

Meeting: International Public Sector Accounting
Standards Board

Meeting Location: Toronto, Canada

Meeting Date: June 18–21, 2019

Agenda Item 9

For:

☐ Approval

☒ Discussion

☒ Information

Heritage

Project summary	Provide requirements and guidance on accounting for heritage.	
	Topic	Agenda Item
Project management	Instructions —Up to June 2019 meeting	9.1.1
	Decisions —Up to June 2019 meeting	9.1.2
	Project roadmap	9.1.3
Decisions required at this meeting	Overview of Recognition, Measurement and Presentation for Heritage	9.2.1
	Operational and non-operational heritage assets	9.2.2
	Classification of issues	9.2.3

IPSASB Instructions—March 2019 meeting and earlier

Meeting	Instructions	Actions
March 2019	<ol style="list-style-type: none"> 1. Explore the operational/non-operational distinction. 2. Identify issues raised (in CP and responses to the CP) and provide proposals on where each belongs (either recognition, measurement, or presentation), using a table format. 3. Defer discussion of a definition. (Use the CP description in the interim.) 4. Consider how “control” applies in the heritage context. 5. Note that a consideration of transition will come later, once the IPSASB has decided what is needed. 	<p>Done</p> <p>Done</p> <p>Done</p> <p>Done</p> <p>Done</p>
December 2018	<ol style="list-style-type: none"> 1. Develop agenda items for the March 2019 IPSASB meeting 	Done
March to September 2018	No instructions during this period	Not applicable
December 2017	<ol style="list-style-type: none"> 1. Heritage Task Force Chair to write a brief summary of the project’s status. 2. Defer next IPSASB considerations, with timing related to progress made by the Public Sector Measurement project 	<p>Done</p> <p>Done</p>
Earlier meetings	<ol style="list-style-type: none"> 1. Instructions leading to approval of the consultation paper (CP), <i>Financial Reporting for Heritage</i>, in March 2017. 	Done

IPSASB Decisions—March 2019 meeting and earlier

Meeting	Decisions
March 2019	<ol style="list-style-type: none"> 1. Focus on information in the financial statements; recognition and measurement specific to heritage assets.
March – December 2018	<ol style="list-style-type: none"> 1. December 2018 decision that, given the progress made on Public Sector Measurement, Heritage should return to the IPSASB's meeting agenda in March 2019. 2. No decisions from March to September, 2018, while project was on hold.
December 2017	<ol style="list-style-type: none"> 1. Decision to defer further work given this project's relationship with the Public Sector Measurement project.
March 2017	<ol style="list-style-type: none"> 1. The IPSASB approved the CP.
Earlier meetings	<p>During discussions from September 2015 to December 2016 the IPSASB made a series of decisions on:</p> <ol style="list-style-type: none"> 1. Financial reporting for heritage issues; and, 2. The content of the CP, including its draft chapters, preliminary views and specific matters for comment.

Heritage Project Roadmap¹

Meeting	Completed Discussions/ Planned Discussions:
Next meetings	
December 2019	1. Approve text on recognition of heritage assets that fall within the scope of IPSAS 17, <i>Property, Plant and Equipment</i> .
September 2019	1. Provide directions on draft text on recognition of heritage items that fall within the scope of IPSAS 17 2. Discuss Heritage Task Force recommendations on asset recognition issues and other issues as necessary.
This meeting	
June 2019	1. Discuss Heritage Task Force recommendations on asset recognition. 2. Explore the operational/non-operational distinction. 3. Identify issues raised (in CP and responses to the CP) and provide proposals on where each belongs (either recognition, measurement, or presentation), using a table format for this classification.
Past meeting	
March 2019	1. Overview of project's progress to date, and the relationship between the Heritage project and the Public Sector Measurement project. 2. Provide direction on topics on which the Heritage Task Force should develop recommendations for consideration at subsequent meetings. 3. Comments on recognition of heritage assets (as input to Task Force development of recommendations for June)
December 2017	1. Review of responses to the CP, <i>Financial Reporting for Heritage</i> . 2. Discussion (during the work plan discussion) of the relationship between the Heritage and the Public Sector Measurement projects.
Earlier meetings	1. The IPSASB approved the Consultation Paper (CP), <i>Financial Reporting for Heritage</i> , at its March 2017 meeting. 2. The IPSASB's first project discussion was in September 2015. At subsequent IPSASB meetings the IPSASB discussed issues raised by financial reporting for heritage; identified its preliminary views on such issues and specific matters for comment on which to request constituents' views; and reviewed draft consultation paper chapters.

¹ Amended after March 2019 meeting to reflect IPSASB decisions at that meeting.

Overview of Recognition, Measurement and Presentation for Heritage**Purpose**

1. This paper supports the IPSASB's discussion of guidance for recognition, measurement and presentation of heritage assets. It provides:
 - (a) Diagram 1's overview of recognition, measurement and presentation steps ([Appendix A](#)).
 - (b) Illustrative [examples](#) as guidance for heritage asset recognition issues (existence of a resource, present control, and a past event).
 - (c) Task Force views on the main measurement issues for which guidance is needed for on-going reporting of heritage assets (rather than transition issues on first-time recognition).
 - (d) A brief discussion of the Heritage Project's scope going forward.

Detail*Overview of Recognition, Measurement and Presentation: Appendix A*

2. Diagram 1 in [Appendix A](#) provides a road map for the IPSASB's consideration of heritage asset recognition, measurement and presentation issues. It reflects the IPSASB's instructions that:
 - (a) The focus going forward should be on information in the financial statements; and
 - (b) Transition issues should be addressed separately from (and subsequent to) the recognition and measurement of heritage items on an on-going basis.
3. Diagram 1's first step is asset existence, followed by recognition (Step 2), subsequent measurement (Step 3), and then presentation (Step 4). Two flow charts (FC1 and FC2) are embedded in the diagram. These address:
 - (a) Initial recognition of heritage items (FC1); and
 - (b) Subsequent revaluation where an entity revalues assets to a current value (FC2).

Recognition—Asset existence and initial measurement (Steps 1 and 2)

4. FC1 has the three criteria for asset existence (resource, control and past event), which must be met for a heritage item to be an asset for financial reporting purposes. If any criterion is not met (i.e. the answer is "no" to one of the first three questions) then the heritage item is not an asset and no further action occurs².
5. FC1 then addresses initial measurement for recognition. It applies a simplifying assumption that, once asset existence is established, the onus is to find a way to measure the asset reliably, acknowledging that there could be cases where reliable measurement is not possible. Paragraph 13 below discusses examples linked to each criterion.

² A national jurisdiction may apply the IPSASB's RPG 3, *Reporting Service Performance Information*, and report service performance related information on its non-asset heritage items outside of the financial statements. However, the Heritage Project is now focusing exclusively on the financial statements and Diagram 1 illustrates that focus.

Subsequent Measurement (Step 3) and Presentation in the financial statements (Step 4)

6. Step 3 addresses subsequent measurement of heritage assets and includes FC2, which addresses choice of measurement basis when an entity revalues heritage assets. Paragraphs 14 and 15 below discuss guidance needs for subsequent measurement.
7. Step 4 provides an overview of presentation needs. It focuses on information presented in the financial statements, which includes display on the face of a financial statement (e.g. a line item for heritage assets in the statement of financial position) and disclosure in the notes (e.g. a note on heritage asset restrictions). Step 4 does not consider presentation of information outside of the financial statements, which reflects the IPSASB's March 2019 decision that the Heritage Project should focus on information in the financial statements going forward³.

Guidance on Transition: First-Time Recognition of Heritage Asset Holdings

8. Although not included in Diagram 1, guidance to address entities' transition to recognition of heritage assets is critically important. When an entity first adopts a standard that requires recognition of heritage assets that have been acquired over many years, the task of accounting for those assets could be huge. Transition guidance will benefit from separate consideration. It may involve different (a) recognition decisions, (b) measurement approaches, and (c) disclosures from those applicable to heritage assets on an on-going basis.

Task Force Views—Diagram 1 Overview of Recognition, Measurement and Presentation

9. Heritage Task Force members reviewed an earlier version of Diagram 1. They considered that Diagram 1 provides a good illustration of what issues need to be addressed during this phase of the Heritage Project. They also identified improvements to Diagram 1. which staff made. In response to Task Force comments (and subsequent comments from the IPSASB and Task Force chairs) staff:
 - (a) Removed boxes on "reliable measurement" and "transition needs," and
 - (b) Separated out decision points for asset existence (resource, present control, and past event) and changed their order.
10. Task Force members had different views on whether FC2, which addresses revaluation, should:
 - (a) Allow for the possibility that heritage assets may contribute to an entity's financial capacity.
 - (b) Reflect the operational/non-operational distinction.
11. Staff revised FC2 to remove a decision point on holding heritage assets for their contribution to financial capacity. There are situations where heritage assets contribute to financial capacity, for example heritage buildings can earn rental incomes and some reporting entities have heritage assets "held for sale." This revision is to simplify and focus FC2 for IPSASB discussion purposes, rather than to imply that these situations do not occur.
12. With respect to the operational/non-operational heritage asset distinction, FC2 presently divides assets that contribute to operational capacity into two groups, those held for non-heritage uses and those held for heritage use. FC2 proposes that replacement cost would be calculated to reflect the

³ The March decision reflects both (a) the IPSASB's preliminary view (in the Heritage CP) that existing IPSASB pronouncements adequately address entities' ability to present heritage-related information outside of the financial statements and (b) the extent of support from CP respondents for that preliminary view.

purpose for which the asset is held. This approach does not contradict the discussion in agenda item 9.2.2 of the operational/non-operational distinction. 9.2.2 questions whether the distinction is useful, but a purpose-focused derivation of replacement cost does not depend on explicit references to operational/non-operational heritage assets.

