IPSASB International Public Sector Accounting Standards Board®

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Meeting:	International Public Sector Accounting Standards Board	**Agenda Item 13**	For: ☐ Approval ☒ Discussion ☐ Information
Meeting Location:	Abu Dhabi, United Arab Emirates		
Meeting Date:	December 10—13, 2019		

HERITAGE

Project summary	Provide requirements and guidance on accounting for heritage.	
Meeting objectives **Project management**	***Topic***	***Agenda Item***
	Heritage: Project Roadmap	13.1.1
	Heritage: Instructions up to Previous Meeting	13.1.2
	Heritage: Decisions up to Previous Meeting	13.1.3
Decisions required at this meeting	Application of IPSAS 17, *Property, Plant and Equipment*	13.2.1
	Heritage use/ Non-heritage use	13.2.2
	Ownership/ Stewardship/ Held in trust	13.2.3
	Useful lives/ depreciation/ impairment	13.2.4
Other supporting items	Appendix A—Issues linked to Responses	11.3.1
	Appendix B—Bases for Conclusions	11.3.2
	Appendix C—Implementation Guidance	11.3.3
	Appendix D—IPSAS 17 Revisions	11.3.4

HERITAGE: PROJECT ROADMAP[1]

Meeting	Completed Actions or Discussions / Planned Actions or Discussions:
June 2020	1. Review ED text that reflects IPSASB instructions from March 2020 meeting. 2. Approve ED on financial reporting for heritage.
March 2020	1. Consider two heritage financial reporting issues. 2. Consider issues raised by transition and first time adoption. 3. Review ED text that reflects IPSASB instructions on the issues considered at the December 2019 meeting.
December 2019	1. Consider three heritage financial reporting issues. 2. Review ED text that reflects IPSASB instructions from September meeting. 3. Consider draft ED text to address generic issue of heritage asset recognition.
September 2019	1. Review plan to address heritage financial reporting issues. 2. Consider four issues (as per the plan).
June 2019	1. Explored the operational/non-operational distinction. 2. Considered issues raised (in CP and responses to the CP) and proposals provided on where each belongs (recognition, measurement, or presentation), using a table format for this classification.
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, *Financial Reporting for Heritage.* 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), *Financial Reporting for Heritage*, 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 June 2019 meeting to reflect IPSASB decisions at that meeting and subsequent discussions with IPSASB Chair and Heritage Task Force Chair. Note that December 2019 number of issues for discussion is tentative. (For further information see Agenda Paper 11.2.1.

INSTRUCTIONS UP TO PREVIOUS MEETING

Meeting	Instruction	Actioned
September 2019	1. Revise order of issues as follows: heritage usage; ownership/stewardship; depreciation/impairment; and then subsequent expenditure.	Actioned
	2. Provide evaluation of the adequacy of IPSAS 17's guidance for each issue.	Actioned
	3. Provide recommendations on need for guidance with text drafted.	Actioned
	4. Provide draft *Bases for Conclusions* text.	Actioned
	5. Provide exposition for each issue from a heritage point of view (Log heritage-specific issues.)	Actioned
June 2019	1. Consolidate analysis of stakeholder responses under generic headings presented at the IPSASB meeting; analyze them according to recognition, measurement and presentation; and consider whether additions or amendments will be required to guidance and which IPSAS/ED Measurement will be impacted.	Actioned
	2. Provide plan with order and timing for delivery of guidance/solution on the issues.	Actioned
	3. Provide first issues for discussion in September.	Actioned

DECISIONS UP TO PREVIOUS MEETING

Meeting	Decision	BC Reference
September 2019	No decisions	Not applicable.
June 2019	Tentative: 1. No separate heritage standard. 2. No definition of heritage assets. 3. Operational/non-operational approach not to be taken forward, but "heritage purposes" and "non-heritage purposes" approach should be further explored. 4. Heritage issues are concerned with measurement and not recognition.	Awaits further decisions.
March 2019	1. Focus on information in the financial statements; recognition and measurement specific to heritage assets.	Awaits further decisions

Application of IPSAS 17, *Property, Plant and Equipment*

Question

1. Does the IPSASB agree:
   (a) Additional authoritative IPSAS guidance[2] is needed for the recognition and measurement of heritage assets, because existing guidance is insufficient; and
   (b) With the proposed *Bases for Conclusions* text for application of IPSAS 17 to heritage assets?

Issue

1. The IPSASB indicated support for recognition of heritage assets in the Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*, (the Heritage CP). The authoritative guidance in IPSAS 17, *Property, Plant and Equipment* (IPSAS 17) does not presently apply to the recognition and mesaurement of heritage assets. IPSAS 17 defines PP&E to be:

   Tangible items that:
   (a) Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
   (b) Are expected to be used during more than one reporting period.

2. This definition of PP&E covers many heritage items. However, IPSAS 17 excludes heritage assets from its scope, and states that:
   (a) Entities are not required to recognize heritage assets that would otherwise meet the definition of, and recognition criteria for, property, plant and equipment; and
   (b) If an entity does recognize heritage assets then it is not required to apply IPSAS 17's measurement requirements.

Application of the Framework to the Issue

Decision 1: Is the issue prevalent in the public sector?

Yes—In the public sector there are many heritage assets that would fall within the scope of IPSAS 17 if not for its scope exclusion for heritage assets.

*Further information***:** PP&E includes items such monuments, museum collections, historic buildings and infrastructure (historic roads, bridges, etc.), park land and land around historic buildings.

Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?

No—There is no applicable authoritative guidance when entities choose to use the non-recognition option and/or measurement options in IPSAS 17. IPSAS 17 guidance applies to the extent that entities choose to apply it.

