

Agenda Item 7: Heritage

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Toronto, Canada

Objectives for Session

- Review responses to the Consultation Paper (CP), *Financial Reporting for Heritage in the Public Sector*
- At this stage no decision is required

1. Overview

2. Heritage Items

3. Heritage Assets

4. Recognition and Measurement

5. Subsequent Measurement

6. Heritage Obligation

7. Presentation

Overview

1. [Overview of responses \(7.2.1\)](#)
2. [Heritage Items \(7.2.2\)](#)
3. [Heritage Assets \(7.2.3\)](#)
4. [Recognition & Initial Measurement of Heritage Assets \(7.2.4\)](#)
5. [Subsequent Measurement of Heritage Assets \(7.2.5\)](#)
6. [Heritage-Related Obligations \(7.2.6\)](#)
7. [Presentation of Information about Heritage \(7.2.7\)](#)

1. Overview

2. Heritage Items

3. Heritage Assets

4. Recognition and
Measurement

5. Subsequent
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Responses received

Good number of responses:

- 40 responses received
- Recent average for CP responses is 30; range 25 to 36

Good mixture of responses, including from:

- Entities and jurisdictions that: (a) apply IPSAS or IPSAS-similar accruals; and (b) either recognize heritage assets or do not, with mixture of measurement approaches (HC, current value, symbolic value)
- Heritage specialists, valuers, academics, and international organizations

1. Overview

2. Heritage Items

3. Heritage Assets

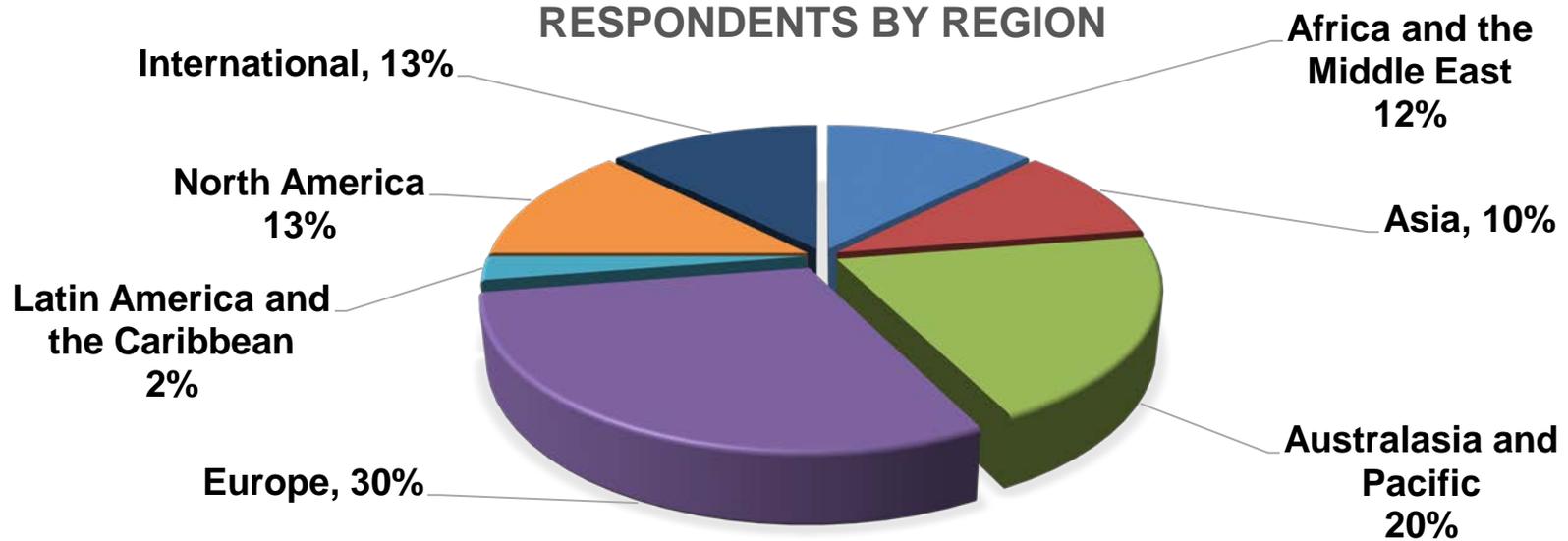
4. Recognition and Measurement

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Responses received: Geographical Breakdown