Heritage Asset Existence— Examples (Resource, Present Control and Past Event)

13. [Appendix B](#) has examples to illustrate assessments of whether different heritage items meet the Conceptual Framework's definition of an asset. Task Force members reviewed an earlier set of examples and provided comment on both the usefulness of the examples and their conclusions. Staff has amended the examples where Task Force members' comments indicated consensus. Where the examples prompted debate, staff has generally retained them unchanged to allow the IPSASB to consider the same issues, including those affecting the following examples:
 - (a) *Intangibles and natural resources—in project's scope?* Some Task Force members expressed a view that examples (7), (8) and (9) are out of the project's scope now, because intangible heritage assets and natural resources (mountains and living plants and animals) are no longer in this project's scope.
 - (b) *Heritage-specific issues for past event:* Task Force members commented that examples (10) and (11) apply the normal past event criteria rather than anything special to heritage situations. In response staff added examples 12 and 13, which aim to illustrate more heritage-specific past events. However, this raises the question of whether it is useful to include examples which illustrate that similar considerations to those for non-heritage items can apply to heritage items.

Guidance on Measurement—Task Force views on issues from CP responses

14. Responses to the Heritage CP identified subsequent measurement topics for which guidance is needed. (See the table of issues in agenda item 9.2.3.) Task Force members reviewed a list of measurement issues for which guidance is most needed, which staff had derived from responses to CP Heritage. They generally agreed that guidance is most needed for the following measurement issues:
 - (a) Meaning of "replacement cost" for heritage assets, including its relationship to restoration cost, market value, and heritage-faithful versus modern-functionality costs to replace heritage assets used for non-heritage purposes⁴.
 - (b) Depreciation and amortization:
 - (i) Determination of heritage assets' useful lives⁵.
 - (ii) Whether any heritage assets should have a very long (or even indefinite) useful life and, if so, how long?
 - (c) Impairment: Indicators of impairment and valuation when impaired (linked to useful life).
 - (d) Revaluations:
 - (i) Frequency of revaluations, given the costs involved with heritage asset valuations.

⁴ Another term for "heritage assets used for non-heritage purposes" is "operational heritage assets." 9.2.2 discusses operational heritage assets and notes potential for confusion with "assets that contribute to operational capacity."

⁵ For example, should estimates of useful life take into account planned maintenance, which could extend the useful life?

- (ii) Measurement of heritage assets when these are revalued to current values or donated, in particular the measurement of museum collections.
 - (e) Measurement of living heritage assets, including whether these should be added to the value of land in the case of heritage land with animals and plants.
15. Discussions with technical staff and the IPSASB chair subsequently identified a need for guidance on the treatment of subsequent expenditure on heritage assets, i.e. guidance on when this should be expensed and when capitalized. With respect to point (e), some Task Force members disagreed with guidance on living heritage assets, on the basis that this is now outside of the project's scope.

Guidance on disclosures when heritage items are not assets

16. Several Task Force members also argued that guidance is needed on disclosures when heritage items are not assets. This is a significant issue for national jurisdictions that do not recognize, for example, heritage land (also called stewardship land). If heritage items are not recognized in the financial statements, then information is still needed for accountability purposes. The issue of disclosures can be considered from the perspective of information in the financial statements (the Heritage project's focus going forward) and information presented outside of the financial statements (no longer within the project's scope).

Guidance on initial measurement when cannot be reliably measured using cost

17. During finalization of this agenda paper Task Force Members highlighted that guidance is also needed on measurement of heritage assets when initial cost is not reliable or not available. This issue arises, for example, with (a) non-exchange transactions, where the IPSASB's present guidance requires use of fair value and (b) heritage discoveries, such as discovery of important archeological sites or shipwreck. Examples of heritage assets for which fair value may not provide a faithful representation of their contribution to the reporting entity's operational capacity include:
- (a) Museum collections that have special value for the recipient country or community, but less value in the wider market place; and
 - (b) Archeological discoveries, including (for example) pre-historic cave paintings.

Scope of Heritage Project in 2019

18. Task Force members' comments raised several project scope issues during the review of Diagram 1 and the examples in Appendix B. The IPSASB decided in March 2019 that the Heritage Project should focus on information in the financial statements. The Project Roadmap (developed for the March 2019 meeting) has revisions to IPSAS 17, *Property, Plant and Equipment*, as the planned outcome for 2019. This suggests that the project's scope is now restricted to financial reporting for heritage assets that fall within the scope of IPSAS 17. This would exclude:
- (a) Living heritage assets such as plants and animals;
 - (b) Intangible heritage assets; and
 - (c) Information presented outside of the financial statements.
19. This paper asks for IPSASB clarification or confirmation of the project's scope going forward.

Decisions required

20. Does the IPSASB agree that:

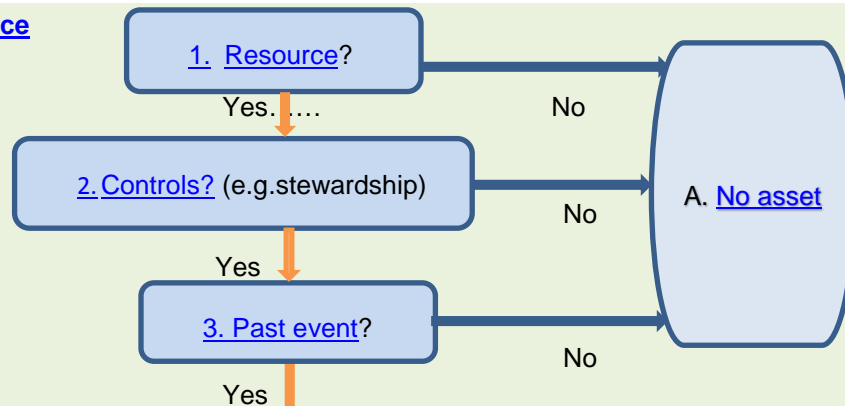
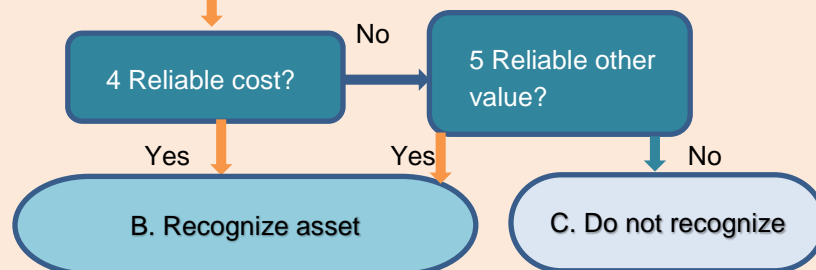
- (a) The “Heritage Asset Recognition” flow chart (FC1 in [Appendix A](#)) provides a useful overview of issues related to the recognition of heritage assets in the financial statements, including the proposed order of consideration and overall focus;
- (b) The examples in [Appendix B](#) are useful guidance for assessing whether a heritage item is an asset for financial reporting purposes;
- (c) Staff should develop guidance for the [measurement issues](#) in paragraphs 14 and 15; and
- (d) The Heritage project’s scope is now focused on heritage assets that fall within the scope of IPSAS 17, *Property, Plant and Equipment*.

Appendix A

Diagram 1: Financial Reporting for Heritage

This diagram aims to support the IPSASB's consideration of financial reporting for heritage. It has two flow charts (FC1 & FC2) with embedded links to guidance on decision points. *Transition issues not addressed*: This diagram does not address financial reporting needs for a transition to recognition of heritage.

Flow Chart (1) Steps 1 & 2

Step 1 [Asset existence](#)Step 2 Recognition
(reliable measurement)

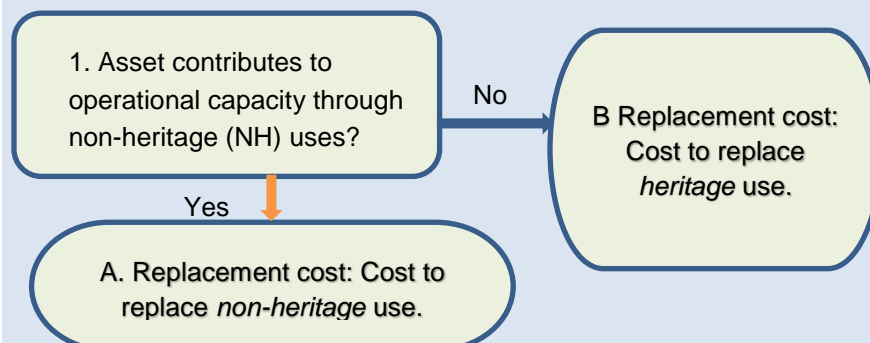
Step 3 Subsequent measurement

Subsequent measurement: Guidance on:

- (a) Depreciation/ amortization
- (b) Subsequent expenditure
- (c) Impairment
- (d) Revaluation model

Step 4 Presentation

Presentation:
Consider need for
line item(s) and
note disclosures

Revaluation (if applicable) [Flow Chart \(2\)](#)

Information on Flow Chart 1's Decision Points and Boxes

Conceptual Framework's definition of an asset:

5.6 An asset is a resource presently controlled by the entity as a result of a past event.

Box 1: Resource?