[2] In the Infrastructure Flowchart, "authoritative guidance" includes IPSAS core text that establishes requirements, and application guidance, while non-authoritative guidance includes implementation guidance the Conceptual Framework.

Decision 3: Is this issue related to general purpose financial statements?

> **Yes**—Recognition (or non-recognition) of assets and their measurement has implications for the financial statements.

Decision 5: Is this issue relevant to other projects?

> **No**—The heritage scope exclusion in IPSAS 17 is a heritage-specific issue.
>
> **Conclusion—Develop *Bases for Conclusions* text and authoritative guidance**:
>
> See the proposed *Bases for Conclusions* text—paragraphs BC1 – BC11, in Appendix B.
>
> See the proposed revisions to IPSAS 17 in Appendix D. (These revisions remove IPSAS 17's scope exclusion for heritage assets and require entities to apply IPSAS 17 to heritage PP&E.)

Recommendation

3. It is recommended that IPSAS 17 be revised as follows:

   (a) *Bases for Conclusions*: Include text to explain the IPSASB's reasons for removing IPSAS 17's heritage assets scope exclusion. (See BC1 – BC11.)

   (b) *Core text*: Remove IPSAS 17's:

      (i) Heritage assets scope exclusion, and

      (ii) Options to not recognize heritage assets and, if recognized, apply different measurement from those that apply to other categories of PP&E.

4. The revisions to IPSAS 17's core text remove the scope exclusion for heritage assets (and related text), so that the Standard's recognition and measurement requirements apply. Further IPSAS 17 revisions could be needed, for example, to include measurement guidance. Agenda paper 13.2.4 applies the Framework to measurement issues and concludes that coordination with other Task Forces will be needed.

Decisions Required

5. Does the IPSASB agree:

   (a) That authoritative guidance is needed on the recognition and measurement of heritage items that are items of PP&E; and

   (b) With paragraph 3's recommendations to revise IPSAS 17's:

      (i) *Bases for Conclusions*; and

      (ii) Core text.

Heritage Use/ Non-Heritage Use

Question

1. Does the IPSASB agree:

   (a) That additional non-authoritative guidance is needed on whether heritage items are resources (and therefore able to be assets) when used for heritage and non-heritage purposes; and

   (b) With the *Bases for Conclusions* text in (paragraphs BC8–BC11 in Appendix B) and Implementation Guidance (IG) examples (paragraphs IG1–IG11 in Appendix C)?

Issue

2. Some CP Heritage respondents stated that only heritage assets used for non-heritage purposes (i.e. operational heritage assets) or those used for financial capacity should be measured at something other than symbolic value. Non-operational heritage assets should only be disclosed in the notes. Appendix A shows the link between this issue and the June 2019 table of issues in CP responses.

3. This issue raises the question of whether there is sufficient guidance in IPSAS to evaluate whether or not heritage items are resources for financial reporting purposes, when used either for heritage purposes or non-heritage purposes. This discussion relates to asset recognition[3].

4. The Task Force applied the Framework to analyze these issues.

Application of the Framework to the Issue

Decision 1: Is the issue prevalent in the public sector?

Yes—The issue of whether heritage items are assets, when used for heritage purposes or non-heritage purposes, is prevalent in the public sector. *Further information***:** Entities that hold heritage items may use them for heritage purposes (e.g. to display them to the public) or non-heritage purposes (e.g. an historic building that is used to provide office space or an historic power station, still used to generate power).

Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?

Yes—The non-authoritative guidance in the Conceptual Framework is sufficient. *Further information***:** The Conceptual Framework has non-authoritative guidance on assets and resources: It defines an asset to be a resource presently controlled by the entity as a result of a past event (para.5.6), and states that an item with service potential is a resource, service potential is the capacity to provide services that contribute to achieving the entity's objectives, and service potential achieves objectives without necessarily generating net cash inflows (paras. 5.7-5.10).

[3] Whether guidance is needed to address the measurement of heritage assets, including guidance on the impact of different types of usage, will be considered under other issues.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

> **Yes**—Non-authoritative guidance on whether heritage items are resources or not, given different usages, is necessary to enhance the consistency of entities' application of IPSAS 17 to heritage items. The guidance should illustrate assessments of whether a resource exists when the entity:
>
> (a) Uses heritage items for heritage purposes;
>
> (b) Uses heritage items for non-heritage purposes; and
>
> (c) Uses an item for non-heritage purposes and then must adjust its usage, because the item has been classified as a heritage item.

Decision 5: Is the issue relevant to other projects?

> **No**—The issue of whether heritage items that are used purely for heritage purposes should be considered assets and recognized is a heritage-specific issue.
>
> **Conclusion—Develop *Bases for Conclusions* text and non-authoritative guidance**:
>
> See the illustrative *Bases for Conclusions* text in paragraphs BC8–BC11 of Appendix B.
>
> See the IG examples in paragraphs IG1–IG11 of Appendix C.
>
> The IG examples apply the Conceptual Framework and reflect real-life scenarios.

Recommendation

5. It is recommended that the following *Bases for Conclusions* and IG text be developed for IPSAS 17:

   (a) *Bases for Conclusions* text to explain the IPSASB's conclusion that those heritage assets used for heritage purposes (described as "non-operational heritage assets" in some jurisdictions) should be recognized in the statement of financial position, if they meet the recognition criteria.

   (b) Non-authoritative guidance on asset existence focused on whether or not heritage items used for different purposes, including heritage purposes, are resources and therefore "assets" for financial reporting purposes, if they meet the other asset criteria of being presently controlled as the result of a past event.

