposes, when it is held for the benefit of current and future generations?</p> <p>Within the Australian public sector environment, Government entities are said to have care and control of community assets even if though they may not be the registered owner of those assets. It is acknowledged that many Government entities acquire, hold and maintain assets on behalf of the public and for the benefit of current and future generations.</p>	
27	A	<p>The NZASB agrees with the heritage item characteristics identified by the IPSASB and the areas where these characteristics might have financial reporting consequences.</p> <p>We note that, although most heritage items are controlled by public sector entities, the for-profit sector also controls some heritage items. An example is corporate art collections. Consequently, we encourage the IPSASB to engage with the International Accounting Standards Board on this topic.</p>	Engage with IASB since impacts on NFPs
28	B	<p>Chapter 1 proposes certain characteristics for heritage items, while chapter 2 proposes a description for heritage items. We are unsure why the IPSASB requested comments on the characteristics and what it intends to do with this information given that a definition for heritage items has been developed.</p> <p>Characteristics of heritage items (paragraph 1.7)</p> <p>We broadly support the characteristics of heritage items listed in paragraph 1.7, but identified areas for potential improvement.</p> <p>The characteristics should be expanded to indicate that the heritage item should be of particular significance to a community and/or jurisdiction and not only to the entity itself. If the heritage item is only significant to the entity and not the community and/or jurisdiction, there is no benefit in preserving the heritage item for present and future generations. We therefore recommend that the overall consideration of significance of the heritage item to the community and/or jurisdiction should be emphasised in the characteristics listed in paragraph 1.7.</p> <p>We further recommend that, as the significance of an item to a particular community and/or jurisdiction can change over time, guidance should be provided on whether such changes will result in a reclassification of an item previously classified as a heritage item and vice versa. For example, a sculpture of a political leader (even if by a well-known artist) may be significant to a specific generation, but may not be to future generations, and as a result, that sculpture may no longer meet the characteristics and/or definition of a heritage item.</p> <p>In addition, we propose that the following characteristics could be included in the list in paragraph 1.7:</p> <ul style="list-style-type: none"> <li>• Heritage items may increase in value over time even if their physical condition deteriorates.</li> <li>• Heritage items are protected, kept unencumbered, are cared for and preserved.</li> </ul>	<p>Note suggested revision(s)</p> <p>Value increases over time</p>

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>Consequences of the characteristics of heritage items (paragraph 1.8)</p> <p>It is unclear what the difference is between the first and second consequence noted in this paragraph. As measurement involves attaching a monetary value to a heritage item, we recommend that the first and second consequence should be combined if these are included in any future guidance developed by the IPSASB. The concept of “heritage significance” is discussed in (b) on “value”, but (a) on “measurement” only refers to “service potential or their ability to generate economic benefits”. As a result, the two consequences seem to be contradictory in terms of what is being measured.</p> <p>In addition, attaching a value to a heritage item could be challenging for the following reasons:</p> <ul style="list-style-type: none"> <li>• Restrictions imposed on the disposal and/or transfer of the heritage item.</li> <li>• Entities often indicate a reluctance to value heritage items as this may make the items more susceptible to theft.</li> </ul> <p>We recommend that these aspects should also be addressed in the consequences dealing with measurement and/or valuation.</p>	
29	B	<p>In our opinion the descriptions in paragraphs 1.7 adequately capture the characteristic of heritage items, and the consequences for financial reporting. Regarding paragraph 1.8 we have some comments.</p> <p>(a) Measurement: It is difficult to measure heritage items in a way that reflects their service potential and their ability to generate economic benefits. For many heritage items any future economic benefits or service potential are uncertain, for many heritage items these will not exceed the adherent economic responsibilities.</p> <p>(b) Value: If assigning a financial value does not convey the heritage significance of heritage items or the future claims on public resources the users of GPFRs would benefit from information reported outside the financial statement. Another problem arising from valuing heritage items is that the financial value one could attribute heritage items, is a value that an institution cannot freely use. The increase in the total amount of assets that would arise from valuation of heritage items, should not lead to an opportunity to incur further debt. Furthermore the value of heritage items is somewhat irrelevant as it does not pertain to the decision to possess heritage items, there are an obligation to preserve heritage for present and future generations and as stated in the CP it is often the case that there are restrictions regarding sales or destruction.</p> <p>(c) Preservation: In general a heritage item is a resource; it is an asset with a value of zero. The asset has an adherent responsibility, but value of the obligation regarding maintenance cannot reliably be determined.</p> <p>(d) Restrictions on use: Given restrictions on entities’ ability to use, transfer or sell heritage items, there are some special complications connected to showing heritage items as assets in the financial statement. As stated in the comments to 1.8 (b) the value of a heritage items is not a value the entities can freely use.</p> <p>(e) Benefits to others: Even though heritage is held for the benefit of current and future generations a reporting entity can be said to control a heritage item for financial reporting purposes, if they meet the criteria of being assets; if they are a result of past events and future economic benefits or service potential are expected to flow to the entity.</p>	<p>Note comments; measurement, meaning of value (heritage significance), preservation, restrictions and held to benefit others</p>
30	B	<p>We mostly agree but in our discussions some comments and questions arose.</p> <ul style="list-style-type: none"> <li>• 1.7 Heritage items usually have a material and a non-material/ideal value. Sometimes the non-material value of a heritage item exceeds the pure material value. This raises the question of how to deal with useful life of a heritage item from a practical perspective? Do you have a material part that will be depreciated and a non-material which isn’t? How could a useful life table for heritage assets look like?</li> <li>• 1.7 Regarding the characteristics “possibly indefinite, useful life”: the value of a heritage asset (e.g. pictures) may depend on cultural, political, economic trends that change over time or sometimes even very suddenly (e.g. due to political turmoil). The wording “are expected to have a long, possibly indefinite, useful life” may suggest that a heritage item is treated as an asset</li> </ul>	<p>Note two types of value and relationship to useful life</p> <p>Idea of distinguishing between</p>



R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>though it has lost its value due to changed external circumstances.</p> <ul style="list-style-type: none"> <li>General Comment: In our jurisdiction we distinguish between immovable and movable assets, a distinction is also made for heritage assets</li> </ul>	movable and immovable
31	A	Yes, we agree.	
32	B	<p>10. We believe that the most important characteristics of heritage items and their consequences for financial reporting have been adequately captured. However, we suggest that the Board considers the following additional points:</p> <ul style="list-style-type: none"> <li>The value of heritage assets may increase over time even if their physical condition worsens.</li> <li>Heritage assets cannot always have monetary amounts assigned to them. The true value of many heritage assets is the knowledge and culture that they impart. For this reason, the value of heritage items is unlikely to be fully reflected in a monetary value derived from a market mechanism or price.</li> </ul> <p>11. The practical implications on financial reporting of additional characteristics reflecting the above points would be twofold. Firstly, deterioration in the physical condition of an asset would not be a sufficient indicator of impairment. Additional factors would need to be taken into account, such as rarity. Secondly, many heritage assets are not 'economic assets' in the normal sense, particularly where any value placed on them would be more than offset by the cost to the entity of meeting its obligations under trusts or legislation to maintain the assets. Heritage assets often do not even embody service potential in any measurable form. This may result in only a portion of a nation's heritage assets being on-balance sheet, with a significant portion being off balance sheet.</p>	Note suggested revision(s) Value increases over time
33	A	The staff agrees that IPSASB has captured all of the characteristics of heritage items and its potential consequences for financial reporting in paragraphs 1.7 and 1.8. However, we do raise an issue with these characteristics – please see our comments on Preliminary View - Chapter 2.1 below.	
34	A	Accountancy Europe believes that the most important characteristics of heritage assets and the related potential consequences for financial reporting are adequately captured in paragraphs 1.7 and 1.8 of the Consultation paper.	
35	C	<p>No. Additional characteristics of heritage items that could be included in paragraph 1.7 are:</p> <ol style="list-style-type: none"> <li>Their service potential and value are not necessarily controlled by any one reporting entity, especially items of natural heritage that may not respect public and private property boundaries.</li> <li>Their heritage value, which may be expressed in both monetary and non-monetary terms.</li> <li>Their qualitative social, cultural and natural 'values' are more important, and often significantly greater, than their economic accounting value, which may be nil or negative.</li> </ol>	Note suggested revision(s)
36	B	<p>We agree with the features listed in paragraph 1.7. Accordingly, it is therefore considered that Heritage Items should be considered "assets " for accounting purposes.</p> <p>With reference to paragraph 1.8, a number of points are set out below:</p> <ol style="list-style-type: none"> <li>Although aware of the fact that any estimation process can only provide a partial view of the cultural/social value of the asset, it is still necessary to identify measurement methods for some Heritage Items, in order to approximate their economic–monetary value.</li> <li>It being understood that they are considered "assets" and therefore must be included in the financial statements, we consider it useful that such assets, together with an economic and monetary value recorded in the financial statements, should always have an additional disclosure of a non-financial nature available, in order to attempt to capture that part of the cultural and natural value</li> </ol>	Note arguments in favour of heritage as assets

R#	C#	RESPONDENT COMMENTS SMC–Chapter 1	STAFF COMMENTS
		<p>which is unlikely to be provided by any numerical estimate.</p> <p>c) Within the perspective of the entity preparing the financial report, heritage items are at the same time resources and obligations.</p> <p>d) We agree with the position according to which heritage items should be included as assets in the financial statement but with the added proviso that, given the legal limits weighing on cultural heritage, such as its non-transferability, an unavailable reserve should be recognised in the net equity, equal to the amount of the unavailable HIs recorded in the assets.</p> <p>e) Yes, as these assets generate incoming and outgoing financial flows which have an impact on performance and on the asset.</p>	<p>Obligations</p> <p>Other issues</p>
37	A	We agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting.	
38	A	The Association of National Accountants of Nigeria (ANAN) believes that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting in paragraph 1.7 and 1.8 as they appear to be comprehensive enough.	
39	A	The Task Force agrees with the SMC # 1 that the characteristics of heritage items are fully captured in paragraphs 1.7 and 1.8. of the CP.	
40	A	<p>HoTARAC generally agrees. However, according to paragraph 1.7(c), one characteristic of heritage assets is: 'They are expected to have a long, possibly indefinite, useful life due to increasing rarity and/or significance.'</p> <p>HoTARAC suggests removing the word 'increasing' from paragraph 1.7(c).</p>	<p>Note</p> <p>suggested</p> <p>revision(s)</p>

**Preliminary View–Chapter 2.1**

For the purposes of this CP, the following description 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/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	02, 03, 04, 05, 06, 09, 11, 13, 16, 18, 19, 20, 22, 23, 25, 29, 31, 36, 37, 38, 39, 40	22
<b>B – PARTIAL AGREEMENT</b>	07, 12, 17, 24, 27, 28, 30, 32, 34	9
<b>C – DOES NOT AGREE</b>	01, 08, 10, 14, 21, 26, 33, 35	8
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>39</b>
<b>D – DID NOT COMMENT</b>	15	1
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.1	STAFF COMMENTS
01	C	<p>We disagree with this view. The definition of heritage items under the CP seems too comprehensive for entities to make distinctions between heritage items and non-heritage items with reliability and objectivity. For example, in case of historical records, judgement made by entities can be influenced by changes in political situations. However, making out a list of heritage items in law also violates a principle-based nature of IPSASs. Accordingly, the Board may consider providing more detailed criteria on identification of heritage items in the Recommended Practice Guidance, etc.</p> <p>In Korea, the definition of heritage items is very similar to the one in the CP. However, we provide guidelines to classify heritage items based on law and regulations in practical interpretations in order to help entities make more reliable judgments (the practical interpretations are not accounting standards).</p>	Need more detailed criteria or more robust description

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.1	STAFF COMMENTS
02	A	<p>The CNoCP agrees with the proposed description; it seems conceptually sound. We note that the description includes the words “<i>intended to be held indefinitely</i>”. We assume that this means that a standard would require <b>evidence</b> of the intention to hold the item indefinitely. In that line of thoughts, one could question how a change in intention might affect the accounting treatment; further guidance might then be helpful to preparers.</p> <p>We also observe that the description includes a wider range of items than just cultural heritage items in that it also refers to natural heritage items. Therefore, the description is flexible enough to include most situations met in jurisdictions with various approaches to heritage items, providing that they are considered outstanding in accordance with national regulation.</p>	Will need objective evidence of intent to hold
03	A	We generally agree with this definition given by IPSASB for heritage items.	
04	A	We broadly agree with this definition. However, “indefinitely” is a very broad term which should be clarified, as we feel, it refers to long periods, covering several generations.	Issue re “indefinitely”
05	A	We agree with the IPSASB’s preliminary view.	
06	A	We agree with the CPs Preliminary View	
07	B	We support the approach adopted in the CP that draws on the conceptual framework in considering whether heritage items could result in items recognised in the financial statements. We also support using the UNESCO meaning of heritage items as a basis for describing the special characteristics of heritage items. Although religious features are not included in the UNESCO list we recommend the IPSASB considers religious features as well in describing the special characteristics of heritage items.	Add religious
08	C	<i>[Staff comment: See response included under SMC Chapter 1]</i>	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	C	<p>UNESCO has no single all-embracing definition of heritage assets, but does provide descriptions of different categories of heritage assets.</p> <p>The IMF GFS 2014 provides a single definition as follows: “<i>assets that a government intends to preserve indefinitely because they have unique historic, cultural, educational, artistic, or architectural significance</i>”</p> <p>It is our view that for consistency the IMF definition should be used</p>	Use GFS definition
11	A	I agree. The definition is intentionally broad and provides flexibility to facilitate the identification of heritage items; however, other considerations are relevant to identifying and recognizing heritage assets, as I discuss below in my responses to preliminary views that follow.	
12	B	<p>Mostly in agreement</p> <ul style="list-style-type: none"> <li>• However, Colombia maintains its position and proposes that the scope of the standard should be limited to the tangible assets controlled by the entity, and which the community recognizes as part of its memory and identity.</li> <li>• They also indicate that this conceptualization could generate confusion or divergence to the preparers or users of the information regarding the natural heritage, since by comprising nonrenewable natural resources (capable of generating economic benefits), understood to be outside the scope of this project, these should have a specific regulation.</li> </ul>	<p>Note different views</p> <p>Issue re. evolution</p>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.1	STAFF COMMENTS
		<ul style="list-style-type: none"> <li>• They consider it important to prepare a special non-financial report, independent of the limitations of its measurement, so that the financial information can comply with the definition of assets of the Conceptual Framework.</li> <li>• Treatment of goods that are born as immovable property and become historical</li> <li>• Finally, Peru indicates that the NICSP language (inherited from the NIC) should be used, and that the definition should be as elements, not as objects.</li> </ul>	into heritage Refer to assets not items
13	A	Basically, the SRS-CSPCP agrees with this statement. However in Switzerland, we generally limit the definition of heritage assets to man-made assets and do not usually include natural resources or customs.	Man-made only
14	C	As such the description is not wrong, but it is just a non-exhaustive enumeration and not a conceptual definition which determines the accounting policy, see also comment Q1 above.	Need more robust description
15	D	No Specific Comments	
16	A	We agree with this definition of heritage assets.	
17	B	3. In terms of the definition we suggest to verify the use of terms “agricultural” and “natural”, as there may be inconsistencies with the concepts treated or to be treated in different IPSAS, such as IPSAS 27.	Clarify terms
18	A	CAMD supports the preliminary view but has reservations about the discussion that developed the IPSASB preliminary view. The intent of the UNESCO World Heritage Criteria was primarily place-based to identify areas of outstanding cultural or natural significance. The adoption of this methodology for ‘portable’ or ‘movable’ heritage items, e.g. specimens or individual cultural artefacts such as comprise the bulk of museum collections, is not appropriate, and manifests itself, for example, in the discussion paper’s mistaken belief that a heritage list would be practicable for museum specimens. Heritage lists provide a statutory means of identifying geographic areas or particular outstanding artefacts but are impracticable for routinely identifying the enormous number of objects comprising a museum collection. If IPSASB were to confirm the preliminary view, it would be essential to divorce this definition from any direct link to UNESCO World Heritage criteria.	Ensure final definition is not dependent on UNESCO ones
19	A	We are satisfied with the preliminary view. Any omissions (as mentioned above) has been covered by the terminology “but not limited to”. However, these omissions must, when necessary, be considered to be included in this statement for the sake of consistent application of the proposed standards.	
20	A	<p>We refer to our comment above concerning the use of the term “indefinite”. We otherwise broadly agree with the PV. However, depending on any decision IPSASB may come to as to the need for preparers to differentiate presentation of information on heritage items, it may be necessary to develop the PV’s description into a firm definition, so to enable clear delineation with other phenomena for financial reporting purposes.</p> <p>The PV refers to distinguishing heritage items from other phenomena for the purposes of financial reporting.</p> <p>In our jurisdiction there are many heritage buildings in use today for purposes other than to reflect heritage significance. For example, many historic town hall buildings are used as office accommodation by the public sector entity or are leased out to a third party, iconic buildings such as the newly built Elbphilharmonie in Hamburg are often used for a variety of purposes, and we believe the situation is likely to be similar in many other jurisdictions. We believe that the IPSASB should explore the related presentation issues, because presentation of such items in the statement of financial position as heritage cannot depict their usage; similarly their presentation as</p>	<p>Note issues raised: Indefinite, buildings</p> <p>Presentation</p>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.1	STAFF COMMENTS
		<p>office accommodation or as leasing assets cannot reflect their heritage nature. The situation may be further complicated where, for example, only a part of a heritage item is so used. In our view, decisions as to their presentation or disclosure might need to acknowledge both “classifications” in some way.</p> <p>Differentiation may also be relevant to the classification of expense related to such items, for example, where explicit reconstruction obligations (e.g., terms of a preservation order) mean that repair and maintenance of a heritage building used for office accommodation will vastly exceed repair costs for comparable “normal” office accommodation, it may serve user needs if the expense were apportioned between a repair expense and a heritage preservation expense.</p>	Expense classificatn; Normal/ heritage
21	C	There can be heritage assets with ‘religious’ significance, therefore, the term “religious” may specifically be considered for inclusion in the above description. In many jurisdictions, the term “religious” and “cultural” may have different connotations.	Add religious & cultural
22	A	We agree with the IPSASB’s Preliminary View.	
23	A	<p>CIPFA agrees with the IPSASB’s Preliminary View on heritage items for the purposes of this CP.</p> <p>This does not provide a comprehensive description of the nature of heritage, but does facilitate consideration of the particular characteristics of heritage items which make conventional asset accounting problematic.</p>	
24	B	<p>We agree that the description outlined reflects the special characteristics of heritage items and distinguishes them from other phenomena for financial reporting. PSASB however opines that the description may be extended to separate cultural and religious heritage items especially within the African Context where these two are quite distinct.</p> <p>The description should therefore read as follows:</p> <p>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/or significance in relation, but not limited, to their archaeological, architectural, agricultural, artistic, cultural, <b>religious</b>, environmental, historical, natural, scientific or technological features.</p> <p>PSASB would however prefer that IPSASB defines heritage items instead of offering a description for the items. In standard setting, it has been the practice of IPSASB to define terms used in a standard in order to give specific meanings to those terms and this was expected to be the case for heritage items. The description above should be used to develop a definition of heritage items.</p>	<p>Add religious</p> <p>Need definition</p>
25	A	We support the proposed description of heritage items. We suggest that the IPSASB includes examples of items with the features described above in the application guidance.	Provide examples
26	C	<p>The above definition of a heritage item assumes controls have been placed around the asset to ensure it is <i>to be held indefinitely and preserved for the benefit of present and future generations</i>.</p> <p>In the strictest sense, there are many items that may be classified as heritage but have not been formally categorised as ‘heritage’. Does the lack of classification and hence future protection of those heritage characteristics change the embodied heritage value of the asset?</p> <p>Further, it would seem relevant to include a reference to a heritage item in terms of its economic and or design life. Most heritage assets do not start out as heritage assets; they evolve during or after their intended economic and design life to become considered as heritage.</p> <p>The New South Wales Office of Environment and Heritage describes heritage as;</p> <p><i>“Heritage significance refers to meanings and values in relation to the historical, scientific, cultural, social, archaeological,</i></p>	Note issue of evolution into heritage

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.1	STAFF COMMENTS
		<i>architectural, natural or aesthetic importance of the item. Heritage significance is reflected in the fabric of the item, its setting, use, associations, meanings, records, related places and related objects.”<sup>4</sup></i>	
27	B	<p>In principle, the scope of the description of heritage items appears satisfactory. We note that this is a description of all heritage items, of which those heritage items that can be recognised as assets and measured for financial reporting purposes is a subset.</p> <p>We recommend that the IPSASB consider adding “social” to the description of heritage items.</p> <p>Heritage New Zealand, which has Māori heritage and national historic landmarks within its mandate, includes aesthetic, social, and traditional values within its definition of historical and cultural heritage. One constituent suggested that “social heritage” be added to the definition of heritage items to capture all items of heritage significance to New Zealand. The reference to “social” can reflect a wider scope than cultural features. For example, some historic vehicles are considered to have social importance due to their impact on New Zealand society, but may not necessarily be considered to have cultural importance.</p> <p>We consider it important that any definition used by the IPSASB explicitly emphasise that it is for financial reporting purposes, because there are many different views internationally on what is meant by “heritage”.</p>	<p>Add “social”</p> <p>Emphasize that IPSASB defn. is for FR purposes</p>
28	B	<p>We support the overall description of heritage items, but we are of the view that the list explaining what is deemed to be significant is too long and potentially repetitive. We recommend that the list be shortened by combining some aspects, for example environmental could form part of natural, and agricultural could form part of cultural.</p> <p>We noted the following additional observations on the description of heritage assets:</p> <p>(a) We question where intangible cultural heritage, specifically intellectual property, as defined under UNESCO, is captured in the description.</p> <p>(b) The UNESCO description classifies heritage between cultural and natural heritage. Paragraph 2.4 explains that cultural heritage consists of man-made heritage. We question this statement as we are of the view that the two categories are not mutually exclusive. Some natural heritage could also have a cultural value, e.g. the “fynbos” nature reserves in the Western Cape of South Africa have cultural significance because of the plants’ medicinal properties and their role in traditional cuisine.</p> <p>We therefore recommend that the IPSASB should consider the appropriateness of applying the UNESCO classification when developing future guidance as some natural heritage could either be man-made, and/or have a cultural value.</p>	<p>Shorten lis</p> <p>Clarify whether intangible heritage is covered</p> <p>Further clarification re. natural</p>
29	A	<p>In general we agree, the description of heritage items in the CP reflects the special characteristics of heritage items and distinguishes them from other phenomena for the purposes of financial reporting.</p> <p>However, it is unclear how a building that possess the characteristics of heritage but is used as for example office space should be categorised, as heritage or property according to IPSAS 17 Property, Plant and Equipment. After the current principles regarding heritage items in Denmark a building being used as office space will be treated as property after IPSAS 17 and not as heritage even though it possesses the characteristics of heritage.</p>	Office space issue (non-heritage use)
30	B	<p>In general we agree with the PV but we have thought about an alternative description as well. This description may reflect better that from time to time a decision has to be made whether a heritage item is benefitting present and future generations. Our proposal for an alternative description would be: “Heritage items are items that are intended to be held indefinitely and preserved for the <u>as long as they</u> benefit of present and future generations...”</p>	Note revision to address “indefinitely”
31	A	Yes, we agree.	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 2.1</b>	<b>STAFF COMMENTS</b>
32	B	<p>12. We broadly agree with the above proposed definition but question the need to include the assumption that items are intended to be held indefinitely. This may lead preparers to conclude that heritage items have an infinite life, which would then have consequences for depreciation. We do not believe that that was IPSASB's intention. We recommend that the Board simply removes 'indefinitely' from the PV above. To state that items are to be preserved for present and future generations already implies a very long time horizon.</p> <p>13. A future IPSAS on heritage items should illustrate the link between an entity's objectives, the reasons for holding the asset and the relevant classification of the asset. We believe that, depending on an entity's objectives, in particular whether or not the entity has preservation objectives, and the reason for holding the asset, the same asset could either be classified as a heritage asset or as an investment. For example, a local authority that purchases a Monet painting could reasonably classify it as either a heritage asset or an investment depending on the purpose of why this painting was purchased. Conversely, a human rights charity, for example, could not in all likelihood hold something that would be classified as a heritage asset, since such an asset would never be held in line with the description of the PV above.</p> <p>14. Heritage assets used for operating activities such as buildings will often be used by entities which do not have any heritage-related objectives. The standard will need to make it clear when these should be treated as heritage assets, property, plant and equipment or investments/investment properties.</p>	<p>Issue re "indefinitely"</p> <p>Link to entity's objectives</p> <p>Other uses</p>
33	C	<p>The Merriam-Webster Dictionary defines "indefinite" as "not precise or having no limits".</p> <p>As noted in the covering letter, staff does not agree that holding an item definitely or indefinitely is a definitive characteristic of a heritage item necessary to distinguish it from assets. Heritage assets inherently can have a useful life if they are not preserved. Therefore, the definition can be confusing for the user where being held indefinitely and being preserved are two separate characteristics.</p> <p>Underwater cities, sunken ships, poorly managed heritage items and heritage items close to the coastal areas are some of the categories of heritage items that may have an estimated life. They are maintained for the benefit of present and future generations because of their rarity and significance. It provides current generation an educational and/or cultural experience and may benefit future generations through academic and scientific research conducted on it.</p> <p>Recent studies suggest that many cities may be submerged by rising sea levels due to climate change. Therefore, if there were natural heritage items located along the coastal region, would they be disqualified from meeting the definition of heritage items because they are not expected to be held indefinitely? This concept of holding an asset indefinitely may confuse preparers of the financial statements.</p> <p>We noticed that GFS 2014 defines heritage asset as assets that a government intends to preserve indefinitely because they have unique historic, cultural, educational, artistic, or architectural significance. The suggested definition under CP closely aligns with GFS 2014 and may result in lesser differences. However, this standard will not just be applicable to government but other government organizations, some of which may have a mandate to maintain a heritage asset for public interest. Therefore, in order to keep those organizations accountable, the definition should not exclude heritage assets that have a useful life.</p> <p>If the IPSASB decides to retain this idea in the definition, then perhaps a more accurate split might be "finite" versus "infinite". This distinction avoids comingling the ideas of imprecision and infinite life. And perhaps this particular distinction could be used to distinguish two types of heritage items, rather than heritage items from other items.</p>	<p>Issue re "indefinitely"</p> <p>Concern at use of GFS definition</p>
34	B	<p>We would agree with the Preliminary View of the IPSASB on the description of the special characteristics of heritage items except for the use of the notion 'indefinitely'. We would suggest removing this notion from the special characteristics' description as some might</p>	<p>Issue re "indefinitely"</p>



R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 2.1</b>	<b>STAFF COMMENTS</b>
		conclude wrongly, based on the current description, that all heritage assets have an indefinite useful life and hence should not be depreciated.	
35	C	<p>The reference to 'intent' in the definition could be misleading and be arbitrarily applied by entities to include or exclude assets based on their intentions. Rather, the definition could focus on their intrinsic qualities and the purpose for which they are held. For example, 'items of cultural and natural significance that are preserved for the benefit of present and future generations'.</p> <p>ACAG questions also including as heritage items those items, which are newly created/reasonably modern, as their heritage or artistic value remains untested, contentious or subjective. For example:</p> <ul style="list-style-type: none"> <li>• monuments and other modern artistic structures which have yet to establish their cultural identity or heritage significance</li> <li>• controversial modern works, including street or mural art</li> <li>• buildings</li> <li>• Neighbourhood parks.</li> </ul>	<p>Issue re. "intent"</p> <p>Exclude modern items</p>
36	A	<p>We believe that the definition of "Heritage Item" provided in the CP is in line with what is recognised internationally and is therefore shared.</p> <p>According to Italian MEF, the description of cultural heritage assets contained under point 2.1 of the CP is consistent with the provisions of the Code of Cultural and Landscape Heritage (L. Decree No 42/2004 and subsequent amendments to, or revisions) as regards tangible cultural heritage assets.</p>	
37	A	<p>We agree with the IPSASB's Preliminary View.</p> <p>Paragraph 2.9 of the CP states that other sources of information such as expert knowledge are needed to provide comprehensive and verifiable information on whether items are heritage items. We believe further guidance on what is considered expert knowledge would be beneficial in order to identify heritage items.</p>	<p>Guidance needed on expert knowledge</p>
38	A	ANAN agrees with the IPSASB's preliminary view of the significant of this heritage properties as enumerated in Chapter 2.1	
39	A	The Task Force agrees with the preliminary view regarding the description of heritage items.	
40	A	<p>HoTARAC broadly agrees. However, HoTARAC recommends the IPSASB review UK Accounting Standards Board 2006 paper: Heritage Assets: Can Accounting Do Better? (Refer: <a href="https://www.iasplus.com/en/binary/uk/0601heritage.pdf">https://www.iasplus.com/en/binary/uk/0601heritage.pdf</a>). In HoTARAC's view paragraph 1.9, page 15 of this paper provides a more comprehensive list of practical examples of heritage assets than the brief listing provided in paragraph 2.4 of this CP. This assists in clarifying the types of assets that would be expected to be treated as heritage assets when held by public sector entities.</p>	<p>Examples of heritage assets</p>

**Preliminary View–Chapter 2.2**

For the purposes of this CP, natural heritage covers areas and features, but excludes living plants and organisms that occupy or visit those areas and features. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	03, 04, 16, 23, 25, 28, 29, 31, 32, 37, 39	11
<b>B – PARTIALLY AGREE</b>	08, 12, 17, 21	4
<b>C – DISAGREE</b>	01, 02, 05, 06, 07, 09, 10, 11, 13, 14, 18, 19, 20, 22, 24, 26, 27, 30, 33, 34, 35, 36, 38, 40	24
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>39</b>
<b>D – DID NOT COMMENT</b>	15	1
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.2	STAFF COMMENTS
01	C	We disagree with this view because living plants and organisms meet the definition and characteristics of heritage items under the CP. In spite of the intention to preserve indefinitely, the inability of preserving living plants and organisms permanently is the same for heritage items other than them.	Basis to exclude does not apply
02	C	The CNoCP would suggest that a future standard should remain flexible as to whether living plants and organisms should be included or not in the scope of natural heritage. There might be circumstances under which such items would be considered natural heritage. For instance, 400 year-old striking trees could be depicted as heritage items, especially when compared to human scale. The CNoCP would therefore question the use of the term “held indefinitely” in the description of heritage items. As a matter of fact, “indefinitely” is not commensurate with human lifespan. We believe that this might come up as an issue where plants on land owned by a public sector entity outlive those who planted them. Furthermore, when heritage items would also meet the definition of biological assets as set out in IPSAS 27 <i>Agriculture</i> , we believe that the articulation between that standard and IPSAS 27 should be clearly explained, should a future standard on heritage assets be issued. Conversely, we are of the view that guidance as to a reasonable assessment of “indefinitely” would be useful. In that line of thoughts, the notion of “preservation for future generations” set out in the description of heritage items could be further explored.  All in all, we think that introducing some flexibility around “indefinitely” would only expand the scope to a limited number of items. This is because, where natural features or areas are concerned, those items need to be controlled to meet the definition of assets which is not the case, for instance, for wild living animals or for naturally occurring rock formations.	Provide flexibility around “indefinitely” and allow some natural living items to be heritage
03	A	Yes, we agree with IPSASB's Preliminary View.	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 2.2</b>	<b>STAFF COMMENTS</b>
04	A	<p>We agree with the IPSASB's Preliminary View, which concerns the scope of natural heritage, excluding living plants and organisms, because their lifetime prevent them from being held indefinitely. Thus, they do not meet the definition of heritage items, as proposed in the CP.</p> <p>The DGFIP acknowledges that it is difficult to define all the outstanding elements of heritage from a single description. We also note the broadness of this draft's scope, as it covers cultural and natural items, including tangible and intangible cultural items.</p> <p>In this CP, the IPSASB first describes the future standard's scope before considering some of heritage items as heritage assets, when they meet the definition of an asset.</p> <p>From a practical point of view, we believe that a list of outstanding items that should be seen as heritage assets would be useful. This list would take national context and specificities into account, and thus, contribute to identify easier such assets that fall within the scope of an heritage dedicated standard.</p> <p>In France, central government accounting standards include standard 17, which is dedicated to historical and cultural assets (immovable and movable assets). Its scope refers to sets of governing rules which are exhaustively listed. Intangible cultural assets and natural assets are not covered by this standard.</p>	Develop a list of heritage items
05	C	<p>We do not agree with the IPSASB's preliminary view. In our view natural heritage should not exclude living plants. By way of example, our 3000-year-old Kauri tree in New Zealand would meet the characteristics of heritage items but would not meet the description of heritage. We acknowledge this may be a rare occurrence internationally, but we encourage the IPSASB to remain open to the possibility in finalising any definition.</p>	Living heritage meets definition
06	C	<p>We do not agree that living plants and organisms should be excluded. They sometimes provide the main reason for public bodies with a heritage focus being set up. We recommend including them, though some further definition and nuances of accounting treatment might be needed given their differences from other non-living heritage assets.</p>	Living heritage important
07	C	<p>We are of the view that IPSASB should reconsider its proposal to exclude living plants and organisms for the following reasons:</p> <ul style="list-style-type: none"> <li>• The characteristics for heritage items proposed under section 1 include items that have a "long, possibly indefinite" life. However, the proposed exclusion of living plants and organisms are on the basis that they cannot "be held indefinitely". This approach seems to place a higher threshold on living plants and organisms by requiring them to have an "indefinite life" rather than a "long, possibly indefinite life".</li> <li>• There may be examples of living plants and organisms that have a long or possibly indefinite life, through continuous replenishment, that would meet the characteristics test for heritage items. Examples could include the Australian Great Barrier Reef and the Californian Redwood forests.</li> <li>• The heritage value added to a heritage item through living plants and organisms may be inseparable from other features that add value to that item. For example, living plants and organisms are an essential part of the heritage value associated with national parks and other natural conservation sites. It would be difficult to exclude the value added by living plants and organisms in such cases.</li> </ul> <p>We appreciate that there may significant difficulties in separately recognising living plants or organisms based on their heritage value. However, it may be possible to consider heritage items that include living plants and organisms as a whole in determining how they may be recognised in financial statements.</p>	<p>Natural living heritage meets definition</p> <p>Living heritage important and provides basis for value</p>
08	B	<p><i>[Staff comment: See response included under SMC Chapter 1]</i></p>	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 2.2</b>	<b>STAFF COMMENTS</b>
09	C	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	C	There are situations where plants and organisms meet the criteria for recognition as heritage assets. Example would be the Svalbard Global Seed Vault and the Sacred Bo-Tree in Sri Lanka. Therefore, we see no justification for this exception	Living heritage meets definition
11	C	<p>No. This preliminary view could lead to reporting entities recognizing the same items as assets under two different classifications: land and heritage. Properties / lands recognized and measured on the statement of financial position should already include the historical cost of the natural heritage areas and features on those properties. Unlike buildings, for example, natural heritage areas and features are not separate assets. Therefore, recognition of an additional asset under the heritage classification is not appropriate. It would result in double-counting.</p> <p>As it relates to the preliminary view, the historical cost of properties and lands likely include certain plants and organisms located on them. Even if there were certain natural heritage items that should be recognized as separate assets but are not currently recognizable as property / land under the current standards, it would be impracticable—using any measurement basis—to develop initial measurements for those natural heritage areas and features in isolation and without consideration to the plants and organisms occupying or visiting those areas and features. Would reporting entities value these items under the assumption that the areas and features were barren?</p>	Living heritage important and provides basis for value
12	B	<p>Partially agree</p> <ul style="list-style-type: none"> <li>Although it is considered that, because of the nature of these resources, it would not be feasible to determine a reliable monetary measure and therefore could distort the value of the assets with which a public entity supports its obligations, all conclude that they have exceptions in terms of organisms in danger of extinction, or green areas unique in the world, so making exclusions would be complicated.</li> <li>It is considered important not to exclude biodiversity resources from the definition of natural heritage, regardless of whether it is subsequently identified that they do not meet the criteria to be recognized or valued.</li> </ul>	Living heritage important
13	C	<p>The SRS-CSPCP is of the view that the distinction between natural heritage covering areas and features on one side and the plants and other living organisms living therein on the other side is difficult. Furthermore, the recognition of living organisms as heritage assets, on one side, and agricultural production (covered by IPSAS 27) on the other side, would leave a gap in between the two (e.g. animals and plants held for research, security or entertainment purposes. It therefore recommends not excluding plants and other living organisms from the scope of heritage assets, provided they are not used for agricultural production and that they satisfy the other criteria for being considered as heritage assets.</p> <p>The difficulties in valuing such assets are discussed by the SRS-CSPCP in the corresponding section (Specific Matters for Comment - Chapter 4.1 following paragraph 4.17). These remarks apply similarly also for forests (living organisms).</p>	Difficult to apply distinction
14	C	<p>In our opinion, it is not necessary to exclude living plants and organisms out of the natural heritage. As a matter of fact, there are many examples of governments which are responsible for landscapes, gardens, monuments in parks, historic world war cemeteries, rivers, historic caves, protected forests, etc., including the organisms inhabiting such environments.</p> <p>It remains unclear why the Consultation Paper suggests the exclusion of living plants and organisms that occupy heritage areas. There appears to be no conceptual reason for this exclusion above all because, as heritage items, they do not need to be measured. Thus, even if these living plants and organisms do not remain stable in the natural heritage, this is just part of the life-cycle and does not</p>	Living heritage important

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.2	STAFF COMMENTS
		affect permanently the relevance of the item.	
15	D	No Specific Comments	
16	A	We agree that living plants and organisms should be excluded from natural heritage for the reasons identified in the CP.	
17	B	4. With regard to paragraph 2.12, we could imagine cases where plants and animal species, as well as ecosystems may be preserved for future generations, and this may fall within the heritage asset definition. However, we could understand that there may be practical reasons for excluding these assets, given the difficulty for example in counting them and measuring their value.	Living heritage meets definition
18	C	CAMD disagrees with the preliminary view. Firstly, from the perspective of natural heritage areas, there are many sites heritage listed based on the presence of individual living species. An iconic example is Sequoia National Park, because of the presence of <i>Sequoiadendron giganteum</i> . Hypothetically, this would result in IPSASB recognising a national park as requiring valuation, but not being able to provide a value because the preliminary view excludes the asset for which the park is being valued. Similar examples include migratory bird areas etc. Secondly, the definition would exclude the inclusion of important scientific locations such as botanical gardens, again, where the principal asset comprises living species. CAMD also considers that the definition needs to explicitly exclude scientific specimens. Although the definition refers to living individuals, all scientific collections comprise large numbers of preserved, and in some cases, living specimens (as in seed banks, botanical and zoological gardens etc) and this could be the basis for confusion.	Living heritage important and provides basis for value
19	C	<p>No – it would be incorrect adopt the treatment of excluding “living plants and organisms”.</p> <p>There are numerous sites to which heritage value and significance is assigned purely on the basis of the living plants and organisms that inhabit that area. Such examples (non-exhaustive listing) within South Africa are:</p> <ul style="list-style-type: none"> <li>• The Blue Swallow Sanctuary located in the Umkomazi Gorge within the Highover Nature Reserve, Hela Hela, KwaZulu-Natal;</li> <li>• The Cape Floristic Region is recognised by UNESCO as a World Heritage Site for its rich and diverse flora as well as levels of endemism; and</li> <li>• The Raffia Palms located in Mtunzini, KwaZulu-Natal.</li> </ul> <p>While these represent but three (3) examples, there are numerous such sites within South Africa itself, let alone the world, where heritage significance it attached to the site purely on the basis of the presence of such biodiversity on that land. Had it not been for the presence of the biodiversity on this land, it would not be considered a heritage site and would consequently be reflected in accordance with the normal treatment of property, plant and equipment (GRAP 17).</p>	Living heritage important and provides basis for value
20	C	<p>We understand the IPSASB’s concerns behind its PV that living plants and organisms should be excluded due to their transitory nature, but believe that the IPSASB will need to revisit this PV. Whatever the IPSASB decides in this regard, we suggest the IPSASB provide specific guidance to explain its decisions on this issue.</p> <p>Whilst animals may not remain in one place permanently and any stock of animals and plants is naturally subject to change over time, a heritage site is often not entirely separable from the living plants and organisms that generally inhabit that site. Specifically, a forest or national park etc. includes the trees and vegetation (present and in future to the extent that, in the absence of deliberate human destruction, forests are generally expected to repopulate themselves over time). Indeed, in some cases wildlife or flora and fauna may be the “real” heritage characteristic that attracts paying visitors to a location, in whose absence the ability of that site to generate economic benefits would vanish or be severely impaired. We suggest that provided the reporting entity fulfils the criterion of control individual organisms might be regarded as a moveable asset, similarly to many other moveable assets. For example, the</p>	Living heritage important and provides basis for value