The Conceptual Framework describes a resource as follows:

- 5.7 A resource is an item with service potential or the ability to generate economic benefits. Physical form is not a necessary condition of a resource. The service potential or ability to generate economic benefits can arise directly from the resource itself or from the rights to use the resource. Some resources embody an entity's rights to a variety of benefits including, for example, the right to:
- Use the resource to provide services⁶;
 - Use an external party's resources to provide services, for example, leases;
 - Convert the resource into cash through its disposal;
 - Benefit from the resource's appreciation in value; or
 - Receive a stream of cash flows.
- 5.8 Service potential is the capacity to provide services that contribute to achieving the entity's objectives. Service potential enables an entity to achieve its objectives without necessarily generating net cash inflows.
- 5.9 Public sector assets that embody service potential may include recreational, heritage, community, defense and other assets which are held by governments and other public sector entities, and which are used to provide services to third parties. Such services may be for collective or individual consumption. Many services may be provided in areas where there is no market competition or limited market competition. The use and disposal of such assets may be restricted as many assets that embody service potential are specialized in nature.
- 5.10 Economic benefits are cash inflows or a reduction in cash outflows. Cash inflows (or reduced cash outflows) may be derived from, for example:
- An asset's use in the production and sale of services; or
 - The direct exchange of an asset for cash or other resources.

[Examples 1 – 4](#) illustrate the meaning of “resource” when considering whether a heritage item would be a resource from the reporting entity's perspective.

Box 2: Entity controls?

Decisions about asset existence are considered from the perspective of the reporting entity. Written out in full this first question can be expressed as: “Does the reporting entity presently control the heritage item?” The Conceptual Framework explains “presently controlled by the entity” as follows:

- 5.11 An entity must have control of the resource. 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

⁶ Footnote 6—References to “services” in the Conceptual Framework encompass “goods”.

potential or economic benefits embodied in the resource in the achievement of its service delivery or other objectives.

5.12 In assessing whether it presently controls a resource, an entity assesses whether the following indicators of control exist:

- Legal ownership;
- Access to the resource, or the ability to deny or restrict access to the resource;
- The means to ensure that the resource is used to achieve its objectives; and
- The existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.

While these indicators are not conclusive determinants of whether control exists, identification and analysis of them can inform that decision.

[Examples 5 – 9](#) illustrate the meaning of “control” for financial reporting purposes.

Box 3: Past event?

The Conceptual Framework explains “past event” as follows:

5.13 The definition of an asset requires that a resource that an entity presently controls must have arisen from a past transaction or other past event. The past transactions or other events that result in an entity gaining control of a resource and therefore an asset may differ. Entities can obtain assets by purchasing them in an exchange transaction or developing them. Assets may also arise through non-exchange transactions, including through the exercising of sovereign powers. The power to tax or to issue licenses and to access or restrict or deny access to the benefits embodied in intangible resources, like the electromagnetic spectrum, are examples of public sector-specific powers and rights that may give rise to assets. In assessing when an entity's control of rights to resources arise the following events may be considered: (a) a general ability to establish a power, (b) establishment of a power through a statute, (c) exercising the power to create a right, and (d) the event which gives rise to the right to receive resources from an external party. An asset arises when the power is exercised and the rights exist to receive resources.

[Examples 10 - 13](#) illustrate the meaning of “past event.”

Box A. Asset does not exist

Conceptual Framework's definition of an asset:

5.6 An asset is a resource presently controlled by the entity as a result of a past event.

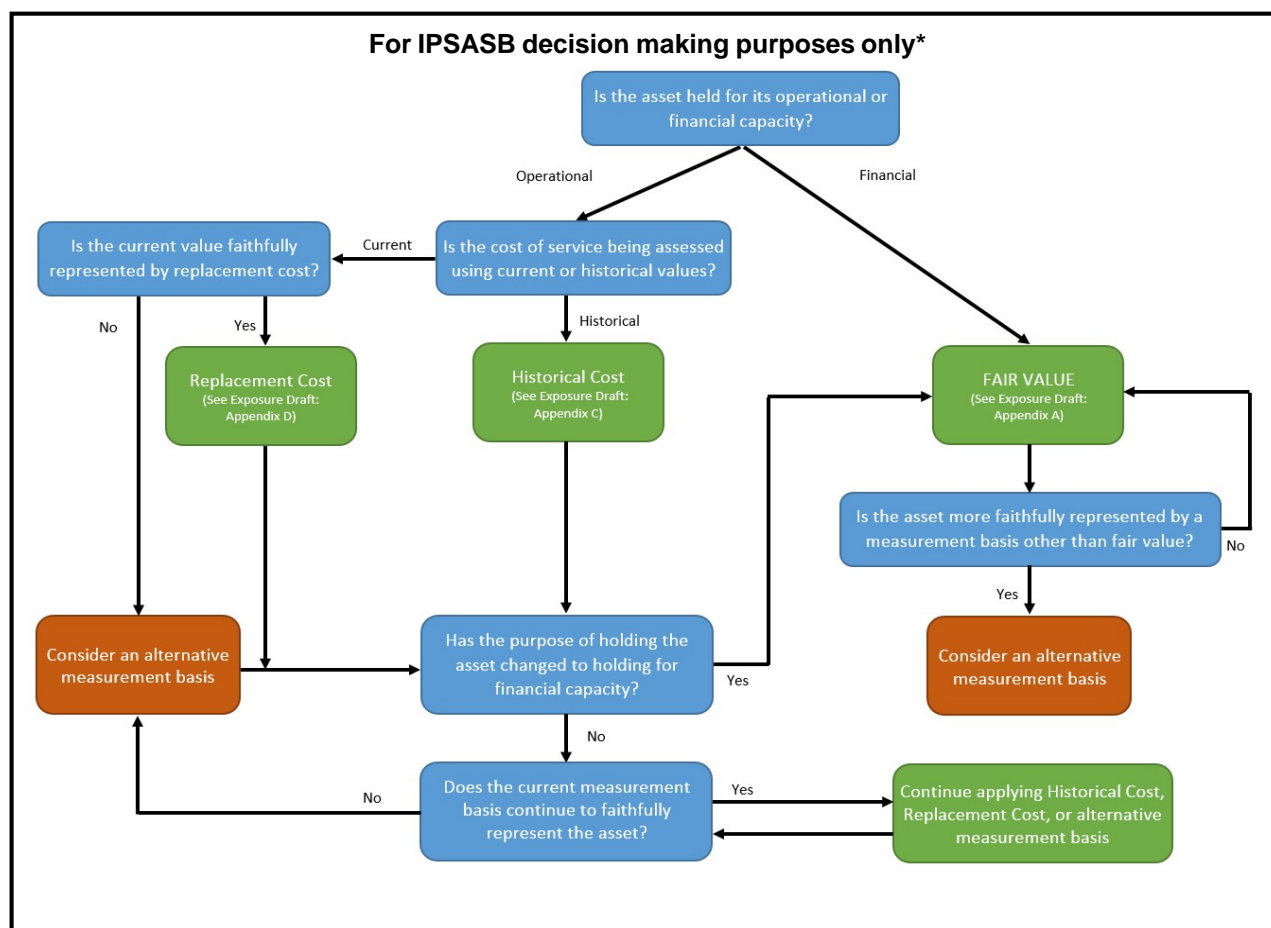
Whether or not a heritage item is an asset for financial reporting purposes is considered from the perspective of the reporting entity preparing its financial reports. If a heritage item is not a resource from the reporting entity's perspective or the reporting entity does not presently have control over it or the event giving control is not yet a past event, then heritage item is not an asset for the reporting entity. (The same heritage item may be an asset from the perspective of another reporting entity, if the three asset existence criteria are met from the perspective of that other reporting entity.)

Heritage Asset Revaluation—Flow Chart (2)

FC2 is based on CP, *Measurement's* Diagram 4.1 (see below), focusing on its left hand side which addresses the revaluation of operational assets. FC2 has three simplifications:

1. *Revaluation only*: Focuses on revaluation only and does not cover use of historical cost as a measurement basis. Reporting entities that uses the historical cost model would not need to refer to FC2, because they would not revalue their heritage assets.
2. *Operational capacity only*: Only covers heritage assets held for their contribution to operational capacity, not those held for their contribution to financial capacity.
3. *Replacement cost*: Links the determination of replacement cost to the purpose for which the entity is using the heritage asset, with a question on whether the heritage asset is being used by the reporting entity for non-heritage purposes (i.e. whether it is an “operational heritage asset”). Then replacement cost is either:
 - (a) *Box A*: Costs to replace the heritage asset with one that provides the same *non-heritage* services (if the answer is “yes”); or,
 - (b) *Box B*: Costs to replace the heritage asset with one that provides the same *heritage* services (if the answer is “no”).

Diagram 4.1—Subsequent Measurement: Assets Flow Chart



Appendix B**Examples of Heritage Items Assessed against Asset Definition***Is the Heritage Item a Resource?*

For the following examples the focus is on whether each heritage item represents a “resource” from the reporting entity’s perspective. To simplify the discussion these examples assume that control over the heritage item as the result of a past event has been established. In each case, if the item(s) is a resource then it will also be an asset for financial reporting purposes.