Decisions Required

6. Does the IPSASB agree:

   (a) That non-authoritative guidance is needed on whether or not heritage items are resources (from the reporting entity's perspective), given different usages; and

   (b) With the recommendations in paragraph 5 and the:

      (i) *Bases for Conclusions* text (see paragraphs BC8–BC11 in Appendix B); and

      (ii) Implementation guidance (see paragraphs IG1–IG11 in Appendix C).

Ownership/ Stewardship/ Held in Trust: Control of Heritage Assets

Question

1. Does the IPSASB agree:

   (a) That non-authoritative guidance is needed on whether a reporting entity presently controls heritage items in different circumstances, including when the entity holds heritage in trust for future generations or considers itself to be a steward/guardian rather than owner; and

   (b) With the *Bases for Conclusions* text in Appendix B and Implementation Guidance examples (paragraphs IG12–IG29) in Appendix C?

Issue

2. Some respondents to the Heritage CP argued that reporting entities cannot control heritage items, because they are held in trust for future generations and the relationship is one of stewardship or guardianship rather than ownership. Heritage items may be held in a trust structure, to legally restrict access to them and emphasize that the entity role is one of stewardship. Trust-stipulated procedures and/or restrictions on usage do not generally prevent the entity directing use to meet its objectives. Appendix A shows the link between this issue and the June 2019 table of issues in CP responses.

Heritage items on loan

3. Where a reporting entity has a heritage item on loan from another entity, the question arises of whether or not the reporting entity has control and therefore should recognize an asset during the period that it holds the on-loan heritage asset. Three loans situations commonly arise when considering heritage items; (a) short-term loans between (for example) museums; (b) open-ended loans of heritage buildings to international organizations; and (c) permanent loans by indigenous peoples of culturally significant heritage items to museums. Whether or not the reporting entity presently controls the heritage item(s) involves assessment of the applicable arrangements, including their legal form and substance.

4. The Task Force applied the Framework to analyze these issues.

Application of the Framework to the Issue

Decision 1: Is the issue prevalent in the public sector?

Yes—The issue of control over heritage items is prevalent in the public sector. *Further information***:** Entities that hold heritage items often view themselves as stewards, guardians or trustees rather than owners. Heritage items are frequently held on-loan from other entities.

Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?

Yes—The non-authoritative guidance in the Conceptual Framework is sufficient. *Further information***:** The Conceptual Framework has non-authoritative guidance on control (paragraphs 5.11 – 5.12), including indicators of whether an entity presently controls a resource: legal ownership, access to the resource or the ability to restrict access to it, means to ensure the resource is used to achieve its objectives, and existence of an enforceable right either to service potential or the ability to generate economic benefits arising from the resource.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

> **Yes**—Non-authoritative guidance on the existence (or otherwise) of control is necessary to enhance the consistency of entities' application of IPSAS 17 to heritage items. The guidance should illustrate assessments of whether control exists when the entity:
>
> (a) Holds heritage items in trust for future generations or views its primary role as being one of guardian or steward; and
>
> (b) Holds heritage items that are on loan from another entity.

Decision 5: Are there issues relevant to other projects?

> **No**—The main issue from a heritage perspective—the idea that heritage items are held in trust and not, therefore, controlled—is specific to heritage. The "held-on-loan" issue could also be relevant to the Leases Project. Arguably most of the control issues relevant to on-loan heritage can be distinguished from those raised by the Leases Project and warrant guidance relevant to circumstances likely to apply to heritage items within IPSAS 17's scope.
>
> **Conclusion—Develop *Bases for Conclusions* text and non-authoritative guidance**:
>
> See the illustrative *Bases for Conclusions* text in paragraphs BC12-BC14 of Appendix B.
>
> See the IG examples (paragraphs IG12–IG31) in Appendix C. The IG examples apply the Conceptual Framework and reflect real-life scenarios.

Recommendation

5. It is recommended that the following *Bases for Conclusions* and IG text be developed for IPSAS 17:

   (a) *Bases for conclusions* text to explain the IPSASB's view that an entity that holds heritage items and views its role as one of trustee, steward or guardian may also control those items for financial reporting purposes.
   (b) IG examples to illustrate assessments of whether reporting entities presently control heritage items as the result of a past event.

Decisions Required

6. Does the IPSASB agree:

   (a) That non-authoritative guidance on control of heritage assets is needed; and
   (b) With the recommendations in paragraph 5 above and the related text for:

      (i) *Bases for conclusions* in paragraphs BC12-BC14 of Appendix B; and
      (ii) Implementation guidance examples in paragraphs IG12–IG31 of Appendix C?

Useful lives/ Depreciation/ Impairment

Questions

1. Does the IPSASB agree with the *Bases for Conclusions* text in BC15 – BC18 of Appendix B?
2. Does the IPSASB agree that
   (a) Non-authoritative guidance is needed on depreciation, including useful lives, and impairment of heritage assets; and
   (b) The Heritage Task Force should liaise with the Infrastructure and Measurement Task Forces?

Issue

3. Responses to the Heritage CP included depreciation and impairment issues for which many respondents considered that guidance is needed. (Appendix A shows the link between this topic and the June 2019 table of issues in CP responses.) In June, the Heritage Task Force proposed that guidance is most needed on:
   (a) *Depreciation*:
      (i) Determination of heritage assets' useful lives[4].
      (ii) Whether any heritage assets should have a very long (or even indefinite) useful life and, if so, how long?
   (b) *Impairment*: Indicators of impairment and valuation when impaired (linked to useful life).
4. One template response highlighted that some stakeholders consider that heritage assets should not be depreciated or impaired. Some CP respondents shared the same view. Other responses stated that guidance is needed on:
   (a) Determining a useful life for depreciation of heritage assets (four responses); and
   (b) Impairing heritage assets (two responses).
5. The Task Force applied the Framework to analyze these issues.