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 2.2</b>	<b>STAFF COMMENTS</b>
		<p>removal or significant modification of stones would significantly impact the heritage status of a site such as Stonehenge; the removal of wildlife may have a similar impact in other cases. We believe the IPSASB will need to consider whether guidance may be needed on such issues, amongst other things in regard to the application of a measurement approach based on cash-generating potential. Similarly an entity may have a preservation responsibility in relation to a particular species, which at the reporting date will be towards individual animals. This could give rise to day-to-day non exchange expenditure or heritage preservation or alternatively it might be of a capital nature and thus more appropriately capitalized as heritage. On this basis, we believe that in certain cases living organisms associated with a heritage site may exhibit the characteristics of a heritage item as in Preliminary View—Chapter 2.1.</p>	
21	B	<p>We broadly agree with the views of the IPSASB to exclude living plants and organisms from the scope of this Consultation Paper. However, it needs to be clarified that under which IPSAS, the same would be dealt with.</p> <p>It is important because there can be heritage living plants/trees that are being preserved by an entity for generations. For example, in India the “Bodhi tree” situated in Bihar State is considered as a sacred tree and being preserved due to its significant religious history since Gautama, the Buddha, is said to have attained enlightenment under that tree.</p> <p>Another example could be a tree named as “Parijaat” tree which is considered to be a symbol of divinity and sacredness. This tree is also being preserved from generation to generation in a state (Uttar Pradesh) in India due to religious history attached to it. It is one of its kind tree that is enshrined in the Hindu mythology.</p>	Natural living heritage meets definition
22	C	<p>We disagree with the IPSASB's Preliminary View.</p> <p>It is inappropriate to completely exclude living plants and organisms from heritage items, as stated in this chapter. This should be determined according to the requirements of assets, as indicated in Chapter 3. In this case, living organisms that cross the border may be subjected to maintenance when they should not be recognized as heritage assets, because an entity cannot control them. According to our viewpoint, some countries are more likely to book similar natural heritage assets than others. However, it is not reasonable to exclude recognizable assets intentionally. We believe that when the recognition criteria for the assets of Chapter 3 are not met, then they should be excluded on these grounds.</p> <p>According to the above idea, entities are obliged to maintain, for instance, the whole species, depending on the aspects of living organisms. If they are under the control of entities and are capable of generating economic benefits or service potential, they may be recognized as assets since the recognition criteria of assets in the following chapters are met.</p> <p>As indicated in paragraph 2.12, individual living plants and organisms alone cannot be preserved for present and future generations, and do not meet the definition of heritage items. On the other hand, scenery and ecosystems consisted of the population of each individual may be preserved for present and future generations. Therefore, we think that they are likely to be classified as heritage items.</p> <p>In this case, instead of accounting for each item individually, each group may instead be accounted for as one unit. We would like you to check if this preliminary view prevents heritage item from being treated as complete units, such as scenery and ecosystems.</p>	Natural living heritage meets definition
23	A	<p>CIPFA agrees with the IPSASB's Preliminary View.</p> <p>We recognise that living organisms can be heritage items in the wider sense used by bodies such as UNESCO. However, we agree with the more narrowly focused approach IPSASB has taken to the designation of natural heritage for the purposes of this CP.</p>	
24	C	<p>PSASB does not agree that natural heritage covers areas and features, but excludes living plants and organisms that occupy or visit those areas and features. Some items of natural heritage acquire their significance from the living organisms within them for example, a national park or a marine park that has rare types of fish. If the animals within a park were to cease to exist/die, the</p>	Living heritage provides

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 2.2</b>	<b>STAFF COMMENTS</b>
		<p>national park would no longer be considered heritage. This is the same case for rare fishes in a marine park. It is therefore not possible to separate living organisms from some items of natural heritage. Other examples within our jurisdiction include the Kaya Forests that are considered sacred and the 'Mugumo' tree. The Mugumo tree is considered sacred by the Kikuyu community in Kenya and is known to exist for over 100 years. This tree is considered to have heritage significance in Kenya. Although it may not be possible to preserve the living organisms and plants for present and future generations, it is possible to conserve the environment to ensure that the species do not become extinct. PSASB opines that the definition of heritage items should be extended to cover these plants and living organisms as heritage items.</p>	<p>basis for value, and cannot separate.</p>
25	A	<p>We agree that natural heritage includes areas and features, but excludes living plants and organisms that occupy or visit those areas and features, as they cannot be held indefinitely or preserved for the benefit of present and future generations.</p>	
26	C	<p>No. To the extent that natural heritage covers areas and features, these areas and features may well be indistinguishable from the living organisms that created, occupy or frequent them (i.e. the Great Barrier Reef is described as the largest living organism in the world). UNESCO defines an extensive range of natural areas which reflect the total ecosystem which exists in those regions. To consider these areas as heritage in the absence of the ecosystems may well remove the heritage significance. Whether such assets can be reliably measured raises additional issues.</p>	<p>Living heritage indistin - guishable from land</p>
27	C	<p>The NZASB agrees that natural heritage covers areas and features.</p> <p>However, we do not necessarily agree that natural heritage should specifically exclude living plants and organisms from the scope of heritage items. It is difficult to come to a definitive conclusion without understanding:</p> <ul style="list-style-type: none"> <li>(a) the implications of including or excluding particular items; and</li> <li>(b) the unit of account to be applied (i.e. the species or the individual plant/organism).</li> </ul> <p>Living plants and organisms could, in some instances, be recognised as heritage assets when they meet the recognition criteria in the Conceptual Framework. For example, in New Zealand endangered species are often held in protected areas (within natural heritage sites) and are individually tagged. For these individual protected animals, there may be instances where control can be demonstrated and the recognition criteria satisfied. The kiwi, a native bird, and the tuatara, a native three-eyed lizard, are considered to be heritage animals in New Zealand.</p> <p>Another example provided during outreach events was the native Kauri trees in New Zealand. The Kauri trees are, in some cases, thousands of years old which would fulfil the "longevity criteria". The Kauris are both rare and significant to New Zealanders, and particularly the Māori people, but are excluded from the description of natural heritage used within the CP.</p> <p>Historical items of this nature could, under specific circumstances, meet the current requirements for recognition as property, plant and equipment.</p> <p>We consider that in many instances living plant and organisms will not meet the asset recognition criteria in the Conceptual Framework. However, this should not necessarily preclude them from the scope of heritage items for disclosure purposes. The inclusion of living plants and organisms within the scope of heritage items will encourage entities to acknowledge the significance and importance of these heritage items in their financial statements through disclosures, when not recognised as assets. Information about unrecognised heritage assets, for which an entity has custodian and preservation obligations, would be useful in the financial statements or in the service performance information.</p>	<p>Living heritage meets definition and can be assets</p> <p>Should not exclude for disclosure purposes, even when not recognized</p>
28	A	<p>We support the view that natural heritage covers areas and features, and excludes living plants and organisms as they cannot be held indefinitely and preserved for present and future generations.</p>	<p>Living heritage</p>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.2	STAFF COMMENTS
		In certain instances the living plants and organisms contribute towards the heritage value of an area or feature. Therefore, guidance is needed to explain that, even though living plants and organisms do not meet the definition of heritage, they may contribute to the significance of an area or feature that result in classification as natural heritage. For example, the Great Barrier Reef in Australia received world heritage status for its outstanding universal value. The guidance should also provide clarification on how, if at all, the living plants and organisms on the area or feature impact the measurement of the natural heritage.	provides basis for value, guidance needed
29	A	Natural heritage for the purpose of the CP covers areas and features, but excludes living plants and organisms that occupy or visits those areas and features. We understand this to mean that areas preserved for their importance regarding, for example endangered/rare species are not included in the definition of heritage.	Unclear
30	C	No, we don't agree because of the following considerations: <ul style="list-style-type: none"> <li>The definition of natural heritage seems too comprehensive including natural features and areas like mountains, lakes, rivers etc. To us it seems very subjective which areas are natural heritage and which aren't. Additionally, to us it seems rather difficult to draw a line between an ensemble and individual parts of features and areas.</li> <li>What about certain plants (or organisms) that may be of cultural importance as a species like "Edelweiss" or the Kiwi bird?</li> <li>From an accounting perspective what would happen if UNESCO withdraws cultural heritage from a City like Vienna?</li> </ul>	Difficult to distinguish Living items are heritage
31	A	Yes, we agree.	
32	A	15. We agree with the PV above but IPSASB may wish to look again at the agriculture standard, which may include within its scope living plants and organisms that could also meet the definition of heritage assets, to consider whether such assets are or should be within scope.	Consider agriculture & heritage
33	C	<p>The paper mentions the following reason why plants and living organisms are excluded <i>"Plants and living organisms cannot be held indefinitely and preserved for present and future generations"</i>.</p> <p>If useful life is the only reason why plants and living organism should be excluded, we have reservations. The focus should be on the benefit it provides to the general public rather than its tangible useful life. Plants or other living organisms may not live forever. However, they may provide educational experience to the present generation, and academic and scientific research conducted on them will provide benefits to future generations. We understand that valuing these plants and living organisms maybe difficult. However, if they are a part of a heritage item, and an entity is responsible for managing these, the entity should be accountable for it. In future, plants may have a value due to their ability to offset carbon emissions and an entity may not be able to sell those plants but they will provide value to present and future generations.</p> <p>For example, the Central Amazon Conservation Complex is a heritage site that is over 6 million hectares and is one of the planet's richest regions in terms of biodiversity. It also includes an important sample of varzea ecosystems, igapó forests, lakes and channels which take the form of a constantly evolving aquatic mosaic. Considering living organisms and plants are an important part of this complex, how will an entity that is accountable to maintain this site, account for this complex? Does the entity have to separate living plants and organisms from the area to account for the complex?</p> <p>Further, we wonder if the IPSASB should look at natural heritage as a way of beginning to incorporate natural capital into financial statements and other financial reporting in the public sector. If natural heritage is considered to be a subset of natural capital, then the Board will want to ensure that the principles for financial reporting of heritage will also be appropriate for other types of natural capital in order to ensure internal consistency within IPSAS.</p>	<p>Living heritage meets definition</p> <p>Living heritage important</p> <p>Natural capital should be incorporated into reporting</p>



R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 2.2	STAFF COMMENTS
34	C	<p>Accountancy Europe has difficulties with the preliminary scope of natural heritage, i.e. the exclusion of the living plants and organisms from the scope.</p> <p>We believe it would be challenging, in certain cases, to distinguish living plants and organisms from the areas and features they occupy. The combination, including living plants and organisms, would probably constitute the most appropriate ‘unit of accounting’ in those situations (e.g. buying a wood would include the trees). On the other hand, based on facts and circumstances, there could also be cases where living plants and organisms can be distinguished from the related areas and features, and as such be accounted for separately from a financial reporting perspective.</p> <p>Additionally, we think that in some cases the combination of areas and features with their unique living plants and organisms result in the specific heritage characteristics (e.g. imagine the Serengeti in Tanzania without the distinctive wildlife).</p> <p>We understand that the recognition and measurement of living plants and organisms might be challenging and would consequently necessitate both a pragmatic ‘recognition and measurement’ approach, and detailed implementation guidance.</p> <p>Accountancy Europe also does not encourage the use of other reporting channels (e.g. heritage preservation reporting, etc.) outside the financial statements to account for heritage assets. We believe that a patchwork of reporting is not conducive in the light of enhanced accountability and transparency.</p>	<p>Difficult to distinguish between living and areas/features</p> <p>Living heritage important and provides basis for value</p>
35	C	<p>ACAG believes that living plants and organisms that inhabit natural heritage areas are integral to the ecosystem that supports the natural heritage area and without which the area may not sustain itself in its form and with its unique features.</p> <p>As an example, the Great Barrier Reef may be excluded because it is composed of living organisms, which are integral to its heritage and community value.</p> <p>By contrast, some living organisms, such as those held in seed banks, are intended to be preserved indefinitely. These may warrant inclusion as agricultural heritage assets.</p> <p>Caution needs also to be exercised for natural areas such as rainforests that may contain rare or endangered living plants and animal species that are not located elsewhere. Due to their rarity and specific location, the value attached to the rainforest may need to take into account these living plants and animal species.</p>	<p>Living heritage provides basis for value and meets definition</p>
36	C	<p>Considering that the purposes of this CP relate to the inclusion of Heritage assets in financial reporting, although from a classification point of view it is fair to include in the Natural Heritage, that is a part of the Heritage, also the living plants and organisms.</p> <p>Anyway, given the difficulty in identifying appropriate measurement criteria of natural assets suitable for such purposes, we consider it necessary to carry out further in-depth analyses as concerns their inclusion in financial reports.</p>	<p>Need in-depth analysis for natural assets</p>
37	A	<p>We agree with the IPSASB’s Preliminary View. However, the IPSASB should consider the effect of the absence of the living plants and organisms on the valuation of natural heritage.</p>	<p>Consider valuation impact</p>
38	C	<p>ANAN agrees with the Board's preliminary view in Chapter 2.2 and with the UNESCO convention of including natural plants and organisms because of its common nature in PAN Africa. There are some living plants that has serious historical significant to their natural habitats such that their significance to people there cannot be discarded. <i>(Staff concluded that overall indicated “disagree”).</i></p>	<p>See staff note.</p>
39	A	<p>The Task Force agrees with the preliminary view regarding the exclusion of living plants and organisms from natural heritage <u>to be used for financial reporting purposes</u>.</p>	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 2.2</b>	<b>STAFF</b> <b>COMMENTS</b>
40	C	<p>HoTARAC does not agree, as the definition is ambiguous and difficult to apply in practice.</p> <p>For example, a coral reef is a living organism, but there is no reason why it cannot be indefinitely preserved. It is also an area/feature. HoTARAC suggests that the IPSASB focus on whether natural heritage meets the definition of an asset and is measurable, rather than attempting to redefine what constitutes natural heritage.</p> <p>Additionally, from the perspective of natural heritage areas, there are many sites that are heritage listed based on the presence of individual living species. This could result in IPSASB recognising a national park as requiring valuation, but not being able to provide a value because the preliminary view excludes the asset for which the park is being valued.</p> <p>Examples include migratory bird areas. The definition would also exclude the inclusion of important scientific locations such as botanical gardens whose principal asset comprises living species.</p> <p>HoTARAC also recommends that the definition explicitly exclude scientific specimens. Although the definition refers to living individuals, all scientific collections comprise large numbers of preserved, and in some cases, living specimens (as in seed banks, botanical and zoological gardens etc) and this could be confusing.</p>	<p>Living heritage may meet definition.</p> <p>Living heritage provides basis for value</p>

**Preliminary View–Chapter 3**

The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY	RESPONDENTS	TOTAL
<b>A – AGREE</b>	01, 02, 04, 05, 06, 07, 09, 10, 12, 13, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 36, 37, 38	32
<b>B – PARTIAL AGREEMENT</b>	03, 11, 16, 40	4
<b>C – DISAGREE</b>	14, 35, 39	3
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>39</b>
<b>D – DID NOT COMMENT</b>	08	1
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 3	STAFF COMMENTS
01	A	We agree. However, since it can be seen that collecting admission fee or renting out office space only meet the ancillary purposes of holding and preserving heritage items, additional cases which realize the main purposes need to be considered.	Note issue.
02	A	<p>The CNoCP agrees with the proposed preliminary view.</p> <p>However, while we agree with the proposal to rely on a description of heritage items to scope in such items and on the conceptual definition of assets for recognition purposes, we would like to share our experience in France<sup>10</sup>: adding the use of a list of outstanding items established by national regulation to the “recognition of assets” approach. In other words, we would favour a dual approach that would mix reliance upon a description and a conceptual definition on the one hand, and the use of a set list of outstanding items enshrined in national regulation on the other hand.</p> <p>From a practical standpoint, such an approach actually prevents from too wide recognition of such assets as it ensures that the cost/benefit constraint is well taken into account. As such, heritage items are shown on the statement of financial position with the assurance that their recognition is relevant to the public interest.</p> <p>Additionally, from our specific experience in our jurisdiction, lists developed in accordance with national regulation are based on very thorough expertise and up-to-date information (i.e. lists are actually being developed using the other sources mentioned in paragraph 2.9). Heritage items that would not be listed would be deemed to not meet users’ needs for information. In that line of</p>	<p>Note issue.</p> <p>Listing.</p>

<sup>10</sup> See Standard 17 *Heritage Assets* for the French Central Government.

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 3	STAFF COMMENTS
		<p>thoughts, we think that it is not to the standard-setter to call into question the quality of the lists.</p> <p>Lastly, we wish to seize that opportunity to welcome the analysis in paragraph 3.8. The assertions that such items as knowledge-in-action “cannot be controlled by a single entity” and that they’re “owned” by a whole community” resonate well with us. This is because they relate to our analysis of those rights and obligations that are those of the sovereign power (in other words of the Nation) rather than those attributed to a public sector entity. Public sector entities are usually designed by law or regulation to manage or regulate solely the consequences that derive from those rights and obligations on an annual basis.</p> <p>Because we understand the need for users to get information on those rights and obligations that cannot be reflected in the financial statements of the public sector entities that manage them on a day-to-day basis, we believe that it could be relevant for the Board to reflect on the nature, location and scope of such information. We are fully aware that this goes beyond the Heritage project, but we would like to bring it to the Board's attention as we believe this is the next big challenge that financial public sector information will face.</p>	Lack of control over knowledge – in - action
03	B	We agree with this Preliminary View except that we would expect that this will be shown as a separate line item from all other categories of assets so that the purpose of presenting heritage assets will be achieved. We would rather consider them as special category of fixed assets with a greater focus on disclosure rather than capturing their values and consequent depreciation.	Have line item
04	A	We agree with this IPSASB's Preliminary View.	
05	A	<p>We agree with the IPSASB's preliminary view. Heritage items may be considered as assets for the purposes of financial reporting if they have service potential or an ability to generate economic benefits.</p> <p>We are also aware that, from the cultural perspective of Māori, ownership cannot be easily defined. It is often more akin to a custodial relationship, and from this view point some entities may have heritage assets they hold “in trust” on a long term basis.</p> <p>We note that paragraph 3.3(b) of the CP implies that such assets would likely meet the definition of an asset. We encourage the IPSASB to make it explicit in the drafting of any standard by extending paragraph 3.9(a) to read “purchase or on long term/indefinite lend from an external party.” This would ensure consistent interpretation of the ‘past event for present control’ aspect in the definition of an asset.</p>	Expand to include long term loan (past event)
06	A	We agree with the Preliminary View, including the statement that some intangible cultural heritage activities will not meet the definition of an asset as laid out by the IPSAS framework.	Some intangible - not
07	A	We agree with IPSASB's preliminary view that the special characteristics of heritage items do not prevent them from being considered assets for the purposes of financial reporting. We also agree with the view that intangible cultural heritage cannot be controlled by an entity and therefore does not meet the definition of an asset.	Intangible – not
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	A	Yes – but see our comments on the benefits and format of such inclusion	

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 3	STAFF COMMENTS
11	B	<p>I concur with the notion that some items that meet the definition of a heritage item may also be recognizable as assets; however, the Board's preliminary view statement is not entirely clear. The Board should clarify its view and address the following areas:</p> <ul style="list-style-type: none"> <li>• The preliminary view statement should better align with the views expressed in paragraph 3.8. The Board should explicitly scope out intangible cultural heritage items. Additionally, for reasons noted in my response above, the Board should preclude natural areas and features from being classified as heritage assets since they are already measured on the statements of financial position at the historical cost (if any) of the properties / lands that they permanently occupy.</li> <li>• Paragraph 1.8 and the view expressed here seem disintegrated and inconsistent. Going forward, the Board should clarify or amend its preliminary view as follows:</li> </ul> <p>"Although the special characteristics of heritage items do not of themselves prevent such items from being recognized as assets for purposes of financial reporting, other considerations alluded to in paragraph 1.8—along with resource constraints, materiality, relevance, reliability, measurability, and definitional issues (i.e., control and service potential)—can preclude heritage items from being recognizable as assets."</p> <p>Also, in paragraph 3.5 the Board may wish to include restricted and non-restricted contributions from donors and other reporting entities.</p>	<p>Exclude intangible cultural items and natural areas and features, which are property not heritage</p> <p>Check issue.</p>
12	A	<p>Mostly in agreement</p> <ul style="list-style-type: none"> <li>• However, they mention that it is important to take into account that although this statement is true, this condition does not always apply to this type of property, so it is necessary to define the scope and criteria that will allow its reclassification and recognition within the financial information.</li> <li>• These assets must be reasonably measured to meet the qualitative characteristics and consider the constraints of the financial information.</li> </ul>	
13	A	The SRS-CSPCP agrees with this statement.	
14	C	<p>No, see also response to Q1; the accounting treatment is not determined by characteristics of the heritage items themselves, but depends on the government's decision in line with certain legislation or regulations, namely whether or not preserving certain heritage items for the benefit of present and future generations and assigning them as heritage. Using the term 'assets' for heritage items is misleading as they have nothing to do with the financial performance and financial position of a government because they are like 'family heirlooms' - they are the inheritance of a community over generations.</p> <p>The following example might clarify this reasoning. A statue belonging to a government (e.g. a monument with the names of the casualties of a war) and preserved by the government for future generations without any economic objective in terms of revenues has a societal/cultural status and is not an asset. On the other hand, a statue of a former hero belonging to a trader in antiques is an economic/business good and is an asset (i.e. inventory) for the owner.</p> <p>The fact that heritage items cannot be assets, does not prevent them from being reported off-balance sheet. In fact, heritage items do require comprehensive and transparent reporting either in the notes to the financial statements or in a separate report. A government can document its heritage items in a separate report showing preservation and maintenance costs and efforts.</p>	<p>Depends on government decision</p> <p>Not assets but heirlooms</p> <p>May still report off balance sheet</p>
15	A	No Specific Comments ( <i>Staff note: General comments include agreement that heritage items can be assets.</i> )	See note
16	B	Overall, we agree with the view that, in many cases, heritage items meet the definition of an asset. However, we believe that individual heritage items or collections of heritage items held by an entity should be analysed against the definition of an asset so as	Need individual

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 3</b>	<b>STAFF COMMENTS</b>
		to indicate that the service potential or future economic benefits embodied in the item are controlled by the entity, and that the entity has the ability to obtain the service potential, given any restrictions on the use, sale or transfer of the items. Given the unique nature of heritage assets, we do not believe that a blanket principle is appropriate.	analysis
17	A	<p>5. We broadly agree with the preliminary view on the topic that special characteristics of heritage assets do not prevent them from being considered as assets for the purposes of financial reporting (following paragraph 3.11). Some exceptions could be considered when it's not possible to assign a relevant and verifiable monetary value; or if the cost of recording the assets exceed the benefits.</p> <p>6. In addition, their unique intangible characteristics and contribution to cultural/natural preservation could prevent measurement in a way that captures their value in a sufficiently relevant, verifiable and consistent manner to allow for reliable comparability across financial statement issuers.</p> <p>7 Further information could be provided on the concept of control and the impossibility of an entity to dispose heritage assets without consent. Also, we suggest expanding the explanation of service potential as a distinctive characteristic of heritage assets as public goods.</p>	<p>May not be able to capture value</p> <p>Guidance needed on control</p>
18	A	<p>CAMD agrees with the preliminary view, however CAMD has major reservations about the inability of accounting and auditing bodies to agree on a single cost effective methodology for collections that may number in the tens of millions of objects. While most New Zealand members of CAMD do not value collections, the Australian members of CAMD have experience from the past twenty years of a wide variety of proposed valuation methodologies, all of which have been cost-prohibitive and disruptive to implement. Any valuation methodology needs to factor in the unique character of Museum collections. The intent of collections is to remove items of scientific and/or cultural significance from general circulation and place them in secure and curated environments for future generations. The dedication of collection objects to future generations is of fundamental importance in understanding the inherent difficulty in valuation of collection objects. This difficulty is amply demonstrated by the collective CAMD experience of the inability of either valuers or audit officials to develop a single repeatable methodology towards even individual items in successive audits. Individual objects are routinely assessed as being "priceless" (without market value) in one assessment and then as having a market value in the next assessment. While there is common acceptance that scientific specimens can be valued at "replacement value", there is no consistency on what this reasonably comprises. A key concern with valuation of collections is that valuation can lead to motivation to seek financial gain which is at odds with the purpose of making public collections. As valuation is a requirement of most jurisdictions in Australia, CAMD is currently developing a national framework on valuation of collections to use as a reference point. CAMD's view is that the special characteristics of heritage objects <u>do</u> prevent them from being considered as assets for the purposes of financial reporting, but that those assets <u>do</u> need special consideration. <i>(Staff treated first sentence (agree) as clearest position.)</i></p>	Note concerns re. ability to value, cost and use of information
19	A	Agreed – with separate classification as "heritage assets" to ensure the distinction from normal items of PPE	Separate class
20	A	<p>We agree with the IPSASB that the special characteristics of heritage items do not prevent them being recognized as assets for financial reporting purposes. In our view, heritage items will have service potential, such that even if the service deliverable is not tangible in nature and does not generate net cash inflows the definition of a resource is met in line with paragraph 5.8 of the Conceptual Framework.</p> <p>An issue may also arise as to the timing of recognition of such assets as heritage items. For example, a building originally built as a town hall may only come to be viewed as heritage over time, although it may well continue in its original use as office accommodation. In other cases the construction of an iconic building may be regarded as heritage from the start. We have also noted</p>	Timing of recognition as heritage

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 3</b>	<b>STAFF COMMENTS</b>
		<p>the propensity for changes over time in general perceptions as to what shall be considered as heritage in our response to Specific Matters for Comment—Chapter 1, since what may be considered as heritage today will not necessarily be regarded as such far into the future. Clarification as to how a change in an asset's classification from non-heritage to heritage might impact financial reporting decisions on presentation and disclosure may be helpful.</p> <p>We agree with the IPSASB's conclusion in paragraph 3.8 that intangible cultural heritage items (knowledge in action) will not generally satisfy the criteria of "control" for recognition as an asset.</p> <p>We acknowledge that the determination of control in regard to a heritage asset in line with the IPSASB's Conceptual Framework may be challenging in some cases. For example, the use of a particular heritage asset may be strictly limited or precluded e.g., when governed by statute, such that the public sector entity may be unable to derive any tangible service potential in achieving its service delivery objectives. In such cases any benefit associated with the heritage item would need to relate to either the achievement of that entity's service delivery or its "other" objectives (ref. paragraph 5.11 of the IPSASB's Conceptual Framework) for it to fulfil this criterion for recognition as an asset. For example, intangible service delivery could result from both "holding heritage items indefinitely in a custodial capacity" and "preserving heritage items to benefit the whole community", which are identified as possible objectives in paragraph 3.3 of the Consultation Paper. We believe that it could reasonably be argued that in such cases the particular public sector entity's "control" of the item for this purpose is implicit even when not explicit. In our view, heritage-specific guidance in this area would be useful.</p>	<p>Knowledge in action not an asset</p> <p>Guidance on control needed</p>
21	A	<p>Yes, we agree that the special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.</p>	
22	A	<p>We agree with the IPSASB's Preliminary View that the special characteristics of heritage items, per se, do not prevent them from being considered as assets for the purposes of financial reporting.</p> <p>However, we presume that some assets may not meet the definition of assets in the Conceptual Framework, even when they meet explanation of heritage items in Chapter 2. We recommend the IPSASB to examine the concept of control and service potential carefully.</p> <p>For instance, the CP states that preservers holding of heritage items indefinitely are cited as an example of service potential. We suggest that the idea of whether such a case has service potential should be discussed more carefully.</p> <p>We also believe that the IPSASB should consider whether entities can control some natural assets.</p> <p>For instance, the Yaku Cedar that grows in the World Heritage Site in Yakushima Island are living plants that are difficult to move. The possibility of plants meeting control requirements should be discussed separately from that of animals.</p> <p>We assume that knowledge-in-action is generally conceived of as uncontrollable. In some cases, however, there could be knowledge-in-action that is controllable. For example, traditional Japanese ceremonial court music that has been handed down through the ages as a government ceremony can be considered as such. In that case, instead of excluding it completely, as per paragraph 3.8, individual cases should be examined to see the definition of assets are met. Therefore, we would like you to verify again if controllable knowledge-in-action does not exist, depending on the conditions of each country.</p>	<p>Consider control</p> <p>Issue re. control over natural assets</p> <p>Knowledge in action not controlled, but could have exceptions</p>
23	A	<p>CIPFA agrees with the IPSASB's Preliminary View.</p>	
24	A	<p>We agree that the special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting. PSASB considers control to be the most difficult attribute to assess while considering whether a heritage item is an asset. However, section 3.7 of the Consultation Paper outlines criteria for determining control that goes beyond legal ownership.</p>	<p>Control difficult; what if several</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 3</b>	<b>STAFF</b> <b>COMMENTS</b>
		The Paper should be extended however to cover assets that may be controlled by more than one entity and offer guidance on how control should be identified. For example, a natural asset that cuts across two or more jurisdictions and all jurisdictions are involved in preservation of the item and therefore have control for example parks, lakes, mountains etc.	entities involved
25	A	We agree that the special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.	
26	A	With reference to the foregoing, we agree.	
27	A	<p>We agree that the special characteristics of heritage items do not prevent them from being considered as assets for financial reporting purposes.</p> <p>The New Zealand PBE Standards, PBE IPSAS 17 and PBE IPSAS 31, require recognition and measurement of heritage assets. The requirements in PBE IPSAS 17 and PBE IPSAS 31 differ from the IPSASB's current requirements in IPSAS 17 and IPSAS 31.</p> <p>For many years NZ GAAP has required that entities recognise and measure heritage assets in the same way as other items of property, plant and equipment when the asset recognition criteria are met.</p> <p>The NZASB notes that there are instances where heritage assets are not able to be reliably measured and therefore are not recognised in the statement of financial position. Although non-recognition of heritage assets in such circumstances is appropriate, heritage assets should be recognised when they can be reliably measured.</p>	Issue is measure - ment rather than asset existence
28	A	<p>We support the view that the special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.</p> <p>However, paragraph 3.8 concluded that, even though knowledge-in-action falls within the description of a heritage item, it cannot be controlled by a single entity. The preliminary view, however, does not acknowledge that some types of heritage cannot be controlled by an entity. It is therefore unclear from the Consultation Paper how knowledge-in-action will be addressed in a future definition and/or guidance.</p>	Note issue re "knowledge in action"
29	A	The special characteristics do not prevent them from being considered as assets for the purposes of financial reporting, when they meet the criteria of being assets if they are a result of past events and future economic benefits or service potential are expected to flow to the entity.	
30	A	Yes, we agree.	
31	A	Yes, we agree.	
32	A	<p>16. We agree with the PV. In many cases, the real value of heritage items is the knowledge and culture that they will impart, and such 'units of public benefit' do not fit the monetary framework of the balance sheet. Nevertheless, we believe that heritage items should, in most cases, be accounted for as assets, as they would meet the definition set in the conceptual framework. We agree with the CP (paragraph 3.2) that heritage items will be held more for their service potential than for economic benefits, although in many cases economic benefits may be derived from them, for example by charging the public for access.</p> <p>17. Service potential is the capacity to provide services that contribute to achieving the entity's objectives. We believe that a future standard on heritage assets should clearly spell out the accounting treatment for those assets that are used to support an entity's objectives which are not heritage-related, as described in paragraph 3.4 of the CP. Using service potential as a key determinant of a resource needs to be carefully considered when the service potential of the heritage asset appears not to support an entity's</p>	Real value not captured in monetary terms



R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 3	STAFF COMMENTS
		primary objective.	
33	A	We agree that special characteristics of heritage items do not prevent them from considered as assets for the purposes of financial reporting.	
34	A	Heritage items would indeed, in most cases, meet the definition of an asset as stipulated in the Conceptual Framework, i.e. it concerns a resource (item with service potential or ability to generate economic benefits) presently controlled by the entity as a result of a past event.	
35	C	<p>From a theoretical standpoint, ACAG sees some issues, which prevent heritage items from being considered as assets for financial reporting purposes. ACAG expects the element of 'control' to be difficult to satisfy, as entities may manage these assets in a stewardship/ custodial role rather than as owner.</p> <p>ACAG seeks clarification, via additional guidance, on whether the indicators of control contained in paragraph 5.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities could equally apply to custodians of heritage assets.</p> <p>ACAG also considers the inability to reliably measure the heritage item may preclude it from being recognised as an asset.</p> <p>From a practical perspective with reference to Chapter 2: Objectives and Users of General Purpose Financial Reporting of the Conceptual Framework, it may not necessarily be cost effective, or provide relevant and useful information for the financial reporting users. Another concern is the completeness of the financial information relating to heritage items.</p> <p>The scope of application may be difficult to apply with consistency; for example, where do you draw the line with the inclusion or exclusion of what is a heritage item? Is it based on monetary value, volume of assets, control of heritage asset, cultural significance, location or other considerations?</p>	<p>Control difficult to satisfy for heritage items</p> <p>How to distinguish – criteria?</p>
36	A	<p><b>TANGIBLE ASSETS</b></p> <p>We agree with the preliminary view by the IPSASB Board, "heritage items" can be considered as "heritage assets" (HA) in an accounting context.</p> <p>More generally, it is believed that such assets are worthy of autonomous assessment as:</p> <ul style="list-style-type: none"> <li>- they are or were the subject of a significant investment flow, i.e., of costs with a useful life deferred over time;</li> <li>- they are the source of further economic benefits (in a broad sense, that is also social, cultural etc.), i.e. which are incremental and measurable;</li> <li>- depending on the jurisdictions and the assets, they are transferable, including only potentially, through normative acts (release from public ownership), i.e. they can be transferred to third parties sometimes in conjunction with other, tangible or intangible, assets or as "collective" assets.</li> </ul> <p>According to the IPSAS Board, the heritage asset may be included in the entity's balance sheet if the entity possesses one or more of one of the features listed in paragraph 3.10: (a) Resources; (b) Presently controlled by an entity; (c) As a result of a past event. Perplexity is expressed concerning the expression "one or more" since all three features must be present, as private property may not be included in the public financial reports, even if subject to restrictions and constraints on use.</p> <p><b>INTANGIBLE ASSETS</b></p> <p>Further considerations are deemed necessary in relation to the possible inclusion of the "intangible" cultural heritage as defined by UNESCO (crafts, languages, performing arts, etc.) in the financial statements, given the extreme difficulty in establishing the exact limits of intangible cultural heritage and in reaching a monetary valuation. Moreover, given the way such intangible assets are</p>	Note issue re intangible heritage items

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 3</b>	<b>STAFF</b> <b>COMMENTS</b>
		defined, they have, compared with tangible assets, a different definition of the stock to be taken into consideration within the financial position (balance sheet). That is, in order to maintain the value of a tangible asset belonging to the cultural heritage, it is necessary to carry out maintenance to preserve its features, while in the case of such intangible assets there is an inherent difficulty in assessing what is stock and what should be done to preserve it, considering that it is actually on the basis of how they are defined that they may change evolving over time.	
37	A	We agree with the IPSASB's Preliminary View.	
38	A	ANAN agrees with the Board's preliminary view as enumerated in Chapter 3. In our opinion, the economic benefit generated from tourist so attracted by such unique heritage assets and the other various economic activities usually associated with tourism in general cannot be overemphasised.	Economic benefit
39	C	While the Task Force generally agrees that the special characteristics of heritage items should not prevent them from being considered as assets for purposes of financial reporting, the Task Force considers that Chapter 3 of the Consultation Paper (CP) does not explicitly address whether heritage items are assets. The CP refers to the definition of an asset in the Conceptual Framework (CF) which refers to the presence of a resource with economic benefits or service potential. The CF and the CP, however, failed to address items with no economic benefits or service potential which creates a conceptual gap. Inconsistent interpretations are likely to occur. The Task Force considers that in the absence of economic benefits or service potential, a heritage item is not an asset. Consequently it should not be recognized on the Statement of Financial Position and should only be disclosed in the notes. Indicators of economic benefits or service potential are (a) whether a heritage item is used in carrying out the objectives of the organization; or (b) whether in an event of loss or damage to the item, the organization would replace such item. Our organizations receive unsolicited gifts from Member States that meet the definition of heritage items but are not used in the achievement of our objectives as established by the General Assembly or other governing bodies.	Clarify when heritage items are not assets, since no SP or FEBs
40	B	HoTARAC agrees for man-made heritage items. HoTARAC questions whether natural heritage items can give rise to economic benefits or service potential that can be reliably measured.	Not natural heritage

**Specific Matter for Comment–Chapter 4.1**

Do you support initially recognizing heritage assets at a nominal cost of one currency unit where historical cost is zero, such as when a fully depreciated asset is categorized as a heritage asset then transferred to a museum at no consideration, or an entity obtains a natural heritage asset without consideration? If so, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED** (These are staff views and do not necessarily reflect the views of IPSASB Members.)