Example 1 Paintings Purchased by National Art Gallery

A national art gallery has just purchased 2 small paintings by Picasso for Currency Unit (CU) 22 million. The purchase adds to its existing, world-renowned collection of Picasso paintings. The art gallery’s mission is to make great art accessible to the nation, and it does not charge an admission fee for entry, consistent with that mission. Although the gallery expects to hold the paintings indefinitely it can sell paintings in its collection and has done so in the past due to changing views about the optimum approach to its collections and tradeoffs between, for example, its collections of modern, ancient and post-modern heritage pieces.

Analysis: The paintings have service potential or the ability to generate economic benefits. They form part of the gallery’s capacity to provide services that contribute to achieving its objectives. Therefore, the paintings are resources from the art gallery’s perspective.

Example 2 Art Works in Parliament Building

The provincial government’s Parliament building has a collection of art works dating back to the 18th century. These are of variable technical quality and range in market value from a few thousand CUs to several million CUs. Their heritage significance is in their subject matter. The art works depict past prime ministers, provincial ideals and significant parliamentary debates, principles, and decisions. The art works are controlled by the Office of the Parliament, which is wondering whether they should be recognized as heritage assets, even though they are not central to the Office’s role of providing the appropriate secure space and meeting facilities for a well-functioning Parliament.

Analysis: The art works have service potential. They contribute to the reporting entity’s capacity to provide services and achieve its objectives. Therefore, the art works are resources from the Office’s perspective.

Example 3 Aid Agency’s Art Works

An aid agency receives donated art works from member states. The agency’s management views preserving this art work as something that takes away from its main mission, which is to improve the world’s health outcomes, but displays the art works to show its appreciation to the donors.

Analysis: There are arguments for and against these art works being resources and therefore assets from the reporting entity’s perspective. On the one hand the art works do not appear to have service potential from the reporting entity’s perspective, since the agency’s management does not consider that they contribute to its capacity to provide services and achieve its objectives. From this perspective the art works are not resources and should not be recognized as assets. On the other hand, the agency’s ability to convey its multicultural and international nature is enhanced by decorating its buildings with art work from its member states, which may contribute indirectly to both its operational and financial capacity and achievement of its objective to improve the world’s health outcomes. From this perspective the art works do have service potential and are resources for the reporting entity.

Example 4 Cemetery on Regional Council's Land

A regional council has purchased land where it plans to build a road, consistent with its 10-year strategy to address the region's transportation needs. Surveyors discover an ancient cemetery, and the national government immediately decrees that the road cannot be built due to the heritage significance of the find. The council has already recognized the land purchase as an asset.

Analysis: The cemetery does not appear to be a resource from the council's perspective, since it does not contribute to the reporting entity's capacity to provide services and achievement of its objectives. The land appears to be an asset, but a restricted one. If the cemetery did contribute to other council objectives, then it could be a resource and therefore an asset. (For example, if the council has an objective to identify, preserve and make accessible the community's heritage or an objective to promote tourism, including tourism to view heritage sites such as the cemetery, then the cemetery could be a resource and an asset.)

Does the Reporting Entity Presently Control the Heritage Item?

For the following examples the focus is on whether the reporting entity controls each heritage item as the result of a past event. To simplify the assessment, it is assumed that the heritage item is a resource, with the result that if control presently exists then the heritage item will be an asset.

Example 5 Department's Head Office Building Receives Heritage Designation

A government department's head office building has recently received a heritage designation, which protects its historic nature so that the reporting entity cannot sell either the land or building to a developer and must gain approval for significant repairs, to ensure they maintain the building's character. The reporting entity owns and occupies the heritage building, which it continues to use as its head office.

Analysis: The reporting entity can use the resource (land and building) 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. Indicators of control include legal ownership; access to the resource, the ability to deny or restrict access to the resource; the means to ensure that the resource is used to achieve its objectives; and the existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.

Example 6 A Collection on Loan from another Art Gallery

Art gallery (A) has a collection of heritage paintings on loan from art gallery (B). The loan agreement stipulates the loan period (6 months) and various requirements with respect to how the collection is protected and used during the period. There are conditions which ensure that any failure to comply with the agreement would mean immediate requirement to return the collection along with large financial penalties. It also requires publicity around the exhibit to promote the other art gallery (B) and a percentage of ticket and merchandise sales belongs to art gallery B.

Analysis: The reporting entity can use the resource (paintings) to derive the benefit of the service potential in the achievement of its service delivery or other objectives. However, this usage is for only the period in the agreement and the art gallery does not have legal ownership. It has limited access to the resource and ability to deny or restrict access to the resource; while using the resource to achieve its objectives. (A) has a right to use, which could be accounted for as a lease asset, rather than control over the collection as a tangible heritage asset.

Example 7 Heritage Person Attached to the National University

A practitioner of ancient song and dance is listed in the national heritage regulations as a national treasure. She has a job for life with the national university and dedicates her time to teaching song and dance to students so that these intangible heritage skills are preserved. The university's CFO would like to value her and recognize her on the statement of financial position as a heritage asset.

Analysis: The university does not control this person or the intangible skills that she works to preserve. Several of the control indicators do not apply to both the person and the intangible skills (e.g. legal ownership and control over access to the resource (since she chooses to work for the university) and the ability to deny or restrict access to the resource) and the existence of an enforceable right to service potential or the ability to generate economic benefits arising from a resource.

Example 8 Living animals (birds)

Country A has created a park to protect endangered birds which visit the country each year to nest and reproduce. The number of birds has bounced back from near extinction from 450 breeding pairs to 10,000, as counted in the most recent year's bird count. The Ministry for the Environment and Tourism owns and manages the park, which is on its statement of financial position, and would like to recognize the birds as a heritage asset. The birds' migration route covers two continents and 12 different nations, with an international agreement across borders to act for their protection. The birds spend summer in another country.

Analysis: Control does not exist over the wild, migratory birds. The Ministry does not control the birds that it protects. Several of the control indicators do not apply (e.g. legal ownership and control over access to the resource (since the birds are free to fly elsewhere) and the ability to deny or restrict access to the resource) and the existence of an enforceable right to service potential.

Example 9 Sacred Ancestral Mountain–Custodianship

National Government Z has a national park encompassing a mountain which the indigenous people (Tribe W) consider to be an ancestor and therefore both a person and sacred. Although technically "ownership" of the mountain and surrounding land belongs to the government, the concept of legal ownership is culturally inappropriate, given the mountain's status as an ancestor. Furthermore, the relationship and custodianship/stewardship arrangements are more complicated than simple "ownership."

The government has day-to-day management of the park, does the detailed work of establishing and monitoring regulations related to the park, and bears all costs related to custodianship and making the park accessible to the public (construction of trails, bridges, viewing platforms, information booths, huts, etc.). The government also receives a relatively small amount of revenue arising from camping and fishing permits, etc. On a day-to-date basis the government controls access, which involves making the park open to the public unless there are reasons (e.g. fire risk, regeneration of trees) to close off all or part of the area.

The tribe holds 50% of the membership of the park's management body and an absolute right to veto practices that it deems culturally offensive to its ancestor and tradition. This role has meant that the rules applying to the park include (a) processes that must be followed if anyone dies in the park and (b) restrictions on what can be done near the head of the mountain, including absolutely no consumption of food within 400 meters of the head.

Analysis: Government Z has control for financial reporting purposes based on the indicators of control. Indicators of control include legal ownership; access to the resource, the ability to deny or restrict access

to the resource; the means to ensure that the resource is used to achieve its objectives (where objectives include (i) provision of publicly accessible national parks, (ii) preservation of natural heritage, and (iii) encouragement of respect for the indigenous people and their beliefs and culture); and the existence of an enforceable right to service potential arising from a resource.

Is there a past event for the resource and present control?

For the following examples the focus is on whether there is a past event which gives the reporting entity control over a resource. To simplify the discussion, it is assumed that if that past event has occurred the heritage item will be a resource from the reporting entity's perspective and control presently exists.

Example 10 Donation of Painting

A wealthy philanthropist has purchased a heritage painting for the city art gallery. The ownership transfer documents have been signed by the philanthropist so that the painting now legally belongs to the museum. The painting is still in the auction house's physical possession and will be transported to the museum in two days, once the necessary security and other arrangements are in place.

The past event giving control over a resource is the signing of the ownership transfer documents by both parties to the agreement, so the art gallery has an asset.

Example 11 Donation of Sculptures

A businessman plans to donate several heritage items (sculptures) to the national art gallery, which already has physical possession of them, because its experts needed to assess their value. A public announcement has been made, and the art gallery expects to gain legal possession of the items eventually. However, the arrangement has hit a problem, because the valuation for tax deduction purposes has been challenged by the Inland Revenue Service and there is a possibility that the donation will not proceed or, if it proceeds, the donation will be made to another art gallery.

The past event giving control over a resource has not yet occurred. The art gallery does not have an asset.

Example 12 Transfer of Notable Musician's Papers

A museum of music accepts the papers of a notable musician on the basis that they may include documents that would enhance its collection. The time-consuming review of the papers, which would show whether the papers include collection-worthy documents, has not yet occurred. The boxes of papers are in storage in the museum's basement, awaiting review.

The past event giving control over a resource has not yet occurred. The museum does not have an asset.