Application of the Framework to the Issue

Decision 1: Is the issue prevalent in the public sector?

Yes—Heritage assets and the issue of how to account for heritage assets, including their depreciation and impairment, are prevalent in the public sector. *Further information*: Both heritage assets that appear to have very long or even indefinite useful lives and those that appear to depreciate in similar ways to non-heritage assets are prevalent in the public sector. Many heritage assets appear to raise difficulties with respect to their impairment, given the link to useful life and the meaning of "obsolescence" for heritage assets.

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

Decision 2: Is there sufficient IPSAS guidance that already addresses this issue in the public sector?

> **Yes**—There is sufficient IPSAS guidance to address depreciation and impairment of heritage assets that are items of PP&E, once IPSAS 17 has been revised to apply to heritage assets.
>
> *Further information***:** IPSAS 17 has authoritative guidance on depreciation and impairment, which brings in the impairment guidance in IPSAS 21, *Impairment of Non-Cash Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*. Applicable IPSAS 17 paragraphs include those on depreciation (59 – 78A), impairment (79) and relevant definitions (paragraph 13). The whole of IPSAS 21 and IPSAS 26 address impairment.

Decision 4: Is additional non-authoritative guidance necessary to enhance consistency of application?

> **Yes**—Non-authoritative guidance on depreciation and impairment is needed to enhance the consistency of application. The guidance could illustrate assessments of useful life and impairment in different circumstances, including:
>
> (a) Heritage buildings and infrastructure that are used for non-heritage purposes;
>
> (b) Heritage assets and/or collections that are used for heritage purposes only, and either (i) held in conditions that should preserve and maintain them indefinitely, or (b) *not* held in conditions that should preserve and maintain them indefinitely.

Decision 5: Are there issues relevant to other projects?

> **Yes**—These issues are relevant to the Infrastructure and Measurement projects. For example, the Infrastructure project is expected to consider situations where infrastructure is maintained and viewed as having a very long or indefinite useful life with some arguing that it does not depreciate. The Measurement CP did not address depreciation and impairment, however there is a possibility that responses to the CP may lead the IPSASB to reconsider that project's approach.
>
> **Conclusion—Develop *Bases for Conclusions* text and liaise with other projects (consider developing non-authoritative guidance where appropriate)**
>
> See the illustrative *Bases for Conclusions* text in BC15 – BC18 of Appendix B.

Recommendation

6. It is recommended that:

   (a) *Bases for Conclusions* text be developed for IPSAS 17, to explain the IPSASB's views that (i) IPSAS 17's depreciation and impairment requirements should apply to heritage assets and (ii) non-authoritative guidance is needed to illustrate application of IPSAS 17's depreciation and impairment requirements to heritage assets; and,

   (b) The Heritage Task Force liaise with the Infrastructure and Measurement Task Forces (and consider developing additional guidance where appropriate).

Decisions Required

7. Does the IPSASB agree with paragraph 6's recommendations?

Appendix A

Links Between Issues and June 2019 Table of Respondents' Issues

Heritage Use/ Non-Heritage Use

Some CP respondents stated that only heritage assets used for non-heritage purposes (i.e. operational heritage assets) or those used for financial capacity should be measured at something other than symbolic value. Non-operational heritage assets should only be disclosed in the notes. Guidance should be developed for heritage assets with a dual purpose, clarifying that the asset should only be recognized when an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Non-operational heritage assets should not be depreciated.

Ownership/ Stewardship/ Held in Trust

Some respondents to the Heritage Consultation Paper (CP respondents) stated that the IPSASB should consider concepts involving stewardship, custodianship, ownership, and duties of care, as these relate to control. Heritage assets may be held in trust rather than owned. Control could be indicated either by purchase or through long term/indefinite loans from another party. Address situations where the entity has custody but not ownership and may not have control. Guidance should clarify that, in assessing the entity's ability to access or deny or restrict access, the entity should assess whether it can decide how, and by whom the resource can be used. This demonstrates the entity's ability to direct the future economic benefits or service potential associated with the resource. One respondent stated that the IPSASB should amend the Conceptual Framework to include stewardship in the measurement objective, because heritage assets don't fit easily into operational and financial capacity.

Some CP respondents stated that control over heritage assets is difficult to satisfy, since entities manage heritage items from a stewardship/custodial perspective. Where there are restrictions heritage assets should not be recognized. Instead a separate statement should be presented. Additional guidance should be provided for disclosures on unrecognized stewardship heritage assets.

Useful Lives/ Depreciation/ Impairment

Useful lives and depreciation: Some CP respondents stated that guidance is needed on: (a) determination of heritage assets' useful lives; (b) types of heritage assets that should be depreciated; (c) whether some or all heritage assets should be treated as having an indefinite useful life; and (d) depreciation/amortization when the asset's value is increasing.

Impairment: Some CP respondents stated that guidance is needed on: (a) impairment indicators; and (b) impairment when the value of heritage assets is increasing, even as their physical condition deteriorates. Some CP respondents stated that impairment losses should not be recognized for heritage assets and instead impairments should be disclosed in the notes.

Subsequent Expenditure

Some CP respondents stated that there is a need for guidance on: (a) when subsequent expenditure should be capitalized and when expensed; (b) heritage assets that must be restored on a regular basis, which could be similar to major maintenance or periodic inspections, as per IPSAS 17, *Property, Plant and Equipment;* and (c) subsequent expenditure for off balance sheet items when assets are fair valued. Some CP respondents stated that all subsequent expenditure on heritage assets should be expensed.