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
A – AGREE	02, 03, 04, 09, 16, 19, 21, 22, 24, 29, 38	11
B – PARTIAL AGREEMENT	12, 13, 31	3
C – DISAGREE	01, 05, 06, 07, 10, 11, 14, 17, 18, 20, 23, 25, 26, 27, 28, 30, 32, 33, 34, 35, 36, 37, 40	23
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>37</b>
D – DID NOT COMMENT	08, 15, 39	3
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Specific Matter for Comment–Chapter 4.1	STAFF COMMENTS
01	C	We disagree. In this case, because the monetary values as well as the symbolic values of heritage items are not reflected properly, it is likely that inappropriate information can be provided to users. Rather, provision of non-financial information in footnotes, etc. seems more appropriate.	Disclosures instead
02	A	<p>The CNoCP does support the use of a nominal cost of one currency unit for the initial measurement of very specific and remarkable heritage items. We would like to make clear though, that most heritage items in our jurisdiction are measured at cost or at market value whenever possible. Those very specific few items are initially measured at a symbolic value for instance upon establishing an opening balance sheet or upon discovery of very old artefacts (archaeological remains, caves, etc.) for which it would be irrelevant to try and assign a monetary value. As commented on earlier, this is also the reason why we believe that a specific standalone standard might be needed.</p> <p>For those heritage assets that are very old, owing to the incomparable nature of those assets (mainly properties), it is a fact that conventional valuation techniques lack reliability. For instance, because they are irreplaceable, measurement for those assets should not be based on replacement cost. In that, we agree with the last sentence of paragraph 4.21 “[...] <i>a replacement cost will not be available for some heritage assets, because they are irreplaceable</i>”. We would have appreciated that the specific case referred to in that sentence be addressed and fully explored separately, be it to assert that the only appropriate reporting solution is disclosures in the notes to the accounts.</p> <p>All the same, in our jurisdiction, those properties have great symbolic importance for the Nation on behalf of which they are</p>	<p>Note support, but limited to few items.</p> <p>Note reasoning.</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>maintained. This is the reason why the French Central Government standard 17 on heritage assets requires recognition of those assets rather than mere disclosures, even though they cannot be attributed a reliable value. Recognition is at one currency unit for lack of a better way to convey the heritage significance of those heritage assets.</p> <p>In addition, it is critical for completeness of inventory, internal control needs as well as asset recognition of subsequent expenditures to provide information on the existence of those assets for which assignment of a monetary value does not adequately reflect the heritage importance, in the form of one currency unit on the face of the statement of financial position.</p> <p>We would also argue, in our specific context, that information is of higher quality and better meets the needs of users if regrouped on the face of the statement of financial position, rather than scattered between the statement of financial position and the notes, only because some of those assets cannot be attributed a value. Because a list established in accordance with national regulation of heritage assets exists, internal consistency in the financial statements is better assured by regrouping, in one same statement, information deriving from such a list.</p> <p>Finally, the use of one currency unit prevents from adding to the total gross carrying amount of heritage assets and more globally to the amount of total assets.</p> <p>Because the CNoCP believes that the use of one currency unit might be useful in those specific heritage-related situations, the CNoCP decided to retain it in its own conceptual framework<sup>11</sup>. This decision also reflects the need to abide by the qualitative characteristic of “understandability” that prevails in those specific instances over other characteristics. From a practical standpoint, however, we are of the view that the information, be it provided through the notes or through recognition in the statement of financial position, is broadly of the same quality and usefulness to users.</p>	
03	A	<ul style="list-style-type: none"> <li>➤ We generally agree with the approach of initially recognising heritage assets at a nominal cost of one currency unit.</li> <li>➤ We further think that, heritage assets should subsequently be carried at the value of one currency unit throughout the useful life of these assets. In this case, the financial statements of the entity that holds the heritage asset is not affected in any way either positively or negatively by changes in value of the heritage assets.</li> <li>➤ Where we allow subsequent valuation, we hold the view that with time, heritage assets will lose the peculiar significance and become ordinary assets.</li> <li>➤ Where the IPSASB however concludes that it is best to allow subsequent assignment of monetary amounts to heritage assets, we believe this option should be available from the stage of initial recognition. In this case, then Chapter 4.1 (paragraph 4.17) should give option to enable the initial recognition of heritage assets at an amount other than one currency unit when the monetary values can be reliably estimated.</li> </ul>	Applies to initial and later valuation
04	A	<p>The DGFIP supports this approach. Indeed to recognise these fully depreciated assets in the balance sheet, at nominal cost of one currency unit provides useful and relevant information for users of financial statements. Moreover, this approach enables to recognise subsequent capital expenditure of underlying assets.</p> <p>More generally, balance sheet recording seems to be the better way to ensure a detailed and closer tracking of those assets that could be also disclosed in the notes, when needed.</p> <p>We believe that another monetary value would not be appropriate, as nominal cost of one currency broadly corresponds to the carrying amount of those fully amortized assets (net carrying amount).</p>	Note link to historical cost, yet need to capitalize subsequent expenditure

<sup>11</sup> See paragraph [176] of the Conceptual Framework for public accounts.

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
05	C	<p>We do not support recognising heritage assets at a nominal cost. The objective of financial reporting in the public sector is to provide information about an entity that is useful to users for accountability and decision making purposes. In terms of heritage items, assignment of nominal values does not convey the significance of heritage assets or their future claims on public resources. Culturally, this approach may also be seen as insensitive as some of these heritage assets may have a high sentimental value. Users would likely benefit more from disclosure of non-financial information about such heritage items where they cannot be measured reliably.</p>	Note reasoning
06	C	<p>We do not support the concept of a nominal value which seems to us to lack real meaning. It also seems to be in contradiction of basic principles around asset recognition that they must be capable of being reliably valued. However, we feel that in the circumstances outlined in the CP there should be comprehensive disclosure explaining the situation though without the establishment of an artificial nominal value.</p>	Note reasoning
07	C	<p>We do not agree with the proposal to recognise heritage assets at a nominal cost of one currency unit as it does not meet the measurement objective of the conceptual framework because it does not provide relevant information on financial capacity, operational capacity or the cost of services. A similar view has been expressed by a majority of IPSASB members in paragraph BC7.41 of the conceptual framework. Where the recognition criteria for heritage assets cannot be met, we suggest the use of disclosures to provide relevant and useful information.</p> <p>We note that there is worldwide zoo industry practice to recognise zoo animal collections at a nominal value of one dollar. However, in many cases, such collections are considered part of a regional and international collection and not assets within the control of the holding institution.</p>	<p>Note reasoning.</p> <p>Note treatment of zoo animals</p>
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	C	<p>No. There is no valuation base that leads to a nominal valuation. Furthermore, we do not see the benefit of providing a nominal value merely to incorporate an asset in the Statement of Financial Position.</p> <p>Our preferred approach envisages a separate schedule of heritage assets based on their non-financial value to society. This approach would obviate the need for nominal values.</p>	Supports separate schedule instead
11	C	<p>No. Reporting entities should not initially recognize heritage assets at symbolic or nominal value. Reporting entities should recognize heritage assets at historical cost when they are held indefinitely (which would often be zero currency units), and at fair value in rare instances when they become available for sale.</p> <p>The absence of monetary value assigned to heritage assets acquired or transferred to reporting entities without consideration already reflects the cost of those heritage assets. Symbolic or nominal costs do not meet the qualitative characteristics of information included in GPFs under the Conceptual Framework or any of the financial reporting objectives. I concur with the Board's views expressed in paragraphs BC7.40 and BC7.41 of the Conceptual Framework and believe that the views expressed there still hold true.</p>	Historical cost (HC) at zero.
12	B	<p>Partially agree</p> <ul style="list-style-type: none"> <li>• Although it is agreed, because it is preferable that the asset is recognized, it is suggested to have evidence of the asset in the notes to the financial statements.</li> <li>• Considering that the purpose of the measurement is to expose the potential benefits to be considered by the asset, a single</li> </ul>	Monetary value may be inappropriate

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>monetary unit may not be the appropriate sample. The nominal cost does not meet the reliable measurement condition.</p> <ul style="list-style-type: none"> <li>• If the historical asset will not offer future economic benefits, nor can it estimate its market value, then it is not worth it to be included in the financial statements.</li> <li>• If it is obtained at no cost, it is more than likely that the donor has a reference to the amount that would be recognized under NICSP 23 Transactions Income without consideration (Taxes and Transfers), since the transfers include donations.</li> </ul>	Use fair value if HC is zero
13	B	<p>1. General Remarks to Chapters 4.1. and 4.2.</p> <p>Basically, the SRS-CSPCP is of the opinion that heritage assets can be divided into two different categories. If heritage assets are used for operating purposes, e.g. an historic building as an administrative offices, they are <i>operating heritage assets</i>. They are to be valued in the same way as “normal” operating assets, that is at initial cost less depreciation over their useful life. The non operating assets are all other heritage assets. As explained in the above response to Preliminary View – Chapter 2.2 (following paragraph 2.12), in the view of the SRS-CSPCP this also includes living animals and organisms. Non operating heritage assets, which typically have no initial cost, should be valued at a symbolic amount of one currency unit.</p> <p>Response to SMC–Chapter 4.1</p> <p>The SRS-CSPCP agrees that non operating heritage assets, which have no initial cost or the initial cost of which is no longer available with reasonable effort, are valued at a symbolic amount of one currency unit. The following reasons support this approach:</p> <ul style="list-style-type: none"> <li>• an inventory is made of all heritage assets;</li> <li>• the use of a heritage asset is recorded pro memoria; it therefore becomes clear whether in certain circumstances future liabilities are to be expected;</li> <li>• this method of recording makes it possible, if necessary, to add additional information in the notes.</li> </ul> <p>On the other hand, operating heritage assets should be valued in the same way as fixed assets, i.e. at initial cost less depreciation over their useful life.</p>	Note general remarks apply to both SMCs 4.1 and 4.2
14	C	<p>The use of one currency unit to recognize a heritage item on the balance sheet should be rejected for the following reasons. <i>Firstly</i>, the use of a nominal value of one currency unit confuses the distinction between recognition and non-recognition of assets and introduces a measurement basis that is not within the IPSASB Conceptual Framework. <i>Secondly</i>, just showing one currency unit does not provide enough information on the heritage items; it is meaningless and does not add any information value. <i>Thirdly</i>, a balance sheet is not a reminder of assets; it should provide an overview of investments and financing. <i>Finally</i>, the use of one currency unit would be unnecessary should IPSAS require a fully transparent system of reporting and documenting of heritage items in the Notes to the financial statements or in a separate report.</p>	Note reasoning
15	D	No Specific Comments	
16	A	<p>We support the use of nominal cost as a proxy for historical cost when heritage assets are inherited (through sovereign rights or otherwise), transferred at no consideration (i.e. donated) or would have a historical cost approximating zero on initial application of the requirement. This allows the recognition of the heritage asset at a carrying amount that approximately reflects the resources given up to obtain the heritage item, as if it had been accounted for at historical cost when initially acquired, developed or otherwise obtained. Also, please see our response to SMC 4.2 on measurement.</p>	Note reasoning
17	C	<p>9. We do not support the initial recognition of heritage assets at a nominal cost of one currency unit where historical cost is zero, or an entity obtains a natural heritage asset without consideration (following paragraph 4.17). This “symbolic cost” does not</p>	Note reasoning

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>represent the value of the item presenting incomplete information in the financial statements and different treatment in similar assets.</p> <p>10. To address this issue and, at the same time, to promote the stocktaking of all heritage assets, we suggest to promote the usage, additional to finance records, of administrative inventories, which should include all heritage assets that are covered under its definition. We also support the disclosure in notes of relevant information on heritage assets not explicitly recognized in the financial statements.</p> <p>11. Another recommendation would be to have a similar treatment to US GASB (SFFAS 29), in which cultural assets and liabilities are included in a line item in the financial statements with no amounts, and qualitative disclosures are included to inform users.</p>	<p>Use inventories instead and/or line item with supporting disclosures</p>
18	C	<p>CAMD disagrees with the preliminary view. CAMD insists that a sensible consistent valuation methodology be applied, logically a combination of historical cost (where available), market value (where applicable) or replacement value (for standard biological collections, for example, where it is possible). Using a nominal cost of one currency unit where historical cost is zero, but presumably using either acquisition costs or market value where historical cost is available exists will result in most collections having two identical items of different value. For example, a historically acquired mineral specimen with no purchase information will a nominal cost of one currency unit whereas a second specimen of the same type, purchased for the collection would have a different value. The adoption of a system recognising all heritage objects as assets with a nominal value of one currency unit will skew value based on simple abundance, resulting in a skew towards natural history collections over cultural collections (most natural history collections being far larger than cultural collections) and large collections over small collections. The intent of the IPSASB preliminary view is to value collections based on their heritage value or significance, this methodology fails this essential test.</p>	<p>Note reasoning</p>
19	A	<p>Yes – this is supported. The cost of sourcing and appointing specialists of ascertaining the value of donated items far outweighs the benefit obtained from conducting such an activity. In most, if not all cases, these “specialists” will be applying professional judgement at best, in a field that is not necessarily their core expertise. Thus professional judgement while it may seem the best methodology cannot provide sufficient assurances to the valuation of an individual item. It will not take into consideration the inherent factors that set a specific heritage item apart of a “similar item” to which heritage significance is not attached. The heritage value is attached more to the cultural characteristics that is represented by the collection and not necessarily in the item itself.</p> <p>Using specialists within the heritage “industry” such as a museologist or an archaeologist would often lead to independence issues as those few included in the pool of available professionals are often known or connected to each other. Further, museum “best practices” frowns upon the valuation of collection items as in doing so, creates a risk of theft purely for the value associated with the item.</p>	<p>Note reasoning</p>
20	C	<p>Some jurisdictions may have significant heritage legacies, such that heritage may be material by its nature, including the financial impact of any preservation responsibilities, if not in quantitative terms. Under the IPSASB’s Conceptual Framework, we believe recognition using nominal values is not justified. However, we are aware that some entities currently use nominal values e.g., in cases where measurement would be overly onerous, whereas adherence to the Conceptual Framework would result in such items not being recognized as assets.</p> <p>However, the reason for holding (where applicable, including its use) the heritage item needs to be taken into account in decisions concerning the recognition of, and the most appropriate measurement basis for, heritage items that have been transferred at a fully depreciated amount or otherwise donated.</p> <p>Whilst a non-heritage asset that has been fully depreciated might often be no longer relevant from a financial or operating perspective, we believe it is the unique objective of holding heritage items for posterity, i.e., their “heritage value” that may lend heritage items a different qualitative perception of value for many users of financial statements. Where such assets are used for</p>	<p>Note discussion and conclusion that use of nominal values should be rare.</p>

R#	C #	<p style="text-align: center;"><b>RESPONDENT COMMENTS</b></p> <p style="text-align: center;"><b>Specific Matter for Comment–Chapter 4.1</b></p>	<p style="text-align: center;"><b>STAFF COMMENTS</b></p>
		<p>service provision or to generate economic benefits, the item's value may in some cases equate to market value. Such assets may be material from a purely qualitative viewpoint, and there may also be additional informative value attaching to the assets where preservation expenses are involved.</p> <p>As we explain elsewhere in this letter, historical cost information might address accountability; market values that reflect e.g., expected flows would provide information relevant to decisions on cost of services, operational capacity and financial capacity.</p> <p>When the historical cost for an <i>ancient</i> item has to be estimated because no details of original cost are available, such estimation may often lead to the same or not significantly different result as the application of a nominal amount. Where such a heritage item does not generate service potential or other tangible economic benefits, its value to the entity may also need to reflect its being (required to be) held for posterity. Thus even if estimated historical cost is low (i.e., equivalent to nominal), the “informational value” (accountability) of holding an item for posterity is most likely associated with the need for the entity to incur expense related to its preservation.</p> <p>However, this is likely not the case for <i>less ancient</i> heritage items where historical cost estimations would often be expected to exceed a nominal value. In such cases the use of a nominal amount would not be appropriate – instead, a reasonable estimate of cost would be appropriate.</p> <p>Materiality considerations are likely to be relevant in this regard. We believe that whilst an estimated value assigned to a heritage item may not capture the perceived “worth” of the item in terms of its heritage significance to society, in some cases (as this would include an intangible component), it may do so as far as the public sector entity's cost of services, operational capacity and financial capacity is concerned. In conclusion, we believe that the use of nominal values should be rare and that they should not be used as a substitute for historical cost or other measurement bases where these would be more relevant.</p>	
21	A	<p>Yes, we agree with the views of IPSASB to initially recognise heritage assets at “nominal cost of one currency unit” in case of the situations described in Consultation Paper.</p>	
22	A	<p>We support initially recognizing all the heritage assets at a nominal cost of one currency where historical cost is zero.</p> <p>We think that entities should be allowed to initially recognize heritage assets at a nominal cost of one currency according to characteristics of heritage assets, in the cases where historical cost is zero, and only when it is difficult or inappropriate to assign an objective value.</p> <p>For instance, according to Japanese government accounting, the treasures of Shoso -in, or the ancient treasure warehouse controlled by the Imperial Household Agency, are items of the 8th-century imperial family and are prized treasures and documents for Japan. They are controlled physically but are not recognized or measured as assets since they are incompatible with financial valuation.</p> <p>The government controls such treasures and documents. If they were to be evaluated financially, it would be more appropriate to be recognized in the statement of financial position. However, if they are assigned a monetary value, either such a monetary value would understate the heritage assets' value in terms of service potential, or would incorrectly imply that heritage significance can be represented with a monetary value.</p> <p>Therefore, we believe that one currency unit as a symbolic value should not be treated within “historical cost” in the Conceptual Framework. We also believe that some of the heritage assets should be excluded from measurement and another means of disclosure should be considered.</p> <p>Considering the conditions in Japan noted above, currency units should be assigned as symbolic values (even if historical value is nonzero) only when it is difficult or inappropriate to assign objective value.</p>	<p>Yes, when objective value not possible</p> <p>Exclude some categories and use disclosures</p>



R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		As symbolic value is an exception to the Conceptual Framework, we believe that the case where symbolic value is relevant should be limited in the draft standard (Conceptual Framework paragraph BC7.41).	
23	C	<p>CIPFA strongly disagrees with this suggestion, for several reasons.</p> <p>We note and agree with paragraph 4.15 which states that</p> <p><i>Where historical cost information is available but so old that it may not provide relevant information for achievement of the measurement objective, other measurement bases may be more appropriate.</i></p> <p>In general, we would suggest that the fact that an item is considered to be a heritage asset indicates that it has a non-zero value for heritage purposes, which is unlikely to equate to a token value of 1 currency unit.</p> <p>We suggest that heritage assets should be recognized in line with the Conceptual Framework. That is, when they meet the definition of an asset, and they can be measured in a way that satisfies the Qualitative Characteristics, having regard to the cost-benefit constraint.</p> <p>While we can see that the approach suggested in this SMC has a low cost, we do not consider that it provides decision useful information.</p>	Note reasoning
24	A	<p>PSASB supports initially recognising heritage assets at a nominal cost of one currency unit where historical cost is zero or where an entity obtains a natural heritage item without consideration. PSASB considers that this approach provides useful information to users of GPFRs for purposes of accountability and decision making. By recognising these assets at one currency unit, an entity will be compelled to provide information on preservation of this item and will be held accountable by users of the financial statements on preservation or failure to do so. In order for this objective to be met and for the information to be useful, entities will need to make full disclosures on the heritage assets recognised at nominal cost.</p> <p>For example, where an entity recognises a mountain at nominal cost, disclosure needs to be made on the altitude, acreage/size, location, and special features within the mountain, amounts incurred to preserve it during the period, among other quantitative and qualitative disclosures. Such a disclosure would compel the reporting entity to ensure the items are for example safeguarded from being excised since users will demand explanations for reduction in the asset acreage.</p>	Note reasoning; benefits in terms of preservation and basis for disclosures
25	C	<p>In our view, heritage assets should not initially be recognised at a nominal cost of one currency unit where historical cost is zero. Recognising heritage assets at one currency unit undermines faithful representation of the value of the heritage assets. It does not provide useful information to the users of the general purpose financial reports (GPFRs), and does not enhance comparability with the GPFRs of other public sector entities. For instance, one entity might have one heritage asset with a determinable value of one million currency units, whilst another entity might have 10 heritage assets with no determinable values recognised at one currency unit each.</p> <p>Property, plant and equipment and intangible assets that have been fully depreciated/ amortised should not be carried at one currency unit. The asset should be derecognised, or, if the asset is still in use, the useful life of the asset should be reassessed and the carrying amount recalculated as if the reassessed useful life has always been applicable. Assets reclassified as heritage assets should therefore not have a nominal value of one currency unit.</p> <p>Recognising heritage assets at one currency unit will not be consistent with the other IPSASs and International Financial Reporting Standards (IFRS) that require assets obtained without consideration to be recognised at fair value. We recommend that heritage assets obtained without consideration be recognised at fair value in line with other IPSASs and IFRS. Where there are specific conditions attached to the use of the heritage asset, the related income should be recognised as deferred income in the Statement of</p>	Note reasoning

R#	C #	<p style="text-align: center;"><b>RESPONDENT COMMENTS</b></p> <p style="text-align: center;"><b>Specific Matter for Comment–Chapter 4.1</b></p>	<p style="text-align: center;"><b>STAFF COMMENTS</b></p>
		<p>Financial Position. We note that the consultation paper does not refer to fair value as a measurement basis, which is inconsistent with other IPSASs. We recommend that the IPSASB provides guidance on why it considers market value to be an appropriate measurement basis for heritage assets, rather than fair value.</p> <p>Where it is not possible or practicable to obtain the fair value of a donated heritage asset, the standard should allow such assets to be recognised at another value such as historical cost, or not to be recognised on the balance sheet with appropriate disclosure.</p> <p>Disclosure of the quantity of heritage assets owned by an entity for which no value can be determined, as well as the reasons why no value can be determined, could provide useful information to the users of the GPFRs.</p>	
26	C	<p>The New South Wales Treasury's accounting policy on valuation states</p> <p><i>"The objective of valuing these assets is to report on the value of the future economic benefits embodied in the asset. This will provide relevant and reliable information for decision-making about resource allocation, performance measurement and accountability."</i><sup>5</sup></p> <p>If an entity initially recognises heritage assets at a nominal cost, the assumption is at some future stage the asset it is to be revalued. The issue then becomes the gap in the holding entity's ability to <i>provide relevant and reliable information for decision-making</i> until such time as the asset is re-valued.</p>	Note reasoning
27	C	<p>In providing our response below, we have focused on the appropriate accounting treatment for an entity that is already applying IPSAS (i.e. not a first-time adopter of IPSAS) and the appropriate treatment on an on-going basis (i.e. not on first-time application of a new standard requiring recognition of heritage assets for the first time). We consider that transitional provisions (including whether any pragmatic relief should be provided to entities that have not recognised heritage assets previously) should be considered separately. We suggest that the IPSASB take a flexible approach to establishing transitional requirements, particularly those applying to entities which are determining deemed costs from current values for heritage assets on transition.</p> <p>The NZASB does not support the recognition of heritage assets at one currency unit. Although this may be a pragmatic solution, we believe that perceptions about ascribing notional values are likely to vary across jurisdictions, and could be regarded as culturally insensitive. Our discussions with the Māori people about heritage has confirmed that this is the case in New Zealand.</p> <p>We note that the recognition criteria in the Conceptual Framework require that items be measured in a way that satisfies the qualitative characteristics. Application of a one currency unit nominal cost contravenes the qualitative characteristics of relevance, faithful representation, comparability and verifiability. We also note that, conceptually, applying a value of one currency unit is quite different to depreciating an asset to zero.</p> <p>A nominal cost approach is inconsistent with how we account for other assets that an entity receives in exchange for no consideration, such as donated non-heritage property, plant and equipment. IPSAS 17 requires that where an asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.</p> <p>Heritage items are sometimes difficult to value because they are unique, or have no ready market. However, we note that this difficulty is not limited to heritage items; many non-heritage items are also difficult to value.</p> <p>We consider that when heritage items meet the asset recognition criteria, the measurement requirements at initial recognition should be consistent with the accounting for other assets.</p>	<p>Distinguish between first time adoption of accruals and on-going policy</p> <p>Note reasoning</p> <p>Apply same concepts as for other assets</p>
28	C	<p><u>Recognition of heritage assets at one currency unit</u></p> <p>We do not support the approach to recognise items at one currency unit in any of the scenarios described in paragraph 4.16 and the specific matter for comment. We consider that paragraph 4.16 and the specific matter for comment aim to deal with issues related to</p>	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>the transfer and acquisition of heritage assets in a non-exchange transaction, as well as the potential reclassification of existing assets within an entity, e.g. when a heritage item is reclassified from an existing category of assets such as property, plant and equipment.</p> <p>Paragraph 4.16 proposes that historical cost is zero where, for example, the asset was fully depreciated before being transferred to the entity. In our view the fully depreciated value of the asset will reflect the value of the asset for the entity transferring the asset. The entity receiving the asset should apply the principles in IPSAS 23 <i>Revenue from Non-exchange Transactions (Taxes and Transfers)</i> and measure the asset at fair value on initial recognition.</p> <p>Recognising a heritage asset received at no or a nominal cost at one currency unit is different to the principles in other IPSASs that require all other assets received in a non-exchange transaction to be measured at fair value. We consider that the special characteristics of heritage resources do not preclude them from being measured in the same way as other assets, and therefore recommend that the same principle be applied to heritage.</p> <p>Initially recognising heritage assets received at no or a nominal cost at one currency unit where historical cost is zero (or in any situation) does not, in our view, meet the qualitative characteristics of relevance and faithfully representation.</p> <p>In addition, if the concerns raised in paragraph 4.16 relate simply to the re-categorisation of assets by an entity, any future guidance developed by the IPSASB on accounting for heritage could provide principles on measuring assets when there is a change in classification.</p> <p><u>Treatment of subsequent expenditure</u></p> <p>We are of the view that, irrespective of the value at which a heritage asset was initially recognised by an entity, any subsequent expenditure incurred should be accounted for in the same way as other assets, i.e. any subsequent expenditure incurred that will enhance the heritage asset's service potential and economic benefits should be capitalised. Furthermore, expensing subsequent costs on some heritage assets while capitalising the costs in other instances will, not result in relevant information to users of the financial statements for decision making.</p> <p>As we consider that the special characteristics of heritage resources are no different to that of other resources, we recommend that the same principle on the treatment of subsequent expenditure that applies to other assets, should apply to heritage assets.</p>	<p>Note reasoning</p>
29	A	<p>If it is the only way to ensure that an asset is visible in the financial reporting; initial recognition of heritage items at a nominal cost of one currency unit is an option. Another option is to recognise the assets in the asset register at the value 0 currency unit.</p>	<p>Limited situations</p>
30	C	<p>No, we don't support recognition with a symbolic value. If a heritage asset is fully depreciated it should be recognized with the historical cost amount of zero.</p> <p>In our discussions there were also some questions arising:</p> <ul style="list-style-type: none"> <li>• Why is there a restriction to natural heritage?</li> <li>• Why should a natural heritage asset obtained without consideration be treated differently from a natural heritage asset that had been acquired or already owned by an entity?</li> <li>• Are there technical reasons for favoring a symbolic value?</li> </ul>	<p>Note reasoning</p>
31	B	<p>Yes, we support this approach as one option for a starting point to address user information needs. On its own, however, the recognition of heritage assets at a nominal cost of one currency unit is unlikely to be sufficient. What would be useful to users of general purpose financial reports in relation to such heritage assets would be additional qualitative information about, for instance, the nature, purpose and use of the asset provided elsewhere in the general purpose financial report either in the notes to the financial</p>	<p>Use as starting point Need qualitative</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>statements or outside the financial statements. At the same time, user information needs may be met simply through disclosure of such qualitative information, without the need to record a nominal cost of one currency unit on the entity's statement of financial position.</p> <p>We do not support the view in paragraph 4.16 of the consultation paper that it is necessary for an entity to record a one currency unit on initial recognition to then be able to capitalize subsequent capital expenditure as tangible capital assets on the statement of financial position. When subsequent capital expenditures are incurred in relation to a heritage asset with a historical cost of zero, those subsequent capital expenditures should be assessed against the recognition criteria for tangible capital assets based on their nature to determine if capitalization is appropriate, irrespective of the fact that the underlying heritage asset has a historical cost of zero.</p>	<p>information in notes or outside the financial statements</p>
32	C	<p>18. We strongly disagree with the initial recognition of heritage assets at a nominal cost of one currency unit, regardless of the circumstances. There is no conceptual basis for doing so and would, in our opinion, not serve any purpose and could, indeed, be misleading. The same recognition criteria should apply as for other fully depreciated assets and assets obtained without consideration.</p> <p>19. In the case of many heritage assets, the demonstration of stewardship and accountability is often of greater importance than ascribing a monetary value. Where it is not possible to obtain a monetary valuation, such stewardship can often be achieved by making relevant disclosures. Attaching a notional value to heritage assets will not make a difference to actual balance sheet values: they will be immaterial and will not provide information to users to enable them to hold the entity to account and to assess their stewardship of the assets. In addition, we do not see a problem with capitalising improvements to heritage assets just because the original asset could not be recognised on balance sheet because valuation was too difficult or costly.</p>	<p>Note reasoning</p>
33	C	<p>Based on the characteristics of heritage items mentioned in chapter 2, the first portion of the comment mentioned above is not valid. Heritage items are held indefinitely, hence not depreciable according to chapter 2.</p> <p>Readers of financial statements may not understand what measuring a heritage asset at nominal value means and we are concerned about the accountability that such measurement provides. Due to materiality, a user may not be able to see the asset in the statement financial position or in the asset continuity schedule (in the notes to the financial statement). Therefore, we see recognizing heritage assets at nominal value as a means to require the inclusion of a summarized inventory of heritage assets in the notes to the financial statements.</p> <p>As explained in the conceptual framework, information is relevant if it is capable of making a difference in achieving the objectives of financial reporting. Information is capable of making a difference when it has a confirmatory value, predictive value, or both. We are not sure if nominal value supports users in making decisions about entities' resources and holding entities accountable for their stewardship of heritage assets. The suggested measurement attribute does not align with the objective of measurement (7.2 conceptual framework). In addition, nominal value is not identified as a measurement basis under Chapter 7 of the conceptual framework.</p> <p>Thus if the IPSASB continues to propose nominal value, it should be as a stated pragmatic choice.</p> <p>Further, in our view, if heritage assets are transferred without consideration, the transfer should be disclosed in the notes to the financial statements to highlight the reduction in the heritage assets held by the entity in stewardship for the public. See also our proposals for sale of a stewardship asset in Appendix B.</p>	<p>Note reasoning</p>
34	C	<p>We would not recommend recognizing heritage assets at a nominal cost of one currency unit as a general principle with respect to the situations referred to in question 5 (i.e. transfer at no consideration or donation). We believe that the one currency unit approach</p>	<p>Note reasoning</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Specific Matter for Comment–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>is not useful for decision-making and accountability purposes among other things. This approach is moreover not consistent with the general goods in-kind measurement approach, i.e. measurement at acquisition date fair value in accordance with IPSAS 23 Revenue from non-exchange transactions.</p> <p>We however also would like to refer to our response on Question 7 concerning very specific situations (i.e. not a general principle) in which the measurement of heritage assets, at initial recognition, might prove to be challenging.</p>	
35	C	<p>Cost-benefit considerations may make this a practical solution in some specific circumstances. However, our view is that additional descriptive note disclosures covering all heritage assets may be used to better meet the relevance criteria where the reliable measurement objective cannot be met.</p> <p>In addition, custodial responsibilities such as preservation and maintenance commitments should not be linked to whether a heritage asset is valued and disclosed on the Statement of Financial Position.</p> <p>ACAG notes the issue raised in paragraph 4.39 about not meeting the measurement objective.</p>	<p>May be necessary in some circumstances. Use disclosures.</p>
36	C	<p>We do not agree the position of the IPSAS Board, as assigning 0 or a symbolic value of € 1 is equivalent to not attributing any value to the asset. We consider it appropriate to highlight, even from an accounting point of view, the worth of cultural heritage, including in cases of assets of inestimable value (e.g. Colosseum), whose evaluation is only approximate and underestimated.</p> <p>Additionally, the possible assignment of a symbolic value of € 1 would cause severe distortions in the accounting of the State property (some assets would be valued at € 1, others at market price or at historical cost or with other criteria..) making comparison of the data of multiple public financial statements with one another difficult.</p> <p>It is believed that the symbolic evaluation criterion of one currency unit should not be applied to what has not yet been evaluated at a certain date or to that which cannot be evaluated, even where there are objective assessment difficulties. Information concerning such assets will in any case have to be included in a supplementary note in order to provide a comprehensive view of the heritage assets.</p>	<p>Note reasoning</p> <p>Need for other information</p>
37	C	<p>We do not support the above approach as we believe it is similar to symbolic value. This is consistent with paragraph BC7.41 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities where the majority of IPSASB members took the view that symbolic values do not meet the measurement objective, because they do not provide relevant information on financial capacity, operational capacity or the cost of services. It was concluded that the decision whether to recognise an item as an asset should be made following an assessment of whether the item meets the definition of an asset and recognition criteria. It was also accepted that, in cases where it is impossible or very costly to obtain a valuation, it is important that the information to be provided through disclosures is carefully considered by the relevant Standard.</p>	<p>Note reasoning and scope to provide other disclosures</p>
38	A	<p>ANAN supports initially recognizing heritage assets at a nominal cost of currency unit where historical cost is zero so that such assets will continue to be recognized in the book of the entity (country, state, city, town) where they are found.</p>	
39	D	<p>No comment at this point.</p>	
40	C	<p>HoTARAC agrees that where historical cost is an allowable valuation method, then there is practical merit in using a nominal value for recognition. However, HoTARAC notes that assigning a value of one unit would mean there would be no visibility of these assets in financial terms.</p> <p>HoTARAC recommends, consistent with other assets, the IPSASB determine a valuation base. HoTARAC considers there to be only very limited circumstances where historical cost provides relevant information to users of financial statements.</p>	<p>Only in limited circumstances</p>

**Preliminary View–Chapter 4.1**

Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED:** *These are staff views and do not necessarily reflect the views of IPSASB Members*

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	01, 02, 03, 04, 05, 06, 07, 09, 12, 16, 17, 19, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 40	31
<b>B – PARTIAL AGREEMENT</b>	10, 11, 13, 18	4
<b>C – DISAGREE</b>	14, 15, 39	3
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>38</b>
<b>D – DID NOT COMMENT</b>	08, 26	2
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 4.1	STAFF COMMENTS
01	A	We agree.	
02	A	The CNoCP agrees with the proposed preliminary view.	
03	A	Yes, we agree that heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the IPSAS Conceptual Framework.	
04	A	We agree with this preliminary view.	
05	A	We agree with the IPSASB's preliminary view. We note that even if heritage assets are recognised in the statement of financial position, this information may not be sufficient for users. Interest in heritage items is more often in relation to an entity's ability to maintain and manage such items. Therefore users would likely benefit from disclosure of such non-financial information. In addition, if the heritage asset has service potential, this should be reported as part of the service performance information.	Recognition note enough – other disclosures
06	A	We agree with the Preliminary View	
07	A	Subject to our comments in the cover letter and in response to the previous question, we agree that heritage assets should be recognised in the statement of financial position if they meet the recognition criteria of the conceptual framework.	Subject to SMC-C4.1 answer

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 4.1	STAFF COMMENTS
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	B	<p>Yes, if they can be assigned a value – see our comments below</p> <p>See Hassan Ouda's paper published in the International Journal of Financial Management 2014: Volume XIV, Number 2, distinguishes between "Unrestricted" and "Restricted" heritage assets. The latter are subject to legal, cultural and/or social restrictions on disposal. Hassan Ouda suggests such assets should be treated as "trust" assets and incorporated in a separate statement of trust assets and liabilities.</p> <p>Many heritage assets of national governments fall into the restricted category. It is useful to provide information on such assets, but their inclusion in the Statement of Financial Position could be positively misleading. A preferred approach is a separate statement of such assets.</p>	<p>Valuation issue</p> <p>Use separate statement</p>
11	B	Partially. The Board should add clarification to align the text of this preliminary view with BC7.41 of the Conceptual Framework. Not only should heritage assets meet recognition criteria in Chapter 6 of the Conceptual Framework but they should also meet the definition of an asset under Chapter 5.	If assets
12	A	<p>Mostly in agreement</p> <ul style="list-style-type: none"> <li>• Control should be considered for those assets that are owned by third parties, but have limitations for their administration.</li> <li>• It is commented that in several cases it would imply a deviation in the main of the qualitative characteristic of faithful representation.</li> </ul>	If assets
13	B	The SRS-CSPCP is in agreement with this statement, if the Symbolic Value approach in SMC 4.1. is taken into account.	Comments for SMC 4.1
14	C	See remarks on previous questions. <i>(Staff note: Remarks show disagreement with recognition in financial statements.)</i>	See note.
15	C	No Specific Comments <i>(Staff note: General comments show disagreement with recognition in financial statements.)</i>	See note.
16	A	We agree with recognizing heritage assets that meet the asset recognition criteria.	
17	A	12. We largely agree with the preliminary view about heritage assets recognition (following paragraph 4.40) if they meet the recognition criteria in the conceptual framework. Further analysis on dual-use heritage assets would be necessary to achieve their measurement on an objective basis.	
18	B	CAMD disagrees in part with the preliminary view. CAMD does agree that heritage assets should be recognised in the statement of financial position if criteria are met. However, the IPSASB proposal that monetary values increase the inherent understanding of a heritage asset for management purposes is demonstrably false. The Australian experience, involving over twenty years of market testability in valuation and audit function has failed to produce a coherent, consistently applicable methodology within or between jurisdictions, resulting in fluctuation in the valuation of even high-value, well understood assets. This has led to collection valuations fluctuating over time and jurisdictional authorities refusing to accept the results of valuations. Even where methodologies have remained consistent over time, valuers and auditors have been demonstrably unable to consistently agree on market valuations or replacement values because the intangible value of heritage assets causes wide error margins in the application of valuation methodologies. Again, the Australian experience is that it has not been possible to achieve comparability temporally (over time	Note concerns about usefulness of values

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		between valuations) or spatially (between jurisdictions). CAMD argues strong that this is because the tangible value of the asset interferes with recognition criteria making consistency of valuation impossible. CAMD further disagrees with the suggestion of IPSASB that valuation represents a benefit to users and public sector entities. The cost of implementing valuation methodologies in not-for-profit or publicly-funded institutions where the primary management intent is preservation of heritage assets for future generations can be prohibitive. For most institutions of this type, valuation represents a major tactical opportunity cost to financial operations with no strategic advantage to the operational effectiveness of the institution.	
19	A	Agreed	
20	A	We agree that heritage assets should be recognized in the statement of financial position if they meet the recognition criteria set forth in the IPSASB's Conceptual Framework.  Specifically, accountability would be addressed by information on historical cost. Market values that reflect e.g., expected cash flows provide information relevant to decisions on cost of services, operational capacity and financial capacity. Specific guidance on presentation and disclosure decisions relating to heritage assets would be helpful.	Guidance on presentation and disclosure needed
21	A	Yes, we agree with the views of IPSASB that Heritage Assets should be recognised in the Statement of Financial Position if they meet the recognition criteria in the Conceptual Framework.	
22	A	We agree with the IPSASB's Preliminary View. Since recognition criteria include materiality and cost-benefit as constraints, recognition of heritage assets is limited to a certain extent. As a result of this limitation, the remaining assets should be of greater materiality and their benefits should exceed their cost. Thus, they are legitimately booked as assets.	But consider constraints
23	A	CIPFA agrees with the IPSASB's Preliminary View. In practice for certain heritage items there may be conceptual difficulties in ascribing a value that meets the Qualitative Characteristics of financial reporting, and there may be cases where the cost benefit constraint is not satisfied.	But valuation may not be possible
24	A	PSASB agrees with IPSASB's preliminary view that assets should be recognised in the statement of financial position if they meet the recognition criteria in the Conceptual Framework. Heritage assets meet the definition of an asset which is the first criteria of recognition. Based on the comment above, where nominal cost of one currency is used, full disclosures should be made to provide useful information to the users of GPFs.	Note comment on use of 1 CU
25	A	We agree that heritage assets should be recognised in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.	
26	D	No comment	
27	A	The NZASB agrees with this Preliminary View. As noted in our earlier comments, we support the recognition of heritage assets for accountability and decision-making purposes. For example, we note that ascribing a financial value to an asset gives people more reason to preserve and care for that asset. The recognition of an asset in the financial statements is also useful when applying for funding to safeguard the asset for future generations.  We encourage the IPSASB to provide additional guidance on how to apply the recognition criteria to heritage items, given their unique characteristics. We note that demonstrating present control, a past event and service potential can be particularly challenging when accounting for heritage items.  We acknowledge that some aspects of Māori heritage may be unique. In particular, the concepts of ownership and asset valuation do not have a parallel in the Māori world-view which makes recognition of Māori heritage challenging for financial accounting purposes.	Note reasoning and need for guidance on applying the recognition criteria to heritage



R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 4.1</b>	<b>STAFF COMMENTS</b>
		<p>The closest concept to control or ownership of heritage items used by the Māori people is the concept of Kaitiakitanga which differs from the legal concept of ownership frequently applied in financial reporting.</p> <p>Kaitiakitanga means guardianship, protection, preservation or sheltering. Traditionally, Māori believe that all life is connected. People are not superior to the natural order; they are part of it. Kaitiakitanga grows out of this connection and expresses it in a modern context. Kaitiakitanga can apply to valued family items and include family heirlooms such as korowai (cloaks), mere pounamu (jade clubs) and books about whakapapa (genealogy). An item that belongs to a person later becomes the property of all their descendants. It is cared for by an individual kaitiaki on behalf of the group. The kaitiaki is responsible for bringing the object to important occasions such as funerals, and for holding information about it.</p> <p>Many Māori heritage items for which the concept of Kaitiakitanga applies are on loan to entities such as museums. Māori heritage represents a large proportion of many collections in New Zealand museums. For example, the largest museum in Auckland, New Zealand, has 70% of its Māori collection on loan from the Māori people.</p> <p>We note that there are many different forms of guardianship of heritage assets such as ownership, co ownership, lease, loan and hybrid e.g. part-owned and part-leased. An entity would need to consider its rights, and the rights of others, in relation to a heritage item to make a decision about recognition of that item as a heritage asset.</p> <p>Our constituents would welcome guidance on the accounting for heritage items where the reporting entity has custodian and preservation responsibilities but may not necessarily have “control” or have ownership rights. We note that the New Zealand national museum, Te Papa Tongarewa, has produced a series of guides for New Zealand museums and art galleries, under the title He Rauemi Resource Guides. Guide No 8: A Guide to Guardians of Iwi Treasures provides advice on the partnership between iwi and museums for looking after Māori taonga. Also, because paintings are often loaned between art galleries, guidance around the recognition of these heritage items would be useful.</p>	<p>Note issue of items on long-term loan</p> <p>Issue of control when entity only has custodian - ship</p>
28	A	As we are of the view that the special characteristics of heritage resources do not prevent them from being considered differently from other resources, we support the preliminary view that heritage assets should be recognised in the statement of financial position if they meet the recognition criteria in the <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities</i> (Conceptual Framework).	
29	A	Heritage assets should be recognised in the financial statement, when they meet the recognition criteria in the Conceptual framework. However given the special characteristics of heritage items the financial statement should contain information regarding restrictions or conditions attached to their use.	1 unit or zero issue
30	A	Yes, we agree.	
31	A	Yes, we agree.	1 unit issue
32	A	<p>20. We agree with the PV above that, if the recognition criteria are met, heritage assets should be recognised in the statement of financial position.</p> <p>21. For many heritage assets, valuations can be obtained and will be sought for non-accounting reasons, such as insurance, thus adding no additional costs for financial reporting purposes. Judgement will need to be exercised in comparing the costs in relation to benefits. There is a risk that an entity's default starting position is that costs exceed benefits and that therefore the assets would remain off balance sheet. We strongly recommend that IPSASB provide some guidance on what benefits are likely to be achieved to encourage balance sheet recognition wherever appropriate and possible.</p> <p>22. Carrying out valuations using an external valuer could potentially be very expensive, and even if it is not, it could be argued that</p>	<p>Note insurance values as relevant</p> <p>Problem of expense to value</p>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 4.1	STAFF COMMENTS
		for a charity, for example, any resource spent on a valuation that may not be useful to most readers of their accounts is a poor use of those resources. We therefore also recommend that IPSASB consider allowing entities to carry out internal valuations, with management permitted to make reasonable estimations.	
33	A	We agree that heritage assets be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.	
34	A	Accountancy Europe agrees that a heritage item should be recognised in the statement of financial position as an asset if it meets the recognition criteria as stipulated in the Conceptual Framework, i.e. the item satisfies the definition of an asset and it is possible to assign a monetary value to the item.	
35	A	ACAG agrees that if the recognition criteria (para 4.2) is satisfied then heritage assets should be recognised. However, the recognition criteria could be difficult for some heritage items to meet. The recognition of heritage assets in the Statement of Financial Position will likely promote better accountability for heritage assets, which in turn will likely improve their management and identification of preservation priorities. An accompanying explanatory note disclosure will provide context to the reported financial position amount.	Note view that criteria may not be met
36	A	<p>The detection criteria indicated in the CP (paragraph 4.2 page 19) are:</p> <p>a) that the entry in question should satisfy the definition of "item" of the financial statements. Financial statement items are understood as being the macro-classes listed in the balance sheet or financial performance report, therefore they are fundamentally "assets", "liabilities", revenues, expenses;</p> <p>b) that such an "element" may be evaluated in such a way as to respect the qualitative features (such as relevance and faithful representation, clarity, timeliness, comparability and verifiability) and the constraints (materiality, cost-benefit analysis) envisaged by the Framework.</p> <p>On point (b), it is recommended that such qualitative features should be understood in a less restrictive sense for this category, aware of the fact that the monetary value can only be an approximation of the cultural/social value.</p> <p>In fact, the peculiarities of cultural heritage assets, which differ from other assets because of some fundamental features (irreplaceability, indefinite life time, etc.), make the recognition criteria given in the conceptual framework not always adequate and comprehensive. <i>Staff: Not sure whether comments indicate "agree" or "disagree". Concluded "agree" because of respondent's emphasis on need to value/measure/evaluate.</i></p>	See staff note
37	A	We agree with the IPSASB's Preliminary View.	
38	A	ANAN agrees with the Board's preliminary view in Chapter 4.1 that heritage assets should be recognize in the statements of financial position provided they meet the recognition criteria in the Conceptual Framework.	Note 1 unit support
39	C	The Task Force agrees that if the criteria of an asset are met then heritage assets should be recognized in the Statement of Financial Position. However, the CF and CP imply that heritage items with no economic benefits or service potential are not assets and should not be recognized on the Statement of Financial Position. Clarifications are required as discussed in Preliminary View #3.	
40	A	HoTARAC agrees.	