Example 13 Architectural Heritage in Situ

The national museum owns land where there has been a major archeological finding of a temple complex consisting of five buildings. Findings from the first two temple buildings have already been processed and are ready to show in one of the museum's upcoming exhibitions. The museums' management would like to recognize an asset for the contents of the other three buildings, from which it is reasonable to expect to unearth a similarly impressive set of heritage items. However, the project to unearth and process the contents of the remaining three buildings, so that they can be exhibited in the museum, is expected to take several years.

The past event giving control over a resource has not yet occurred, so the museum does not have an asset.

Operational and Non-Operational Heritage Assets**Purpose**

1. This paper supports the IPSASB's discussion of whether classifying heritage assets as either operational or non-operational is useful when developing guidance on financial reporting for heritage assets. It provides information on:
 - (a) The meaning of operational/non-operational when applied to heritage items;
 - (b) IPSASB pronouncements, constituents' views and Heritage Task Force discussions; and
 - (c) Possible financial reporting implications.

Detail

2. In March, the IPSASB asked the Heritage Task Force and staff to explore the operational/non-operational distinction. IPSASB members noted a need to clarify the meaning of the distinction and its implications for recognition and measurement of heritage items.

Operational and non-operational heritage assets

3. Operational heritage assets are those that, in addition to being held for heritage purposes, are also used by the reporting entity for other activities or to provide other services. Another way to describe them is as "heritage assets used for a non-heritage purpose." Non-operational heritage assets are those that are held by the reporting entity primarily to pursue its overall objectives in relation to the maintenance/preservation of the heritage.
4. Examples of operational heritage assets include roads, bridges, railway stations, and government buildings. They are heritage items that continue to operate either as originally intended (i.e. as roads, etc.) or with other non-heritage functions (e.g. an historic hospital building converted into a student hostel). Examples of non-operational heritage assets include museum collections, heritage monuments in city parks, and national parks. The entity holds them purely for their heritage value.
5. One origin for this distinction is the United Kingdom (UK), although a similar idea is also used by the United States' Federal Accounting Standards Advisory Board (FASAB). The UK Treasury's "*Government Financial Reporting Manual*" describes heritage assets as follows:

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the entity in pursuit of its overall objectives in relation to the maintenance of the heritage. Non-operational heritage assets are those that are held primarily for this purpose. Operational heritage assets are those that, in addition to being held for heritage purposes, are also used by the entity for other activities or to provide other services (the most common example being buildings). [Emphasis added.]

6. Some national jurisdictions consider that operational heritage assets should be accounted for in the same manner as "normal" non-heritage assets. Then non-operational heritage items are not recognized on the basis that they:
 - (a) Are not resources from the reporting entity's perspective and are not, therefore, assets for financial reporting purposes; and/or
 - (b) Cannot be measured.

7. Other jurisdictions do not apply this distinction. Instead they apply asset existence and recognition criteria in their Conceptual Frameworks to heritage items. If a heritage item is an asset (e.g. a resource providing service potential and/or future economic benefits to the reporting entity) then it should, wherever possible, be measured and recognized, applying the relevant standard.

IPSASB Pronouncements, Constituents' Views and Heritage Task Force Discussions

8. The operational/non-operational distinction has not previously been used in IPSAS. The Conceptual Framework does not refer to it, nor do IPSASs⁷. The critical issue when applying the Conceptual Framework's asset criteria to a controlled heritage item is whether it is a "resource" to the reporting entity. A resource is an item with service potential or the ability to generate economic benefits. Service potential is the capacity to provide services that contribute to achieving the reporting entity's objectives. Both operational and non-operational heritage items can have service potential, as indicated by these two examples:
 - (a) A museum collection that the reporting entity (the National Museum) uses to achieve its objective of making heritage accessible to the public; and
 - (b) A heritage building used by the Ministry of Finance as office space for its objective of providing policy advice to the government on public finances.
9. The Conceptual Framework's chapter on measurement⁸ refers to "operational capacity," which is contrasted with "financial capacity." When a reporting entity uses assets to provide services those assets contribute to operational capacity. Assets used for future economic benefits (e.g. cash inflows) contribute to a reporting entity's financial capacity. As illustrated in the example in paragraph 8, both operational and non-operational heritage assets can contribute to a reporting entity's operational capacity.

Responses to the Heritage CP and Heritage Task Force Discussions

10. The IPSASB's 2018 Heritage CP⁹ has one reference to "operational assets," which states that:
It may be relatively straightforward to obtain monetary values, for example, when...replacement costs are available to value heritage assets that are also operational assets; ...
11. The Heritage CP did not ask constituents about this distinction. Nonetheless several respondents referred to it in their responses. Comments included that:
 - (a) The IPSASB should consider splitting heritage assets between operational and non-operational assets.
 - (b) If using the operational and non-operational distinction, then the terms "operational" and "non-operational" heritage assets will need clear definitions and accounting principles will be needed to address transfer between these two categories.
 - (c) If heritage assets are being used for operations (i.e. uses other than preservation as heritage) then consider measurement implications of this, including that consumption (or depreciation)

⁷ The term "operational assets" is used once in IPSAS. IPSAS 37, *Joint Arrangements*, uses the term in an appendix and gives examples (office equipment, motor vehicles, etc.) (paragraph IE18, IPSAS 37).

⁸ Chapter 7, *Measurement of Assets and Liabilities in the Financial Statements*, in *The Conceptual Framework for General Purpose Financial Reporting for Public Sector Entities*.

⁹ Paragraph 4.35, CP, [Financial Reporting for Heritage in the Public Sector](#).

of the asset indicates an eventual need to replace components raising issue of accounting for subsequent expenditures (capitalize or expense).

Heritage Task Force Discussions

12. For this IPSASB meeting Heritage Task Force members considered the meaning and relevance of the operational/non-operational distinction. Task Force members considered that this distinction should not affect recognition of heritage assets. Most Task Force members consider that this distinction will be useful for developing guidance on heritage measurement. With respect to measurement their comments included that:
 - (a) The descriptions¹⁰ would need to be improved to be useful. Doubt was expressed about the ability to reliably apply this distinction.
 - (b) If the distinction is valid then the proposed approach would be to apply the same requirements to operational HAs as for other non-heritage assets, while extra guidance (or special measurement requirements) would be needed for the non-operational HAs.
 - (c) If heritage assets are also used for other purposes, then the level of maintenance might be higher or their useful lives shorter.
13. Task Force members questioned whether there are any other measurement differences between operational and nonoperational heritage assets, apart from an impact on the level of maintenance and useful life. They also highlighted that there is potential for confusion between heritage assets that contribute to a reporting entity's "operational capacity" (as per the Conceptual Framework's objective of measurement) and those that are "operational heritage assets."

Consultative Advisory Group Discussion—Monday 17 June

14. On the Monday before this June IPSASB meeting the Consultative Advisory Group (CAG) members will be discussing whether classifying heritage assets as either operational or non-operational is useful when developing guidance on financial reporting for heritage assets. The CAG Chair will provide CAG members' views on this issue to the IPSASB for this agenda item.

Financial Reporting Implications—Recognition? Measurement?

15. As noted above some jurisdictions view this distinction as critical for recognition of heritage assets with only operational heritage assets being recognized. The Conceptual Framework does not support that approach, and nor do the IPSASB's and Heritage Task Force's discussions to date.
16. Although the Task Force indicated reservations about the relevance of this distinction for measurement, it identified several potential links. This distinction could be important for heritage asset measurement as follows:
 - (a) *Over-arching approach:* The IPSASB could treat the measurement of operational heritage assets as already addressed in existing guidance such as IPSAS 17, *Property, Plant and Equipment*, and focus on developing new guidance for the measurement of non-operational heritage assets only.

¹⁰ Task Force members considered the same descriptions of operational and non-operational heritage assets as those in paragraphs 3-5 of this agenda paper (9.2.2).

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- (b) *Replacement cost*: Guidance on how replacement cost should be determined, using an estimate of the replacement cost that aims to replace either the:
 - (i) Normal, non-heritage functionality of an operational heritage asset; or
 - (ii) The heritage significance of a non-operational heritage asset.
 - (c) *Depreciation*: Guidance on determination of the depreciation of heritage assets, where this distinction could be important for both:
 - (i) Whether heritage assets should be depreciated; and
 - (ii) Estimates of useful life.
17. With respect to point (c) above, arguably non-operational heritage assets, which are held purely for their heritage value, either should not be depreciated or would have longer useful lives than those for operational heritage assets. Non-operational heritage assets may even be viewed as having indefinite useful lives in some or all circumstances.

Focus on Reporting Entity's Use of the Heritage Asset? (Instead of "Operational/Non-operational")

18. Measurement guidance could be linked to the reporting entity's usage of its heritage asset, without using the operational/non-operational distinction. A focus on usage would allow the reporting entity to consider how its heritage assets are used to achieve its objectives. The entity's actual usage of the heritage assets would be the driver for the reporting entity's thinking about depreciation (useful life), replacement cost, and capitalization/expensing of subsequent expenditure. A focus on usage would also avoid confusion between "operational heritage assets" and "heritage assets that contribute to operational capacity."
19. By contrast, an approach of classifying heritage assets as either operational or non-operational forces reporting entities to fit their heritage asset usage into a simple, black/white category using guidance and criteria developed by an external party (i.e. the standard setter).