Relevance/ Measurement Basis

Some CP respondents considered that recognition of heritage assets does not provide relevant and useful information to GPFR users. They argued against recognition of heritage assets in the financial statements and/or in favor of using symbolic value (a nominal value of 1 currency unit), on the basis that monetary values such as historical cost, replacement cost, and market value do not provide relevant information about heritage assets.

Natural Heritage

Some CP respondents argued that natural heritage assets should not be recognized, because natural heritage cannot be controlled; cannot be measured reliably; and measurement cannot be done within the constraints and/or to achieve the qualitative characteristics. Others stated that guidance would be needed on how to measure natural heritage assets. One respondent stated that depreciation, impairment, replacement, and revaluation are not applicable to natural heritage.

Specific issues included control where natural heritage crosses over public/private boundaries and when living heritage moves around (e.g. animals that migrate); and issues around what to value when dealing with natural heritage areas, with some supporting valuation of the land only, others treating the land as non-heritage and considering living natural heritage separately, and others supporting a valuation that captures both the land and its living organisms, although noting that this would be difficult to measure.

Techniques and Sources of Information for Measurement

CP respondents said that guidance is needed on techniques for revaluations to current value and that that exit values are inappropriate. For example, can sector benchmarks be used when measuring heritage assets and 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?

Specific issues raised by CP respondents were that guidance is needed on techniques to: (a) value heritage collections, which often have the unusual characteristic of being worth more than the sum of their individual parts, and (b) to measure increases/decreases in service potential as increases/decreases in monetary value. Guidance is also needed on what sources of information represent expert knowledge for identification of heritage items, and specifically whether jurisdiction listings of heritage items represent expert knowledge.

One respondent suggested a new heritage asset valuation technique—the "value *of* use:" This is the value that the asset has because it is seen, visited, enjoyed), measured based on the financial flows generated by its use, and by a non-use value (the value that people attribute to the cultural asset even without using it) which may be measured with complicated ad hoc techniques (e.g. contingency evaluation).

Reliability/ Measurability

Many CP respondents stated that there are particular types of heritage assets or particular situations in which it may not be possible to recognize heritage assets because they cannot be measured[5]. CP

[5] Paragraph 6.7 of the Conceptual Framework states that "In order to recognize an item in the financial statements, it is necessary to attach a monetary value to the item. This entails choosing an appropriate measurement basis and determining whether the measurement of the

respondents said that guidance is needed on how to measure heritage assets reliably and what constitutes reliable measurement for heritage. One respondent stated that valuation should be tailored to the use of the HA, with consideration of reliability, cost and relevance.

Presentation: Information to Display and Disclose

Many CP respondents identified heritage-specific presentation needs; line items, note disclosures, and supplementary schedules. The most frequently raised issue was the need to disclose information about heritage assets that are not visible in the financial statements, either because not recognized or already at zero value when the entity begins to recognize its heritage assets. Information about heritage's assets preservation, for example disclosure of deferred maintenance, was also raised by CP respondents.

The main items recommended for display on the face of the statement of financial position were (a) a separate line for heritage assets, (b) distinguish between dual use and pure use heritage assets, (c) a link to heritage disclosures, and/or (d) a reserve within net equity reserves with value of inalienable state property and heritage assets. Some CP respondents stated that the statement of financial performance should have a line item for heritage-related expenses, both from a stewardship perspective and because such expenses are generally higher than those for non-heritage assets.

Most CP identified heritage-specific note disclosures, with recommendations ranging from a few that related to the financial statements (e.g. measurement bases) to extensive amounts of additional non-financial information. CP respondents' views on disclosures depended on their views on whether heritage assets should/could be recognized, with additional non-financial information either replacing asset recognition or augmented it to reflect the significance of preserving heritage assets. CP respondents' views on disclosures also depended on their views with respect to subsequent measurement of heritage assets. For example, where a CP respondent stated that heritage assets should not be depreciated, the same respondent would generally also state that information on undepreciated heritage assets should be disclosed in the notes.

item achieves the qualitative characteristics, taking into account the constraints on information in GPFRs, including that the measurement is sufficiently relevant and faithfully representative for the item to be recognized in the financial statements."

Appendix B

Bases for Conclusions

Application of IPSAS 17 to Heritage Assets

Recognition and Measurement of Heritage Assets

BC1. The IPSASB considered financial reporting for heritage from 2015–20XX. During this period the IPSASB approved a consultation paper, CP, *Financial Reporting for Heritage in the Public Sector,* and the Exposure Draft (ED), *Heritage-Related Revisions to IPSASs*, in 20XX.

BC2. In the CP, the IPSASB reached preliminary views that included the following:

(a) The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.
(b) Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.
(c) In many cases it will be possible to assign a monetary value to heritage assets.
(d) Subsequent measurement of heritage assets: Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.

BC3. These preliminary views reflected the IPSASB's application of its Conceptual Framework to heritage accounting issues.

BC4. After reviewing CP responses and discussing the issues raised, the IPSASB concluded that heritage assets should be recognized, where they meet the Conceptual Framework's recognition criteria. Many heritage items are assets for financial reporting purposes and can achieve the recognition criteria.

Application of IPSAS 17 to Heritage Assets to Provide Sufficient Guidance

BC5. The IPSASB then considered whether additional guidance is needed in IPSAS to address the issue of accounting for heritage assets that are items of PP&E. The IPSAS found that this issue is prevalent in the public sector, where there are many heritage assets that would fall within the scope of IPSAS 17 if not for its scope exclusion for heritage assets. Examples of heritage assets that will usually be items of PP&E include monuments, museum collections, historic buildings and infrastructure (historic roads, bridges, etc.), park land, and land around historic buildings.

BC6. The IPSASB noted that there was no authoritative IPSAS guidance when entities chose to use the non-recognition option and/or measurement options in IPSAS 17. IPSAS 17 guidance only applied to the extent that entities chose to apply it. The options in IPSAS 17 reduced the usefulness of entities' financial statements for accountability and decision-making purposes.