**Specific Matter for Comment–Chapter 4.2**

Are there heritage-related situations (or factors) in which heritage assets should not initially be recognized and/or measured because:

- (a) It is not possible to assign a relevant and verifiable monetary value; or
- (b) The cost-benefit constraint applies and the costs of doing so would not justify the benefits?

If yes, please describe those heritage-related situations (or factors) and why heritage assets should not be recognized in these situations.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE (Yes, such situations, factors exist)</b>	01, 02, 04, 06, 07, 09, 10, 11, 12, 14, 15, 16, 18, 19, 20, 23, 25, 27, 28, 29, 30, 32, 33, 35, 37, 39, 40	27
<b>B – PARTIAL AGREEMENT</b>	NA	0
<b>C – DISAGREE</b>	03, 05, 13, 21, 22, 24, 26, 31, 34, 36, 38	11
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>38</b>
<b>D – DID NOT COMMENT</b>	08, 17	2
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
01	A	Due to the nature that trading heritage items is very limited, it is difficult to assign verifiable monetary value to them in a real world situation. Also, the cost of hiring experts to appreciate the values of heritage items is very high. For these reasons, we expense the subsequent expenditures rather than capitalize them.	Cost-benefit-all
02	A	Other than the heritage-related situations detailed in our response to the Specific Matters for Comment - Chapter 4.1, we cannot think of any other instances where heritage assets would raise recognition and/or measurement issues.	1 CU issue
03	C	We do not think there is a situation where heritage assets cannot be assigned any value. However we generally think that it is more appropriate to initially recognise heritage asset at one currency unit as opposed to estimating and assigning monetary values to them. The reasons are the same as indicated in point 5 above.	1 CU issue
04	A	Please refer to our response to the following Preliminary View. <i>(Staff note: Responses indicates “A”)</i>	See note
05	C	(a) As noted in our response to question 5 above, we believe it would be inappropriate to record heritage assets at any amount other than their full and proper value. We agree there may be situations where a heritage item meets the definition of an asset, but it does not meet the recognition criteria in that it cannot be measured reliably. In this situation,	Staff treated as “disagree”.

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		<p>users would likely benefit from disclosure of unrecognised heritage assets.</p> <p>(b) In New Zealand under PBE IPSAS 17, heritage assets that can be measured reliably are recognised and evidence suggests the cost of doing so does not outweigh the benefits to users and society. We caution the provision of a choice in any standard, as the decision made might not be for readily defensible reasons. As an example, the decision may be cost driven as opposed to satisfying users' needs. We encourage further discussion on the needs of users. We suggest that the IPSASB conduct further work in this area in order to improve its analysis of the cost-benefit equation.</p>	Note cost – benefit issue.
06	A	It is not always possible to assign meaningful values for all heritage assets. This is so particularly in the case of natural heritage assets. It also applies to monuments that have been built many centuries ago or even longer. In such cases full note disclosures should be included in the financial statements making clear which heritage assets are involved, the fact that they have not been assigned a value and the reason/s why.	Natural heritage, old monuments. Disclosures (D)
07	A	<p>As stated in our cover letter, there is a view that monetary values do not necessarily represent the complete heritage value of heritage assets. Many heritage assets preserve historical value for future generations, thereby contributing to society. Societal and economic returns generated by heritage assets can represent the real service potential of such assets and placing a monetary value on such service potential can be highly inaccurate. There will be cases where any valuation technique will misstate the true value of heritage assets.</p> <p>However, users of public sector financial statements are expected to be knowledgeable. It could therefore be argued that users would be expected to appreciate the limitations of the valuation techniques and valuation bases used in recognising heritage assets. Enhanced disclosures will also assist in providing relevant information to users.</p> <p>We agree that there is a cost-benefit constraint in valuing heritage assets. In many cases heritage assets are not cash generating. In environments where entities that control such heritage assets could encounter challenges in obtaining funds to maintain or preserve such assets, justifying the expenditure required to value heritage assets may prove extremely challenging.</p>	Valuation misstates true value.  (D)
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	A	<p>Our view is that there are such situations, e.g.</p> <ul style="list-style-type: none"> <li>• Restricted assets as described above</li> <li>• No market for the asset and no or limited direct financial benefits from ownership</li> <li>• The asset is irreplaceable</li> </ul>	See bullet points
11	A	<p>Yes. It would not often be possible to assign relevant, verifiable monetary values using any initial measurement base, given the characteristics of heritage items and absence of historical cost information for many heritage assets. Market value and replacement cost measurement bases are not relevant or practicable to estimate the value for heritage assets that are held indefinitely; however, I support initially measuring heritage assets at historical cost when such information is available and when those assets are held indefinitely.</p> <p>In rare instances when heritage assets become available for sale, financial capacity becomes the relevant financial reporting objective and fair value would be the appropriate measurement basis.</p> <p>For heritage assets that are held indefinitely and for which no historical cost information is available or applicable for purposes of</p>	Note situations

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		initial measurement, I would avoid initial measurement altogether and simply capitalize subsequently-incurred restoration costs going forward. Capitalized restoration costs of heritage assets should also be depreciated, provided that the useful lives of the restorations are estimable. Cost-benefit constraints would likely prevent reporting entities from being able to retroactively capitalize, depreciate, and value previously-incurred restoration costs for their heritage assets.	
12	A	<p>Mostly in agreement</p> <p>Those heritage-related situations in which heritage assets should not be recognized and/or measured are described as follows:</p> <ul style="list-style-type: none"> <li>• If there is no reliable basis of measurement for the recognition of these assets, it would be prudent not to recognize the asset, but evidence it through the notes of the Financial Statements or a non-financial report independent of its recognition in the presentation of financial information.</li> <li>• It is considered a good and intermediate solution for heritage assets to be recognized and valued initially for a monetary unit, since it is difficult to allocate relevant and verifiable monetary values for their unique and irreplaceable characteristics, as well as not being subject to transactions in organized and active open markets.</li> <li>• In addition, the dominant cost-benefit constraint would not be applicable, because benefits would not be measured in many cases, but rather the high costs motivated by the demand for services rendered by persons specialized in the development of measurement.</li> </ul>	Note situations
13	C	The SRS-CSPCP does not agree with this statement. It has indeed stated above that non operating heritage assets should be valued at the symbolic amount of one currency unit, if the initial cost is not available or is not available with reasonable effort.	1 CU issue
14	A	It is not because a heritage item cannot be given a verifiable monetary value, that it should be excluded from the government's balance sheet. If certain historic and cultural goods that are defined by the government or suchlike regulations as heritage, then these are not assets and should not be valued monetarily. They should be reported and documented qualitatively in the Notes to the financial statements or in a separate report. <i>(Staff note: Classified as "agreed" on basis that the factor is their heritage nature per se.)</i>	See note
15	A	No Specific Comments <i>(Staff note: General comments indicate view that heritage assets cannot be measured for recognition.)</i>	See note
16	A	<p>(a) In our opinion, it is often not possible to assign a relevant and verifiable value that reflects the innate "heritage" value of the asset in today's economic terms, given that, by definition, heritage items are unique and irreplaceable. As noted in our response below to PV 4.2, we believe that the only relevant measurement basis for heritage assets is historical cost, which may be approximated by a nominal cost when the item was inherited, acquired through a donation or prior to record keeping.</p> <p>(b) Cost-benefit constraints may be significant on initial adoption of a heritage standard that requires measurement at market value or replacement cost, but is not likely to be a significant concern subsequent to initial adoption. Measurement at initial adoption under the above-mentioned measurement bases may be particularly onerous and costly for museums that hold vast collections of art and historical treasures, or for entities that hold inherited land, given the necessity to engage valuation experts.</p>	1 CU issue Note situations
17	D	No Specific Comments	
18	A	CAMD strongly agrees with both specific matters for comment. For (a), as CAMD has already submitted under previous questions, the intangible value of heritage collections interferes with recognition criteria making consistency of valuation impossible. Valuations based on market value are highly subjective, vary greatly between valuers and between valuers and audit agencies. The impact of intangibility is demonstrated by the exponential relationship between subjectivity and perceived heritage value – that is, the more unique the object, the more valuation estimates are likely to vary. CAMD believes for valuation to work, there has to be an	Consistent valuation impossible

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		unambiguous agreed standard based on the uniqueness for those items with market value. With regards to (b) as CAMD has already submitted, public museums are not-for-profit public agencies or charities and the scale of many collections can number in the tens of millions of objects. The exponential cost of applying valuation methodologies to large non-commercial collections with a public good intent is at the limit or beyond what most institutions can afford to do in a cost effective or reliable manner. Any valuation has to recognise the enormous size of many collections and the inability of those collections to be able to apply standard accounting and auditing practises. Collections by definition are gathered over centuries and the records covering them are not digitised, making the cost of application of valuation, counting or audit checking processes run into tens or hundreds of millions of dollars. This must be recognised by IPSASB and any standard must recognise the necessity of using statistical based methodologies.	Need a standard
19	A	Yes. As per “Specific Matters for Comment – Chapter 4.1” (above).	
20	A	<p>We refer to our comments on nominal values in responding to Specific Matters for Comment—Chapter 4.1 in respect of the question of whether there are heritage related situations in which it is not possible to assign a verifiable monetary amount.</p> <p>From an audit perspective we note that many accounting estimates are subject to measurement uncertainty and thus are not verifiable to the same degree of precision as is the case for certain other accounting phenomena. Auditing standards require an auditor to form a conclusion in relation to the reasonableness or otherwise of accounting estimates in order to and express an opinion with reasonable assurance on the financial statements as a whole.</p> <p>In our view, the issue of whether there are reasons that heritage items should not be recognized ought – in addition to any cost benefit constraints – to be driven by materiality considerations. We refer to our comments in Specific Matters for Comment—Chapter 1 in which we suggest the IPSASB specifically consider and provide guidance on the issue of materiality in the context of heritage.</p> <p>In this context, we also note that public perception of “heritage value” or “heritage premium” can differ from an item’s measurement for financial statement purposes. This consideration is relevant for an asset that might be appropriately measured at historical cost in the statement of financial position, but publically be perceived as “priceless” or of a far higher (non-measurable) value, purely because of its heritage nature.</p>	<p>1 CU issue</p> <p>Note factors</p> <p>Need to distinguish between different measurement purposes</p>
21	C	We understand that ascertaining the true value of some heritage assets, especially those that have been inherited, is very cumbersome. However, keeping in view the benefits of recognising the heritage assets in the financial statements as stated in paragraphs 4.34 & 4.38, it is suggested to record all heritage assets in the financial statements even in cases where it is not possible to assign relevant and verifiable monetary value, as the same may be measured and recorded at symbolic/nominal value of one currency unit. In this case, the issue of cost-benefit constraints would also not arise.	1 CU issue
22	C	This is also related to “Specific Matters for Comment - Chapter 4.1.” Even if there are the above heritage-related situations (or factors), the transaction of not recognizing heritage assets is inappropriate, and heritage assets should be measured at a nominal cost. We support measurement at a nominal cost for the following two reasons: 1. Recognizing them as assets can display the fact of control by means of statement of financial position; and 2. Unless monetary value is assigned, preservation of such assets may be postponed in some countries. If register for heritage assets is enhanced and monetary value is assigned to them, their physical control may be promoted and certain effects on preservation of such assets are to be expected.	1 CU issue
23	A	<p>In CIPFA’s view, there are heritage-related situations in which heritage assets should not initially be recognized because of the circumstances outlined at (a) and (b) above.</p> <p>An example under category (a) would include ancient monuments where the government determines that the asset cannot be sold, and should not be used for income generation. For these</p> <p>- Historical cost is not relevant</p>	Note situations

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		<ul style="list-style-type: none"> <li>- There is no meaningful market value</li> <li>- Replacement is impossible</li> </ul> <p>Examples under category (b) may occur, for example, for numerically large collections of artifacts held in museums or art galleries. For these</p> <ul style="list-style-type: none"> <li>- Historical cost is not relevant</li> <li>- While market value may in principle be measurable, the valuation process may be relatively expensive, so that for a large collection the cost of initial measurement may be very large</li> <li>- Replacement may be impossible, and in cases where an appropriate substitute can be obtained, replacement cost will generally equate to market value and the practical considerations outlined in the previous bullet point may apply.</li> </ul>	
24	C	<p>PSASB does not consider heritage related factors or situations in which heritage assets should not be initially recognised. Where it is not possible to assign a relevant or verifiable value or where the cost- benefit constraint applies and the costs of doing so would not justify the benefits, heritage assets should be recognised at a nominal cost of one currency unit. This therefore means that it will be possible to recognise all identified heritage assets. For instance, it is difficult to apply historical cost, market value or replacement cost as measurement bases to determine their monetary value of a natural heritage asset. However, when recognised at a nominal cost of one currency unit, important information for accountability and decision making is obtained from the GPFRs.</p>	1 CU issue
25	A	<p>We are of the opinion that heritage assets should not be recognised if it is not possible to assign a relevant or verifiable monetary value to the asset, or the cost-benefit constraint applies and the costs of doing so would not justify the benefits. The Conceptual Framework requires that an item be recognised only if the recognition criteria is met, which includes measurement in a way that achieves the qualitative characteristics and takes account of constraints on information in GPFRs. The Conceptual Framework also requires that the benefits of financial reporting justifies the costs it imposes. The special characteristics of heritage items should not exempt them from the requirements of the Conceptual Framework.</p> <p>One suggestion for reducing the cost of valuing heritage assets and encouraging the adoption of the standard would be to allow internal valuations by any method that is appropriate and relevant. The cost of external valuers will very often outweigh the benefit to users and allowing appropriate and relevant internal valuations would be beneficial to preparers.</p> <p>Natural heritage items such as wetlands, waterfalls etc. could describe heritage-related situations (factors) where heritage assets should not be recognised. Waterfalls might not have a verifiable monetary value as there is no active market for them. They might not have been obtained in exchange for any consideration and restoration might not be possible if, for instance, the entire mountain side collapsed. A public sector entity might also struggle to prove that they control the heritage asset as the public enjoys the benefits of the waterfall, and use of the asset may be regulated by International bodies such as UNESCO. Cultural heritage items can often be replicated, but would lose their heritage/significance and therefore their value.</p>	<p>Note situations</p> <p>Cost of external valuers a barrier</p> <p>Natural heritage</p>
26	C	<p>We would strongly oppose the option to ignore recognition of heritage assets on the basis of a) and b) above. In our jurisdiction we encounter a number of public sector entities that choose not to recognise heritage assets citing the same reasons. Unfortunately, it tends to be the entity themselves (in the absence of expert opinion) that determine whether values can be reliably measured and that such projects will have negative cost benefits.</p> <p>With regard to a) above, no asset can be deemed to have a verifiable value until such time as the owner transacts the asset in the market place, however values can be determined within defined confidence levels. By definition, every asset has a value and it is the task of the expert to determine what that value is and the confidence level of those estimates. It would seem ludicrous to disregard potential assets and thereby put in doubt their management because an entity decides it is inappropriate to do so.</p> <p>Further, without undertaking valuations, how can an entity determine what the benefits would be?</p>	Note reasoning

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		With reference to a recent land and buildings valuation project for a State public sector entity, we encountered during our inspections a basement comprising boxes full of unreferenced documents and books. We found that some of these documents were early colonial statutes handwritten and signed by the founding Governors of the State and worth hundreds of thousands of dollars. The entity had been aware of the existence of these materials but had not considered them to be of any significant value, hence their storage in a basement. They now reside in a museum for the benefit of all.	
27	A	<p>(a) Assigning a relevant and verifiable monetary value</p> <p>The NZASB agrees that there are instances where heritage assets are not able to be reliably measured and therefore should not be initially recognised in the statement of financial position. Although non-recognition of heritage assets in such circumstances is appropriate, heritage assets should be recognised when they can be reliably measured.</p> <p>We encourage the IPSASB to provide guidance on determining what constitutes reliable measurement, reflecting the unique characteristics of heritage assets. Any assistance or pragmatic solutions provided to assist preparers in the determination of the initial measurement of heritage assets will encourage a greater level of reporting of heritage assets in the statement of financial position.</p> <p>In particular, we consider it important to distinguish measurement of heritage items for financial reporting purposes and measurement for other purposes. In New Zealand there is particular sensitivity surrounding assigning any financial value to cultural assets. Recording individual financial value to taonga invites a comparison of value that may be inconsistent or even offensive. Prioritising “only the most valuable” items raises further difficulty, because one significant source of value in a Māori framework is the mana of the people connected to the artefact in question. Perception of value can depend on one’s relationship with that person and is something that will alter with context. Items of high value to one hapu will not be significant to another so it becomes difficult to establish a hierarchy or any reliable or meaningful relativity.</p> <p>Therefore, we recommend providing guidance that clarifies the objective of measurement for financial reporting purposes, as distinguished from other purposes.</p> <p>When a heritage asset cannot be reliably measured, we would encourage the disclosure of information about its nature and significance of any unrecognised heritage assets. In these instances it may be more appropriate to disclose non-financial information about the heritage asset. We note that the preparation of non-financial information is not without cost and has its own challenges, such as the application of materiality.</p> <p>(b) Cost-benefit constraints</p> <p>Although the Conceptual Framework states that the IPSASB will make assessments about costs and benefits in setting standards, the Conceptual Framework does not suggest that these assessments would be made by individual entities. In applying standards, entities need to make judgements about the application of requirements in the standards to individual items, including consideration of materiality. The nature of heritage items is such that the criterion of “reliably measure” needs to be assessed on a case by case basis.</p> <p>In order for the benefits of information about heritage items to exceed the costs of recognition, in our view, the IPSASB should promote pragmatic approaches to the first-time recognition of heritage items. We acknowledge the difficulty in initial recognition for assets acquired in non-exchange transactions when IPSAS 23 Revenue from Non-Exchange Transactions applies. However, we believe that the focus should be on assisting entities to undertake such measurements, rather than non-recognition of heritage items on cost/benefit grounds where a reliable measure cannot be made. This is because, in our view, the recognition of heritage items is important for accountability purposes.</p> <p>We also note the quantum of heritage items that some public sector entities hold. This suggests the need for pragmatic solutions to</p>	<p>Yes, in some situations</p> <p>Guidance needed on meaning of reliable measurement</p> <p>Distinguish between different purposes for measurement</p> <p>(D) non-financial information</p> <p>Promote pragmatic approaches to reduce costs</p> <p>Unit of account</p>



R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		assist these entities. We also note that unit of account can be problematic, and indeed, judgements about the unit of account can change over time.	difficult
28	A	<p>The Conceptual Framework requires that the benefits of financial reporting should justify the costs incurred to provide and use the information. However, we are of the view that the cost-benefit constraint should not impact the nature of information to be included on heritage assets in general purpose financial reports. All users will need information to understand the entity's custodial and other responsibilities to preserve heritage for present and future generations. We therefore do not support the use of cost-benefit as an argument to not initially recognise and/or measure heritage.</p> <p>Factors that could prevent an entity from recognising and measuring a heritage asset in its financial statements, is (a) the absence of cost information on initial recognition, (b) the unavailability of market information in an active market to obtain a value for the heritage asset, (c) the absence of valuation techniques that can be applied to determine a market value for a heritage asset, and (d) when the range of market values are so diverse that the qualitative characteristics of relevance and faithful representation in the Conceptual Framework cannot be met.</p> <p>Note: While we are aware that the Conceptual Framework requires measurement of an element to satisfy all the qualitative characteristics, we are of the view that the measurement of a heritage asset should faithfully portray the economic benefits, service potential and/or heritage significance of the resource in a way that provides relevant information to users of the financial statements to hold entities accountable and make decisions.</p> <p>We therefore recommend that, in developing future guidance on financial reporting for heritage in the public sector, the IPSASB should consider providing guidance on:</p> <ul style="list-style-type: none"> <li>• whether sector benchmarks and/or valuation techniques can be considered, as well as what types of inputs (e.g. directly observable market inputs, unobservable inputs, etc.) will be acceptable, to determine a market value for a heritage asset in the absence of an active market;</li> <li>• how the significance of the heritage value of the item should be valued, if at all; and</li> <li>• whether entities will be required to only disclose information to the users in the absence of determining a value for a heritage item that meets the qualitative characteristics of relevance and faithful representation in the Conceptual Framework (also refer to the note on the satisfaction of all qualitative characteristics above).</li> </ul>	<p>Note: Disagrees with cost-benefit as basis to not recognize</p> <p>Suggestions on guidance for valuation</p> <p>Heritage significance issue</p>
29	A	<p>In our opinion there are situations where it is not possible to assign a relevant and verifiable monetary value. If we look at Danish castles there are not an active market, for some of them there are no known cost. Therefore, a valuation will essentially be based on estimates that cannot be verified, and will probably not yield relevant information to users of GPFR.</p> <p>In some of these cases the cost-benefits constraint applies and the cost of the valuation is not justified by the possible benefits. Another situation where the cost-benefits constraints apply is art in museums, where it will be time consuming and costly to determine which items are in fact heritage items, and if they are heritage items what their monetary value are.</p>	Castles and museum collections
30	A	<p>a) Example of the building of the Austrian Parliament: In Austria the historic building of the parliament hasn't been recognized in the opening balance sheet. The assumption was that the building was fully depreciated as it was in a very bad condition at this time. Only a part at the entrance ("the ramp") was recognized that was renovated in 2005. After the complete refurbishment of the parliament (started in 2017) it will be recognized at cost.</p> <p>b) In Austria only existing expert reports were used for the opening balance sheet. In case that there was no reliable information on the cost of a heritage asset available estimation methods were used to value a heritage item. Immovable cultural heritage were disclosed but not recognized.</p>	<p>Fully depreciated buildings</p> <p>Note other situations</p>

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
31	C	We do not believe that a standard on heritage should exclude specific heritage-related situations from the general recognition criteria for assets. Applying the initial recognition criteria to the specific circumstances of an entity and the heritage asset will often require significant judgment. While it will often be possible within reasonable effort to assign a verifiable monetary value to a heritage asset and therefore recognize such asset in the financial statements, this may not always be possible.	
32	A	<p>23. Not being able to assign a relevant and verifiable monetary value and cost-benefit constraints are the only reasons why heritage assets may not be recognised on the balance sheet. There will be a number of factors and heritage-related situations that may prevent their balance sheet recognition in these situations such as:</p> <ul style="list-style-type: none"> <li>- Volume of artefacts to be valued could lead to costs exceeding benefits;</li> <li>- Rarity and uniqueness of an item could render a valuation impossible, for example if only one example exists such as the Rosetta stone;</li> <li>- Natural heritage items with no alternative use, such as the Grand Canyon, would be difficult to value.</li> </ul> <p>24. Inalienability could mean that a valuation lacks meaning, as the resultant figure could never be realised in the marketplace, but we believe that this should not automatically prevent a valuation being used for financial reporting purposes.</p>	Note situations and factors
33	A	We agree with above view point.	
34	C	<p>We understand that, in certain cases, it might be difficult to reliably measure heritage assets (e.g. land under a monument) or the cost-benefit constraint would be applicable. In the aforementioned, specific situations, we would however suggest recognising those items at one currency unit value in the statement of financial position instead of not recognizing at all. We believe that the recognition at one currency unit value would facilitate asset management and would allow the potential capitalization of subsequent expenditure (considering that all related recognition and measurement criteria are met), among other things.</p> <p>The possibility of capitalization of subsequent expenditure, supposing that all the applicable recognition and measurement criteria are fulfilled, is a major driver for Accountancy Europe to come up with the proposed one currency unit value in the statement of financial position (instead of not recognizing the heritage item at all). Our suggested approach would preclude, to a certain extent, partial recognition of the heritage asset patrimony in the IPSAS accounts. Our suggestion (i.e. recognition at one currency unit value in the statement of financial position) is mainly based on the assumption that initial non-recognition would automatically mean that all the related subsequent expenditure should be expensed as incurred (as opposed to potential capitalization).</p> <p>In case the IPSASB would not be convinced to opt for our alternative approach (i.e. one currency unit value in the statement of financial position) concerning these specific cases, we would strongly recommend the IPSASB to request appropriate disclosures around those non-recognised heritage items.</p>	1 CU issue
35	A	<p>ACAG agrees that heritage assets should be initially recognised and measured only when the definition of an asset, and the qualitative characteristics within the Conceptual Framework are met.</p> <p>ACAG supports the view that some heritage assets are “priceless” and therefore to attribute any monetary value to them would not be relevant or represent meaningful and reliable financial information. For example, there are numerous items recorded on the Australian National Heritage Register that could not be reliably measured and would not provide any benefit by attributing any monetary value to them. Examples of these items include Bondi Beach, the Greater Blue Mountains, and Uluru.</p> <p>However, some man-made assets due to their nature and characteristics may able to be measured using established property plant and equipment valuation methodology and therefore provide relevant and reliable financial information. Examples of these items include the Sydney Opera House and Hyde Park Barracks.</p>	Priceless heritage assets

R#	C #	RESPONDENT COMMENTS SMC–Chapter 4.2	STAFF COMMENTS
		<p>ACAG also agrees with the cost-benefit constraint to recognising heritage items. It is not an efficient use of public monies to be required to incur significant costs obtaining independent expert valuations that are perceived only to provide incrementally more useful information to the financial statement users.</p> <p>Even in the absence of a relevant and reliable monetary value to assign to a heritage asset, this limitation should not preclude the disclosure of significant heritage assets and their key attributes (e.g. restrictions on use, custodian arrangements etc.) in the financial statement notes.</p>	(D) important – heritage assets and key attributes
36	C	<p>Referring to the concerns expressed concerning the use of a nominal evaluation (1 €), we feel it would be preferable to make every possible effort to undertake an evaluation of all cultural heritage assets, even with different criteria than those provided by the Conceptual Framework and given in the CP.</p> <p>In general, it is believed that the benefits of the evaluation process (in terms of a more comprehensive representation of the wealth and potential of a country) can only exceed the costs (essentially technical-administrative ones).</p>	Benefits will exceed costs
37	A	The IPSASB should consider that certain items are not easily measured due to their lack of physical substance such as intellectual properties or due to rarity such as ancient coins. Such factors may cause difficulty in determining the appropriate basis of measurement. In addition, if natural heritage is recognised in the financial statements, given it meets the recognition criteria, the IPSASB also needs to consider the effect on measurement, given that the living plants and organisms are significant to natural heritage.	Intellectual properties & natural heritage
38	C	We cannot think of any such heritage assets since in the Board's Specific Matters for Comment in Chapter 4.1, it has been postulated that where there is no historical cost, a nominal value of one currency unit can be assigned to heritage assets for recognition purposes.	1 CU issue
39	A	<p>Our organizations may have heritage items that could meet the definition of an asset as they have limited economic benefits or service potential and are retained by the organizations due to restrictions on disposal.</p> <p>However, it must be noted that assigning a monetary value to such items would not be possible due to the following factors:</p> <ul style="list-style-type: none"> <li>a) Items were donated to the organization and have no historical cost;</li> <li>b) Items are retained by the organization due to restrictions on disposals; and</li> <li>c) Costs of valuing such items would exceed their limited benefits.</li> </ul> <p>In these situations, valuation could only be highly subjective and would not achieve the purpose of being relevant, faithfully representative, verifiable and comparable, hence would not achieve the qualitative characteristics of information reported in GFRs.</p>	Note factors
40	A	<p>HoTARAC agrees that there are situations where a heritage asset cannot be reliably measured and where the expense of providing a measurement is not justified by the benefits. In the Australian public sector, a number of irreplaceable collections of scientific and historical value are not reliably measurable in monetary terms (refer <a href="https://www.csiro.au/en/About/Our-impact/Reporting-our-impact/Annual-reports/15-16-annual-report/Part4">https://www.csiro.au/en/About/Our-impact/Reporting-our-impact/Annual-reports/15-16-annual-report/Part4</a>, 6.3 Collection, p 134).</p> <p>In HoTARAC's view, natural heritage either does not meet the definition of an asset (refer HoTARAC response to Specific Matter – Chapter 3) or does not provide measurable benefits.</p> <p>HoTARAC also notes that some types of heritage assets, such as art, may have an established market price or a market price that can be derived from the sale of similar artworks. By contrast some heritage assets may be invaluable for financial statement purposes. For example, no realistic or reliable monetary value could be assigned to the Pantheon or the Great Wall of China.</p> <p>There are significant costs for the entity to value the heritage items in the public sector and maintain this data at current fair values,</p>	Note situations, including natural heritage and other examples

R#	C #	<b>RESPONDENT COMMENTS</b> <b>SMC–Chapter 4.2</b>	<b>STAFF</b> <b>COMMENTS</b>
		<p>particularly where expertise in the subject area is rare and commands a premium. HoTARAC recommends the IPSASB consider circumstances where the resulting valuation is of little benefit to users of financial statements, particularly where relevance is questionable.</p> <p>It may be possible to arrive at a depreciated replacement cost for many heritage assets, but this is of little use to users where an asset is not held for its service potential. For example, it would be possible to reproduce many heritage assets, and replicas of many of famous monuments exist in countries around the world. However, the cost of these reproductions would not represent the value of the original (for example, the Eiffel tower replica in Paris, Texas would not be comparable to the original in Paris, France) and engaging an expert to arrive at a reproduction cost would be of no benefit to financial statement users.</p>	

**Preliminary View–Chapter 4.2**

In many cases it will be possible to assign a monetary value to heritage assets. Appropriate measurement bases are historical cost, market value and replacement cost. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	03, 05, 06, 18, 20, 23, 25, 27, 30, 31, 32, 37, 38, 40	14
<b>B – PARTIAL AGREEMENT</b>	07, 08, 12, 13, 22, 26, 28, 33, 34	9
<b>C – DISAGREE</b>	01, 02, 04, 09, 10, 11, 14, 15, 16, 17, 19, 21, 24, 29, 35, 36, 39	17
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>40</b>
<b>D – DID NOT COMMENT</b>		0
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 4.2	STAFF COMMENTS
01	C	We disagree. We believe an assignment of verifiable monetary value is difficult for most of entities, especially when they have to satisfy cost constraints at the same time. The three measurement bases seem the most appropriate among the five, but are still not sufficient to measure heritage items.	Note reasons
02	C	The CNoCP believes that if all heritage assets could be assigned a monetary value using only the measurement bases that meet the Conceptual Framework's measurement objectives, then there would be no need for standalone requirements. The CNoCP would also express doubts and concerns as to the use of replacement cost with respect to those heritage items that are by nature irreplaceable. We regret that this issue was not specifically addressed as it relates to a large number of elements in some jurisdictions. We would also be cautious over the use of the market value for some heritage assets, namely for those that cannot be sold. We would like to underline once more that the cost/benefit ratio is a critical factor in the choice of the measurement method.	Note reasons
03	A	We do agree that, in many cases it will be possible to assign monetary values to heritage assets. We also agree that the measurement bases mentioned above are appropriate.	
04	C	From our perspective, a monetary value is usually available, including for heritage assets. Nevertheless, this monetary value would not, in many cases be relevant, given the characteristics of heritage items as described in paragraph 1.7 of this CP: <ul style="list-style-type: none"> <li>• They are often irreplaceable. Thus replacement cost cannot be an appropriate basis of measurement.</li> <li>• There are often ethical, legal, and/or statutory restrictions or prohibitions that restrict or prevent sale, transfer or destruction by holder or owner. For this reason, and given the rarity of most heritage assets, market value may be irrelevant.</li> </ul> We believe, heritage assets have such specific characteristics (great symbolic significance exceeding item's materiality, rarity) that put them generally out of the sphere of economic transactions. Thus, they cannot be systematically estimated by applying	Note reasons

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>conventional measurement basis, justifying specific measurement basis which are adapted to heritage assets. Thus, a dedicated standard is needed.</p> <p>In some cases, heritage assets can be purchased. Under these circumstances, they should be recognised at their historical costs, which corresponds to the price paid for them.</p> <p>In other cases, a symbolic value should be preferred, in particular for heritage assets that are already controlled but not yet recognised by public entities because of the lack of reliable monetary value. It applies for example to heritage assets which are so old that historical costs have been lost or are expressed in an old currency, whose conversion in the current currency would not make sense.</p> <p>Carrying amounts of old assets which would have been recognised, and amortized/depreciated applying common standards, would be presumably null or nearly null today. Under these circumstances, using the currency unit would be the better way to estimate them simply.</p> <p>From a practical point of view, recognising heritage assets at their symbolic values takes into consideration the cost benefit constraint, especially for the heritage assets for which no monetary value is directly available.</p> <p>For the DGFIP, balance sheet recording should be extended by a qualitative description of these heritage assets, that could be provided in the notes, when significant.</p> <p>We believe that this approach, which has been implemented in France, provides more useful information to financial statements' users, than the IPSASB's preliminary view.</p>	(D) qualitative description
05	A	<p>We agree with the IPSASB's preliminary view that historical cost, market value and replacement cost are the most appropriate measurements bases for heritage assets. However the challenge with valuing heritage assets, by virtue of their inherent characteristics, as acknowledged in the CP should not be underestimated.</p> <p>Heritage assets are unlikely to have been purchased recently. They are more likely to have been acquired through a donation many years previous, or passed down through generations. Therefore historical cost is unlikely to be known. If historical cost is available it is likely to be so old that it is no longer relevant in the current context.</p> <p>Restrictions on the sale and/or disposal of heritage assets, their uniqueness, and the absence of an active, open and orderly market means meaningful market values are unlikely to be available.</p> <p>Replacement cost relies on the existence of other assets that would provide the same service potential as the heritage asset being valued, so uniqueness again poses a problem here. Also replacement cost would not be available for heritage assets that are irreplaceable. Restoration and reproduction costs, as proxies for replacement cost, could be possible to estimate but may require significant financial outlay to obtain. Plus some argue that replacement cost does not reflect the 'true' value of certain heritage assets for current and future generations.</p>	Yes, but note the difficulties
06	A	<p>We agree with the Preliminary View though note that one measurement approach might be more appropriate than others in a given circumstance. To make this clearer, the inclusion of examples in future documentation would be useful. We also feel that 'Value in Use' could be included as a suitable measurement approach in some circumstances.</p>	One MB preferable
07	B	<p>We agree that in many cases some monetary value can be assigned to a heritage asset. However, as discussed in our comments below, we believe there are some significant challenges in measuring in financial terms, the value associated with a heritage asset.</p> <p>Historical cost, where available, would be a relatively cost-effective measurement option. However, as noted in the CP, it is not always possible to identify historical cost for some heritage assets, for example where they have been acquired without cost or donated. Similar to historical cost, market value, where available would be an appropriate measurement base for heritage assets.</p>	Note issues.