Decision required

20. The IPSASB is asked to:
- (a) Note that the Heritage Task Force consider that the operational/non-operational distinction is not useful for guidance on the recognition of heritage assets, while most Task Force members consider that the distinction is useful for measurement guidance.
 - (b) Agree that the operational/non-operational distinction should not be applied to guidance on heritage asset recognition.
 - (c) Provide views on the relevance of the operational/non-operational distinction for the development of guidance on the measurement of heritage assets.

Classification of Heritage Issues

Purpose

1. This paper supports the IPSASB's considerations of:
 - (a) Issues raised through responses to the Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector* (Heritage CP); and
 - (b) Guidance needed to address the issues raised.
2. Table 1's summary of issues provides background relevant to development of guidance with respect to heritage-related recognition, measurement and presentation.

Detail

3. At the March 2019 IPSASB meeting the IPSASB instructed staff to identify recognition, measurement and presentation issues raised in the Heritage CP and responses to that CP and provide proposals on where each issue belongs (recognition, measurement, or presentation), using a table format.
4. Staff identified issues by reviewing responses to the Heritage CP's specific matters for comment (SMC) and preliminary views (PV), where those asked constituents for their views on recognition, measurement and presentation. Staff also reviewed respondents' general comments and other comments. The table in [Appendix A](#) classifies issues as relating to:
 - (a) Recognition;
 - (b) Measurement; or
 - (c) Presentation.
5. This table aims to provide a complete set of issues, rather than convey the extent to which respondents agreed or disagreed with ideas. Thus, for example, the table refers to support for measurement at 1 CU, because respondents' comments on measurement problems make this link. By contrast, where respondents disagreed with use of 1 CU, as the majority of respondents did, there is no reference in the table, because disagreement was not linked to recognition, measurement or presentation issues.

No decision required

6. The IPSASB is asked to note the information in [Table 1](#) on heritage-related recognition, measurement and presentation issues.

Appendix A

TABLE 1: CLASSIFICATION OF ISSUES IN RESPONSE TO THE HERITAGE CONSULTATION PAPER

Issue	Resp ¹¹	Rec	Mea	Pre
Initial measurement at symbolic value	04		X	
Disclose in notes if cannot be reliably measured or cost-benefit constraint applies and measured at 1 CU ¹²	02, 09, 17			X
Cost-benefit constraint prohibits measurement of some HAs (e.g. exceptional heritage assets, archeological and natural heritage assets)	02, 09, 33	X		X
Disclosures needed, especially during transition to recognition (during implementation)	02, 09			X
Initial measurement at historical cost when HAs purchased	04		X	
Consider the concept of ownership in Maori culture and how it aligns with control for recognition. HAs held “in trust” rather than owned. Difficult to establish value and custodianship rather than ownership for Maori heritage items. Provide guidance on control and consider Maori perspective (kaitiakitanga). Consider items that are on loan.	05, 27	X		
Cultural sensitivities around assigning a value to some heritage items.	05	X	X	
Revaluations of heritage assets can be expensive and questionable whether worthwhile.	05		X	
Disclosures needed to reflect other types of value and special characteristics and when not recognized.	02, 04, 06, 07, 09, 25, 27, 32			X
Consider how or whether HA measurement can be relevant and reliable (08). Information from recognition of HAs may not be useful (10).	08, 10	X	X	
Consider using economic approach to value HAs, i.e. use individual’s willingness to pay. Value operational heritage assets as per IPSAS 17 and measure other HAs at symbolic value.	13		X	
Current standards do not allow recognition of heritage assets.	15	X		

¹¹ Resp = respondent(s), Rec=recognition, Mea=measurement, and Pre=presentation. Other acronyms used: CF=Conceptual Framework, CU= currency unit; FEBs=future economic benefits; FV=fair value, f/s=financial statements, HA=heritage asset; HC=historical cost; HI=heritage item; MV=market value; PP&E=property, plant and equipment; QCs = qualitative characteristics; R=respondent; SP=service potential.

¹² Where this measurement issue is referred to as a basis to say “no recognition” the issue has also been classified as a recognition issue.

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Issue	Resp ¹¹	Rec	Mea	Pre
Include a line item linked to note disclosures with non-financial information on existence and condition of HAs, deferred maintenance and repairs, and area (acreage) for land (15, 33). Recognize HAs but visibility is most important so show as separate line item and provide disclosures (03). Present heritage assets as a separate line item (R37)	03, 15, 33, 37			X
Capitalizing and depreciating HAs does not provide useful information because of uncertain useful life and HC basis. Benefits do not exceed the cost.	15	X	X	
A national framework for valuation of collections is needed to reduce costs and improve consistency.	18		X	
Guidance needed on materiality as it applies to HAs, for recognition, presentation and disclosures.	20	X		X
Presentation of heritage assets – identify those used for non-heritage purposes.	20			X
What types of HAs should be depreciated?	20, 40		X	
Should an intangible, heritage value be recognized?	20		X	
Types of HAs for which historical cost, market value, or future cashflows applies. RC not appropriate.	20		X	
Apply IPSAS17/31 measurement requirements to HAs used for other (non-heritage) purposes.	21		X	
May need special explanation for measurement of HAs	23		X	
Valuation of HAs does not result in useful information (cost-benefit issue) therefore value at zero but recognize and present the zero amount in the f/s. (Measure dual-use buildings as per non-heritage.)	29		X	
Measurement in monetary terms does not represent heritage value.	17, 32		X	
Recognition of HAs may depend on reporting entity's objectives.	32	X		
Provide guidance on costs and benefits. Costs include valuations and added risk of theft.	32, 19	X	X	
Choice of measurement bases – discusses factors to consider.	33		X	
May need note disclosures about values using other measurement bases for consistent approach.	33			X
Some HAs may have indefinite useful life. Guidance needed. One aspect may have a limited useful life while other not.	20, 30, 34		X	
Provide non-financial information to measure social objectives of holding HIs – metrics of cultural values.	35			X

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Issue	Resp ¹¹	Rec	Mea	Pre
Show a reserve within net equity reserves with value of inalienable state property and heritage assets.	36, 36			X
Address donated heritage that is not useful to achieve reporting entity's objectives. Disclose. Do not recognize.	39	X		X
Tailor valuation to use of the HA, with consideration of reliability, cost and relevance for measurement.	40		X	
HA values increase over time and no reliable way to measure this.	01		X	
HA measurement should reflect value. Different views about value. True value may not be reflected in monetary value.	08, 32		X	
Do not recognize if only used to provide heritage benefits to others. Disclose "off balance sheet."	14	X		X
Monetary values for HAs difficult, due to impact of restrictions and makes HAs vulnerable to theft.	28		X	
Measurement of HAs difficult due to uncertain future SP & FEBs.	29		X	
Heritage value may be lost suddenly due to historical events and the item should not continue to be shown as an asset.	30	X	X	
Value may increase even as physical condition deteriorates. Impairment may require different indicators, e.g. rarity.	32		X	
Service potential may not be controlled by any one reporting entity, particularly natural heritage, which crosses public and private boundaries	35	X		
HAs should be included in the f/s but there should also be non-financial information disclosed to capture their cultural and natural value.	36			X
Presentation for dual-use heritage items; users need to know that heritage assets are used for other purposes. Situations where only one part is heritage with heritage/non-heritage dominant.	20			X
Consider presentation of expenses related to heritage, where it could be useful to separate out normal expenses from the probably much higher costs of maintaining the heritage aspect while repairing.	20			X
Issue re. valuing natural heritage land without including living organisms on that land; the asset is the combination of land and living organisms and should be valued taking both into account. Consider how to measure, including impact of living organisms on measurement of the land. (11, 13, 18, 19, 20, 22, 24, 26, 27, 28, 33, 34, 35, 36, 37, 40)	11, 13, etc.	X	X	
Recognition should focus on HAs listed by national regulation (cost-benefit, relevance, public interest)	02, 09	X		
HIs such as knowledge-in-action (some intangibles) – agree not controlled and therefore not assets – agree need to focus on items controlled by reporting entity.	02, 07, 09, 11, 20, 22, 28	X		

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Issue	Resp ¹¹	Rec	Mea	Pre
Consider how and where to report information about HAs/HIs that the reporting entity manages but does not control and which are not recognized.	02, 09			X
Natural heritage – do not recognize since the land on which they exist should already be recognized.	11	X		
Special characteristics do not preclude recognition. Other considerations can preclude.	11, 12, 17, 35	X		
If held purely as heritage, then do not recognize but provide extensive disclosures.	14	X		X
HIs can be assets but need to be analyzed case-by-case for existence of SP/FEB and control.	16	X		
HIs can be assets, but consider constraints and QCs, which may exclude some from recognition	17	X	X	
Expand explanation of SP as distinctive HA characteristic as public goods	17	X		
Yes, assets, but have separate classification for heritage assets to distinguish them from other PP&E.	19			X
Yes, assets even if no generation of cash flows and the service aspect is intangible. R22 asks for guidance on this. R36 notes UNESCO intangibles may not be assets.	20, 22, 36	X		
Clarification on how changing from PP&E to heritage classification would affect presentation/ disclosures.	20			X
For natural heritage – living – consider and discuss control over plants (stay in one place) separately from control over animals (move)	22	X		
Control is difficult, and guidance is needed on control by more than one entity, e.g. natural heritage areas that cross national boundaries and different governments work together to manage the area.	24	X		
Guidance needed on SP when HAs are used by entity with heritage-related objectives versus when used by entity with non-heritage objectives.	32	X		
Control difficult to satisfy since entities manage HIs from stewardship/custodial perspective – need guidance on application of CF control criteria	35	X		
Natural heritage – questionable whether gives rise to SP-FEB that can be measured reliably	40	X	X	
Limited situations in which 1 CU used – cost or market value used wherever possible (02, 09). Criteria for this assessment. Guidance needed. Others who disagree in all circumstances, e.g. 23, 28 & 25, 32, 36) and cultural sensitivity issue (R27) Scope to include in asset register at zero value (R29 & 30) Zoo animals at 1 CU, but because not controlled by entity. (In regional/international collection.) Recognize HAs. 1 CU only if reliable measurement impossible to capitalize subsequent expenditure (34).	02, 09, 04, 07, 16, 20, 22, 24, 27, 34	X	X	