BC7. On this basis the IPSASB decided to revise IPSAS 17 by removing its heritage assets scope exclusion and other paragraphs that made IPSAS 17s' requirements optional for heritage assets. These revisions mean that IPSAS 17's requirements apply fully to heritage items that are items of property, plant and equipment.

Implementation Guidance on Recognition of Heritage Items as Assets

Guidance on Heritage Items as Resources—Heritage and Non-Heritage Uses

BC8. As explained in paragraph BC1–BC4 above, the IPSASB has concluded that the special characteristics of heritage items do not prevent them from being assets for the purposes of financial reporting and heritage assets should be recognized, where they meet the Conceptual Framework's recognition criteria. However, some Heritage CP respondents considered that only those heritage items that are used for non-heritage purposes (sometimes called "operational assets") should be recognized as assets. They argued that heritage items used purely for heritage purposes (for example, museum collections) should not be recognized either because they are not resources or because they do not achieve the measurement criteria for recognition.

BC9. The IPSASB considered whether heritage items used purely for heritage purposes could be resources from the perspective of a reporting entity. The IPSASB applied the Conceptual Framework's description of resources, which is "an item with service potential or the ability to generate economic benefits." An entity's main purpose for holding heritage items used for heritage uses is to deliver services rather than generate economic benefits. The Conceptual Framework explains that "service potential" is the capacity to provide services that contribute to achieving an entity's objectives. The IPSASB concluded that heritage items used purely for heritage purposes can have service potential and be resources. For example, a museum has the objective of making heritage such as its collections accessible to the public, while also preserving heritage items for the education and enjoyment of future generations. Therefore, its collections provide services that contribute to achieving the museum's objectives and are resources from the museum's perspective.

BC10. The IPSASB then considered whether additional IPSAS guidance is needed to address this issue. It found that this issue is prevalent in the public sector, where there are many heritage assets that are used purely for heritage purposes. The IPSASB noted that the Conceptual Framework establishes criteria to assess asset existence. Furthermore, without the scope exclusion clause in IPSAS 17 there is no authoritative basis to assess heritage items differently from other items of PP&E in terms of their ability to be assets. On this basis the IPSASB concluded that there is already sufficient authoritative guidance in IPSAS to address this issue.

BC11. The IPSASB then considered whether non-authoritative guidance on this issue would be needed. Given the different views evident in CP responses and different perspectives internationally about the meaning of "resource" when applied to heritage items, the IPSASB concluded that additional non-authoritative guidance was necessary to enhance the consistency of reporting entities' application of IPSAS 17 to heritage items. On this basis the IPSASB decided to develop Implementation Guidance (IG) examples, to illustrate the meaning of "resource" when considering heritage items and include these examples in an appendix to IPSAS 17. The examples are in paragraphs IG1–IG11.

Guidance on Control over Heritage Items—Stewardship, Held in Trust, and Ownership

BC12. Some Heritage CP respondents stated that reporting entities cannot control heritage items, either because heritage is held in trust for future generations or because the relationship is one of stewardship or guardianship rather than ownership. The Conceptual Framework states that for something to be an asset the reporting entity must, *inter alia,* presently control the item. The IPSASB applied the Conceptual Framework's description of control to the circumstances in which

entities usually hold heritage items. It found that entities' role of preserving heritage for future generations and acting as stewards or guardians does not prevent their having control, from a financial reporting perspective, over heritage items. Furthermore, entities' responsibilities to preserve and guard often are integral to their being able to exert control, because factors indicating control will exist in order to allow entities to fulfil their responsibilities.

BC13. The IPSASB then considered whether additional authoritative guidance is needed in IPSAS to address this issue. It found that this issue is prevalent in the public sector, where there are many situations in which reporting entities consider that they act as trustees, stewards or guardians over the heritage items that they hold and for which they are responsible. The IPSASB noted that the Conceptual Framework establishes criteria to assess the existence of control. Furthermore, without the scope exclusion clause in IPSAS 17 there is no authoritative basis to assess heritage items differently from other items of PP&E in terms of their ability to be assets. On this basis the IPSASB concluded that there is already sufficient authoritative guidance in IPSAS to address this issue.

BC14. The IPSASB also considered whether there is a need for non-authoritative guidance on this issue. Given CP responses on this issue and different perspectives internationally about whether reporting entities are able to control heritage items, the IPSASB concluded that additional non-authoritative guidance was necessary to enhance the consistency of reporting entities' application of IPSAS 17 to heritage items. On this basis the IPSASB decided to develop IG examples, to illustrate the meaning of "presently controls," for inclusion in IPSAS 17. On the same basis the IPSASB also decided to develop IG examples to illustrate the meaning of "past event" when considering whether or not heritage items are assets for financial reporting purposes.

Depreciation and Impairment of Heritage Assets

BC15. In the Heritage CP the IPSASB communicated its preliminary view that subsequent measurement of heritage assets can be approached in broadly the same way as subsequent measurement for other, non-heritage assets. Many CP respondents stated that guidance is needed on the depreciation and impairment of heritage assets. Respondents highlighted that the determination of heritage assets' useful lives can be difficult; there is a need for guidance on what types of heritage assets should be depreciated with either some or all heritage assets being viewed as having an indefinite useful life, which argues against any depreciation. They also stated that guidance is needed on: (a) impairment indicators; and (b) impairment when the value of heritage assets is increasing, even as their physical condition deteriorates, and (c) whether any impairment losses should be recognized for heritage assets, arguing that impairments should only be disclosed in the notes, since there should not be subsequent value changes for heritage items after recognition.