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 4.2	STAFF COMMENTS
		<p>We do not believe replacement cost, or the cost to replace current service potential, can be a meaningful measurement base for valuing heritage assets. By their nature, many heritage assets are unique and cannot be replaced. This characteristic is highlighted in paragraph 1.7(a) of the CP. Also, any replacement value calculated using this measurement base is likely to reflect the operational capacity of the heritage asset rather than its true heritage value. This is demonstrated in the example used in paragraph 4.21, where a replacement cost of a heritage building used as office space could be based on similar office buildings of a similar size and functionality. Whilst such a replacement value is likely to capture the operational value of using the heritage building as office space, it is unlikely to capture the heritage value associated with that building.</p> <p>We agree with the views expressed in paragraph 4.24 of the CP. We also do not consider net selling price an appropriate measurement base, except in circumstances where an entity is able and plans to sell its heritage assets.</p> <p>As stated in the CP, many heritage assets are non-cash-generating units and value-in-use would often be equivalent to replacement cost. For the reasons stated in the above paragraph, we do not believe replacement cost, and by inference, value-in-use will be a meaningful measurement base.</p> <p>Other measurement bases for consideration could include net present value, which may be appropriate for cash-generating heritage assets, or a measurement approach based on future costs to be incurred to maintain or preserve heritage assets.</p> <p>Measuring heritage can be a complex and require the assistance of an appropriately qualified professional. Given the challenges presented by the different measurement bases that are available to measure heritage assets, the IPSASB may wish to consider a hierarchical approach, similar to that presented in IFRS 13 <i>Fair Value Measurement</i>, in arriving at a suitable measurement model for heritage assets.</p>	
08	B	<p>In 1997, the then Associate Professor in Economics at Deakin University, Phillip Hone published paper in the Australian Accounting Review, entitled “The Financial Value of Cultural, Heritage and Scientific Collections: A Public Management Necessity”<sup>12</sup></p> <p>This paper was written in response to Carnegie and Wolnizer’s 1995 paper, also published in the Australian Accounting Review. The title of their paper was “The financial Value of Cultural Heritage and Scientific Collections: An Accounting Fiction”.<sup>13</sup> Hone’s paper was based on the literature discussion which flowed from the topic on management and accountability for publicly held heritage assets. While Hone argued for the valuation of heritage assets such as art and museum collections, he suggested that the measurement and value to be attached to the nonmarketable assets would involve ‘a multidisciplinary approach’. (p.42). Hone also highlighted that a valuation based on the transaction price is ‘a relatively straight forward exercise, the validation of service flows from collections may only be feasible at a procedural level: (42). Non-marketable assets may attract measurements that are not necessarily supported by options outlined the Consultation Paper. The impact on relevance and reliability of the measurement chosen may require deeper consideration, to avoid dilemmas.</p> <p>While Hone outlined other measurement option/s, he also presented their applicable difficulties e.g (cost-benefit/statistical reliability). For the purposes of responding to this Consultation paper, it is important to highlight that the measurement requirements for a general purpose report (incorporating the financial measurement options outlined), may differ from the measurement information consistent with a report on non- marketable assets and the ‘<i>direct and intentional outputs from collection managers</i>’.</p>	Note different measurement needs and difficulty of ascertaining service flows versus transaction price
09	C	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	C	Heritage assets, as defined, generally do not have active, open and orderly markets. Even where a market exists, for example for a	Also note

<sup>12</sup> Hone, P. (1997) “The Financial Value of Cultural, Heritage and Scientific Collections: A Public Management Necessity?” The Australian Accounting Review. Vol 7. No. 1. Pp 38-42.

<sup>13</sup> Carnegie, GD., and Wolnizer, P.W. (1995) “The Financial Value of Cultural, Heritage and Scientific Collections: An Accounting Fiction”. Australian Accounting Review, Vol;. 5. No. 1.

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>work of art, restrictions on disposal will make such a value inappropriate Conceptual Framework Para 7.27 states that for an orderly market “There are no barriers that prevent the entity from transacting in the market”. Clearly restrictions on disposal would be a barrier.</p> <p>By their nature heritage assets are typically irreplaceable, e.g. a work of art may be copied, but cannot be replaced. Therefore, whilst in principle the valuation bases are appropriate, in practice restrictions on disposal and/or irreplaceability make such valuation bases inappropriate for most heritage assets</p> <p>Paragraph 4.24 refers to heritage assets that are to be sold – but the decision to sell heritage assets means that by definition they are no longer heritage assets.</p> <p>This only leaves cost as a valuation base. However, many heritage assets have no cost, or only some items of a collection have a cost, or the acquisition was so long ago as to make the cost meaningless.</p> <p>Our conclusion is therefore that it is only exceptionally that a monetary value can be assigned to a heritage asset</p>	comment for SMC Ch 4.2
11	C	<p>No. Replacement cost is not an appropriate measurement basis. The characteristics of heritage items noted in paragraphs 1.7a—irreplaceability—and 1.7c—long, indefinite useful lives—lead me to conclude that the replacement cost of many heritage assets cannot be estimated because replacement is not possible. Additionally, market value is not appropriate because (a) heritage assets are not typically available for sale, (b) there are not active markets for heritage assets, and (c) market or appraised values would have no relevance to financial statement users anyhow (i.e., the financial capacity objective) because heritage assets are held indefinitely. However, the historical costs of heritage assets are relevant to the cost of services financial reporting objective.</p> <p>If the Board’s intent, as alluded to in paragraph 4.22, is to require certain types heritage asset restoration costs to be subsequently capitalized, I recommend that the Board articulate and describe this treatment rather than referring to restoration costs as replacement costs. It seems as though reporting entities could only capitalize restoration costs as those costs are incurred and depreciate those restoration costs over the estimated useful life of the restoration, if appropriate, which makes this a subsequent measurement issue rather than one related to initial measurement.</p>	Disagrees with replacement cost
12	B	<p>Partially agree</p> <ul style="list-style-type: none"> <li>• The proposed forms of measurement would show the physical composition of the asset and not to its historical, artistic and / or cultural value.</li> <li>• The market value would not apply due to the disposals restrictions and lack of market</li> <li>• The replacement cost is subject to the general replacement of the asset, but not to its maintenance or restoration.</li> <li>• Some countries suggest the initial registration should be the acquisition, historical, symbolic, development or construction value, and if it proceeds, assign a subsequent value.</li> </ul>	Note distinction between physical and other values
13	B	<p>Heritage assets may or may not be used by the public sector. Historic buildings, for example, may be used e.g. as administrative offices. Such assets could be referred to as operating heritage assets. If heritage assets are not in use, they are non operating heritage assets. If there is neither a predominantly commercial (financial assets) nor operating (administrative assets) use of a heritage asset, they are non operating heritage assets, which are to be recognized at the symbolic amount of one currency unit (symbolic value). In the case of operating assets a distinction must be made whether they belong to the what we call in Switzerland “administrative assets” (i.e. are necessary for the government to provide the legally required public services) or to the “non-administrative assets” (no connection to any legally required public services, assets being rather Investment Property). If the heritage asset belongs to the administrative assets, it is to be carried under the cost model, i.e. the heritage asset is carried at initial cost less accumulated depreciation.</p>	Distinguish between sole heritage and other use (operational) assets



R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 4.2	STAFF COMMENTS
		If the heritage asset belongs to the financial assets (and therefore can be sold), it is carried at market value. If there is no market value, the value of the heritage asset must be estimated in accordance with IPSAS 17.47 or IPSAS 16.55.	
14	C	See remarks on previous questions. Since heritage items are not held to realise economic benefits (no value-in-use, nor value-in-change (Barton, 2009 <sup>14</sup> ), they cannot be considered as assets and therefore there is no reason to assign a monetary value to heritage items. Indeed, they should not be sold, alienated or destroyed and the usufruct (value in use) is mostly for citizens, not for the government itself.	Note reasons
15	C	No Specific Comments ( <i>Staff note: General comments indicate disagreement with this PV.</i> )	See note
16	C	<p>When an item meets both the definition of a heritage item and the definition of an asset, it is intended to be held and preserved by the entity in a stewardship role, whereby the entity derives service potential by fulfilling its mandate. The cost of services in relation to the heritage asset is not the cost of the item itself, rather it represents the costs associated with holding and preserving the item. The cost of the item also does not relate to the entity's operational capacity (the capacity of the entity to support the provision of services in future periods), as heritage items are not consumed in providing services unless they are also used in operations (e.g. a heritage building also used as office space). As well, financial capacity is not increased by a heritage item that is to be held and preserved indefinitely, particularly in circumstances where the entity is prevented from selling or transferring the item. Based on this premise, our analysis of the proposed measurement bases is as follows:</p> <p><i>Historical cost</i></p> <p>We believe that this is the only relevant measurement basis to measure a heritage asset in the entity's financial statements, representing an entry value which indicates the resources given up to acquire the item, if any. When an asset is inherited by a jurisdiction through its sovereign rights (or similar), is donated or acquired at no consideration, or is a historical treasure acquired prior to record keeping, we believe that its historical cost would be approximately zero, or a nominal cost. Many old/ancient heritage items would have a historical cost close to zero in today's economic terms, and would have long since been "depreciated" if recognized when constructed or acquired for their intended use.</p> <p>We disagree with the statement in the CP that "where historical cost information is available but the asset is so old that it may not provide relevant information for achievement of the measurement objective, another measurement basis may be more appropriate". There is no reason to assume that a current cost is more relevant than an entry cost for a heritage asset as, by definition, the item is being held and preserved indefinitely. As well, it would add confusion to the financial statements to have some old/ancient heritage assets measured at market value or replacement cost and others at historical cost.</p> <p><i>Replacement/restoration cost</i></p> <p>We do not agree that replacement/restoration cost is an appropriate measurement basis on which to estimate the "heritage value" of a heritage asset. The conceptual framework, paragraph 7.43, states that "Replacement cost provides a relevant measure of the cost of provision of services. The cost of consuming an asset is equivalent to the amount of sacrifice of service potential incurred by that use." However, the service potential of a heritage asset is not sacrificed when it is held and preserved indefinitely. When a heritage asset is held only in a stewardship function, there is no relationship between the cost of providing services to fulfill the entity's mandate (for example by displaying the item in a museum) and the innate "heritage" value of the item. Therefore, assigning a monetary value to heritage items based on the future services to be provided by the entity in holding, preserving or displaying the items is not reflective of its heritage value and is not likely to be verifiable.</p> <p>When the entity incurs restoration costs, it would be appropriate to capitalize the cost of restoration if the service potential of the</p>	<p>Only historical cost appropriate</p> <p>Note reasons against other two bases</p>

<sup>14</sup> Barton A. (2009), The Use and Abuse of Accounting in the Public Sector Financial Management Reform Program in Australia, *Abacus*, Vol. 45(2), p. 221-248.

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>asset is improved.</p> <p><i>Market value</i></p> <p>As heritage assets are not primarily held for their financial capacity, are usually irreplaceable and are often restricted from sale or disposal, we believe that market value is generally not relevant. As well, the reliability of such valuations for many heritage items would be questionable given that their uniqueness and rarity would likely give rise to highly subjective amounts, and, consequently, would be unlikely to support accountability and decision-making.</p> <p>When an item with heritage characteristics is held for purposes of resale, then market value would be relevant if there is an open, active and orderly market; however, the item then no longer meets the definition of a heritage item which is to be “held and preserved indefinitely for current and future generations”. Consequently, the relevant IPSASs should be consulted to determine the measurement basis when the item is held for investment purposes, i.e. to increase the entity’s financial capacity. The IPSASB may want to consider expanding the scope of IPSAS 16 <i>Investment Property</i>, which is currently limited to land and buildings, to provide the accounting requirements for such items.</p> <p><i>Conclusion</i></p> <p>Based on the discussion above, we believe that when an asset meets the definition of a heritage item and is therefore held only in a stewardship capacity due to the obligation to hold and preserve the item for current and future generations, it should be recognized at historical cost, which may be reflected as a nominal cost for inherited or donated heritage items and natural resource land. Assets that do not meet the heritage item definition should be accounted for in accordance with the applicable IPSASs. When an entity incurs costs to restore the heritage item, these costs would be capitalized if the asset’s service potential is improved.</p>	
17	C	<p>13. With respect to the measurement bases (following paragraph 4.40) proposed in the consultation paper when it will be possible to assign a monetary value to heritage assets (historical cost, market value and replacement cost) alternative measurement methods may need to be developed to adjust the historical cost and replacement cost measurements (i.e. indices) as these do not capture the intangible value of these assets. Otherwise, up to date current values would be desirable although its many practical difficulties given that there is no readily available market to provide value for these assets.</p>	Alternative methods needed
18	A	<p>CAMD agrees with the preliminary view. Many Australian Museums already operate under a combination of historical cost, market value and replacement cost. However CAMD raised extreme concern at the inability of accounting and auditing bodies to agree on a single cost effective methodology. As discussed above, the Australian experience, across all jurisdictions, has demonstrated over multiple audits over more than 20 years, that attempting to regard collection objects as assets has failed to produce a consistent, repeatable, reliable, successful methodology for historical cost, market value and replacement cost. The intangible value of heritage collections interferes with recognition criteria making consistency of valuation highly subjective. CAMD recommends that any standard be developed with advice from the sector on what is possible.</p>	cost effective methodology needed
19	C	<p>No. Legislation prevents the trading of heritage assets by an institution. As such can be no open-market for the trade of heritage assets by which we can obtain “market value”.</p> <p>For reasons highlighted previously under the comments on “characteristics” – heritage items ARE IRREPLACABLE. Therefore, replacement costs cannot be ascertained. Even if damaged, (or if not), heritage assets cannot be improved either. They can merely be preserved and conserved to probably at best, the state at the time of acquisition. Any improvements, will therefore render such an item different from that heritage of which it is representative. For example, a crack in an earthen pot from the 1700’s itself represents the heritage and the state of that pot – to repair it now would alter the history and timeline of that pot. Similarly, any food fragments included in that pot would give rise to a source of the culture of the people at that time and will be considered significant. Such fragments will form a part of the heritage significance associated with that pot.</p>	Note reasons

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 4.2	STAFF COMMENTS
20	A	We agree with the IPSAB's Preliminary View. We discuss the appropriateness of these measurement bases in responding to Specific Matters for Comment—Chapter 4.3 below.	
21	C	<p>It is debatable whether the 'replacement cost' method of measurement would be relevant base of measurement in respect of Heritage Assets (as "irreplaceability" is one of the characteristics of the heritage assets as identified in this Consultation Paper). It is also felt that 'replacement' of any heritage asset would result in losing its significance as a heritage asset.</p> <p>Paragraph 4.22 of the Consultation Paper refers to the Conceptual Framework that replacement cost equates estimated reproduction cost, and restoration means to reproduce as closely as possible, the heritage aspect of the original item. It is felt that 'replacement' and 'restoration' could have different connotations. While 'restoration' of a heritage asset may retain its heritage significance, its 'replacement' with another asset would not do so. It is, therefore, imperative to explain both of these terms and provide explanation and clarification how replacement cost can be an appropriate measurement base for heritage assets.</p>	Note reasons
22	B	<p>We believe that historical cost and market value are appropriate measurement bases. Regarding this point, we agree with the IPSASB's Preliminary View.</p> <p>However, we think that some heritage assets can be measured at a nominal cost as an exception to the historical costs and others defined as measurement bases in the Conceptual Framework as we stated in "Specific Matters for Comment—Chapter 4.1."</p> <p>This CP states that restoration cost is included in replacement cost. We note that the IPSASB should consistently discuss restoration cost and maintenance cost of infrastructure assets, because both costs have similarities. We think that the IPSASB should provide guidance on the estimation of restoration cost upon initial measurements, which shows what extent future cash outflow (for how many years, for instance) should be included in the estimation.</p> <p>This CP only explain value in use regarding non-cash-generating assets in paragraph 4.25. We think that value in use may also be reasonable measurement basis for cash-generating heritage assets. This CP refers to economic benefits in Chapter 3 as well. As Chapter 4 only focuses on service potential, economic benefits should also be discussed.</p>	<p>1 CU issue</p> <p>Note replacement or restoration cost</p>
23	A	<p>CIPFA agrees with the IPSASB's Preliminary View.</p> <p>Furthermore, we agree with the IPSASB that further explanation is required as to how these measurement bases should be applied, and that this should be covered as part of the Public Sector Measurement Project.</p>	Need guidance
24	C	<p>PSASB disagrees that in many cases it will be possible to assign a monetary value to heritage assets. Our opinion is that in majority of cases it will not be possible to assign a monetary value to heritage assets. There are limitations for each of the measurement basis outlined in the CP as follows:</p> <p>Historical cost: Historical cost information may not be available where the heritage items are very old and where available, the cost would not provide useful information. This therefore means that historical cost as a measurement basis is only applicable to recently acquired or recently constructed heritage items.</p> <p>Market value: In practice, obtaining market values for heritage assets is quite difficult. Most heritage items are unique and an active, open and orderly market may, for those items not exist. There are also restrictions on sale of heritage assets and therefore obtaining a market value for these assets becomes difficult.</p> <p>Replacement cost: One of the characteristics of heritage items is that they are often irreplaceable. By proposing use of replacement cost as a measurement basis therefore, a contradiction emerges because on one hand these assets are irreplaceable while on the other hand it is proposed that we can measure the asset using replacement cost.</p> <p>Although in some instances a monetary value can be attached to a heritage asset, PSASB's opinion is that it is not possible for that</p>	<p>Majority of cases cannot assign monetary value</p> <p>Note reasons</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>monetary value to capture the heritage significance attached to an asset. This significance goes beyond monetary values which may be obtained from the measurement bases suggested.</p> <p>Based on PSASB's views above, we opine that most heritage assets will eventually be recorded at nominal cost of one currency unit. We also consider that recognition of heritage assets using the measurement bases above may not meet the measurement objectives of cost of services and financial capacity. However, the objective of operational capacity is not lost by recognising the asset at a nominal cost of one currency unit since the reporting entity will be held accountable to preserve, safeguard, keep custody and provide access to the asset so recorded.</p>	
25	A	<p>We agree that in many cases it will be possible to assign a monetary value to heritage assets, and that historical cost and replacement cost are appropriate measurement bases. In our opinion, fair value is also an appropriate measurement basis. We recommend that the IPSASB provides guidance on why it considers market value to be an appropriate measurement basis for heritage assets, rather than fair value. Net selling price and value in use could also be appropriate measurement bases, depending on the asset and its unique circumstances. We recommend that the IPSASB includes application guidance/illustrative examples of different scenarios to help preparers of the GPFs to apply the measurement bases consistently, for example:</p> <ul style="list-style-type: none"> <li>- A statue/painting created by a famous artist derives its value from its association with the artist. If the statue/painting was lost/destroyed, a replica/replacement would not have the same value as the original. In such an instance, replacement cost may not be an appropriate measurement bases.</li> <li>- Cash generating assets such as a waterfalls where the public pays fees to view the asset, may be appropriately measured using value in use.</li> </ul>	<p>Note fair value (rather than market value) issue</p> <p>Staff judgment is broadly "agree"</p>
26	B	<p>As valuers of heritage assets we agree with the first sentence of the IPSASB's Preliminary View. However, we do not agree historical cost is an appropriate measurement basis for any asset unless such cost is considered reflective of current market parameters. Valuations are an opinion of value with reference to the prevailing characteristics of the asset at a point in time. Both those factors tend to change over time, hence the need for revaluations. Historical cost addresses neither and therefore fails the objective of providing <i>relevant and reliable information for decision-making about resource allocation, performance measurement and accountability</i>, as described by the New South Wales State Treasury.</p>	<p>Disagrees with historical cost</p>
27	A	<p>The NZASB supports the overall objective of getting more heritage assets onto the balance sheet by helping entities to overcome the difficulties associated with assigning values.</p> <p>In principle, we consider the initial and subsequent measurement options in IPSAS 17 are appropriate for heritage assets, although we feel additional guidance is needed to apply these approaches to reflect the unique characteristics of heritage assets.</p> <p>We observe that there is often no market for heritage assets, and entities would find it particularly helpful if additional guidance was provided for determining the market value of heritage assets. There are various bases for arriving at a market value through valuation approaches, including an insurance valuation which may be readily available and relevant. We suggest a wider pragmatic and flexible approach be taken to valuations, including for entities that apply the revaluation model for subsequent measurement, to mitigate the high costs of regular independent valuations (as discussed further in our response to question 10).</p> <p>We also suggest guidance be provided on what is meant by replacement cost for heritage assets. In some cases, any replacement cost would be for a replica of the asset as the original could not be recreated. For example, in the case of replacement cost of an historic building, is the entity contemplating the replacement of what was already there, or a more modern version more suitable for contemporary needs? Following the 2010/11 Christchurch earthquakes the Christchurch Cathedral was severely damaged. The choice of how to replace Christchurch Cathedral lay with the Christchurch Anglican Diocese which considered whether it would rebuild the original (a replica), or build a modern 21st Century cathedral. The Diocese has now decided to rebuild the original.</p>	<p>Guidance is needed to overcome difficulties</p>

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 4.2	STAFF COMMENTS
28	B	<p>We support the view that historical cost and market value are appropriate measurement bases to assign a monetary value to heritage assets.</p> <p>We question whether replacement cost is an appropriate measurement basis. Applying replacement cost means that an entity replaces the operational value of the heritage asset. The heritage value and significance of the original heritage asset will however not be fully reflected by applying replacement cost. Furthermore, one of the characteristics of heritage items as noted in paragraph 1.7 of the Consultation Paper is that it is irreplaceable. Therefore applying replacement cost as a measurement basis to value the economic benefits or service potential of an asset, is not appropriate.</p>	Disagrees with replacement cost
29	C	<p>We agree in some instances it will be possible to assign a monetary value to heritage assets but it can be difficult and time consuming to assign a value, which might not be relevant and reliable. The method used to assign a value should reflect the purpose of the valuation.</p> <p>If the purpose is to show the cost associated with heritage items it is appropriate to use historic cost. However using historic cost present problems when heritage items have been acquired through donation, gift and nationalisation, or where there are no records of acquisition.</p> <p>Using market value, we find to be problematic as the items are not for sale and under restrictions regarding the realisation of the monetary value. Using market value contains the risk of giving an exaggerated impression of the unit's financial status, given heritage items special characteristics.</p> <p>Given the special characteristics of heritage item, it is usually not possible to replace the items; it might be possible to find something with similarities, but most of the time it not possible to determine a replacement cost. It might be possible to determine restoration costs instead.</p>	Note reasons
30	A	<p>Yes, we agree. And we do have some questions:</p> <ul style="list-style-type: none"> <li>• Is there a hierarchy of the measurement bases?</li> <li>• Is fair value also a measurement base for heritage assets and is there a difference to market value regarding accounting for heritage assets specifically?</li> <li>• Are replacement costs appropriate for heritage assets with a high non-material/ideal value?</li> </ul>	Note questions re. use of MBs
31	A	Yes, we agree that different measurement bases can be relevant depending on the nature of the heritage asset and the purpose for which they are held by the entity.	
32	A	<p>25. We agree with the PV above.</p> <p>26. It may be helpful to split heritage assets between operational and non-operational assets. Operational heritage assets are those that, in addition to being held for their characteristics as part of the country's heritage, are also used by the reporting entity for other activities or to provide other services. The most common example is buildings. Non-operational heritage assets are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.</p> <p>27. Operational assets will be somewhat easier to assign a monetary value to and we agree that appropriate measurement bases are historical cost, market value and replacement cost. However, due to the restrictions often placed on future sale of such items, there may be no 'market'. Furthermore, replacing the asset like for like is, in most cases, not achievable due to lack of labour skill and suitable building materials that were used historically. Guidance, including a decision tree, would be needed to provide preparers with practical examples of how to apply the measurement bases in such circumstances.</p> <p>28. In the UK's government accounting guidance (the FReM), non-operational assets are either measured at cost or fair value. For</p>	<p>Operational vs non-operational assets</p> <p>Note other points re. UK practice</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>assets already capitalised or recently purchased, information on their cost or market value will be available. For assets where this information is not available, and where costs outweigh the benefits, the assets are not recognised on the balance sheet but disclosures such as why they are off-balance sheet, their significance and nature are nevertheless required. Furthermore, the guidance states that valuations may be made by any method that is appropriate and relevant (ie do not have to be professional external valuations). There are no minimum prescribed periods between valuations. The guidance in the FReM is deliberately quite flexible to encourage entities to value their assets and put them on their balance sheets. We support this approach as it is proportionate and pragmatic, while following the spirit of the conceptual framework. In particular, cost may be the default measurement option in many cases as obtaining up-to-date valuations would be too costly, but using historical cost at least allows the asset to be put on balance sheet.</p>	
33	B	<p>Please see our comments in the covering letter. In addition, we offer the following thoughts.</p> <p>According to the conceptual framework, the objective of measurement is:</p> <p>“To select those measurement bases that most fairly reflect the cost of services, operational capacity and financial capacity of the entity in a manner that is useful in holding the entity to account, and for decision-making purposes.”</p> <p>Measuring a heritage asset that is inalienable, for which no consideration was exchanged, or historical cost is not relevant, market value or replacement cost will provide no additional value to the readers of the financial statements.</p> <p>For assets that were purchased, historical cost is an appropriate measurement attribute if the information is relevant.</p> <p>We are not sure what value measuring heritage assets at market value will provide. Most of the heritage assets cannot be sold due to local laws and regulations. Therefore, recognizing heritage assets at market value may give an impression that the organization is richer than it really is, or that an entity can benefit from increases in the market value of the heritage asset.</p> <p>Paragraph 4.7 notes that some heritage items are part of operational capacity. Heritage items by definition are preserved and thus not part of “operations” unless they are for sale or are being used in operations. Similarly, it is difficult to see how some heritage items can be considered to be part of “financial capacity” as set out in paragraph 4.8. These paragraphs seem to conflict with the definition of heritage items as being preserved indefinitely.</p> <p>By definition heritage items are held for preservation, not consumption or sale. So the measurement attribute chosen for initial (and subsequent) measurement should be that which would best facilitate accountability for its preservation and management. If a heritage item is subsequently re-classified as held for sale, then another measurement attribute might be appropriate. Please see our comments on stewardship assets in Appendix B.</p>	<p>Historical cost and market value may apply in some situations.</p>
34	B	<p>We would like to refer to the UK accounting guidance in this respect which makes a distinction between operational and non-operational heritage assets. Non-operational heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. Operational heritage assets are those that, in addition to being held for their characteristics as part of the nation’s heritage, are also used by the reporting entity for other activities or to provide other services (the most common example being buildings).</p> <p>We agree that historical cost, market value, and replacement cost are appropriate measurement bases concerning operational heritage assets (see definition in paragraph 16). The appropriate measurement basis (i.e. historical cost, market value, and replacement cost) should be selected for those operational heritage assets based on the underlying facts and circumstances. We would like to highlight that many heritage assets have very specific characteristics, which reduces the availability of market values.</p> <p>The UK accounting guidance provides a specific approach for non-operational heritage assets (see definition in paragraph 16): Where the cost or market value is not available, and cannot be obtained at a cost commensurate with the benefits to users of the financial statements, the non-operational heritage assets are not recognised in the statement of financial position but are disclosed in</p>	<p>operational and non-operational heritage assets</p> <p>Note UK practice</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>the notes. We support an alternative approach to non-operational heritage assets, in these specific circumstances, but we would rather recognise those assets at one currency unit value in the statement of financial position instead of non-recognition (consistent with our position concerning Question 7). We believe that the recognition at one currency unit value would facilitate asset management and the potential capitalization of subsequent capital expenditure, among other things.</p> <p>If the IPSASB would welcome the idea of a distinction between operational and non-operational heritage assets for accounting purposes, it would be important to clearly define the 'operational' and 'non-operational' heritage assets' concepts. Moreover, accounting principles dealing with the potential transfer of a heritage item between both categories (similar to the guidance related to the transfer of an item between PP&amp;E and Investment Property) should be developed in the Standard, amongst potential other considerations.</p>	
35	C	<p>As discussed above a practical threshold question is whether it is possible to assign a meaningful and relevant monetary value to the heritage asset.</p> <p>Referring to the characteristics of heritage items in paragraph 1.7, ACAG would question the rationale for market value and replacement costs being considered as appropriate measurement bases for heritage items other than those with a ready market such as artworks, coins, jewellery, etc. The discussion in paragraph 4.27 considers them to be representationally faithful only in certain circumstances. For example:</p> <ul style="list-style-type: none"> <li>• market value for some heritage items which are potentially restricted from sale or rare in nature, noting that restrictions on their sale or use is not unique to heritage assets</li> <li>• replacement costs (either reproduction cost or the cost of a modern equivalent assets) for items that are often irreplaceable, due for example to the absence of historical raw materials and techniques that were initially used to construct the asset; or that or would not be replaced if destroyed.</li> </ul> <p>However, ACAG notes that some assets can be reproduced with the use of similar materials and features sympathetic with the original heritage design and structure.</p> <p>Australian government agencies use various state and local government heritage listed buildings, for example court houses, police stations and schools. ACAG questions whether their recorded value should include a heritage component, valued at the cost to replace them with heritage materials, or whether they should be valued just on their functionality.</p> <p>Historical cost may be the most appropriate measurement base among the proposed measurement bases, given the heritage items' inherent characteristics including:</p> <ul style="list-style-type: none"> <li>• a long, possibly indefinite, useful life</li> <li>• inability to be replicated or replaced by a modern equivalent asset due to preservation requirements.</li> </ul> <p>The cost-based measurement basis may need to include the recognition of maintenance expenditure costs, which will be incurred as a common characteristic of heritage assets. ACAG suggest guidance be developed that distinguishes whether future maintenance costs on these unique assets should be capitalised or expensed as incurred.</p> <p>ACAG also notes that in paragraphs 4.22 and 4.40, the terms 'restoration' and 'restoration cost' are used in the context of 'reproduction' and 'reproduction cost' respectively (used in the early part of paragraphs 4.22 and 5.1(b) as well as the Conceptual Framework). We recommend the use of consistent terminology to avoid confusion.</p> <p>Furthermore, ACAG recommends additional guidance be developed to enable preparers to determine when each of the available measurement bases are appropriate to particular heritage assets.</p>	<p>Questions use of replacement cost and market value</p> <p>Maintenance issue</p> <p>Guidance needed on when to use each MB</p>

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
36	C	<p>It is believed that the preliminary view of the IPSAS Board may be open to some corrective actions, as, given the object and purpose of this paper, the proposed evaluation criteria of a financial nature have some limitations for the following reasons:</p> <ol style="list-style-type: none"> <li>1) They are difficult to apply to the entire cultural heritage which is essentially non-substitutable as it is chiefly the result of a historical outcome. In fact, it is believed that the historical cost (the value is equal to the investments incurred) could be applied to a newly built museum or to a work of art just purchased by the State after a specific assessment; the market value for a "market" work of art, or a painting by a contemporary artist; the replacement cost by assessing the costs of rebuilding a destroyed cultural asset ("school" hypothesis);</li> <li>2) They do not properly consider the use of the asset and the related flows that they will generate in the future;</li> <li>3) Non-monetary values (non-use values) related to the management of cultural assets of extreme importance are not taken into account, given that we are talking about assets managed for public purposes and therefore destined for public enjoyment.</li> </ol> <p>An alternative hypothesis to define the value of Heritage assets therefore emerges, it being specified, as explained below, that in order to simplify accounting procedures for this category of assets, constant and perpetual values will often be substituted by the determination of the amounts at the time <math>t = 0</math>, that is, of the year in which the asset is evaluated.</p> <p>The concept of value linked to "Heritage assets" has been and still is the subject of extensive economic literature. The central element of the reasons put forward is the non-coincidence between the value of a heritage asset and its price. This gap between the two elements arises from the complexity and specificity of the heritage asset market, which over time has led to constructing numerous <i>ad hoc</i> economic models, and in particular from the difficulty of a market price to incorporate the positive externalities that a heritage asset possesses intrinsically. In fact, these externalities represent the related effects which are produced for the benefit of not only those who enjoy fruition of the asset, but also for society as a whole. The concept that the price may represent "<i>an indicator of the value but not necessarily its direct measure (...), price theory elaborates on, but is not a replacement, of the theory of value in economics</i>" (Throsby, 2001) has spread in literature.</p> <p>A heritage asset represents an investment made in the public interest. Let us therefore consider in this framework that the value of heritage assets is given by the <u>value of use</u> (the value that the asset has because it is seen, visited, enjoyed), which may be measured based on the financial flows generated by its use, and by a non-use <u>value</u> (the value that people attribute to the cultural asset even without using it) which may be measured with complicated <i>ad hoc</i> techniques (e.g. contingency evaluation).</p> <p>In summary:</p> <ol style="list-style-type: none"> <li>1) <math>HAV = useV + nonuseV</math></li> </ol> <p>Where</p> <p>HAV = Heritage Asset Value</p> <p>useV = is the value of use of the heritage asset</p> <p>nonuseV = is the value of the heritage asset that people acknowledge, even though they do not enjoy it</p> <p>We hypothesise that the <u>value of use of a heritage asset</u> is equal to the discounted future financial flows deriving from the use of the asset.</p> <p>If we hypothesise that the asset has an infinite life, and therefore an ability to generate flows endlessly in future years, the value of use can be calculated as the ratio between Ff (as the constant or "perpetual" financial flow for the years to come) and the rate used.</p> <p>In summary:</p> <ol style="list-style-type: none"> <li>2) <math>use V = \sum_{t=0}^{+\infty} \frac{Ff_t}{(1+i)^t} = \frac{Ff}{i}</math></li> </ol>	<p>Note issues.</p> <p>One valuation fixed going forward</p> <p>Difference between "value" and price for heritage assets</p> <p>Value of use as alternative approach</p>



R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 4.2	STAFF COMMENTS
		<p>Where</p> <p><math>t = 0</math> is the time when the evaluation takes place</p> <p><math>F_{ft}</math> = financial flow generated by the asset in year <math>t</math></p> <p><math>i</math> = appropriate discounting rate</p> <p><math>F_f</math> = "constant" financial flow</p> <p>When it comes to financial flows related to the use of the asset, the following are taken into consideration:</p> <ul style="list-style-type: none"> <li>all the revenue related to the use of the asset (net of the expenses to generate this), such as income from entrance tickets, additional services, etc.</li> <li>all the revenue connected to the economy generated thanks to the heritage asset (tourism economy) in terms of higher revenue for the owner (State - entity) related to the expenditure for goods and services (mainly tourist), which would not have taken place in the absence of the heritage asset (taxes received by the State-entity following the development of the tourism economy).</li> </ul> <p>In summary, the above-mentioned financial flows generated by the asset in year <math>t</math> (indicated as the numerator of the sum in formula 2), derive from the sum of the direct financial flows (<math>F_{fdir_t}</math>) and the indirect financial flows (<math>F_{find_t}</math>).</p> <p>3) <math>F_{ft} = F_{fdir_t} + F_{find_t}</math></p> <p>Where</p> <p><math>F_{fdir_t}</math> = (ticket revenue + revenue from sales of goods and services + sponsors + other revenue) minus (management expenses incurred in order to make the asset available, which we will call spending for use<sup>15</sup>) in the year <math>t</math></p> <p><math>F_{find_t}</math> = increased revenue for the State-entity generated by tourists' spending "motivated by the heritage asset" in the year <math>t</math></p> <p>As regards the <u>non-use values of heritage assets</u>, these can be subdivided (Frey and Pommerehne, 1991, Santagata, 2000, Throsby, 2001) into:</p> <ul style="list-style-type: none"> <li>-“<u>option value</u>” (I attribute a value to a heritage asset because I want to be certain that one day I will be able to use it; through conservation, individuals ensure the possibility of using the asset itself in the future in some form);</li> <li>-“<u>existence value</u>” (I acknowledge a value to the asset because I want it to exist for the community);</li> <li>-“<u>inheritance value</u>” (I want to pass on the asset to future generations).</li> </ul> <p>Non-use values are completely independent from the individual use of the cultural asset or service and cannot be placed in relation with any financial flow. They may be of an altruistic type, such as the gift value, which derives from knowing that others may use the asset, or the value of existence, which consists in attributing a positive value to the existence of a cultural asset, irrespective of its use by someone.</p> <p>The weakness of this reflection is, however, in the way these non-use values are measured. Numerous researches on the subject converge on the need for <i>ad hoc</i> analyses based, for example, on the analysis of the "Willingness to Pay (WTP)", using contingency evaluation techniques.</p> <p>In their absence, practice and economic literature have in any case identified the public contribution allocated to the type of cultural asset or services being analysed as the proxy of the option value (and, in general, of the non-use values of cultural heritage), since it</p>	

<sup>15</sup> In this case, it is necessary to define the scope of the management costs, isolating all those directly related to the opening and enjoyment of the heritage asset