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Issue	Resp ¹¹	Rec	Mea	Pre
Information should be regrouped on statement of financial position.	02, 09			X
Note donated heritage assets measured under IPSAS 23 at fair value.	12		X	
Measurement of HAs should be at HC (when available), MV (where applicable) or replacement value.	18		X	
First time adoption – transitional arrangements as separate issue and need for pragmatism (Measurement first time most onerous for museums with vast collections and for entities holding inherited land. R16) (First time and collections-R27, pragmatic solutions needed and guidance.)	16, 27	X	X	
Subsequent expenditure – should apply same approach as for non-heritage assets, i.e. capitalize when appropriate – and this can occur when HA is in register at zero value	28, 31		X	
Users need other information, beyond that provided by recognition in the financial statements	05			X-
Do not recognize heritage assets for which there are restrictions. Provide separate statement with information about these “held in trust” assets	10	X		X
Consider whether an entity could control assets held by third parties for which there are restrictions	12	X		
Recognize heritage assets that meet criteria but disclose restrictions and conditions that apply to them.	29			X
IPSASB should provide guidance on the benefits from recognizing HAs, so that the default position when doing a cost-benefit assessment is not non-recognition	32	X		
Guidance on or allowance to use internal valuations or insurance valuations to reduce costs of measurement and support recognition. Tax receipts as value (R33) when HAs donated & use of estimates for HAs.	32, 25, 33	X	X	
To support measurement and recognition it may be necessary to apply QCs in a “less restrictive way.”	36	X		
Valuation of non-traded HAs is not possible (cost-benefits and difficult to assign verifiable value) (Others disagree and support guidance to explain the benefits to users and how to apply cost-benefit to recognition of HAs. E.g. R05 & R26-pg 79-80) and R36) (Note view that cost-benefit is for standard setters, while entities should apply the standards – see R27. Disagrees with entities using cost-benefit to not recognize HAs – R28.)	01, [05, 26, 27, 28]		X	

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Issue	Resp ¹¹	Rec	Mea	Pre
Specific situations where HAs not able to be recognized due to inability to measure within constraints, QCs: Natural heritage and old monuments (R06). Entities with limited funds (R07) No market (or FEBs) for asset or restrictions on asset or asset is irreplaceable (R10). Lack of HC and when HAs held indefinitely & also first-time adoption (i.e. retroactive capitalization). (R11) HAs inherited, donated or held prior to record-keeping. (R16) The more unique the HA the more difficult to measure – estimates will vary greatly. Collections too costly to value by museums – large, non-commercial collections with a public good intent (pg. 78) (R18). Ancient monuments that cannot be sold or used for FEB, because HC not relevant, no meaningful MV, and replacement is impossible & collections – for similar reasons (R23). Natural heritage (R25). Natural heritage such as waterfalls and wetlands (R25). Factors that could prevent recognition/measurement: no cost information, or MV in active market or absence of valuation technique or range of MV too diverse for QCs to be achieved (R28). Castles and museum collections (R29). Buildings that are impaired or depreciated to zero (R30). Priceless HAs (e.g. natural heritage landmarks – see pg.82) (R35). Rare HAs (e.g. rare coins), intangible HAs, and natural heritage (R37). Irreplaceable collections & natural heritage (R40). Invaluable HAs, e.g. Pantheon & Great Wall of China.	06, 07, 10, 11 12, 13, 16, 18, 23, 25, 28, 29, 30, 32, 35, 37, 39, 40.	X	X	
Need to use statistically-based valuation methods for museum collections.	18		X	
IPSASB should provide guidance on what constitutes reliable measurement in HA context	27		X	
Distinguish measurement of HAs for financial reporting purposes from other values as heritage and link to objectives of financial reporting (pg. 80 has e.g.)	27		X	
Guidance needed on unit of account	27		X	
Guidance needed on 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.	28		X	
Guidance needed on how the significance of the heritage value of the item should be valued, if at all.	28		X	
Guidance needed on whether entities will be required to only disclose information in the absence of determining a value for a heritage item that meets the qualitative characteristics of relevance and faithful representation.	28			X
Replacement cost: Should not be used for HAs that are irreplaceable (R02, R04, R09, R28). May be costly and uniqueness poses problem (05). Not appropriate for HAs generally (R07, R10, R11, R12, R16) Explain relationship between replacement and restoration (R29 and other comments indicate).	02, 04, etc.		X	
Market value: Not applicable when HAs cannot be sold (R02, R04 & R09, R11, R12) and are very rare (R04). Likely to be unavailable (05). No active market and restricted so not applicable (R10, R16).	02, 04, 05, etc.		X	
Apply cost-benefit when choosing measurement method (R02, R09).	02, 09,		X	

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Issue	Resp ¹¹	Rec	Mea	Pre
Historical cost: Use historical cost when HAs have been purchased or can be purchased (R04 & R08) (Not HC when HC lost or in old currency and conversion doesn't make sense, or fully depreciated (R04).) HC likely unavailable (R05 & R07, R10). Unavailable reasons – HAS acquired through donation, nationalization or no records of original acquisition costs (R29). HC appropriate (R11 and R16). [Disagrees with HC-R26 & R40 except for limited circumstances (R40-pg 101).]	05, 07, (and others)		X	
Value in use could be appropriate (R06 and R22, R25). [Others disagree, e.g. R07.]	06, 07, 22, 25		X	
Provide guidance on choice of measurement bases in different circumstances. Consider hierarchical approach similar to IFRS 13-Fair value (R07). Provide guidance such as hierarchy and/or decision tree (R32 and others). Factors considered in UK context (R32-pg94) Provide examples of when to use MBs and criteria to decide on HA uniqueness and other applicable categories (R06). Table provided to show factors and choice (R22-pg 105).	06, 07, 32, 05, 22, 25		X	
Only use <i>net selling price</i> if entity able and willing to sell the HA.	07		X	
Only operational HAs (used for non-heritage purposes as operational assets) or those used for financial capacity should be measured at something other than symbolic value (R13). Operational HAs measured at HC and HA for sale measured at MV or an estimate as per IPSAS 17 (R13).	13		X	
Another measurement approach is needed (not HC, RC or MV) such as symbolic value or a special valuation approach of some sort to convey full value.	17, 19, 24		X	
Provide guidance on restoration cost for initial measurement to show extent future cash flows included.	22			
Net selling price could be appropriate (R25).	25		X	
Provide measurement guidance for these examples and situations: -A statue/painting created by a famous artist derives its value from its association with the artist. If the statue/painting was lost/destroyed (R25), a replica/replacement would not have the same value as the original. In such an instance, replacement cost may not be an appropriate measurement basis. (R25) -Cash generating assets such as a waterfall where the public pays fees to view the asset, may be appropriately measured using value in use. (R25) - Meaning of RC for a heritage building – is the RC that for a contemporary building on a building that is as close as possible to the original (i.e. a replica)? (R27) -Note R39's arguments against HC/MV/RC for measurement of donated HAs – relevant to guidance examples (R39-pg100) - E.g. Of when measurement is not possible R32 - no market value for HAs and meaning of RC for HAs (R27);	25, 32, etc.		X	
Problem – high cost of regular, independent valuations for those entities that must revalue: Consider pragmatic solutions to reduce cost of valuations, e.g. use of valuations for insurance purposes (available and may be relevant)	27, 05			
<i>Fair value</i> – Does FV ever apply to HAs and how does FV relate to MV? (R30 and others)	30, etc.			