BC16. After considering the issues raised by CP respondents the IPSASB's view remained that subsequent measurement of heritage assets can be approached in broadly the same way as subsequent measurement for other, non-heritage assets. Heritage assets do depreciate and can be impaired. Therefore, IPSAS 17's requirements with respect to depreciation and impairment should apply to heritage assets.

BC17. Given the depreciation and impairment requirements in IPSAS 17 (and through IPSAS 17 the requirements in IPSAS 21 and IPSAS 26) the IPSASB concluded that there is already sufficient authoritative guidance to address this issue. Additional authoritative guidance is not needed.

BC18. However, given CP respondents' views and different perspectives internationally on the depreciation and impairment of heritage assets, the IPSASB concluded that additional non-authoritative guidance was necessary to enhance the consistency of reporting entities' application of IPSAS 17's depreciation and impairment requirements to heritage assets. On this basis the IPSASB decided to develop IG examples, to address issues raised by the depreciation and impairment of heritage assets in different circumstances.

Appendix C

Implementation Guidance

This guidance accompanies, but is not part of, IPSAS 17

Section A—Heritage Assets

Is the Heritage Item a Resource?

IG1. The four examples below consider whether or not heritage items are assets for financial reporting purposes, focusing on whether they are resources. To simplify the discussion for each example the entity is assumed to *presently control* the heritage item(s) as the result of a *past event.* in which case, if the heritage item is a resource then it will also be an asset. These examples apply the Conceptual Framework's description of a resource, when considering asset existence, in paragraphs 5.6–5.10 of the Conceptual Framework.

Example 1—Paintings Purchased by National Art Gallery

IG2. A national art gallery has just purchased two paintings by Picasso for Currency Unit (CU) 22 million. The purchase adds to the art gallery's existing, world-renowned collection of Picasso paintings. The art gallery's mission is to make great art accessible to the nation. It does not charge admission fees 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.

IG3. *Analysis*: The paintings have service potential and the ability to generate future 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 and assets that should be recognized if they meet the recognition criteria.

Example 2—Art Works in Parliament Building

IG4. 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 significance is their subject matter. The art works depict past prime ministers, provincial ideals, and significant parliamentary debates, principles, and decisions.

IG5. 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.

IG6. *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 and assets that should be recognized if they meet the recognition criteria.

Example 3—Cemetery on Regional Council's Land

IG7. 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.

IG8. *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 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 that should be recognized if it meets the recognition criteria.

Example 4—Historic Railway Stations Classified as Heritage Buildings

IG9. A city council owns the rail lines and related land and infrastructure, including railway stations, that link the city center to several towns, which have been absorbed into the city during the past 50 years. The railway stations are over 100 years old, have architectural and historic significance, and contribute to the character of each suburb (formerly separate township) and the city as a whole.

IG10. Community groups were worried that the city council plans to replace the railway stations with more modern, high rise buildings that will be cheaper to maintain and capable of generating cash flows through shop and apartment rentals. They made a case to the national government, which agreed that the railway stations have heritage value, and classified them as "Class B" heritage buildings. This classification means that the city council can continue to use these historic buildings as railway stations but must preserve their condition. Repairs must be faithful to the original material and technique, so that they reproduce the buildings' historic features. There are severe penalties for failure to respect this legal requirement.

IG11. *Analysis*: The railway stations continue to be resources from the city council's perspective, because they have service potential. They contribute to the reporting entity's capacity to provide services and achieve its objectives.

Does the Reporting Entity Presently Control the Heritage Item?

IG12. The three examples below consider whether or not heritage items are assets for financial reporting purposes, focusing on whether the reporting entity presently controls them. To simplify the discussion for each example the heritage items are assumed to be *resources* of the reporting entity. as the result of a *past event.* in which case, if the heritage item is controlled then it will also be an asset. These examples apply the Conceptual Framework's description of present control; refer paragraphs 5.11 – 5.12 of the Conceptual Framework.

Example 5—Department's Head Office Building Receives Heritage Designation

IG13. 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.

IG14. *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

IG15. 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.

IG16. *Analysis*: The reporting entity can use the resource (paintings) to derive the benefit of the service potential in the achievement of its service delivery objectives. However, this usage is for only the period in the agreement and the art gallery does not have legal ownership. It has limited and severely restricted access to the resource, with temporary ability to deny or restrict access, which Art Gallery (B) has defined. Art Gallery (A) does *not* presently control the on-loan collection.

Example 7—Sculpture (Ancestor Representation) on Permanent Loan from First Nations Tribe

IG17. The National Museum holds a sculpture that represents an ancestor of a First Nations Tribe, and which is on permanent loan from the Tribe. There are actions that could trigger return of the sculpture to the Tribe. For example, if the National Museum treats the sculpture disrespectfully, from the Tribe's perspective, then this would trigger a return clause in the loan agreement. However, the intention on both sides of the loan arrangement is that the sculpture will remain with the National Museum indefinitely, so that it can be appreciated and preserved for present and future generations. To ensure that none of the return conditions occur museum staff have received training, while museum management include members of the Tribe who have extensive knowledge of tribal customs and expectations with respect to appropriate treatment of ancestor representations. The Tribe retains an absolute right to borrow the sculpture for short periods as necessary.

IG18. *Analysis*: The National Museum presently has the ability to deny or restrict access to the sculpture, while being able to benefit from the sculpture's service potential to achieve its objectives. The National Museum presently controls the sculpture for financial reporting purposes.

Example 8—Sacred Ancestral Mountain–Custodianship

IG19. 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."

IG20. 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.

IG21. 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.

IG22. *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 Control?

IG23. 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 9—Donation of Painting

IG24. 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 arrangements are in place.