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>is the indirect expression of the collective willingness to support the existence of the heritage asset (regardless of its fruition).</p> <p>In the case of state heritage assets, for example, this value can be identified as the entirety of the expenses the Ministry incurs in order to safeguard and enhance its assets. This approximation can well represent a value, not a market one, which the community attributes to the existence of said heritage assets.</p> <p>In summary:</p> <p>4) <math display="block">\text{nonuseV} = \sum_{t=0}^{+\infty} \frac{Fnf_t}{(1+i)^t} = \frac{Fnf}{i}</math></p> <p>Where</p> <p><math>Fnf_t</math> = non-financial flows generated by the assets, equal to the expenses incurred for protecting and enhancing which will be incurred each year for the given cultural asset.</p> <p><math>Fnf</math> = non-financial "constant" flow (theoretically)</p> <p><math>t=0</math> is the time when the evaluation takes place</p> <p>This value will sum the direct and indirect expenses incurred, both as capital and current expenditure, for protecting and enhancing the assets (which we assume to be equal to the total expenditure by the State-entity for that asset in one year).</p> <p>Therefore</p> <p>5) <math display="block">\text{HAV} = Ffdir + Ffind + Fnf</math></p> <p>Hence:</p> <p>HAV = flow discounting of the following sum: (Direct revenue minus Expenses for use) + (tax revenue from tourism economy) + (costs for protection and enhancement)</p> <p>That is:</p> <p>6) <math display="block">\text{HAV} = \sum_{t=0}^{+\infty} \frac{((Dr + STV + Efet) - Sfr)_t}{(1+i)^t}</math></p> <p>Where</p> <p><math>Dr</math> = Direct revenue deriving from the site</p> <p><math>STV</math> = expenditure for protection and enhancement</p> <p><math>Efet</math> = tax revenue from tourist economy</p> <p><math>Sfr</math> = Expenses for use</p> <p>Where it is hypothesised that the entries listed here may be considered "perpetual", therefore imagining being able to determine constant values of such entries calculated at <math>t = 0</math> and assuming that this value will be repeated every year, it can then be said that:</p> <p>7) <math display="block">\text{HAV} = \sum_{t=0}^{+\infty} \frac{((Dr + STV + Efet) - Sfr)_t}{(1+i)^t} = \frac{(Dr + STV + Efet) - Sfr}{i}</math></p> <p>Or also</p> <p>8) <math display="block">\text{HAV} = \frac{Ft}{i}</math></p> <p>Where <math>Ft = Dr + STV + Efet - Sfr</math></p> <p>Finally, as previously mentioned, it could be hypothesised that this "perpetual" value is the one recorded at time <math>t = 0</math>, that is, at the moment when the evaluation takes place.</p> <p>Therefore it could be</p> <p>9) <math display="block">\text{HAV} = \frac{(Dr_0 + STV_0 + Efet_0 - Sfr_0)}{i}</math></p>	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>This method would lead to defining the value of the heritage assets, as already argued, based on a logic of discounting future flows, focusing, as mentioned, on the expectations entertained concerning the values that the asset may generate in its future.</p> <p>On the contrary, we could say that this method completely overlooks the "past", the "history" of the asset, with the limit of potentially placing an ancient heritage asset and a more recent one on the same level.</p> <p>What therefore seems most appropriate for our purposes is a mixed solution, which - in a balanced way – should consider both historical values and future flows.</p> <p>A technique that in synthesis leads us to define HAV as:</p> <p>10) <math display="block">HAV = (HAV_f \cdot p) + (HAV_s \cdot q)</math></p> <p>Where</p> <p>HAV = Heritage Asset Value</p> <p><math>HAV_f</math> = Heritage Asset Value, calculated based on the flow discounting method</p> <p><math>HAV_s</math> = Heritage Asset Value, calculated using the "historical" method (see below)</p> <p>p, q = weighting factors such that <math>p + q = 1</math></p> <p>The considerations made at the beginning of this document apply for the purposes of determining the historical value. Namely, the matter consists in understanding how to attribute a "financial" type value, capable of adding value to the investments made during the course of history on that particular heritage asset.</p> <p>Let's set that, then</p> <p>11) <math display="block">HAV_s = IV + \sum_{t=m}^0 Inv_t</math></p> <p>Where,</p> <p>IV = initial value of the asset, equal to the costs for its construction</p> <p>m = number of capitalisation periods of the asset, that is, a value that begins the moment the asset is created and where the index t decreases to 0, the year in which the evaluation takes place.</p> <p>Inv = investment costs incurred on the asset (restoration, maintenance, works, construction, etc.)</p> <p>Now, as is argued and as is obviously intuitive, reconstructing the IV and Inv values is a very complex operation due to a lack of data and information.</p> <p>To overcome this gap, but wishing to propose a method in any case, it is believed that a significant proxy is represented by all the expenses incurred on that asset for protection and enhancement, net of the costs incurred for its management (those which we previously called expenses for use/enjoyment).</p> <p>In summary:</p> <p>12) <math display="block">HAV_s = IV + \sum_{t=m}^0 (STV_t - Cfr_t)(1 + j)^t</math></p> <p>Where,</p> <p>j = is the capitalisation rate</p> <p>Now, let's assume for simplicity that</p> <ul style="list-style-type: none"> <li>the value of STV and Sfr is constant over time, and equal to the value of STV and Sfr at the time <math>t = 0</math>, that is when the evaluation takes place</li> <li><math>IV = (STV_0 - Sfr_0)</math></li> </ul>	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		<p>13) <math>HAV_s = (STV_0 - Sfr_0) + \sum_{t=m}^0 (STV_0 - Sfr_0)(1+j)^t</math></p> <p>Considering though, that it is necessary to bring the value of the investments (which, as seen, are equal to the value of the investments made at time <math>t = 0</math>) from the nominal values to the real values, we could assume, in order to simplify, that the capitalisation rate "<math>j</math>" is the rate to be used for the currency devaluation.</p> <p>Therefore, according to this hypothetical assumption, the formula would thus be simplified to:</p> <p>14) <math>HAV_s = (STV_0 - Sfr_0) + \sum_{t=m}^0 (STV_0 - Sfr_0)</math></p> <p>Considering a life of the asset from its birth to year 0 as equal to <math>m</math>, where <math>m</math> is the number of periods (years, centuries, etc.), we would obtain:</p> <p>15) <math>HAV_s = (STV_0 - Sfr_0) \cdot m</math></p> <p>Returning to the overall assessment, i.e., based on the use of the two criteria outlined above, we have:</p> <p>16) <math>HAV = (HAV_f \cdot p) + (HAV_s \cdot q)</math></p> <p>Therefore:</p> <p>17) <math>HAV = \left[ \frac{(Dr_0 + STV_0 + Eft_0 - Sfr_0)}{i} \cdot p \right] + [(STV_0 - Sfr_0) \cdot m \cdot q]</math></p> <p>However there are still further specific and complex issues which must be analysed. Take for example how to calculate the financial flows without an entrance ticket to the cultural sites concerned. In this case it could be decided not to consider any financial flow. However, if the ticket were to be considered as a "tariff" for the use of a public service, thus capturing the measure of that surplus value attributed by the users of the cultural site, maybe considering an average figure would be better. An option could be that of not taking into consideration the price of the ticket for free sites (when calculating use values), considering that this lower value is offset by the calculation of the non-financial flows (which will be higher, considering that the ticket revenue will not be subtracted from the total costs of protection and enhancement).</p> <p>A broad debate could then be triggered by the discussion concerning both the discount rate to be used for the discounting (i), and the interest rate for the capitalisation (j).</p> <p>In conclusion, as anticipated in the preamble of this contribution, the position taken as concerns financial reporting for heritage is only a first attempt which well may be revised by means of further developments and in-depth studies. In short, it consists in finding the right balance between the concrete need to measure the phenomenon in question by means of a numerical expression and the necessary rigour of the assessment method, which must, in that sense, rely on as few hypotheses and assumptions as possible.</p>	
37	A	We agree with the IPSASB's Preliminary View.	
38	A	ANAN agrees with the Board's preliminary view in Chapter 4.2 because in many cases, it is possible to assign monetary value to heritage assets and where that is the case, it means that such assets have historical cost or market value.	
39	C	<p>For heritage items donated to our organizations:</p> <ul style="list-style-type: none"> <li>a) historical cost is not an applicable valuation basis as the items were donated;</li> <li>b) considering we would not sell the donated items due to legal, social or contractual restrictions, it would be impossible to assign a market value that is verifiable. Consequently, valuation at market value is not an appropriate valuation basis;</li> <li>c) considering the item is not used for operations and would not be replaced by us if it were to be lost or damaged, it would be impossible to assign a replacement cost that is verifiable. Consequently, valuation at replacement cost is not an appropriate valuation basis.</li> </ul>	Note reasons

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 4.2</b>	<b>STAFF COMMENTS</b>
		The Task Force does not agree with the IPSASB's Preliminary View and we request the IPSASB to consider more appropriate valuation methods for items that have no or limited economic benefits or service potential.	
40	A	<p>HoTARAC considers historic cost to be a relevant basis for measuring heritage asset in only limited circumstances, as relatively new structures for which such a measurement base would be relevant are unlikely to be classified as heritage. HoTARAC acknowledges that historical cost may be reasonable valuation base on initial recognition.</p> <p>HoTARAC agrees that replacement value and market value are appropriate measurement bases for heritage assets. In determining which measurement base to apply, HoTARAC recommends the IPSASB consider the use of an asset. Where an asset is used for its service potential, for example a Parliamentary building, it should be held at replacement cost. Where it is purely for heritage value, such as a painting or statue, market value is appropriate.</p>	Use of asset; e.g. pure heritage use; market value; and other use replacement cost

**Specific Matter for Comment—Chapter 4.3**

What additional guidance should the IPSASB provide through its Public Sector Measurement Project to enable these measurement bases to be applied to heritage assets?

**STAFF ASSESSMENT OF RESPONSES RECEIVED** (These are staff views and do not necessarily reflect the views of IPSASB Members.)

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE (Identified additional guidance)</b>	02, 03, 04, 05, 06, 07, 09, 10, 12, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35, 36, 38, 40	32
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>32</b>
<b>D – DID NOT COMMENT (Did not identify guidance)</b>	01, 08, 11, 14, 15, 31, 37, 39	8
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS
01	D	None.	
02	A	Please refer to our response to the questionnaire for the project Measurement sent early May 2017	
03	A	We do think that IPSASB should adopt the approach of recognising and keeping heritage assets at one currency unit in which case additional guidance regarding measurements will not be needed. We recommend that more direct guidance and examples on how to apply replacement costs model should be given.	1 CU issue
04	A	According to its title, the public sector measurement project (PSMP) should develop guidance related to specific issues of measurement basis in the public sector. Therefore, it should not focus on measurement basis, which apply to the private sector, but provide an in depth reflection about alternative measurement basis, especially for heritage assets.	Alternative MBs
05	A	We note that a common barrier cited by entities in valuing heritage assets is the cost, in both monetary terms and time constraints. Consideration should be given to whether other proxies could be used, for example insurance values, where no other value exists. The IPSASB could facilitate the sharing of alternative methodologies in this regard. A valuation hierarchy, as an integral part of any standard, would be well received.	Use of proxies. Heirarchy
06	A	We think that including a set of criteria giving definitions and tests of uniqueness to be used when categorising the various assets would be helpful. So too would including examples of when to apply one or more of the various measurement bases in given circumstances.	Criteria, tests to classify
07	A	We have no comments other than those provided in response to the previous question.	See PV Ch.4.2
08	D	No Specific Comments	

R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	A	In our view, a more fundamental discussion is required about the purpose and benefits of including heritage assets in financial reports Empirical evidence is required of the benefits to the users of financial reports of disclosing information in different formats about heritage assets	
11	D	Conceptually it makes sense to ensure alignment between the two projects to facilitate measurement; however, I do not concur with two of the three measurement bases listed under Preliminary View 4.2.	
12	A	<ul style="list-style-type: none"> <li>• They could encourage the evidence of these assets through the notes of the Financial Statements.</li> <li>• To subdivide the goods into categories, such as: tangible, intangible, operational or appreciative use.</li> <li>• Offer other alternative measures, such as: present value of future economic benefits, or the opportunity cost of not having such assets.</li> <li>• It is recommended to first make a legal comparative of the countries, with their classifications and treatment in order to be able to advance in the regulations.</li> <li>• Taking into account the peculiarities of each country, it would be a good option to include all goods at their symbolic value, a situation that would allow the start of programs oriented toward the integration of inventories, classifications and other important data for their control, conservation and safeguard. It is assumed at the outset that registration to symbolic value would have to start in some countries, without establishing a time of conclusion due to the work that it represents, but due establishing a uniform parameter that could give comparable information in the future.</li> <li>• Analyze the scope of the definition of the PHAC, as it covers more than what it appears to be, in other words: aspects of the elements of nature (natural, environmental or ecological reserves with their fauna and flora), scientific and technological elements, incidences of aquatic and underwater heritage, cultural aspects (dances, dances, patronal and religious festivals), unlikely to be measured.</li> </ul>	<p>Determine disclosures, categories, alternative MBs</p> <p>1 CU issue</p> <p>Analyse scope of definition</p>
13	A	As already mentioned above, depending on the purpose of their use, heritage assets are either operating or non operating assets. The SRS-CSPCP therefore wishes that the IPSASB draws up additional guidelines for differentiation and therefore as the basis for the valuation of such assets.	Differentiation between operating and non-operating
14	D	See other remarks and comments. To summarize, in line with the IPSASB Conceptual Framework, it would be incorrect to refer to heritage items as 'assets' in the first place. Once an item is 'heritage', its economic, societal and cultural values become subsumed, and one aspect cannot be verifiably measured without affecting the other (Ellwood and Greenwood, 2016) <sup>16</sup> . Therefore, whatever basis of measurement is used, it would not provide a 'true and fair view' of the complete picture.	
15	D	No Specific Comments	
16	A	As noted above, attempting to value a heritage asset based on its service potential will not reflect the innate value of a heritage asset and therefore lacks relevance for the financial position of the entity. However, we believe that the concept of assigning a	Value based on service

<sup>16</sup> Ellwood, S., Greenwood, M. (2016), Accounting for Heritage Assets: Does measuring economic value 'kill the cat'? *Critical Perspectives on Accounting*, Vol. 38, pp. 1-13.

R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS
		monetary value to an asset based on service potential needs further study for operationalization in a more general context, and this could be addressed by IPSASB's Measurement Project.	potential (SP)
17	A	14. With regards to additional guidance to enable the measurement bases proposed to be applied on heritage assets (following paragraph 4.40) it would be helpful to provide additional guidelines on what to do when heritage assets cannot be measured and recognized in financial statements, to ensure that these assets are still accounted for.	Treatment outside of the financial statements
18	A	CAMD is currently developing a national framework for the valuation of collections to try to develop national consistency in terms of historical, market and replacement costs in the context of jurisdictional regulatory requirements. CAMD would be prepared to share this guidance with IPSASB.	CAMD is developing guidance
19	A	We are supportive of the view and treatment that heritage items, where it is ascertainable, be presented at historical cost. Where the cost cannot be ascertained, that such items be written in at a nominal cost of one (1) currency unit. In the notes to the financial statements, distinction should be disclosed between those items that are carried at historical cost and those (quantity and nature) carried at the nominal or "token" value. The note should also include a brief narrative as to why the historical cost measure cannot be applied.	1 CU issue Disclosures
20	A	It would be helpful for the IPSASB to clarify and provide guidance as to the factors relevant to a public sector entity's selection of an appropriate measurement basis.  In many cases selection of the most appropriate basis may be relatively straightforward. Historical cost may be appropriate where accountability for the use of public funds is paramount; market value would likely best reflect the estimated future flows of resources and thus probably provide the most useful information to users where the heritage item's service potential or ability to generate tangible benefits.  However, for some heritage assets ensuring alignment with the most appropriate measurement objective may be more complex. For example, given the fact that by their nature many heritage items are irreplaceable, it will be especially important to provide guidance as to when IPSASB would consider replacement cost as an appropriate measurement basis. Similarly, due to the nature and usage (or non-usage) of heritage assets as well as potential unavailability of market values, the relevance of market value in an inactive market for measuring heritage assets would need clarification.	Guidance on basis for choosing MBs
21	A	As stated above, more explanation needs to be provided with regard to replacement cost and restoration cost. Also, it needs to be stated clearly how replacement cost measurement base can be considered appropriate in case of restoration costs.	Replacement and restoration cost



R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS																					
22	A	<p>When the nominal cost of one currency unit is adopted, its scope of application should be limited. We would like you to present guidelines for the scope of application, including the case of adopting nominal cost as symbolic value.</p> <p>We believe that a base applied for initial and subsequent measurements should differ depending on whether an entity controls service potential or economic benefits. For instance, we think that following table is useful for entities to choose measurement bases. We also think it useful for the IPSASB to consider guidance on selecting measurement bases.</p> <table border="1"> <thead> <tr> <th>Resources controlled by an entity</th><th>Initial measurement</th><th>Subsequent measurement</th><th>Case</th></tr> </thead> <tbody> <tr> <td rowspan="3">Service potential (Generally entry value is suitable)</td><td>Cost of acquisition</td><td>Impairment/Revaluation (Depreciation is rarely applicable.)</td><td> <ul style="list-style-type: none"> <li>Newly acquired assets</li> </ul> </td></tr> <tr> <td>1 yen (one currency unit as symbolic value)</td><td>—</td><td> <ul style="list-style-type: none"> <li>Imperial family's treasures and documents</li> <li><i>Yaku Cedar</i> (natural heritage inhabited in native bush)</li> </ul> </td></tr> <tr> <td>Replacement cost or cost of restoration</td><td>Impairment/Revaluation (Depreciation is rarely applicable.)</td><td> <ul style="list-style-type: none"> <li>Assets used for executive branch</li> <li>Art objects as heritage</li> </ul> </td></tr> <tr> <td rowspan="2">Future economic benefits (Generally exit value is suitable)</td><td>Market value</td><td>Impairment/Revaluation</td><td> <ul style="list-style-type: none"> <li>Buildings in Landscape District</li> </ul> </td></tr> <tr> <td>Value in use</td><td>Impairment/Revaluation</td><td> <ul style="list-style-type: none"> <li>Not assumed as heritage</li> </ul> </td></tr> </tbody> </table>	Resources controlled by an entity	Initial measurement	Subsequent measurement	Case	Service potential (Generally entry value is suitable)	Cost of acquisition	Impairment/Revaluation (Depreciation is rarely applicable.)	<ul style="list-style-type: none"> <li>Newly acquired assets</li> </ul>	1 yen (one currency unit as symbolic value)	—	<ul style="list-style-type: none"> <li>Imperial family's treasures and documents</li> <li><i>Yaku Cedar</i> (natural heritage inhabited in native bush)</li> </ul>	Replacement cost or cost of restoration	Impairment/Revaluation (Depreciation is rarely applicable.)	<ul style="list-style-type: none"> <li>Assets used for executive branch</li> <li>Art objects as heritage</li> </ul>	Future economic benefits (Generally exit value is suitable)	Market value	Impairment/Revaluation	<ul style="list-style-type: none"> <li>Buildings in Landscape District</li> </ul>	Value in use	Impairment/Revaluation	<ul style="list-style-type: none"> <li>Not assumed as heritage</li> </ul>	1 CU issue – guidance on when to use
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23	A	<p>We note that guidance on measurement of heritage assets might be contained in a heritage specific standard, in other standards relating to asset measurement, or in separate guidance not framed as a standard.</p> <p>Wherever guidance is placed, it will probably be helpful to outline certain cases for which it is straightforward to identify and use a measurement basis with is relevant, and to separately provide guidance on cases for which this is not a straightforward assessment. For the latter, more difficult cases, the guidance will need to help preparers determine which measurement bases are sufficiently relevant, and how measurement might be achieved in a way which is compatible with the cost benefit constraint.</p> <p>Furthermore, given the substantial variation in the nature and type of heritage assets in different national jurisdictions, it is likely that national guidance will need to be developed to help apply IPSASB developed criteria to the sorts of situations which will most often be encountered in the national context. It would be helpful if the IPSASB were to draft its guidance in a way which facilitated the production of interpretive guidance by national standard setters or other relevant authorities.</p>	<p>Identify when MBs straightforward to use and when not</p> <p>National context and situations</p>																					

R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS
24	A	<p>IPSASB should provide additional guidance in the following areas:</p> <ul style="list-style-type: none"> <li>Value in use as a basis of measurement where heritage assets are cash generating. In cases where heritage assets are cash generating and therefore there is economic benefit flowing to the entity, then value in use as a measurement basis should be considered.</li> <li>Whether use of the term 'replacement cost' is appropriate given that one of the characteristics of heritage assets is that they are often irreplaceable. PSASB considers restoration cost more appropriate.</li> <li>Explore other measurement bases that can capture the heritage significance of heritage items.</li> </ul>	Note situations
25	A	We recommend that the IPSASB assigns a hierarchy to the measurement bases to assist preparers of the GPFRs in selecting the most appropriate basis. If a hierarchy cannot be assigned, preparers should be required to make an accounting policy choice per group of assets and apply the selected measurement basis consistently. The hierarchy should take into account the practical implications that affect governments. Fair value, although appropriate as it provides the current value of the heritage item, may not be easily obtainable. Cost, on the other hand, could be easier to adopt but may only be obtainable for the relatively newer heritage assets.	Hierarchy for MBs
26	A	The majority, if not all, heritage assets may be considered unique and their measurement requires expert advice to assist in their recognition and measurement. Experts in the various specialist fields of valuation should work alongside in-house non-valuation experts (i.e. curators, librarians, etc) to determine fair values and the present outcomes in accordance with the relevant accounting and valuation standards.	
27	A	<p>The IPSASB has a range of options available:</p> <p>(a) amend standard(s);</p> <p>(b) issue new standard(s);</p> <p>(c) provide general guidance; or</p> <p>(d) facilitate the sharing of specific guidance.</p> <p>In making this decision, the IPSASB should consider the costs versus the benefits of these options, and the difficulty of being able to address the measurement of the wide range of heritage items such as museum collections, heritage properties and cultural icons.</p> <p>We consider that the IPSASB issuing general guidance would be the most appropriate outcome. This should encourage more widespread recognition of heritage assets on the balance sheet, which, in turn, should support better management and preservation of heritage assets. Such guidance could draw upon the approaches applied in countries that currently recognise heritage items.</p> <p>We also recommend that the IPSASB consult the International Valuation Standards Council to ensure that the valuation standards work effectively with the resultant general guidance.</p>	<p>General guidance needed</p> <p>Link IPSAS to IVSs</p>
28	A	<p>Paragraph 4.18 notes that market values will be obtained for some heritage asset through reference to the market value of similar items if an active and orderly market exists. However, where heritage assets are unique, meaningful markets are unlikely to be available.</p> <p>We recommend that guidance be provided to entities on how market value should be determined in the absence of an active market (also refer to our response to the specific matter for comment on chapter 4.2).</p>	Guidance on MVs
29	A	Additional guidance regarding how to assess if an item is a heritage item is needed, to insure that there are some consistencies in the use of the term.	Heritage – when?

R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS
30	A	No additional to the questions mentioned above in PV 4.2 ( <i>Staff: Noted questions for guidance in PV 4.2</i> )	
31	D	No Specific Comments	
32	A	<p>29. We would like to see additional guidance within the Public Sector Measurement Project on the following areas:</p> <ul style="list-style-type: none"> <li>- A decision tree to guide preparers through recognition and measurement principles;</li> <li>- More guidance on determining market value when there is no market or an inactive market;</li> <li>- Examples of where a monetary value cannot be established and estimation techniques would not provide relevant or faithfully representative outcomes;</li> <li>- How to assess impairment for assets that are not necessarily impacted by physical deterioration.</li> <li>- The benefits that should be considered when weighing up cost-benefit implications of obtaining a value for financial reporting purposes.</li> </ul>	Note issues.
33	A	<p>Heritage assets are unique and therefore it is possible to have no active and orderly markets for those. Therefore, guidance should be provided for those circumstances where there is no active or orderly market. Assessed value should also be explored as one of the alternatives to market value. In some jurisdictions, museums provide a tax receipt when a collection is received as a donation. Guidance relating to deriving value through estimation techniques may also be useful. These examples indicate that there may need to be specific consideration given in the Public Sector Measurement project to the appropriate measurement attribute(s) for heritage assets.</p> <p>Further, the IPSASB may have to consider whether a change to the measurement objective in its Conceptual Framework Chapter 7 is required to properly reflect heritage items as assets in public sector financial statements for accountability and decision-making purposes. As noted in the covering letter, heritage assets do not fit easily into the financial or operating capacities identified in the existing measurement objective. This comment relates to the suggested stewardship category addressed in Appendix B, which follows.</p>	<p>MV guidance</p> <p>Change CF measurement objective</p>
34	A	<p>We believe the following additional measurement guidance concerning heritage assets would be helpful in the context of the Public Sector Measurement Project:</p> <ul style="list-style-type: none"> <li>- Decision tree to help choosing the most appropriate measurement base (i.e. historical cost, market value, replacement cost, and one currency unit value) in different circumstances</li> <li>- How to determine market value when there is no or an inactive market</li> <li>- How to measure living plants and organisms (see also question 3)</li> <li>- How restrictions on assets (e.g. asset can only be used for a specific purpose, asset cannot be sold, etc.) impact their measurement.</li> </ul>	Note issues.
35	A	<p>ACAG recommends the IPSASB consider examining the measurement objective for heritage assets as it relates to The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. The measurement objective for heritage assets appears to be different from that of most property, plant and equipment. The benefits of heritage assets are primarily perceived to be non-monetary and uneconomic in nature, and therefore not necessarily quantifiable (able to be reliably measured). In other words, the measurement of heritage items primarily facilitates the assets' recognition in the financial statements only.</p> <p>ACAG recommends that guidance be developed to help determine which measurement method to use. For example, when is</p>	<p>Issue re measurement objective</p> <p>When to use each MB</p>

R#	C #	RESPONDENT COMMENTS SMC—Chapter 4.3	STAFF COMMENTS
		market value or replacement cost appropriate?	
36	A	We suggest to consider the new evaluation criteria set out in the remarks made concerning the Preliminary View - Chapter 4.2 within the "Public Sector Measurement Project". <i>(Staff note: See response to PV-Chapter 4.2.)</i>	
37	D	We believe that there is no additional guidance required for these measurement bases to be applied to heritage assets.	
38	A	ANAN beliefs that the guideline should be on two prompts, one dwelling on when monetary value is assigned to heritage assets while the other one should be when nominal value is assigned.	1 CU issue – when to use
39	D	No comment at this point.	
40	A	<p>As noted above (Preliminary View—Chapter 4.2) HoTARAC considers historical cost only relevant in limited circumstances. HoTARAC recommends that the choice between replacement cost and market value is based on whether the asset is held for its service potential.</p> <p>HoTARAC agrees that the IPSASB should develop guidance on the measurement bases to be applied to heritage assets. HoTARAC acknowledges that this will be a large task due to the range of items that can be classified as heritage assets.</p> <p>HoTARAC members' experience is that there are difficulties in valuers and auditors developing a single repeatable methodology towards even individual items in successive audits. Individual objects may be assessed as being "priceless" (without market value) in one assessment and then as having a market value in the next assessment. While there is common acceptance that scientific specimens can be valued at "replacement value", there is difficulty in reaching agreement on what this reasonably comprises.</p> <p>HoTARAC recommends specific guidance is provided on determining whether a heritage asset can be reliably measured.</p>	Guidance on MBs and on whether can be reliably measured

**Preliminary View–Chapter 5**

Subsequent measurement of heritage assets:

- (a) Will need to address changes in heritage asset values that arise from subsequent expenditure, consumption, impairment and revaluation.
- (b) Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	05, 07, 13, 17, 23, 25, 26, 27, 28, 30, 31, 32, 34, 38, 40	15
<b>B – PARTIAL AGREEMENT</b>	03, 11, 18, 20, 29	5
<b>C – DISAGREE</b>	01, 02, 04, 06, 09, 10, 12, 14, 15, 16, 19, 21, 22, 24, 33, 35, 36, 37	18
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>38</b>
<b>D – DID NOT COMMENT</b>	08, 39	2
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 5	STAFF COMMENTS
01	C	<p>We disagree with this view for the following reasons:</p> <p>(a) Since the subsequent expenditures are made for recoveries or repairs in most cases, it is difficult to view that the values of heritage items will increase.</p> <p>(b) Heritage items normally have permanent useful lives. Therefore, there is no reasonable method to allocate the subsequent expenditures, if they are to be capitalized.</p> <p>For these reasons, Korea currently views subsequent expenditures as the current year's costs, and expenses them immediately. Therefore, we recommend a different approach in the measurement of subsequent expenditures.</p>	Note reasons
02	C	<p>With respect to subsequent expenditures, the CNoCP would be concerned that, because underlying heritage assets that cannot be assigned a monetary value are not recognised on the face of the statement of financial position, some subsequent expenditures may not be recognised, even though they meet the definition and recognition criteria of assets. This is one rationale for the use of the nominal cost of one currency unit that we have developed in our responses to the related previous questions.</p> <p>The CNoCP agrees with the Board's position described in paragraph 5.10. The fact that some heritage items may have indefinite useful lives is a key feature of those items hence they should not be depreciated. In substance, heritage items cannot be replaced; therefore applying a depreciation charge would be irrelevant and would impair their heritage significance. In addition, we note that in</p>	Note issues.

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 5	STAFF COMMENTS
		accordance with our standard 17, no impairment losses should be recognised for outstanding heritage assets; however, that standard requires that information about impairment should be disclosed in the notes to the accounts.	
03	B	We do agree with the above but we think that the IPSASB should require that subsequent expenditure arising from heritage assets be treated separately from other non-heritage assets so that the value of heritage assets remain intact. Also depending on the nature of the asset, impairment/revaluation might not make sense, example, the great Pyramids of Egypt, and the Castles along the coast of Ghana cannot be revalued. In certain cases it might be difficult to treat heritage assets in the same way as other non-heritage assets because, for example, replacement costs, impairment or even maintenance, might not apply to certain purely natural phenomena that mankind cannot imitate.	Note issues.
04	C	From our point of view, heritage assets have specific characteristics that prevent them from being approached as non-heritage assets. As a consequence, subsequent measurement of heritage assets cannot be addressed in the same way. They are intended to be held indefinitely and preserved <sup>17</sup> . For this reason, they should be neither amortized, nor impaired. We believe that the amounts recorded at initial recognition should remain unchanged. Information about partial and substantial change to heritage assets can be disclosed in the notes if needed.  However we note that these specific assets often lead to significant subsequent expenditure, as they are intended to be held indefinitely and preserved. If it is likely that subsequent expenditures confer future economic benefits or service potential for the entity, they can be capitalized, separately recorded from the underlying heritage asset and amortized /depreciated and impaired when appropriate.  This approach is consistent with an initial recognition of heritage assets at their symbolic values.	Note issues.
05	A	We agree with the IPSASB's preliminary view.	
06	C	Heritage assets will often not depreciate and may indeed appreciate in value over time though care needs to be taken to avoid a blanket avoidance of depreciation. Expenditure on assets will often be in the nature of maintaining rather than increasing their value and therefore should be expensed as incurred. However it would be appropriate to include disclosures relating to such amounts to demonstrate that appropriate maintenance expenditure is being assigned to the assets involved – inadequate maintenance may pose a high and increased risk of deterioration for some heritage assets which may affect their state irrecoverably. Annual impairment reviews should be carried out on all material heritage assets. From time to time, the nature of heritage assets might change e.g. a possibility of selling them may emerge; in such cases, it would be appropriate to reclassify them from heritage assets to assets held for resale and relevant accounting adjustments made accordingly: this could be made more explicit than it currently is.	Note issues.
07	A	We agree with the comment in paragraph 5.3 that the same considerations apply to initial and subsequent measurement. Our comments in response to the previous question on initial measurement are relevant here.	Comment for both PV & SMC-Ch.5
08	D	No Specific Comment	
09	C	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	C	In view of our above comments we do not agree with the approach	

R#	C #	RESPONDENT COMMENTS Preliminary View–Chapter 5	STAFF COMMENTS
11	B	<p>I am not sure whether I agree or not. The preliminary view assumes the assignment of an initial value; however, many heritage assets that are held indefinitely and that have no historical cost information should not be assigned an initial value under any measurement basis. If historical cost information does not exist and the asset is held indefinitely, subsequent changes in the initial value of zero have no effect on financial capacity anyhow, so why expend resources accounting for the value of something that should not have been valued in the first place?</p> <p>Otherwise, for heritage assets that are either (a) initially valued using historical cost information or (b) available for sale and measured at fair value, I concur with the view that value changes can be capitalized, amortized, impaired, and revaluated in a manner consistent with other non-heritage assets.</p> <p>For heritage assets having an initial value / historical cost of zero, restoration costs can still be accounted for in a manner consistent with other non-heritage assets, which would contribute to the cost of services and operational capacity financial reporting objectives.</p>	Note issues.
12	C	<p>Do not agree, there is difference of opinion.</p> <ul style="list-style-type: none"> <li>• This proposal only evidences the values of the physical composition of the asset and not with respect to its historical, cultural and artistic value.</li> <li>• It is not recommended to approach subsequent measurement in the same way as the assets that do not meet the definition of heritage assets, unless the use is associated with production, sale or services of property, plant and equipment, or investment property.</li> <li>• It would be challenging to apply the concepts of impairment and revaluation, due to the difficulty in estimating recoverable values and market values, respectively.</li> <li>• It is suggested to recognize if the expense increases the value of the asset.</li> </ul>	Note reasons
13	A	<p>The SRS-CSPCP is of the opinion that subsequent measurement can be the same as for assets which are not heritage assets. Therefore, the SRS-CSPCP agrees with answer (b).</p>	
14	C	<p>See other comments: since heritage items cannot be regarded as assets, the subsequent measurement is not relevant. This implies that subsequent expenditures for heritage items as well as acquisitions of heritage items will have to be treated as expenses and will not be capitalized. Of course, in the separate heritage reporting, governments should disclose and clarify such expenses for heritage items in the light of their budgetary appropriations.</p>	Note reasons
15	C	<p>No Specific Comments (<i>Staff note: General comment propose reporting of information on deferred maintenance and repairs and changes in physical units.</i>)</p>	See note
16	C	<p>We do not agree that all subsequent measurement issues can be necessarily approached in the same way as for non-heritage assets:</p> <ul style="list-style-type: none"> <li>• Heritage assets are not consumed in the provision of services, unless they are also used in operations, therefore it may not be appropriate to amortize them.</li> <li>• The guidance in IPSAS 21 <i>Impairment of Non-Cash Generating Assets</i> relies on estimation of the value in use of the asset or fair value less cost to sell. As noted earlier, in our opinion, the measurement of the service potential of a heritage asset would not reflect its innate value, and market value is not relevant when the item meets the definition of a heritage item that is held and preserved. If impairment arises because the heritage asset has lost its heritage significance, it is no longer a heritage asset and should be accounted for under the relevant IPSAS.</li> </ul>	Note reasons

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 5</b>	<b>STAFF COMMENTS</b>
		<ul style="list-style-type: none"> <li>In addition, we question the application of the revaluation model for heritage assets given the relevance of market value to assets which are held and preserved and cannot be sold or transferred. Engaging experts to revalue heritage assets will lead to highly subjective amounts in the statement of financial position that are not likely to provide useful information for decision-making.</li> </ul>	
17	A	15. We agree with the subsequent measurement of heritage assets IPSASB preliminary view (following paragraph 5.14). Subsequent expenditure and revaluation could be particularly relevant given the special characteristics of heritage assets. We recommend providing specific guidance on impairment of heritage assets compared to depreciation approaches.	Guidance on impairment needed
18	B	CAMD disagrees with the preliminary view in part. Subsequent measurement should encompass additions or losses from the collection, but because of the non-tradable nature of items in the collection, CAMD's position is that items should only accrue an agreed standard annual value such as CPI or similar.	Note issue.
19	C	<p>No. We are not in agreement</p> <p>(a) As mentioned earlier:</p> <ul style="list-style-type: none"> <li>Heritage items are held for perpetuity and therefore no timeframe can be ascribed to the consumption of an item. Given that no timeframe for a heritage item exists, how then can we assess the useful life of an item, thus negating the testing for impairment and revaluation;</li> <li>The mandate of heritage bodies/agencies is the preservation and conservation of the heritage fabric (broadly defined). Preservation and conservation measures/efforts are to maintain the item at the original state at the point of acquisition, when with deemed to hold heritage significance. Any impairments, subsequent expenditure or revaluation would go against the concept of "preservation" and "conservation" as it inherently, alters the state that classified that item as having heritage significance.</li> </ul> <p>(b) Based on the arguments presented in point (a), subsequent measurement is not cannot be applied.</p>	Note reasons
20	B	<p>We agree with part (a) of the IPSASB's Preliminary View. However, we believe that special consideration and clarification needs to be given to the issue of depreciation, as, due to their heritage nature, heritage items are expected to be held indefinitely (or as we suggest one of their specific heritage characteristics is their expected longevity).</p> <p>In some cases normal "deterioration" e.g., weathering, may be part of their heritage "charm" – even adding to perceptions of an item's "heritage worth". Where a heritage item is held for posterity but not used to generate net cash inflows, its service potential may be intangible in nature (its presence might provide a sense of general wellbeing, national pride etc. or in allowing access to a park could contribute to the fitness of the population etc.). Furthermore, the service potential of such a heritage item does not necessarily diminish over time, as the item itself is not consumed.</p> <p>For other cases – especially where heritage items are used for heritage or non-heritage purposes, increasing service potential or providing tangible economic benefits, depreciation may be relevant to users' decisions related to such use (we also refer to our response to Preliminary View—Chapter 2.1).</p> <p>Therefore in such cases it appears that it is the use of a heritage item rather an item's "heritage nature" that may determine whether or not an item or part thereof is consumed and whether or not accounting for consumption (depreciation or amortization) provides information in line with the users' needs.</p> <p>We agree with part (b) of the IPSASB's Preliminary View that the issue of subsequent measurement can be approached in broadly the same way as subsequent measurement for other, non-heritage assets. However, we would welcome the IPSASB providing guidance on factors such as change in use or re-classification (items previously not considered heritage come to be so classified over time), which may need to be addressed specifically in the context of heritage.</p>	<p>Depreciation applicability needs further consideration</p> <p>Increases in value relevant</p>



R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 5</b>	<b>STAFF COMMENTS</b>
		<p>In our view, for cost: benefit reasons, revaluations of heritage assets that will neither change in use nor be sold, even when they may be expected to have increased in value, should not be undertaken unless relevant to the public sector entity's financial position. Disclosures as to the potential for the item to have increased in value may be useful in a purely "academic" sense. Users' needs would need to drive any decision in this regard.</p>	Revaluations - no
21	C	<p>We disagree with the aforesaid view of the IPSAS Board, i.e., to deal with the subsequent measurement of heritage assets in the same way as for other non-heritage assets. In this regard, it is mentioned that paragraph 1.7 (c) of this Consultation Paper states that heritage assets are expected to have a long and possibly indefinite life. If that be so, how the requirement pertaining to depreciation as required under IPSAS 17 would apply to the tangible heritage assets.</p> <p>However, if IPSASB feels that such assets should also be depreciated, it needs to be further clarified that the heritage assets that are being recorded at symbolic/nominal value of one currency unit will not be depreciated/impaired/amortised but subsequent expenditure on their preservation and improvement that is being capitalised may be depreciated/impaired/ amortised.</p>	Note reasons
22	C	<p>According to IPSAS 17, "Property, Plant and Equipment", either the historical cost model or revaluation model should be selected for subsequent measurements, and should be applied to all types of tangible fixed assets.</p> <p>We believe that the IPSASB should carefully consider the applicability of the revaluation model for heritage assets, because for heritage assets expected to be held indefinitely, we cannot find any theoretical rationale for revaluation based on exit value measurement basis. We also afraid that revaluation based on legal request can be permitted in the draft standard. If the IPSASB prescribes revaluation models in the draft standard and allow heritage assets to be revalued, we think that the IPSASB should develop techniques for measuring increases/decreases in service potential as increases/decreases in monetary value.</p> <p>With regards to the situation where the service potential of heritage assets is measured, an increase/decrease in value, we can provide 2 examples; (1) The degree of building use, changes in conditions of citizen's access to art objects and (2) The educational value of materials associated with other historical discoveries.</p> <p>When entities evaluate the book value after revaluation of those heritage assets in the above conditions, they may evaluate by value in use (indicated in IPSAS 21, "Impairment of Non-Cash-Generating Assets"). According to the Japanese accounting standards for Incorporated Administrative Agencies, the method of defining as value (an assets' book value multiplied by the percentage of such assets not expected to be used) is used in order to calculate value in use. We would also like you to refer to this for additional information.</p>	Note reasons
23	A	CIPFA agrees with the IPSASB's Preliminary View.	
24	C	<p>PSASB does not agree with the IPSASB's preliminary view on subsequent measurement of heritage items. Our reasons are as follows:</p> <p>Subsequent expenditure: Subsequent expenditure incurred on heritage assets is incurred mainly to preserve its form for present and future generations. To this end subsequent expenditure may not necessarily increase the economic benefit or the service potential of a heritage asset. Consider an example where a government constructs in roads to a mountain to make it more accessible, does that expenditure constitute to increase in the carrying amount of the mountain?</p> <p>For example, suppose subsequent expenditure is incurred on a natural heritage asset that was initially recognised at a nominal cost of one currency unit by capitalising subsequent expenditure may not provide useful information to the users of GPFRs. PSASB therefore proposes that subsequent expenditure on heritage assets should be expensed in all circumstances.</p> <p>Depreciation: One of the characteristic of heritage items is that they are expected to have a long, possibly indefinite, useful life due to their increasing rarity and / or significance. This means that is it difficult to estimate the useful life of a heritage asset for purposes of</p>	Note reasons

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 5</b>	<b>STAFF COMMENTS</b>
		depreciation. Where an attempt is made to estimate the useful life, an entity will need to determine whether by so doing, the qualitative characteristics of relevance, faithful representation, understandability, timeliness, comparability and verifiability will be met. Impairment: In many instances, the value of heritage assets tends to increase even though their physical aspect deteriorates. By assessing these assets for impairment at each reporting date, will only deal with its physical aspect and will not deal with the increasing significance.	
25	A	We agree with the IPSASB's Preliminary View on the subsequent measurement of heritage assets above, however, we believe that heritage assets should not be depreciated. We are of the opinion that assets that are used and consumed in line with an entity's operations, should be classified as property, plant and equipment or intangibles as appropriate. Heritage assets are to be preserved for the benefit of present and future generations, but impairment losses should be recognised if the asset becomes impaired. We recommend that the IPSASB provides guidance that is consistent with national standard setters, such as the Accounting Standards Board (ASB) in South Africa, that have already published a standard on accounting for heritage assets.	No to depreciation
26	A	(a) above is not comprehensive, nonetheless, no difference should exist between the approaches to subsequent measurement for a heritage or non-heritage asset	
27	A	We have not identified any reason to disagree with the IPSASB's Preliminary View on the subsequent measurement of heritage assets. In principle, we consider the subsequent measurement options in IPSAS 17 are appropriate for heritage assets. In general, the basic accounting treatment is the same whether the asset is heritage or non-heritage. We note that the revaluation approach for subsequent measurement is an accounting policy choice. However, we would encourage the IPSASB to take a pragmatic approach when developing the subsequent measurement approach requirements and guidance. This could include allowing for greater flexibility by giving consideration to the following. (a) Regularity of fair value valuations. Allowing for fair value valuations to be performed, say, once every 10 years, regardless of market movements. Requiring valuations to be carried out more regularly may not be relevant, given heritage assets are expected to be held indefinitely, and are not held for capital appreciation purposes. Our main concern is to ensure that entities are not required to do annual fair value assessments. This suggestion could create a special class of revaluations applicable only to heritage assets. (b) Allow rolling valuations over a specified period to spread valuation costs. Some guidance around how to manage this process would be useful for constituents. For example, with a three year valuation period, the guidance should require that only a third of the population needs to be fair valued in any year, and the other two-thirds would need no fair value assessment in that year. Rolling valuations could also have longer cycles than those used for non-heritage assets. (c) Allow smaller classes of assets based on the assets' heritage characteristics and significance (which would particularly assist art galleries ).	Note issue of taking a pragmatic approach
28	A	We support the proposal that changes in heritage asset values that arise from subsequent expenditure, impairment and revaluation should be addressed in the same way as other assets. <u>Depreciation or amortisation</u> Depreciation or amortisation reflects the periodic consumption of an asset in an entity's operations. We question the recognition of depreciation or amortisation on heritage assets as the objective of holding heritage assets is to preserve them for present and future generations rather than to consume or use the asset in its operations. We also note the following based on the characteristics of heritage items:	No to depreciation

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 5</b>	<b>STAFF</b> <b>COMMENTS</b>
		<ul style="list-style-type: none"> <li>A heritage item is expected to be available in future, and as such, most heritage items have an indefinite useful life as there is no finite period over which a heritage item is expected to be held by an entity.</li> <li>Paragraph 1.7 indicates that the heritage value of the item may appreciate over time, rather than depreciate.</li> </ul> <p>We are therefore of the view that the depreciation or amortisation principles applicable to other assets are not relevant for heritage assets.</p>	
29	B	<p>Regarding (a) if a component solution is used we agree that subsequent measurement should address changes in component values that arise from subsequent expenditure and consumption. Due to the nature of heritage items and their value at zero, impairment and revaluation should not be reflected in subsequent measurement as they pertain to the heritage item. We do not believe that subsequent changes in value should influence the financial opportunities for the institution.</p> <p>Regarding (b) we agree that subsequent measurements of components can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.</p> <p>Regarding for example building an option could be too use a component-based approach, because like with other types of buildings, buildings that are heritage items is made up by components with different lifespans. The building itself may have an infinite or indeterminable lifetime, but components has a limited life-time. This would give an opportunity to address changes in value that arise from subsequent expenditure.</p> <p>If we use Kronborg as an example the castle itself has a practically infinite life-time, while it is composed of a series of components that have a limited life-time. For these components it is possible to determine the either cost or re-placement cost. The components could be security systems, heating systems, ventilation systems, roofs, other installations and building components that serve the building itself, these components be seen as individual assets.</p> <p>But this method means that the main asset does not have a value, but underlying assets do. This might be confusing and it is uncertain if the method provides relevant information to users of the financial reports.</p>	Note issues.
30	A	Yes, we agree.	
31	A	Yes, we agree that subsequent measurement of heritage assets can be approached in broadly the same way as subsequent measurement for other types of assets.	
32	A	30. We agree in principle with the PV above.	
33	C	<p>Heritage assets are unique in nature and therefore should not rely solely on other standards in establishing the requirements for subsequent measurement, though consistency where appropriate is preferred. We believe that due to their unique characteristics and challenges, separate guidance relating to subsequent measurement is likely required.</p> <p>Subsequent expenditures on heritage: For financial statement purposes, subsequent expenditures on heritage, as for other assets, would probably be classified as betterments, which would be capitalized, and maintenance, which would be expensed. In relation to paragraphs 4.6 and 5.7-5.9, which concluded that no special guidance is required for making this distinction for heritage items, we offer the following:</p> <ul style="list-style-type: none"> <li>Paragraph 4.6: Does defining “cost of services” to include maintenance of heritage items make an assumption that maintenance is required? That is, does it assume that a certain policy choice has been made ad infinitum or that the decision to do or not do maintenance is no longer a policy choice? Does this contradict the conclusion in Chapter 6 that the special characteristics of heritage items do not of themselves give rise to present obligations that would result in the recognition of a liability?</li> </ul>	Note issues.