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Issue	Resp ¹¹	Rec	Mea	Pre
<i>Purpose</i> of HA measurement: Relate measurement to its purpose (R31 and others).	31			
For measurement split HAs into operational /non-operational (R32-pg 93). See factors to consider (R34-pg 94-UK). Do not recognize non-operational and disclose in notes. If distinction used, then would need to clearly define (R13) and provide guidance on situations where a HA moves from one category to another (R34).	13, 32, 34	X	X	X
Measurement should 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.	33		X	
Market value and replacement costs [only] appropriate measurement bases for heritage items with a ready market such as artworks, coins, jewelry, etc. (R35)	35		X	
Choice of measurement basis: Factors to consider/need guidance – see R35, pg. 95	35		X	
Replacement cost – guidance needed on how to derive – consider the heritage costs or equivalent operational (non-heritage) costs to replace? (R35)	35		X	
Provide guidance on when subsequent expenditure should be capitalized. (R35)	35		X	
Example provided of applying an economic understanding of “value-in-use” using public benefits enjoyed and discusses the “non-use” values which link to holders/valuers’ purpose & illustrates how to calculate these-(pp 96-100).	36		X	
Factors to consider when choosing MB – use RC when HA used to provide services (e.g. historic building also used as govt. building) and use MV for HAs held purely for heritage value.	40		X	
Need to reflect true value or innate nature of a HA when valuing it and therefore lacks relevance (R16 and others).	16		X	
Guidance needed to reflect SP in measurement – issue applies beyond HAs and should be addressed in PSM project.	16		X	
Valuation of collections – guidance needed and CAMD developing this (R18).	18		X	
Note disclosures should identify HAs at HC and those not – explain why (R19)	19			X
Provide guidance on choice of MB-particularly use of RC (R20-see pg. 104 for discussion).	20		X	
Appropriate location of guidance on measurement of HAs: in a heritage specific standard, in other standards relating to asset measurement, or in separate guidance not framed as a standard.	23, 27		X	

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Issue	Resp ¹¹	Rec	Mea	Pre
<p>Guidance on HA measurement should distinguish between (& provide examples of) situations where measurement is straightforward and those where it is difficult –consider relevance and cost-benefit (R23).</p> <p>The IPSASB has a range of options available: (a) amend standard(s); (b) issue new standard(s); (c) provide general guidance; or (d) facilitate the sharing of specific guidance. 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 recognize heritage items. 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. (R27)</p>	23, 27		X	
Guidance on HA measurement should be able to be interpreted and applied to national situations/HAs.	23		X	
Guidance on value-in-use when HAs are cash generating	24		X	
Guidance on MV when no active market.	28, 32, 33		X	
Need decision tree for recognition of HAs	32	X		
Guidance needed on measuring natural heritage	32		X	
Amend CF to include stewardship in measurement objective, since HAs don't fit easily into op. and fin capacity.	33, 35			
Guidance on impact of restrictions on measurement of HAs.	R34			
Subsequent measurement issues				
View that no subsequent expenditure should be capitalized-all expensed (R01 & R24, R35) Generally expense since only maintains, but may disclose amounts (R06).	01, 24		X	X
No allocation of capital over useful live (depreciation) since permanently useful lives for HAs (R01 & R3 & R37). Should not be depreciated (R33). Recognize heritage, but no amortization (36)	01, 02, 33, 35, 36		X	
Should capitalize subsequent expenditure as appropriate R02. (Yes, but treat separately (?) R03)	02, 03		X	
No impairment losses recognized for HAs (R02 & R35), but disclose impairment in notes R02.	02		X	

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Issue	Resp ¹¹	Rec	Mea	Pre
Natural phenomenon and other HAs (e.g. pyramids) – no impairment or replacement or impairment and revaluation don't make sense R03.	03		X	
No change to initial values after initial recognition & disclose significant changes to the HAs in the notes (R04 & R29). Cannot determine useful life (held forever) so cannot depreciate, impair or revalue (R19).	01, 04, 19, 29		X	X
Subsequent expenditures should be capitalized when appropriate, depreciated/amortized and impaired.	04, 29		X	
Do not depreciate where HA value is increasing R06. Since not consumed in providing services do not depreciate (R16). Cannot determine useful life (held forever) so cannot depreciate (R19 & R24). Do not depreciate non-operational HAs (R25)	06, 16, etc.		X	
Impairment may occur (R06 & R25 & R35) and annual reviews are needed (R06).	06		X	
If HAs become available for sale, then reclassify and adjust measurement accordingly (R06).	06		X	
Agree with same subsequent measurement where initial value is non-zero and for subsequent measurement that is capitalized. (R11, R13, R23, R27, R30, R31, R32, R34, R38, R40)	11, 13, etc.		X	
Heritage value is not only physical, which impacts on subsequent measurement	12, 24		X	
IPSAS 21 (impairment) measurement at fair value or value-in-use cannot be applied to HAs.	16		X	
Revaluation of HAs questionable given variation of values (R16). Rethink since no basis for exit value & need to develop techniques for appropriate revaluation (R22). Not worthwhile-R35.	16, 22, 35		X	
Provide HA-specific guidance on impairment R16.	11		X	
Collection value should only change using standard values (e.g. CPI) not due to additions/ losses.	18		X	
Depreciation needs consideration-some HAs increase in value. Others will be consumed-link to use.	20		X	
Reclassification – provide guidance on accounting when an item changes its classification (from H to non-H or other direction) and/or changes its use by entity.	20		X	X
Revaluations of HAs (those not for sale or other uses) are not useful – but could be disclosed.	20		X	X
Examples of factors that could impact on HAs' values, with discussion of linkages to impairment.	22		X	
Encourage the IPSASB to take a pragmatic approach, e.g. allowing greater flexibility by considering.(a) Regularity of fair value valuations, (b) Allow rolling valuations, (c) Allow smaller classes of assets.	27		X	

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Issue	Resp ¹¹	Rec	Mea	Pre
Distinguish between components, for which there is scope to depreciate, etc. and the central (or over-arching) heritage item (Provides detailed discussion of implications for measurement.)	29		X	
Guidance needed to identify when subsequent expenditures should be capitalized or expensed (meaning of service potential increases for operational –non-operational HAs).	33		X	
Cyclical revaluations expensive for HAs and generally provide little benefit (R05 – see pg. 118)	05		X	
Distinguish between the heritage asset (no depreciation) and restoration costs (e.g. of works of art), which could be depreciated over their useful life (i.e. life of the restoration – although this could be difficult to estimate).	11		X	
Consider entities' lack of financial resources to engage in expensive valuations (R12). Expense could be very large for some HAs (R23).	12, 23		X	
Guidance needed for assets that must be restored on a regular basis, for which the process could be analogue to that of major maintenance or periodic inspections.	12		X	
Guidance needed on revaluation of HAs: Which categories of heritage assets would have to be revalued regularly? Relating to heritage assets what could “regularly” mean?	30		X	
Guidance needed on subsequent measurement for tangible assets with an indefinite useful life and guidance on estimating the useful economic life of heritage assets.	32, 34		X	
Need guidance on when servicing costs can be capitalized, including subsequent expenditure on 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. Can expenditure be capitalized, how should this be presented and when is depreciation required? E.g, a lift in a historical building, replaced every 20 to 30 years	32		X	
Can a suitably qualified valuer with the appropriate knowledge be sourced in a timely manner?	35		X	
How to include considerations (in valuations) of religious or cultural factors that are very significant to some groups in the population, but not others?	35		X	
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. The cost can be prohibitive. Difficulties 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. Recommend that the IPSASB develop guidance on sampling methods, value estimates or other approaches that may be more reasonable for developing countries to undertake.	40		X	

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Issue	Resp ¹¹	Rec	Mea	Pre
Presentation¹³				
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. (Example on pg. 130.) In such circumstances, it may be necessary to provide further narrative disclosure.	07			X
The SRS-CSPCP is of the opinion that no additional disclosures for heritage assets are necessary...However, there should be a clear separation of heritage assets, which constitute non-operating assets, and other assets.	13			X
Be more specific on the 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 qualitative disclosures would better inform users of GPFS.	17			X
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." We think that in relation to heritage, an explanation of sovereign power, which does not need to focus on heritage, can be useful. We think that the draft standard should prescribe disclosure requirements which explain heritage assets are not held for sale.	22			X
We suggest that there are 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. Examples include: 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 recognized. 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.	23			X
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	24			X
We agree that information about heritage should be presented in line with existing 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.	25			X

¹³ This table does not include respondents' comments on presentation of information outside of the financial statements, because the focus here is restricted to presentation of information in the financial statements. Furthermore, disclosures needed when symbolic value is used generally are not included, since the IPSASB has decided against this approach to measurement.

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Issue	Resp ¹¹	Rec	Mea	Pre
<p>In developing disclosure requirements for reporting on heritage in the public sector, we recommend that the following aspects should be considered in addition to the requirements in other asset standards:</p> <ul style="list-style-type: none"> • Subsequent expenditure incurred on heritage items that were not recognized by the entity. • 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. • The extent to which experts were used to determine a value for a heritage asset. • 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. • Information that explains the entity’s custodial responsibilities for heritage items. <p>We recommend inclusion of a line item that reflects the repairs and maintenance costs incurred to preserve heritage.</p>	28			X
Enhanced disclosures for heritage assets play an important role where non-capitalization of those assets is appropriate as the costs of doing so would outweigh the benefits. Additional guidance may be required to enhance the stewardship information given.	32			X
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.	33			X
Adoption [of IFRS 13, Fair Value measurement] 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.	40			X
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. (Provides detailed list of financial and non-financial information and states that the heritage report should be certified by an independent auditor and be part of the financial report.	14			X
We recommend that the IPSASB considers providing guidance on whether a public entity controls a heritage asset and should therefore recognise the heritage asset in uncertain circumstance. (Provides examples.)	25	X		
In our view, users of general purpose financial statements also need information on: an entity’s custodial responsibilities and on heritage assets that have a dual purpose.	28			X

Issue	Resp ¹¹	Rec	Mea	Pre
<i>Control of a resource (paragraphs 3.6 to 3.7):</i> 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.	28	X		
Comments on qualitative characteristics and constraints re. accounting for HAs (pg. 138.)	28	X	X	X
Other guidance needed – heritage assets with a dual purpose.	28	X	X	X
Stewardship assets could be a separate category of assets. (Pg. 139 describes their presentation.)	33			X