IG25. *Analysis:* 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 10—Donation of Sculptures

IG26. 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.

IG27. *Analysis:* The past event giving control over a resource has not yet occurred. The art gallery does not have an asset.

Example 11—Transfer of Notable Musician's Papers: Papers not yet processed

IG28. A Music Museum 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.

IG29. *Analysis:* The past event giving control over a resource has not yet occurred. The Music Museum does not have an asset.

Example 12—Archeological Finding: Heritage not yet unearthed

IG30. 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.

IG31. *Analysis:* The past event giving control over a resource has not yet occurred, so the National Museum does not have an asset.

Appendix D

Revisions to IPSAS 17, *Property, Plant and Equipment*

[Proposed revisions to IPSAS 17's core text begin on the following page.]

Objective

1. The objective of this Standard is to prescribe the accounting treatment for property, plant, and equipment so that users of financial statements can discern information about an entity's investment in its property, plant, and equipment and the changes in such investment. The principal issues in accounting for property, plant, and equipment are (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them.

Scope

2. **An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in accounting for property, plant, and equipment, except~~:~~**

~~(a)~~ **~~W~~w~~hen~~ a different accounting treatment has been adopted in accordance with another IPSAS.~~; and~~**

~~(b) In respect of heritage assets. However, the disclosure requirements of paragraphs 88, 89, and 92 apply to those heritage assets that are recognized.~~

3. [Deleted]

4. [Deleted]

5. This Standard applies to property, plant, and equipment including:

   (a) Weapons systems;

   (b) Infrastructure assets; ~~and~~

   (c) Service concession arrangement assets after initial recognition and measurement in accordance with IPSAS 32, *Service Concession Arrangements: Grantor*; and

   (d) Heritage assets.

   The transitional provisions in paragraphs 95 to 104 provide relief from the requirement to recognize all property, plant, and equipment during the five-year transitional period.

6. This Standard does not apply to:

   (a) Biological assets related to agricultural activity other than bearer plants (see IPSAS 27, *Agriculture*). This Standard applies to bearer plants but does not apply to the produce on bearer plants;

   (b) Mineral rights and mineral reserves such as oil, natural gas, and similar non-regenerative resources (see the relevant international or national

accounting standard dealing with mineral rights, mineral reserves, and similar non-regenerative resources).

However, this Standard applies to property, plant, and equipment used to develop or maintain the assets described in 6(a) or 6(b).

7. Other IPSASs may require recognition of an item of property, plant, and equipment based on an approach different from that in this Standard. For example, IPSAS 13, *Leases*, requires an entity to evaluate its recognition of an item of leased property, plant, and equipment on the basis of the transfer of risks and rewards. IPSAS 32 requires an entity to evaluate the recognition of an item of property, plant, and equipment used in a service concession arrangement on the basis of control of the asset. However, in such cases other aspects of the accounting treatment for these assets, including depreciation, are prescribed by this Standard.

8. An entity using the cost model for investment property in accordance with IPSAS 16, *Investment Property* shall use the cost model in this Standard.

Heritage Assets

9. ~~This Standard does not require an entity to recognize heritage assets that would otherwise meet the definition of, and recognition criteria for, property, plant, and equipment. If an entity does recognize heritage assets, it must apply the disclosure requirements of this Standard and may, but is not required to, apply the measurement requirements of this Standard.~~

10. Some assets are described as heritage assets because of their cultural, environmental, or historical significance. Examples of heritage assets include historical buildings and monuments, archaeological sites, conservation areas and nature reserves, and works of art. Certain characteristics, including the following, are often displayed by heritage assets (although these characteristics are not exclusive to such assets):

    (a) Their value in cultural, environmental, educational, and historical terms is unlikely to be fully reflected in a financial value based purely on a market price;

    (b) Legal and/or statutory obligations may impose prohibitions or severe restrictions on disposal by sale;

    (c) They are often irreplaceable and their value may increase over time, even if their physical condition deteriorates; and

    (d) It may be difficult to estimate their useful lives, which in some cases could be several hundred years.

    Public sector entities may have large holdings of heritage assets that have been acquired over many years and by various means, including purchase, donation,

bequest, and sequestration. These assets are rarely held for their ability to generate cash inflows, and there may be legal or social obstacles to using them for such purposes.

11. Some heritage assets have future economic benefits or service potential other than their heritage value, for example, an historic building being used for office accommodation. In these cases, they may be recognized and measured on the same basis as other items of property, plant, and equipment. For other heritage assets, their future economic benefit or service potential is limited to their heritage characteristics, for example, monuments and ruins. The existence of both future economic benefits and service potential can affect the choice of measurement base.

12. ~~The disclosure requirements in paragraphs 88–94 require entities to make disclosures about recognized assets. Therefore, entities that recognize heritage assets are required to disclose in respect of those assets such matters as, for example:~~

~~(a) The measurement basis used;~~

~~(b) The depreciation method used, if any;~~

~~(c) The gross carrying amount;~~

~~(d) The accumulated depreciation at the end of the period, if any; and~~

~~(e) A reconciliation of the carrying amount at the beginning and end of the period showing certain components thereof.~~

Definitions

13. **The following terms are used in this Standard with the meanings specified:**

A bearer plant is a living plant that:

(a) **Is used in the production or supply of agricultural produce:**

(b) **Is expected to bear produce for more than one period: and**

(c) **Has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.**

(Paragraphs 9A–9C of IPSAS 27 elaborate on this definition of a bearer plant.)

Carrying amount (for the purpose of this Standard) is the amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses.

Class of property, plant and equipment means a grouping of assets of a similar nature or function in an entity's operations that is shown as a single item for the purpose of disclosure in the financial statements.