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 5</b>	<b>STAFF</b> <b>COMMENTS</b>
		<ul style="list-style-type: none"> <li>Paragraphs 5.7-5.9 may not provide enough guidance given the complexity of spending on heritage items to maintain them, restore them or better them. More nuanced guidance than what is provided in existing IPSAS may be required to make such distinctions.</li> <li>For example, consider if the betterment/maintenance distinction is appropriate for some heritage items – especially those used in “operations”. In such cases when a heritage asset is consumed in providing operational services, that service potential would have to be replaced (because heritage items are to be preserved). When parts of a heritage item are replaced (just like capital assets) the cost or other value of the replaced part would be written off and the cost of the replacement part would be added to the cost or other value of the asset as a whole.</li> <li>For other items, ongoing maintenance just to keep it in good condition – even if it is not consumed and does not depreciate (but perhaps appreciates) preservation is unlikely to require replacement and “betterments”. In fact, since this second type of heritage asset is likely not held for its service potential, the factors that would normally identify a “betterment” for capitalization would not exist (i.e., service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the useful life of the property is extended or the quality of the output is improved).</li> <li>An operating/non-operating heritage items distinction might help in setting out guidance in relation to the betterment/maintenance/restoration distinction and the impact on cost of services.</li> </ul>	
34	A	<p>We agree in principle that a similar subsequent measurement treatment should be applied to heritage assets as for non-heritage assets if deemed possible based upon the specific facts and circumstances. We however would like to refer to the specific heritage types listed under question 11.</p>	See Q11
35	C	<p>ACAG considers subsequent measurement of heritage assets will have similar problems as faced with their initial measurement, as per our responses to chapter 4.</p> <p>ACAG questions the usefulness of the subsequent measurement information, given that the heritage assets' economic benefits are perceived to be primarily non-monetary (service potential to meet an entity's objectives).</p> <p>As noted in paragraphs 5.7 to 5.9, the subsequent expenditure relating to a heritage asset is often significant as it includes maintenance, preservation, and major repairs. ACAG considers that the special characteristics of a heritage asset (uniqueness, irreplaceable, legal restrictions) will increase the complexity in determining whether such expenditure should be capitalised or expensed. It is unlikely that costs incurred to preserve/maintain a heritage asset will create any additional service potential or functional enhancements to the asset, and therefore these costs would be expensed.</p> <p>ACAG agrees with the views expressed in paragraph 5.12 about the lack of practicality with being required to revalue heritage assets and the likely cost-benefit implications. ACAG considers that there would be significant barriers to revaluation, including:</p> <ul style="list-style-type: none"> <li>the type, level and availability of valuers</li> <li>availability and reliability of comparative market value or replacement cost data</li> <li>increased time and cost to perform valuations</li> <li>the practical ability to audit the valuation methodology.</li> </ul> <p>ACAG agrees with the views expressed in paragraph 5.10, that the estimation of useful lives of some heritage assets will be difficult due to the special characteristics of the asset. As depreciation represents the consumption of service potential of an asset, for some heritage assets (natural and unique assets) the service potential does not diminish over time.</p> <p>ACAG questions the relevance and appropriateness of impairing heritage assets as suggested in paragraph 5.11. As the consultation</p>	Note issues.

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View–Chapter 5</b>	<b>STAFF</b> <b>COMMENTS</b>
		<p>paper alludes to, due to the difficulty in measuring heritage assets, and determining their recoverable amount as the higher of its fair value less costs of disposal and its value in use is highly problematic and questions the usefulness of this information to financial statement users.</p>	
36	C	<p>On the one hand, we agree on the possibility of periodically evaluating Heritage assets (it being specified that, since these consist of assets with an unlimited life, whose value does not diminish over time) and one possibility might be that of using the methods applied to "non-heritage" assets, with the adoption of appropriate corrective actions.</p> <p>On the other hand, because of the distinctive features of Heritage assets, it may be improper for such expenses to increase the asset's financial value, as is the case for other non-Heritage assets. Should criteria other than the classic ones be used to evaluate the asset (e.g. if direct and indirect cash flows are taken into consideration), the increase in the value of the asset after a restoration may be much greater than the expenditure sustained for the restoration itself.</p> <p>Consequently, unlike what normally occurs for other assets, such expenses for heritage assets could be accounted for separately, capitalised and amortised, as they possess a life and a duration which can be estimated with objective criteria.</p> <p>Carrying out further in-depth studies on the subject is therefore considered necessary.</p>	Note issues.
37	C	<p>We believe that subsequent measurement of heritage assets should not address changes in heritage assets arising from depreciation or amortisation as it appears to contradict with the element of "held indefinitely" in the proposed description of heritage items. Such heritage items should be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the tangible asset may be impaired.</p>	Note issues.
38	A	<p>ANAN agrees with the Board's preliminary view in Chapter 5, once there is initial value assigned and recognized for such heritage assets, subsequent expenditure, depreciation or amortization, impairment and revaluation should just then flow accordingly in line with other non-heritage assets.</p>	
39	D	<p>No comment at this point</p>	
40	A	<p>(a) HoTARAC agrees that the IPSASB consider subsequent changes in heritage asset values.</p> <p>(b) HoTARAC recommends the IPSASB address circumstances where depreciation of a heritage asset is not necessary. For example, where a building is hundreds of years old and there is a preservation policy in place, it may be reasonable not to apply a depreciation charge to the asset.</p>	When depreciation is unnecessary

**Specific Matter for Comment—Chapter 5**

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 indicate what guidance IPSASB should provide to address them.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE (Identified types and/or factors)</b>	02, 05, 06, 09, 10, 11, 12, 13, 16, 18, 19, 20, 21, 22, 23, 24, 27, 28, 29, 30, 32, 33, 34, 35, 40	25
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>25</b>
<b>D – DID NOT COMMENT (No types of factors)</b>	01, 03, 04, 07, 08, 14, 15, 17, 25, 26, 31, 36, 37, 38, 39	15
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS SMC—Chapter 5	STAFF COMMENTS
01	D	None.	
02	A	In line with our response to the previous Preliminary View, applying judgement as to what “indefinite useful life” means might need to be further addressed through additional guidance. Such guidance could make, for instance, good use of the requirements set out in IPSAS 31 <i>Intangible Assets</i> .	Guidance on indefinite useful life
03	D	We did not identify any such assets.	
04	D	Apart from our comments mentioned above, we did not identify types of heritage assets or heritage related factors that raise special issues for the subsequent measurement.	
05	A	Where an entity can reliably measure a heritage asset for initial recognition, subsequent measurement is generally also possible. However, we note that in the New Zealand public sector, entities who initially recognise heritage assets using the market value measurement basis tend to use the revaluation model for subsequent measurement. This means that heritage assets are revalued on a cyclical basis regardless of the existence of an indicator that there has been a change in fair value. This issue is compounded by the limited existence of in-house valuation expertise. This often necessitates the need for entities to engage an external expert. Whilst external valuers are increasing in prevalence, availability can still be an issue for particular specialist items which further adds to the cost of the exercise.  While this approach ensures that the value remains current, there is arguably little benefit to the user. We encourage the IPSASB to explicitly address the use of the revaluation model for subsequent measurement of heritage assets in any standard.	Note issues

R#	C #	RESPONDENT COMMENTS SMC—Chapter 5	STAFF COMMENTS
06	A	See previous answer above (SMC 10).	See answer to PV—Ch.5
07	D	We agree with the comment in paragraph 5.3 that the same considerations apply to initial and subsequent measurement. Our comments in response to the previous question on initial measurement are relevant here.	One comment for PV & SMC-Ch.5
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	A	See above Also, it is necessary to take into account the special status of objects protected by UNESCO.	
11	A	Yes. Although the measurement basis for heritage assets held indefinitely should not change subsequent to initial measurement, in rare instances when heritage assets become available for sale the appropriate measurement basis should change to fair value, which would contribute to the financial capacity financial reporting objective.  For purposes of capitalizing restoration costs for certain heritage items held indefinitely, such as works of art, there is the issue of how to depreciate such costs since the useful lives of these restorations can be difficult to determine. I concur with the Board's views noted at paragraph 5.10, but also believe that capitalizing restoration costs and depreciating those costs over the estimated useful life of the restoration (not the asset) is appropriate.  For many heritage assets, I do not expect depreciation to be applicable since heritage items held for their heritage significance either do not become obsolete or are preserved and restored as necessary.	Note issues
12	A	Mostly in agreement <ul style="list-style-type: none"> <li>• The depreciation criterion would be difficult to apply if the assets have an indefinite useful life.</li> <li>• IPSASB should assess the situations confronted by the reporting entities, in order to face in a practical way, the subsequent measurement of the assets. The most relevant are: lack of financial capacity for hiring experts, as well as cost benefit and establishment of budgetary programs on a continuous basis for the determination of the subsequent measurement.</li> <li>• Guidance should be given for those assets that must be restored on a regular basis, for which the process could be analogue to that of major maintenance or periodic inspections, as it is indicated in the Property, Plant and Equipment rule.</li> <li>• A non-financial report would be useful, regardless of its recognition and measurement, for the presentation of financial information.</li> <li>• The recognition of the intangible cultural heritage.</li> </ul>	Note issues
13	A	The SRS-CSPCP is of the opinion that there are no types of heritage assets or heritage- related factors that raises special issues for the subsequent measurement. Operating heritage assets are valued in accordance with IPSAS 16 or IPSAS 17. Heritage assets in the category non operating heritage assets require no subsequent measurement, because they are recognized only with a symbolic amount of one currency unit.	Staff notes non-operating as factor
14	D	See previous remarks and comments. <i>(Staff: Note view that subsequent expenditure is expensed since no initial recognition of asset.)</i>	

R#	C #	RESPONDENT COMMENTS SMC—Chapter 5	STAFF COMMENTS
15	D	No Specific Comments <i>(Staff note: Classified as a “no comment” on the basis that respondent has already indicated that heritage assets should not be recognized.)</i>	See note.
16	A	Please see our response to PV 5 above. <i>(Staff note: The PV 5 response identifies special issues for subsequent measurement.)</i>	See note.
17	D	No Specific Comments	
18	A	IPSASB has adequately covered these issues, noting that museum objects, by definition, are intended to be retained for active use on very long timescales (in effect, in perpetuity). CAMD would therefore recommend that the statement “Many heritage assets deteriorate over time, although some, for example land and jewellery, do not.” should be altered to reflect the fact that the management intent of most Museum collections is to avoid or minimise deterioration over time.	Note issue
19	A	Yes – all of them. The arguments already documented bear this opinion. The concept of perpetuity and the argument of altered states changing the heritage significance of an item indicate that all heritage assets cannot be subjected to the subsequent measurement criteria as one would ordinarily apply for normal categories of Property, Plant and Equipment	Note issues
20	A	Other than as discussed above, we have not identified any further such issues. <i>(Staff note: Earlier comments identify issues.)</i>	
21	A	As discussed in response to above question. <i>(Staff: Types/factors identified in previous response,)</i>	
22	A	We assume that measurement bases of subsequent measurements differ according to the initial measurement base. For instance, depending on whether a resource controlled by an entity is of service potential or economic benefit, the measurement base to be applied at the time of initial measurement and subsequent measurement differs. See our chart indicated in “Specific Matters for Comment —Chapter 4-3.”	
23	A	As noted in our response to SMC Chapter 4.2, for some types of heritage item the valuation process may be relatively expensive. Where a reporting entity has very large numbers of such items, the cost of subsequent re-measurement may be very large.	Cost of revaluation
24	A	Reference is drawn to Specific Matters for Comment- Chapter 1 where PSASB identified four more characteristics of heritage items. We draw attention to the following three characteristics: 1. Their significance/value tends to increase over time even if their physical form deteriorates. 2. Their value/ heritage significance may not be reflected in monetary terms. 3. They are expected to have a long, possibly indefinite useful life due to increasing rarity/ significance. These characteristics raise issues for subsequent measurement with regards to depreciation, impairment and subsequent expenditure as detailed in Preliminary view- chapter 5 above. IPSASB should provide guidance on subsequent measurement in light of each of the characteristic listed above.	Note issues
25	D	We are not aware of any types of heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets.	
26	D	No comment	
27	A	Valuation costs are often identified as an obstacle to the recognition of heritage assets in financial statements. Entities can decide whether or not to revalue a particular class of assets.	Cost of revaluation



R#	C #	<b>RESPONDENT COMMENTS</b> <b>SMC—Chapter 5</b>	<b>STAFF</b> <b>COMMENTS</b>
		<p>For art galleries, a decision to revalue would mean that all art would need to be revalued, as the common practice in New Zealand is to treat all art as a single class. Allowing for, say, a triennial rolling valuation would mitigate these costs with all assets having a valuation that is not more than three years old. Longer rolling valuation periods could also be considered. In contrast, museums tend to hold items across a number of asset classes so the application of the revaluation requirements in standards is not as onerous. See our related comments in response to question 10 above.</p> <p>Due to the nature and age of heritage assets, they often have higher than usual maintenance costs. However, we do not see a pressing need for guidance on how to account for such maintenance costs.</p>	
28	A	<p><u>Calculating impairment losses</u></p> <p>Based on our comment that cost and market value should be considered as the only measurement bases for heritage assets, consideration should be given to the impairment models that will be appropriate to assess impairment for heritage assets.</p> <p>As most heritage assets are likely to be classified as non-cash generating assets, an entity will be required to measure the recoverable service amount at the higher of the asset's fair value less costs to sell and value in use. In terms of IPSAS 21 Impairment of Non-cash Generating Assets, value in use is determined by applying either (a) depreciated replacement cost, (b) restoration cost approach or (c) service units approach.</p> <p>Based on our previous observations on depreciation and the application of replacement cost, we recommend that the IPSASB considers how the heritage asset's recoverable service amount should be calculated for purposes of impairment.</p>	Note issues
29	A	Regarding heritage related factors, we find that the restrictions on sale and destruction present some issues for subsequent measurement. Any changes in value are unlikely to ever be realised, and therefore should not impact on the institutions financial opportunities.	Note issue
30	A	<p>We just had 2 broader questions coming up in our discussions:</p> <ul style="list-style-type: none"> <li>• Which categories of heritage assets would have to be revalued regularly?</li> <li>• Relating to heritage assets what could "regularly" mean?</li> </ul>	Revaluation questions
31	D	We do not have other factors to offer at this point.	
32	A	<p>31. Most heritage assets will have long or even indefinite useful economic lives. IPSAS 17 Property, Plant and Equipment currently does not offer any guidance on subsequent measurement for tangible assets with an indefinite useful life. We would like to see some guidance to help preparers estimate the useful economic life of heritage assets. Otherwise there is a risk that each jurisdiction will apply different principles and arrive at different outcomes which impact on depreciation and impairment testing.</p> <p>32. Annual expenditure on heritage assets for their general maintenance may be substantial. Currently, IPSAS 17.23 states that day-to-day servicing costs, consisting mainly of labour and consumables, are to be recognised in surplus or deficit under a suitable heading such as repairs and maintenance. These could be substantial for heritage items and more detailed guidance as to when these can be capitalised is required. There is a particular concern about subsequent expenditure for off balance sheet items when the accounting policy is to fair value the assets since the subsequent expenditure will not be equivalent to the fair value of the asset. In our view it should be possible to capitalise such expenditure, but some guidance ought to be given on how this should be presented and when depreciation is required. An example may be a lift placed in a historical building, which may need to be replaced every 20 to 30 years.</p>	Note issues
33	A	We do not have an example. However, in theory capitalizing subsequent expenditures will eventually result in assets having a significant value. Considering heritage assets cannot be sold, these assets may stay in the statement of financial position indefinitely	Note issues

R#	C #	RESPONDENT COMMENTS SMC—Chapter 5	STAFF COMMENTS
		<p>and the value in which they are carried on the statement of financial position may keep on increasing. Stakeholders of government not for profit organizations primarily use the statement of operations to evaluate the entity. Therefore, capitalizing an expense for an asset whose useful life does not change due to betterments, may give an impression to the users of the statements that the value of asset is increasing and overshadow the fact that there were outflows of resources.</p> <p>IPSASB should address issues of this sort in the subsequent measurement guidance where any work done on the asset may not increase the useful life of an asset due to its inherent indefinite useful life (according to chapter 2) but would preserve it.</p> <p>See also comments regarding betterments and maintenance under Preliminary View Chapter 5 above.</p>	
34	A	<p>Heritage assets of a tangible nature might also have an indefinite or indeterminable useful life (e.g. crown jewelry). IPSAS 17 Property, Plant, and Equipment currently does not provide subsequent measurement guidance with respect to tangible assets with an indefinite useful life. It might be helpful to include such guidance in the future IPSAS Standard on heritage reporting, e.g. to perform an impairment test annually and whenever there is an indication that the tangible asset may be impaired.</p> <p>In certain circumstances (e.g. assets held for their heritage significance), it might be challenging to determine the useful life of a heritage asset. It could be helpful to provide some principles to assist entities in estimating the useful life of such assets.</p>	Treatment of an indefinite life
35	A	<p>As the reliable measurement of heritage assets is complex in nature and implicitly subject to a high degree of subjectivity and judgement, the assistance of an appropriately qualified professional valuer would be required in most cases. This raises concerns on their existence, availability, expertise in valuing heritage items (given their uniqueness and often lacking comparative assets), their accounting knowledge in relation to depreciation and impairment considerations, and the overall cost to be incurred in obtaining such a highly specialised/unique valuation. As a result, ACAG question whether a suitably qualified valuer with the appropriate heritage asset and financial reporting knowledge could be sourced in a timely manner.</p> <p>In addition, ACAG has reservations on how to include considerations for religious or cultural factors that are very significant to some groups in the population, but not others. If you do, how do you include those considerations in the valuation?</p>	<p>Not possible to do valuations</p> <p>How to reflect heritage factors?</p>
36	D	No other types of assets were found. <i>(Staff note: Respondent's answer to PV-Chapter 5 indicates that all heritage raise special issues for subsequent measurement.)</i>	Note: All heritage
37	D	<p>Please refer to our comment for Preliminary View – Chapter 5.</p> <p>No additional specific comments</p>	Note: All heritage
38	D	ANAN cannot identify any such types of heritage related assets.	
39	D	No comment at this point.	
40	A	<p>HoTARAC recommends the IPSASB consider large heritage collections measured in the millions of items. Most organisations holding such collections have records more in the nature of catalogues rather than collection asset registers. These catalogues are unlikely to contain financial data such as acquisition cost (if relevant), depreciation rates, useful lives, written down value or revaluation data. When collections are measured in millions of items valuations are generally undertaken using a combination of techniques including sampling. For very large collections, there may be additional issues such as a need to utilise statisticians as well as valuers and collections may be very diverse, requiring the use of a range of different expert valuers.</p> <p>A missing characteristic is that heritage items are often held in collections, which include a large number of items with an interrelationship with the individual items. The significance of a collection may be more than the sum of its individual parts. The following are examples of such collections:</p>	Note issues

R#	C #	<b>RESPONDENT COMMENTS</b> <b>SMC—Chapter 5</b>	<b>STAFF</b> <b>COMMENTS</b>
		<ul style="list-style-type: none"> <li>• Collections associated with a famous person derive their significance through relationships, such as:                             <ul style="list-style-type: none"> <li>o A world leading composer's personal collection of published music scores means little as isolated objects, but together they reveal information about the composers influence. If they are kept in the order the composer kept them in, then this becomes even more valuable to researchers.</li> <li>o Holding the complete papers of an important person they are more useful than a subset of their papers. From a printed collection, an institution might hold the complete works of an author. Noting that their earlier publications may have had very limited print runs so these publications are generally not available to the public. The complete collection is likely to be more valuable both from a financial perspective and a service potential perspective.</li> </ul> </li> <li>• Trade catalogue collections, such as an annual department store catalogue is not worth anything individually, but a collection that includes one a year for 100 years is a valuable resource.</li> <li>• Collections of election ephemera are valuable because they contain information about all the candidates.</li> </ul> <p>HoTARAC acknowledges, however, that for most other asset classes valuations are performed on a standalone basis (e.g. equities are valued with no regard to whether or not they are large enough to be a controlling interest).</p>	

**Preliminary View—Chapter 6**

The special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources. The entity should not therefore recognize a liability. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	02, 03, 04, 05, 07, 09, 10, 11, 12, 13, 14, 16, 17, 20, 21, 22, 23, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 37, 38, 39, 40	31
<b>B – PARTIAL AGREEMENT</b>	06	1
<b>C – DISAGREE</b>	01, 18, 35, 36	4
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>36</b>
<b>D – DID NOT COMMENT</b>	08, 15, 19, 26	4
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 6	STAFF COMMENTS
01	C	We disagree with this view because there are some cases where the outflow of resources cannot be avoided due to the legal obligations imposed to preserve and recover heritage items. In this case, such legal obligations result in a present obligation. Instead, even if an entity has little or no realistic alternative to avoid an outflow of resources, the entity may not be able to recognize liabilities because it is uncertain to determine the amount of resource outflows in an objective manner. We also encourage the IPSASB to review whether it is useful to provide the non-financial information about heritage items.	Legal obligations Non- financial info.
02	A	The CNoCP agrees with the proposed preliminary view.	
03	A	Yes, we do agree but the IPSASB should consider additional options to consider provisions that may result from a constructive obligation to incur specific expenditure on heritage assets.	Constructive obligations
04	A	We totally agree with this preliminary view.	
05	A	We agree with the IPSASB's preliminary view.	
06	B	Our view is that a liability for heritage assets can be created in specific circumstances. There should however be no specific liability recognised just because the public sector is committed to maintaining an asset in the future. But if funding is received from other sources to undertake a specific project relating to heritage assets then that does create a liability on the part of government. Also, if services are provided for the maintenance of a heritage asset, then a liability for those services rendered should be established.	Liability may exist

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 6	STAFF COMMENTS
		These items should be fully disclosed in the financial statements if the amounts involved are material, either by value or by nature.	
07	A	We agree with IPSASB's preliminary view that the special characteristics of heritage assets do not, of themselves, give rise to present obligations that would result in the recognition of a liability.	
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	A	We concur with the preliminary view	
11	A	I agree; however, the phrasing that "the entity should not therefore recognize a liability" is somewhat misleading. Numerous events and transactions arise that result in recognizable liabilities, as listed in paragraph 6.3. The Board should improve the clarity of its preliminary view.	Note issue
12	A	Mostly in agreement <ul style="list-style-type: none"> <li>• It is recommended to be more explicit in what moments it is necessary to recognize the liability.</li> <li>• It is considered that there are cases where the maintenance costs of these goods will exceed the expected service potential or economic benefit, in which an associated provision should be recognized. Measuring this obligation can be useful if countries that are pressured for its conservation are to be able to obtain resources to deal with these costs.</li> <li>• In addition, it is mentioned that, as a criterion, NICSP 17 should not only record costs or expenses as it corresponds, but assume liabilities for the "future obligation" of maintaining or improving its constituent elements.</li> </ul>	Some exceptions – see issues
13	A	The SRS-CSPCP is in agreement with this statement.	
14	A	Yes.	
15	D	No Specific Comments <i>(Staff notes general comment that "Heritage assets often possess distinctive features which create significant financial obligations including obligations to maintain or preserve them. The Board concluded that reporting of deferred maintenance and repairs should be mandatory.)</i>	See note
16	A	We agree that it is necessary to determine whether the recognition criteria for a liability must be met in order to assess whether there is a present obligation that can be measured in a way that satisfies the qualitative characteristics. In general, we would expect that there is no present obligation that would result in an outflow of resources, although this should be assessed for individual heritage items that the entity has an obligation to preserve and restore.	May be circumstances will need to review
17	A	8. We agree with the preliminary view that special characteristics of heritage items do not result in a present obligation (following paragraph 6.10), but some special circumstances should be considered. One is that legally binding obligations associated with maintenance of a particular item or type of heritage assets could turn into a liability. Another is that participating countries have agreed to cultural heritage preservation under UNESCO conventions, and, therefore, are obligated through international agreements to preserve these items.	May be circumstances will need to review
18	C	CAMD disagrees with the IPSASB view. In the case of public institutions, there is a statutory basis for the imperative to manage for future generations, not a "moral" obligation. The statutory obligation means there is no realistic alternative to avoid an outflow of	Legal obligation

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 6	STAFF COMMENTS
		resources and therefore there is the ability to recognise a liability.	exists
19	D	No Specific Comments	
20	A	<p>We agree with the IPSASB's statement in paragraph 6.9 that transactions such as the receipt of funding or services related to heritage would not be treated differently from other items for accounting purposes in recognizing liabilities. We also agree with the IPSASB's Preliminary View.</p> <p>However, we do not understand the logic behind the statement in 6.4 that legislation in 6.3 (c) will be unlikely to create a binding obligation. In our opinion, the necessary determination would depend on the exact detail of any requirement under the specific legislation.</p> <p>In the context of heritage associated liabilities, we would encourage the IPSASB to explore the extent to which public sector guidance, equivalent to the approach taken in IFRIC 1 in relation to restoration liabilities might be appropriate.</p>	Note reference to IFRIC 1 for relevant approach
21	A	Yes, we agree that the intention to preserve the heritage items should not result in recognition of a liability.	
22	A	We agree with the IPSASB's Preliminary View.	
23	A	CIPFA agrees with the IPSASB's Preliminary View.	
24	A	PSASB agrees that the special characteristics of heritage items do not result in a present obligation such that an entity has little or no alternative to avoid outflow of resources. The entity should not therefore recognise a liability.	
25	A	We agree that the special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources. The entity should not recognise a liability, unless a present obligation to preserve or restore a heritage asset exists. A liability should be recognised where a present obligation exists to preserve or restore an asset that has the characteristics of a heritage item but has been classified as property, plant and equipment, intangibles, investment property, etc. In our view, no liability can/should be recognised if the related asset is not recognised.	May be circumstances will need to review
26	D	No comment	
27	A	We agree with this Preliminary View, noting that all the facts and circumstances need to be considered.	
28	A	<p>We agree with the view that the special characteristics of heritage items, including an intention to preserve them for present and future generations, do not result in a present obligation for the entity.</p> <p>We therefore agree that the entity should not recognise a liability.</p>	
29	A	We agree the special characteristics and the intention to preserve the for the present and future generations do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources.	
30	A	<p>Yes, we agree. In Austria a few legal examples – e.g. by law historical monuments have to be conserved so that they are in a proper condition according to the local building code– exist where a law or regulation explicitly stipulates that a (part of a) heritage item has to be preserved.</p> <p>Although not directly related to (natural) heritage: The federal entity responsible for cultivation and management of the Austrian</p>	Some exceptions – see issues

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 6	STAFF COMMENTS
		federal forests lakes, etc. (“Österreichische Bundesforste”) is legally obliged to manage its ecological resources sustainably. This obligation could also have implications on preservation and management of natural heritage.	
31	A	Yes, we agree.	
32	A	33. We agree with the PV that the special characteristics of heritage items do not in themselves give rise to a present obligation that the entity has little or no realistic alternative to avoid. This is in line with the conceptual framework.	
33	A	We agree with IPSASB's preliminary view. Recognition of a liability for (deferred) maintenance on heritage items would set a precedent. For example, liabilities for deferred maintenance of infrastructure are not currently recognized in financial statements. Arguably public sector entities have a responsibility to preserve these assets too. And a (government) policy choice in favour of or requiring maintenance would be assumed by requiring such liability recognition, which may not be appropriate.	
34	A	We concur with the view that the special characteristics of heritage items do not themselves give rise to present obligations that would result in the recognition of a liability. Having said that, we believe that based on the facts and circumstances the potential existence of a legal or non-legally binding obligation (i.e. constructive obligation) should be carefully assessed. The existence of a present obligation might result in the recognition of a liability.	May be circumstances will need to review
35	C	No, ACAG does not support IPSASB's preliminary view, as it will be determined by the cost base selected for initial measurement. Please consider the cost components of IAS 16, paragraph 16, especially IAS 16, paragraph 16(c) which advocates capitalisation of an initial estimate of costs because of having used the item during a particular period.  Paragraph 6.4 of the consultation paper concludes that it is unlikely that the types of events and transactions listed in bullet points 6.3 (c) and (d) would, on their own, create a legally binding obligation. ACAG agree with this position for 6.3 (d), however, we disagree that legislation that requires entities to preserve heritage items (including penalties for failure to preserve them) would not constitute a legally binding obligation. As an example, some cemetery trusts in Australia are legally required to set up maintenance reserves and recognise associated liabilities to aesthetically beautify the surrounding areas to the cemetery. These legislative liability requirements are enshrined in their enabling legislation.  However, ACAG suggests that guidance be developed that assists in the determination of whether a legally binding obligation meets the liability recognition criteria in the Conceptual Framework. Each obligation will require evaluation on a case-by-case basis.	Note issues
36	C	Taking into account the special features of Heritage assets, including the intention to preserve such assets for current and future generations, these, de facto, translate into current obligations because of which, at an undefined time, outbound flows of resources may occur.  In the case of our Country, it is simply a moral duty and a fundamental principle enshrined in our Constitution, whose art. 9 states "The Republic promotes the development of culture and scientific and technical research. It protects the environment and the historical and artistic heritage of the Nation".  This provision is not laid down in the laws of many States, but there are supranational rules (e.g. UNESCO) which identify similar obligations.  However, perplexities exist concerning the direct correspondence between the moral obligation and the liability to be included in the balance sheet, as well as in measuring such liability.	Note issues
37	A	We agree with the IPSASB's Preliminary View.	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 6</b>	<b>STAFF</b> <b>COMMENTS</b>
38	A	ANAN agrees with the Board's preliminary view in Chapter 6 because in some cases budgets are being prepared for the maintenance of such heritage assets regularly and since most countries now operate the accrual basis IPSAS, whether or not the amount has actually been spent, the obligation to maintain those heritage assets as provided for in the relevant budget should be recognized as a liability. <i>(Staff note: The final sentence appears to support recognition of a liability, however clear agreement at beginning and final sentence could indicate “apply normal liability recognition criteria, without treating heritage items any differently.”</i>	See staff note
39	A	The Task Force agrees that the special characteristics of heritage items and an intention to preserve them for present and future generations should not result in a present obligation and the entity should not recognize a liability.	
40	A	HoTARAC agrees. HoTARAC would not view this as different to other policy positions to provide future benefits, for example social benefits, that do not give rise to a present obligation.	



**Preliminary View—Chapter 7**

Information about heritage should be presented in line with existing IPSASB pronouncements.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and describe what further guidance should be provided to address these.

**STAFF ASSESSMENT OF RESPONSES RECEIVED: These are staff views and do not necessarily reflect the views of IPSASB Members**

CATEGORY (C #)	RESPONDENTS (R #)	TOTAL
<b>A – AGREE</b>	01, 02, 03, 04, 09, 13, 16, 17, 18, 20, 22, 23, 25, 27, 28, 29, 30, 31, 32, 34, 35, 39, 40	23
<b>B – PARTIAL AGREEMENT</b>	11, 12, 36	3
<b>C – DISAGREE</b>	05, 06, 07, 10, 14, 15, 21, 24, 33, 37, 38	11
<b>SUB-TOTAL OF THOSE PROVIDING COMMENTS</b>		<b>37</b>
<b>D – DID NOT COMMENT</b>	08, 19, 26	3
<b>TOTAL RESPONDENTS</b>		<b>40</b>

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 7	STAFF COMMENTS
01	A	We agree.	
02	A	The CNoCP agrees with the proposed preliminary view.	
03	A	Yes, we do agree that information about heritage items should be presented in line with existing IPSASB pronouncements. However, we believe that certain issues based on the characteristics of heritage items need to be addressed. Even though, the purpose of financial statements is to present financial information, the very definition of heritage assets is not focused on the fair value as reported in the General Purpose Financial Statements (GPFS), but rather the focus is on the intrinsic, artistic, cultural, and historical significance to the entity. If a heritage asset is presented at nominal value, the appropriate disclosures might not be based primarily on monetary unit. Assigning a value to heritage asset naturally leads to a comparison with other assets in the GPFS and this will therefore distort the point of this asset.	Note issues.
04	A	We agree with this IPSASB's preliminary view.	
05	C	We do not agree with the IPSASB's preliminary view. User needs in respect of heritage items are likely to be broader than the disclosures required by existing IPSAS pronouncements. We believe the specialist nature of heritage items do require their own specific disclosures. The aspects discussed in paragraph 7.8 of the CP are a good starting point in this regard, for example; information about how the entity intends to preserve heritage items for future generations.	Special disclosures needed

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 7</b>	<b>STAFF COMMENTS</b>
06	C	<p>We do not agree with the suggestion that reporting should be in line with other types of asset dealt with by the IPSAS framework. Heritage assets form a unique and distinctive category and are essentially different from other types of asset. In particular they are likely in some cases to have significant uncertainties involved in accounting for them especially around their valuation.</p> <p>Because of their unique status they require further disclosure for the reader of financial statements to fully understand them. In particular, the following would be useful:</p> <ul style="list-style-type: none"> <li>i) Details of the significance and nature of heritage assets held</li> <li>ii) Rationale for inclusion/non-inclusion on the balance sheet</li> <li>iii) Methodology of valuing the assets.</li> <li>iv) The overall policy and how the asset is being preserved for future generations</li> <li>v) What access, if any, is available to the public</li> </ul> <p>If reported on the balance sheet a reconciliation of all movements during the year in line with a typical property, plant and equipment reconciliation per IPSAS 17 would also be of benefit if included as a disclosure.</p>	Special disclosures needed
07	C	<p>As stated in our cover letter, and reflected in the views of some stakeholders highlighted in paragraph 7.5 of the CP, we believe that the special characteristics of heritage items will require enhanced disclosures to complement the amounts measured and presented in the financial statements. Disclosures may also be required where a reliable financial value cannot be measured for certain heritage assets.</p> <p>The range of measurement bases available may not always facilitate the capture and presentation of the true value of heritage assets in a meaningful way that meets user information needs. For example, the true heritage value associated with natural heritage items such as mountains may not always be adequately captured in financial terms. Mount Kailash, a mountain in the Himalayan ranges located in Tibetan China, has religious and historical significance to multiple religions including Hinduism and Buddhism. Whilst it may be possible to place a financial value based on some of the mountain's attributes, it may not be possible to calculate a financial value that reflects its historical or religious significance. In such circumstances, it may be necessary to provide further narrative disclosure that provides users with more information about the heritage value associated with the item.</p>	Special disclosures needed
08	D	No Specific Comments	
09	A	See response for respondent 02. The Cour des Comptes supports and agrees with all the positions taken in that response.	
10	C	It is our view that because of the problems of restrictions on disposal and consequent issues concerning valuation, heritage assets cannot in generally be usefully disclosed in financial terms. Instead there should be a separate schedule of heritage assets indicating their value to society rather than their monetary value	Separate schedule
11	B	<p>I cannot determine whether or not I agree without additional clarifications being added to the preliminary view and the question for respondents.</p> <ul style="list-style-type: none"> <li>• Information about heritage assets should be presented in line with IPSASB pronouncements; however, heritage items that are not heritage assets should be omitted from GPFRs, unless there are significant deferred maintenance and repair obligations, liabilities, commitments, or contingencies associated with those heritage items that should be recognized or disclosed by the reporting entity.</li> <li>• Reporting entities asserting presentation in accordance with IPSASB standards are supposed to present information in line with those standards. Therefore, it would not really make sense to disagree with this preliminary view. Accordingly, my concurrence does not mean that I concur with all of the existing IPSASB standards as they relate to heritage assets or that such standards cannot be improved going forward.</li> </ul>	

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 7	STAFF COMMENTS
12	B	<p>Partially agree</p> <ul style="list-style-type: none"> <li>For intangible assets: <ul style="list-style-type: none"> <li>The IPSASB standards could be non-mandatory for the cultural heritage, since there are countries that besides tangible heritage they also have intangible, therefore, not having many assets for evidence.</li> <li>Another suggestion is to consider a measurement by estimation or by symbolic value, with the possibility of disclosure in the notes.</li> </ul> </li> <li>Given the nature of the heritage under evaluation and the purposes of the financial information, it is considered appropriate to reconsider the scope of the standard, orienting it to the recognition, measurement, presentation and disclosure of resources that comply with the requirements for the recognition of assets established in the Conceptual Framework, as well as limiting the scope to tangible assets controlled by the entity.</li> <li>All pronouncements should be aligned to the legal basis of each country.</li> <li>It should be considered that countries such as Mexico have variations in the registry of memorandum accounts, not contemplated by IPSAS, in addition to the fact that there are records in the assets and differences in how the initial and subsequent valuation is established, which could cause that the information would not be comparable with other entities.</li> </ul>	Special disclosures needed if symbolic value used
13	A	The SRS-CSPCP is of the opinion that no additional disclosures for heritage assets are necessary. IPSAS 3 already covers the disclosure of significant accounting and valuation methods. More extensive disclosures are in principle not necessary. However, there should be a clear separation of heritage assets, which constitute non operating assets, and other assets.	Note separation point
14	C	See other comments. ( <i>Staff note "other comments" which discuss presentation of heritage-focused information.</i> )	See note
15	C	No Specific Comments ( <i>Staff note: General comments address presentation of heritage-focused information.</i> )	See note
16	A	<p>We agree that information about heritage should be presented in line with the IPSASB's existing pronouncements, including RPG 1, <i>Reporting on the Long-Term Sustainability of an Entity's Finances</i>, RPG 2, <i>Financial Statement Discussion and Analysis</i>, and RPG 3, <i>Reporting Service Performance Information</i>.</p> <p>In our opinion, financial statements are not the most appropriate reports to provide heritage information that is most useful to those concerned with assessing management's stewardship over the item or collection of items. Many jurisdictions prepare reports on the extent and current condition of their heritage items, and plans for their restoration. As well, long-term sustainability reports which indicate the entity's future obligations to hold and preserve heritage assets would be useful for accountability and decision-making.</p>	Financial statements not best Other reports needed
17	A	16. We also agree with the information about heritage assets presented in line with existing IPSASB pronouncements (following paragraph 7.9). It would be helpful to be more specific on the type of information that should be disclosed either in the financial statements or in their notes. If it is not possible to assign a value to the heritage asset, and any attempt to do so would misinform the users of general purpose financial statements (GPFS), then informative qualitative disclosures would better inform users of GPFS.	Qualitative disclosures
18	A	CAMD agrees with the preliminary view.	
19	D	No Specific Comments	
20	A	We agree with the IPSASB's Preliminary View.	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 7</b>	<b>STAFF COMMENTS</b>
		<p>In our view, the relative significance of heritage in a particular entity's circumstances would impact materiality considerations that, in turn, drive presentation decisions in regard to information on heritage.</p> <p>In this context, we refer to our responses to Specific Matters for Comment—Chapter 1 and Preliminary View—Chapter 2.1, in which we comment on the need for guidance in regard to qualitative materiality as well as distinguishing heritage from other phenomena for presentation and disclosure purposes.</p>	Presentation depends on materiality
21	C	<p>It is felt that where heritage assets are being measured at symbolic/nominal value of one currency unit, extensive disclosures may be required which may be additional to those that are provided in other existing IPSASB pronouncements.</p> <p>Examples of additional disclosures may be:</p> <ul style="list-style-type: none"> <li>• Reasons as to why the asset has been measured at symbolic/nominal value of one currency unit.</li> <li>• Where any subsequent expenditure has been capitalised for the assets recorded at symbolic/nominal value of one currency unit, an additional disclosure may be required to indicate that the amount recorded in the Statement of Financial Position does not indicate the true value of that heritage asset. <ul style="list-style-type: none"> <li>◦ Expenditure subsequently capitalised in such cases should be disclosed separately otherwise it may create an impression that the said cost represent the full value of the whole asset.</li> </ul> </li> </ul>	Special disclosures needed when symbolic value used
22	A	<p>We agree with the IPSASB's Preliminary View.</p> <p>When entity choose to displaying heritage assets in the statement of financial position we believe that breakdown of heritage assets (land, buildings, and other fixed assets) should be noted to express relationship with the statement of financial position (in which land, buildings, and others are independently indicated) indicated by the application guideline of IPSAS 1, "Presentation of Financial Statement."</p> <p>We think that in relation to heritage, an explanation of sovereign power, which does not need to focus on heritage, can be useful.</p> <p>We think that the draft standard should prescribe disclosure requirements which explain heritage assets are not held for sale.</p>	Breakdown –line items Extra disclosures needed
23	A	<p>CIPFA agrees with the IPSASB's Preliminary View. Information about heritage can be very important, and for some entities qualitative explanations in note disclosures may be as important or more important than the numerical information shown in the financial statements. However, the reasons for presenting heritage flows, balances and other information and the appropriate mode of presentation are not in principle different from other types of information about the entity.</p> <p>We note that Chapter 7 sets out a number of types of situations where information <u>may</u> be presented, either in the financial statements or other GFPRs.</p> <p>We suggest that there are a number of situations where information would be so important to the understandability of the financial statements that some disclosure, whether on the face of the main statements or in the notes should be mandatory.</p> <p>Examples include:</p> <ul style="list-style-type: none"> <li>- Where an asset or a collection of assets which are significant from the perspective of the entity have not been recognized in the financial statements for the reasons mentioned at SMC Chapter 4.2 above; it will normally be essential for these assets and their operational heritage significance to be explained, together with an explanation of why they have not been recognised</li> <li>- Where a value has been attributed to heritage assets which is significant in the context of the financial statements, it may be necessary to explain that these do not contribute to the financial capacity of the entity in the same way as assets held primarily to generate income through use or sale of the asset.</li> </ul>	Cases where extra disclosures needed
24	C	PSASB disagrees with this preliminary view. The characteristics of heritage items distinguish them from other elements included in	Special

R#	C #	RESPONDENT COMMENTS Preliminary View—Chapter 7	STAFF COMMENTS
		GPFRs. The nature of information to be presented on heritage assets is largely descriptive. Disclosure of such information therefore requires further guidance in addition to the existing PSASB pronouncements.	disclosures needed
25	A	We agree that information about heritage should be presented in line with existing IPSASB pronouncements. In addition, disclosure of the quantity of heritage assets owned by an entity for which no value can be determined could provide useful information to the users of the GPFRs.	Note issue.
26	D	No comment	
27	A	<p>We agree that the current disclosures for accounting for heritage assets are appropriate. Current disclosures are sensible and provide useful information.</p> <p>Although we support heritage assets that meet the recognition criteria being recognised in financial statements, we acknowledge the limitations of financial statements, and the role that disclosures, or other forms of reporting, have in providing information about heritage items. For example, it is relevant for an entity with responsibility for managing heritage assets to provide information on its management of heritage assets in its service performance report.</p> <p>As discussed earlier, we acknowledge that the value obtained for financial reporting purposes is not the only value that a heritage item may have for a community. In particular, the significance of a heritage item to an ethnic group is not readily converted to financial value but is nonetheless an important indicator of heritage in the museum community. The seminal reference on significance is <i>Significance 2.0, a guide to assessing the significance of collections</i>, a publication of the Collections Council of Australia Ltd.<sup>18</sup> This guide promotes the writing of a statement of significance for heritage collection items.<sup>19</sup> The statement of significance would usually be a one page summarised pictorial and written statement of the meaning and importance of the specific heritage item. Information from these statements could form the basis for some non-financial disclosures about heritage items. In some cases, it is the human context that gives an item its value. For example, a weapon has more significance when it has been used by a famous person, than when it is just an example of 19<sup>th</sup> Century weaponry.</p> <p>Some of our constituents were in favour of a separate accounting standard for heritage. Arguments advanced in favour of this option are set out below.</p> <ul style="list-style-type: none"> <li>(a) Signalling to users that heritage is important.</li> <li>(b) It would be easier to address the special characteristics of heritage assets in a separate standard.</li> <li>(c) Preparers would have a marked delineation for accounting purposes between heritage items and other assets.</li> <li>(d) Supporting the request for preservation funding.</li> <li>(e) Demonstrating custodial rights and responsibilities.</li> </ul> <p>Although we considered these arguments, but formed our view that general guidance was preferred. This approach supports the recognition and measurement requirements that already exist in IPSAS 17 and IPSAS 31 for heritage assets that meet the recognition criteria in the IPSASB's Conceptual Framework. However, the most appropriate location of requirements on accounting for heritage assets may need to be considered during the next phase of the project.</p>	<p>Note issue.</p> <p>Limitations of financial statements</p> <p>Service performance reporting</p> <p>Heritage significance as other information</p> <p>Issue of a separate report; note arguments for and against</p>
28	A	<p>We agree with the view that information about heritage should be presented in line with the IPSASB's existing pronouncements.</p> <p>In developing disclosure requirements for reporting on heritage in the public sector, we recommend that the following aspects should</p>	Note issues. Special

<sup>18</sup> <https://www.arts.gov.au/sites/g/files/net1761/f/significance-2.0.pdf>

<sup>19</sup> *Ibid* pp38-41.

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 7</b>	<b>STAFF COMMENTS</b>
		<p>be considered in addition to the requirements in other asset standards:</p> <ul style="list-style-type: none"> <li>• Subsequent expenditure incurred on heritage items that were not recognised by the entity.</li> <li>• Judgements and assumptions applied to conclude that a heritage item does not meet the recognition criteria, or that a value could not be determined for a heritage asset.</li> <li>• The extent to which experts were used to determine a value for a heritage asset.</li> <li>• An indication of how the “heritage significance” of the item for the community and/or jurisdiction was assessed in determining the value for a heritage asset.</li> <li>• Information that explains the entity's custodial responsibilities for heritage items.</li> </ul> <p>In addition, we also recommend that consideration be given to the inclusion of a line item that reflects the repairs and maintenance costs incurred to preserve heritage items.</p>	<p>disclosures needed</p> <p>Line item on repairs &amp; maintenance</p>
29	A	We agree information about heritage should be presented in line with the existing IPSASB pronouncements.	
30	A	Yes, we agree. Question: If heritage assets are recognized with a symbolic value are there any specific disclosure requirements for those?	Disclosures if symbolic value?
31	A	Yes, we agree that information on heritage should be presented according to existing IPSASB pronouncements.	
32	A	34. We agree that many disclosures for heritage assets will be in line with other IPSASB standards. In the UK, however, enhanced disclosures for heritage assets play an important role where non-capitalisation of those assets is appropriate as the costs of doing so would outweigh the benefits. We believe, therefore, that some additional guidance may be required to enhance the stewardship information given. For example, guidance could be given on how to make disclosures about collections of assets where some are on balance sheet and some are off balance sheet, about location and condition of heritage assets, particularly when these are not on display, and so on.	Note issue; enhance stewardship information if not recognized
33	C	<p>We believe that separate presentation and disclosure requirements should be provided for heritage assets. Following are some of the reasons:</p> <p>Some heritage assets may be recorded at nominal value, as per chapter 4 of this document. Assets carried at nominal value, due to their immateriality, may not be presented on the face of the statement of financial position or in schedules in the notes to the financial statements. Financial statements are generally denominated in thousands or millions. Heritage assets may be immaterial in cost but the cost to preserve them may be significant. Therefore, for the user of the financial statements, a presentation of aggregated amounts of the significant classes of heritage assets held by the entity, and directly attributable expenses to preserve those classes of items will provide users with beneficial and comparable information for accountability and decision-making purposes.</p>	Special presentation & disclosures needed
34	A	Accountancy Europe agrees that information about heritage should be presented in line with existing IPSASB pronouncements to help users understand the wider impact of these holdings on the reporting entity (e.g. cost of services, custodial responsibilities, etc.).	Cost of services, etc.
35	A	Yes, ACAG supports IPSASB's preliminary view that heritage assets should be presented in line with existing IPSASB pronouncements.	
36	B	The Consultation Paper states, in paragraph 7.3, some premises such as	

R#	C #	<b>RESPONDENT COMMENTS</b> <b>Preliminary View—Chapter 7</b>	<b>STAFF COMMENTS</b>
		<p>a) Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework;</p> <p>b) In many cases it will be possible to assign a monetary value to heritage assets and historical cost, market value and replacement cost are appropriate measurement bases for heritage assets, dependent on circumstances; and</p> <p>c) The special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources and should therefore recognize a liability.</p> <p>As regards point a), reference is made to the perplexities expressed in the remarks to Chapters 4.1 and 4.2.</p> <p>As regards point b), concerns are expressed and reference is made to the contents of Chapters 4.1 and 4.2.</p> <p>As regards point c), concerns are expressed and reference is made to the contents of Chapter 6.</p> <p>With reference to paragraph 7.7 (page 34)</p> <p>“ Information on recognized heritage assets might include:</p> <p>a) The main types of heritage assets;</p> <p>b) How heritage assets are measured, including impairment or other changes in measurement; and</p> <p>c) Resource outflows and inflows as a result of holding, acquiring and disposing of heritage assets (for example through transfer or sale)”</p> <p>We agree with the view of the IPSAS Board. However, it is necessary to define clear and shared criteria concerning the possibility of carrying out write-downs (for depletion, damage, calamitous events,...) and revaluations (for restoration and recovery operations).</p> <p>In principle, we agree with the view that Heritage assets should not be subject to amortization.</p>	
37	C	We believe that due to their unique feature, heritage assets should be presented as a separate line item to be relevant for a better understanding of the entity's financial position.	Line item needed
38	C	ANAN disagree with the Board's preliminary view in Chapter 7 that information about heritage assets should be presented in line with existing IPSASB pronouncements, it should instead be presented in line with IPSASB pronouncements as amended.	Revision needed
39	A	The Task Force agrees that information about heritage should be presented in line with existing IPSASB pronouncements.	
40	A	<p>HoTARAC agrees. However, HoTARAC notes that the difficulties raised around reliable measurement of heritage assets using fair value may become more pronounced if IPSAS adopt IFRS 13 Fair Value Measurement. IFRS 13, if rigorously applied, creates issues for unique assets such as heritage items because the principles it adopts are based on a market approach. The extent to which these issues might apply will depend on the type of heritage and cultural asset being valued. Specifically, HoTARAC foresees difficulty in applying the concepts of highest and best use, most advantageous market and the price a knowledgeable buyer and seller would arrive at for heritage assets.</p> <p>As noted above, some heritage collections may be more valuable than the sum of their individual parts and this holistic approach may not be permissible under IFRS 13. HoTARAC also notes the limits on the approaches available for valuing assets under IFRS 13, such as componentisation, to heritage assets. Adoption may also increase the disclosure burden if the IPSASB adopt the extensive disclosure requirements of IFRS 13, particularly in respect to the fair value hierarchy.</p>	Note comments on IFRS 13; concerns

## Other Comments

R#	OTHER COMMENTS (Only shown where other comments provided)	STAFF COMMENTS
	<i>No "other comments" for following respondents: 01, 02, 04, 05, 06, 07, 09, 10, 11, 12, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27, 29, 30, 31, 32, 34, 35, 36, 37, 38, and 39</i>	
03	We hope the IPSASB finds this letter helpful in further developing its consultations to issue a standard on how heritage items should be treated in the financial statements of the public sector entities. In turn, we are committed to helping the IPSASB in whatever way possible to build upon the results of this Consultation Paper. We look forward to strengthening the dialogue between us. Please do not hesitate to contact us should you wish to discuss any matters raised in this submission.	
08	<i>(Final comment included in General Comment)</i>	
14	<p><u><i>Additional comment regarding off-balance sheet heritage reporting</i></u></p> <p>As indicated several times in our comments, it is important to encourage governments to disclose in the Notes to their financial statements or in a separate report (equally part of the GPFR and subject to audit), the following information about their heritage items.</p> <p>An overview and listing of the different heritage items, together with the budgets the government spends yearly for acquisitions, maintenance, preservation, archaeological and historical examinations, and the actual amounts spent in the relevant year.</p> <p>It is possible that the government defines a certain fund for heritage items and it would be good practice to show the contributions and spending together with documenting and clarifying the changes in heritage items. This is not at all a kind of a profit/loss statement for heritage items; the key concern is the enabling and maintenance of resources for the maintenance of heritage items. This enables the government to provide an accountable view on the service efforts and accomplishments regarding the governmental heritage items.</p> <p>Aversano et al. (2014)<sup>20</sup> examined user needs regarding the reporting on heritage items and recommends certain quantitative and qualitative information regarding heritage items, which should be disclosed off-balance sheet in the Notes to the financial statements or in a separate report. In this respect, the papers of Adam et al. (2011)<sup>21</sup> and of Biondi et al. (2014)<sup>22</sup> can also offer some suggestions.</p> <p>Since heritage items are relevant not only for the local community where the item is located, but also for the citizens of a whole region or nation (and in most cases, of world-wide concern), attention should also be paid to nation-wide heritage reporting.</p> <p>Furthermore, it is important that the specific heritage report is certified by an independent auditor in order to guarantee its usefulness to external stakeholders. In fact, if a "separate heritage report" is prepared, it should nevertheless be part of the financial report, thus (i) forcing the auditors to assess it; and (ii) reducing the possibility for laggard governments to just ignore the whole matter.</p>	Special disclosures needed
15	<u>Conclusion:</u> I hope that you find this overview of our current standards and projects, including the underlying rationale, in this area helpful.	

<sup>20</sup> Aversano N., Christiaens J. (2014), Governmental Financial Reporting of Heritage Assets from a User Needs Perspective, *Financial Accountability & Management*, Vol. 30, No. 2, p. 150-174.

<sup>21</sup> Adam B., Mussari R., Jones R. (2011), The Diversity of Accrual Policies in Local Government Financial Reporting: an Examination of Infrastructure, Art and Heritage Assets in Germany, Italy and the UK, *Financial Accountability & Management*, Vol. 27, No. 2, p. 107-133.

<sup>22</sup> Biondi L., Lapsley I. (2014), Accounting, Transparency and Governance: the Heritage Assets Problem, *Journal of Qualitative Research in Accounting & Management*, Vol. 11 No. 2/2014, p.146–164.



R#	OTHER COMMENTS (Only shown where other comments provided)	STAFF COMMENTS
25	<p>Control of heritage assets</p> <p>The Conceptual Framework defines an asset as a resource presently controlled by the entity as a result of a past event. Control of the resource entails the ability of the entity to use the resource (or direct other parties on its use) so as to derive the benefit of the service potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives. In assessing whether an entity presently controls a resource, it considers the following indicators (however, these indicators are not conclusive determinants of whether control exists):</p> <ul style="list-style-type: none"> <li>- Legal ownership;</li> <li>- Access to the resource, and its ability to deny or restrict access to the resource;</li> <li>- The means to ensure that the resource is used to achieve its objectives; and</li> <li>- The existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.</li> </ul> <p>We recommend that the IPSASB considers providing guidance on whether a public entity controls a heritage asset, and should therefore recognise the heritage asset on its Statement of Financial Position, in uncertain circumstances such as the following:</p> <ul style="list-style-type: none"> <li>- An asset, such as a waterfall or statue, is situated on a piece of land that is privately owned. The asset is identified as a heritage item and government has a legal obligation to maintain and preserve the asset. Government also has the ability to allow or restrict the public's access to the asset. Government does not have legal ownership of the asset as it does not have legal ownership of the land. Government enters into an agreement with the owner of the land to share the economic benefits generated from the use of the asset.</li> <li>- An asset, such as a waterfall or statue, is situated on a piece of land that is owned by a public entity. The asset is identified as a heritage item by an international body such as UNESCO. The public entity still has legal ownership of the asset and it has a legal obligation to maintain and preserve the asset. The international body prescribes the use of, and access to the asset and therefore determines the service potential and economic benefits that the asset is able to generate.</li> </ul> <p>Classification of heritage assets</p> <p>We recommend that the IPSASB considers providing guidance on the classification of assets as to what constitutes heritage assets, property plant and equipment, intangible assets, investment property etc. This is a 'grey area' which may confuse preparers of financial statements. Most of these assets are similar in nature and appropriate guidance is needed from the IPSASB on how to distinguish between each of the classifications. Many heritage assets will meet the criteria of both heritage assets and property plant and equipment or intangible assets or investment property. For example, an entity could use a building for administrative purposes, but the building has characteristics of heritage assets and the entity has a legal obligation to preserve the building for future generations. Guidance should be provided as to which of the features take precedence and how the asset should be classified in such in instance, as well as how this affects the related liability.</p>	Note issues
26	As members of a different profession, we greatly appreciate an invitation which extends itself to include all stakeholders. We trust the comments provided herein add to the discussion and debate.	
28	<p><u>ANNEXURE B – OTHER COMMENTS</u></p> <p>Public interest and financial reporting for heritage (paragraph 1.9)</p> <p>Paragraph 1.9 notes that users may need information to (a) hold entities accountable for their preservation of the heritage item, and (b) make decisions on resources needed for heritage preservation.</p> <p>In our view, users of general purpose financial statements also need information on an entity's custodial responsibilities. Users will</p>	Other information that users

R#	OTHER COMMENTS (Only shown where other comments provided)	STAFF COMMENTS
	<p>also require information on heritage assets that have a dual purpose, i.e. those heritage assets that are significant for present and future generations, but which are also used by an entity in its day to day operations, for example, a historical building used as an administrative building. This information will enable the users to assess whether the heritage value of the asset is deteriorating or damaged through the use of the heritage asset in day to day operations.</p> <p>We recommend that these two aspects should also be included in the discussion on information that users may need when the IPSASB develops future guidance on reporting for heritage in the public section.</p> <p><u>Control of a resource (paragraphs 3.6 to 3.7)</u></p> <p>Paragraph 3.7 explains the criteria to be applied by an entity to demonstrate its ability to control heritage resources. The explanations seem to focus on the entity's ability to direct physical access, rather than the entity's ability to direct how the economic benefits or service potential of the resource should be used by the entity and/or others.</p> <p>We therefore recommended that any future guidance should clarify that, in assessing the entity's ability to access or deny or restrict access, the entity should assess whether it has the ability to decide how, and by whom the resource can be used. This right will demonstrate the entity's ability to direct the future economic benefits or service potential associated with the resource and should therefore not be limited to restricting or denying physical access to the resource.</p> <p><u>Qualitative characteristics – comparability (paragraph 4.30)</u></p> <p>Paragraph 4.30 states that comparability is the quality of information that enables users to identify similarities in, and differences between, two sets of phenomena. We question the relevance of comparability in relation to the recognition and/or measurement of heritage assets. As the nature of the heritage assets controlled by one entity is likely to differ from that of another entity, comparability may not be relevant in all instances.</p> <p>We recommended that any guidance should explain how this qualitative characteristic will assist users to identify similarities between entities, particularly in relation to recognising and measuring heritage items as assets.</p> <p><u>Constraints on information included in general purpose financial reports – materiality (paragraph 4.32)</u></p> <p>The discussion of materiality in the Consultation Paper focuses mainly on the quantitative considerations and does not discuss qualitative considerations in relation to heritage assets sufficiently. Qualitative considerations may be more appropriate based on the nature of the assets as users will need information to understand how an entity is fulfilling its custodial responsibility and other responsibilities.</p> <p>We recommend that the application of both quantitative and qualitative materiality should be emphasised in developing any future guidance.</p> <p><u>Constraints on information included in general purpose financial reports – cost benefit (paragraph 4.34)</u></p> <p>Paragraph 4.34(c) notes that, one of the benefits of recognising heritage assets in the statement of financial position, is improved asset accountability and management. We do not agree with this observation as, in our view, recognising assets in the financial statements will not improve asset management necessarily. In our view the objective of financial reporting is not to improve asset management, but rather to provide information to the users of the financial statements about the entity that is useful to them to assess accountability and for decision-making purposes. Applying the principles in an accounting standard can therefore not by itself result in better asset management.</p> <p>Depending on the nature of future guidance to be developed by the IPSASB on reporting on heritage, we recommend that this aspect should be reworded.</p> <p><u>Other guidance needed – heritage assets with a dual purpose</u></p>	<p>need; custodial and dual purpose heritage assets</p> <p>Note other issues</p>

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	<p>As noted above, some heritage assets have more than one purpose, e.g. an historic building which, in addition to meeting the description and/or characteristics of a heritage item, is also used as office accommodation. This aspect has not been addressed in the Consultation Paper, but may be relevant in a number of instances.</p> <p>Depending on the nature of future guidance to be developed by the IPSASB on reporting on heritage, we recommend that guidance should be included on the accounting considerations of heritage assets with a dual purpose. The guidance to be developed should consider, for example, whether a significant portion of the asset used or held meets the definition of heritage, or that of another type of asset, for example property, plant and equipment. The guidance to be developed could clarify that the asset should only be accounted for as a heritage asset to the extent that an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.</p>	
33	<p><u>Reporting of Heritage Items – “Stewardship Assets” Proposal</u></p> <p>Stewardship assets could be a separate category of assets. They would be reported as a separate category on the statement of financial position; with a corresponding separate category of net assets. (This would mean that the reporting model currently set out in IPSAS 1 would have two categories of net assets – remeasurements and stewardship assets. See illustration below).</p> <p>Possible examples of Stewardship Assets:</p> <ul style="list-style-type: none"> <li>• Heritage items;</li> <li>• Endowments restricted in perpetuity;</li> <li>• Natural capital (including Crown Lands not held for sale).</li> <li>• .....</li> </ul> <p>Possible mechanics of Stewardship Asset recognition:</p> <ul style="list-style-type: none"> <li>• Receipt of stewardship asset (or initial recognition of existing items in F/S) – balance sheet entry only:</li> </ul> <p>Dr. Stewardship Asset</p> <p>Cr. Separate category of net assets for Stewardship</p> <ul style="list-style-type: none"> <li>• Impairments or write-offs of stewardship assets would be recognized in expenses when the impairment (damage, loss, stolen, fire, etc.) occurs.</li> <li>• A stewardship asset would not normally be intended for sale. So sale of a stewardship asset would need to be highlighted in the financial statements for accountability purposes. A stewardship asset that is intended for sale would be moved from the Stewardship Asset category when the commitment is made to the sale using criteria such as the following: An asset held for sale should be recognized as a non-stewardship asset when all of the following criteria are met:             <ol style="list-style-type: none"> <li>(a) prior to the date of the financial statements, the public sector entity, management board or an individual with the appropriate level of authority commits the entity to selling the asset;</li> <li>(b) the asset is in a condition to be sold;</li> <li>(c) the asset is publicly seen to be for sale;</li> <li>(d) there is an active market for the asset;</li> <li>(e) there is a plan in place for selling the asset; and</li> <li>(f) it is reasonably anticipated that the sale to a purchaser external to the reporting entity will be completed within one year of the financial statement date.</li> </ol> </li> </ul>	Line item for stewardship assets

R#	OTHER COMMENTS (Only shown where other comments provided)	STAFF COMMENTS																																	
	<p>The plan in place for selling the asset must identify all significant actions to be taken to sell the asset. Actions required by the plan will begin as soon as possible after the commitment to sell is made.</p> <ul style="list-style-type: none"> <li>• When a stewardship asset is sold the gain on sale should be highlighted in the statement of surplus/deficit – separate reporting required for accountability purposes for sale of an item not normally sold.</li> <li>• There would need to be a separate statement of Stewardship Assets – that is, separate from the existing required Statement of Change in Net Assets. This statement would better highlight the unique nature of stewardship assets, their preservation and management.</li> <li>• If there are heritage items that do not meet the definition of an asset, they are still held by the entity and accountability for their stewardship is still required. So separate stewardship reporting to accompany the financial statements could be set out as required supplementary information (Consider an RPG?). The report would reference those stewardship assets included in the financial statements as well as heritage items that did not qualify for financial statement recognition but are still held for the benefit of the jurisdiction and for which the entity is accountable.</li> </ul> <p>Benefits of the proposed stewardship asset approach:</p> <ul style="list-style-type: none"> <li>• Builds on existing IPSASB model (in IPSAS 1) but allows for future accommodation of reporting needs of public sector not for profit organizations (see example of endowments reported as one type of stewardship asset).</li> <li>• Allows for things like natural capital to be accommodated in financial statements (and other reports). If a natural capital items meets the definition of an asset and the general recognition criteria it could be recognized in this category. So the stewardship asset proposal is a future oriented approach that leaves room for addressing emerging accounting issues.</li> </ul> <p>Illustration of Stewardship Assets in the Reporting Model</p> <table border="1" data-bbox="422 885 1257 1463"> <thead> <tr> <th colspan="3">Statement of Financial Position as at March 31</th></tr> <tr> <th></th><th>20X3</th><th>20X2</th></tr> </thead> <tbody> <tr> <td>Assets</td><td>\$ XX</td><td>\$ XX</td></tr> <tr> <td>Stewardship Assets</td><td>XX</td><td>XX</td></tr> <tr> <td>Liabilities</td><td>XX</td><td>XX</td></tr> <tr> <td>Net Assets/Liabilities</td><td>XX</td><td>XX</td></tr> <tr> <td>Plus Other Resources*</td><td>XX</td><td>XX</td></tr> <tr> <td>Less Other Obligations*</td><td>XX</td><td>XX</td></tr> <tr> <td>Net Financial Position**</td><td>\$ XX</td><td>\$ XX</td></tr> <tr> <td>Accum. Remeasurements</td><td>XX</td><td>XX</td></tr> <tr> <td>Accum. OR and OO</td><td>XX</td><td>XX</td></tr> </tbody> </table>	Statement of Financial Position as at March 31				20X3	20X2	Assets	\$ XX	\$ XX	Stewardship Assets	XX	XX	Liabilities	XX	XX	Net Assets/Liabilities	XX	XX	Plus Other Resources*	XX	XX	Less Other Obligations*	XX	XX	Net Financial Position**	\$ XX	\$ XX	Accum. Remeasurements	XX	XX	Accum. OR and OO	XX	XX	
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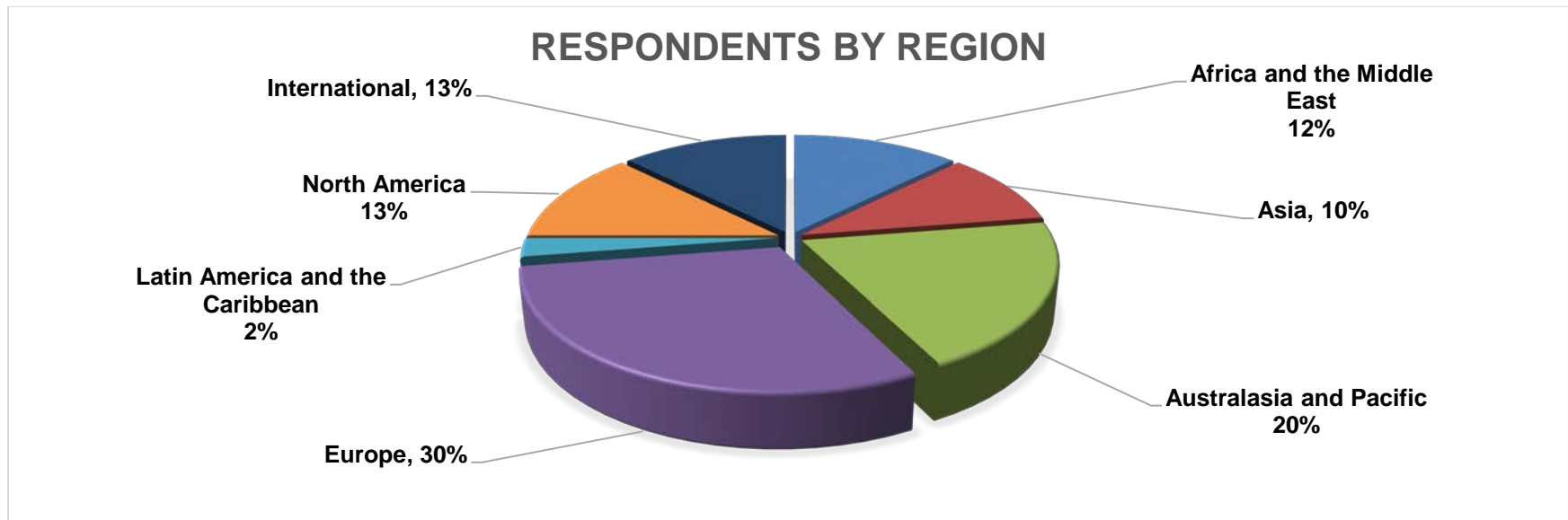
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Stewardship Assets	XX	XX						
Net Financial Position	\$ XX	\$ XX						
40	<p data-bbox="279 586 1682 670">Public museums are not-for-profit public agencies or charities and the scale of many collections can number in the tens of millions of objects. The exponential cost of applying valuation methodologies to large non-commercial collections with a public good intent is at the limit or beyond what most institutions can afford to do in a cost effective or reliable manner.</p> <p data-bbox="279 683 1682 797">The cost of implementing valuation methodologies in not-for-profit or publicly-funded institutions where the primary management intent is preservation of heritage assets for future generations can be prohibitive. For most institutions of this type, valuation represents a major tactical opportunity cost to financial operations with no strategic advantage to the operational effectiveness of the institution.</p> <p data-bbox="279 810 1682 919">HoTARAC notes that the difficulties raised are likely to affect developing countries even more so, where there may be a lack of resources and/or expertise to adopt a full valuation approach to heritage assets. HoTARAC recommends that the IPSASB consider developing guidance on sampling methods (which, as noted above, are already utilised for very large collections), value estimates or other approaches that may be more reasonable for developing countries to undertake.</p>	<p data-bbox="1715 586 1862 911">             Serious concern about negative financial effect of valuation costs              Guidance needed to reduce costs           </p>						

## Heritage

### Analysis of Respondents by Region, Function, and Language

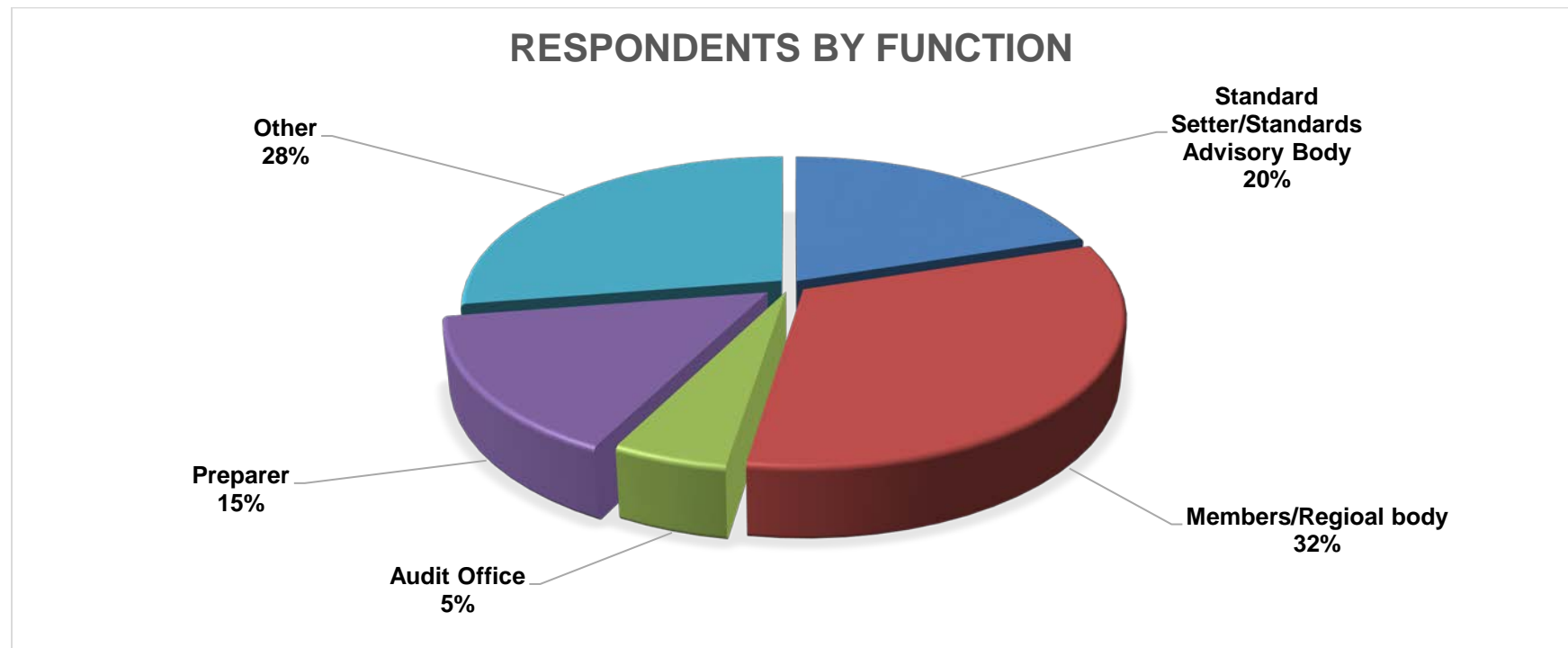
#### Geographic Breakdown

Region	Respondents	Total
Africa and the Middle East	03, 19, 24, 28, 38	5
Asia	01, 21, 22, 37	4
Australasia and Pacific	05, 07, 08, 18, 26, 27, 35, 40	8
Europe	02, 04, 06, 09, 13, 20, 23, 29, 30, 32, 34, 36	12
Latin America and the Caribbean	12	1
North America	11, 15, 16, 31, 33	5
International	10, 14, 17, 25, 39	5
<b>Total</b>		<b>40</b>



### Functional Breakdown

Function/Type of Respondents	Respondents	Total
Standard Setter / Standard Advisory Body	01, 02, 13, 15, 24, 27, 28, 33	8
Members / Regional Body	03, 05, 06, 07, 20, 21, 22, 23, 32, 34, 35, 37, 38	13
Audit Office	09, 31	2
Preparer	04, 16, 29, 36, 39, 40	6
Other	08, 10, 11, 12, 14, 17, 18, 19, 25, 26, 30	11
<b>Total</b>		<b>40</b>



### Linguistic Breakdown

Language	Respondents	Total
English Speaking	03, 05, 06, 07, 08, 10, 11, 12, 14, 15, 16, 17, 18, 19, 21, 23, 24, 25, 26, 27, 28, 30, 31, 32, 33, 34, 35, 38, 39, 40	30
Non-English Speaking	01, 02, 04, 09, 13, 20, 22, 29, 36, 37	10
<b>Total</b>		<b>40</b>