1. Overview

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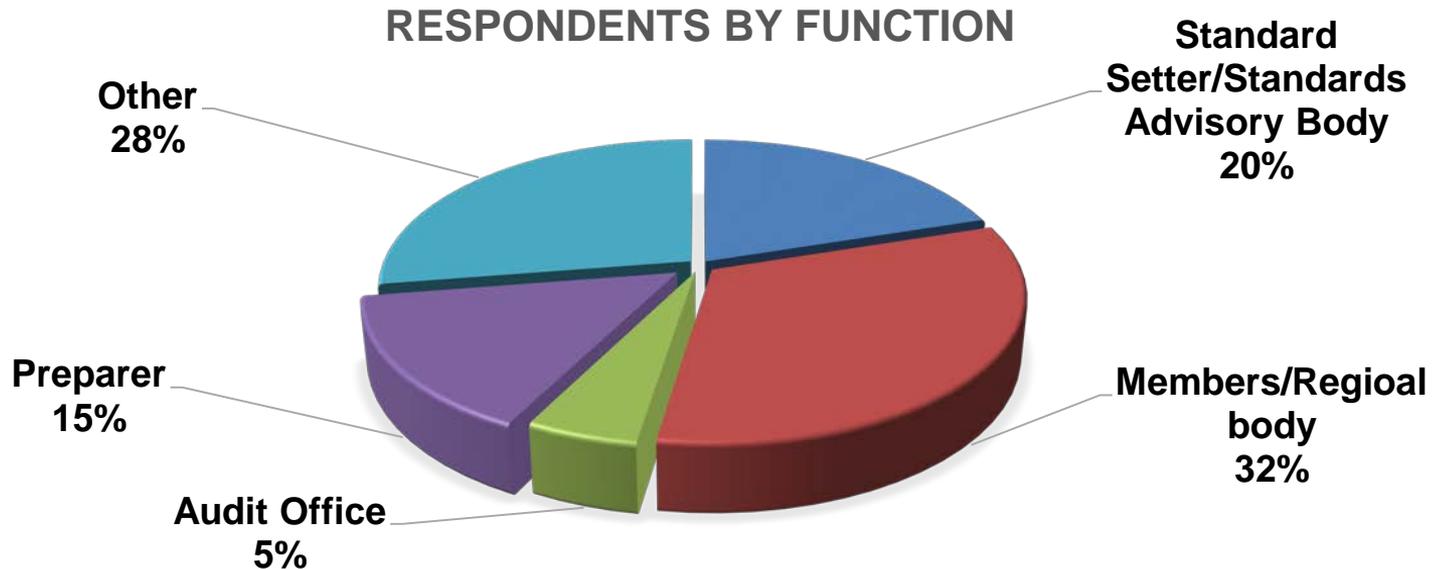
4. Recognition and Measurement

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Responses received: Functional Breakdown



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Responses received: Linguistic Breakdown

RESPONDENTS BY LANGUAGE



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2. Heritage Items

- Heritage characteristics and consequences for financial reporting (SMC–Chapter 1)
- Description of heritage Items (PV–Chapter 2.1)
- Natural heritage meaning (PV–Chapter 2.2)

1. Overview

**2. Heritage
Items**

3. Heritage Assets

4. Recognition and
Measurement

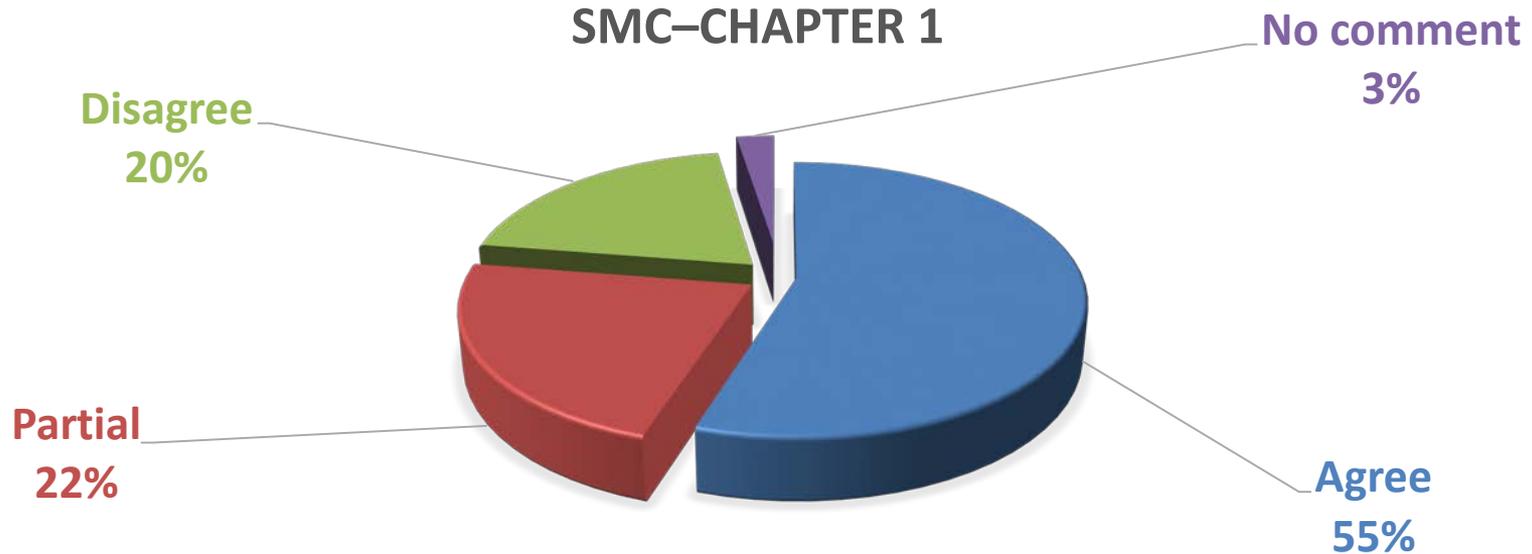
5. Subsequent
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2. Heritage Items

Heritage Characteristics and consequences



1. Overview

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2. Heritage Items

Heritage Characteristics and consequences

- Most of the respondents who disagreed:
 - Left out important details
 - Understated special nature of heritage items & resulting financial reporting consequences
- Value of heritage items usually increases over time
- Paragraphs overstated the financial reporting consequences

1. Overview

**2. Heritage
Items**

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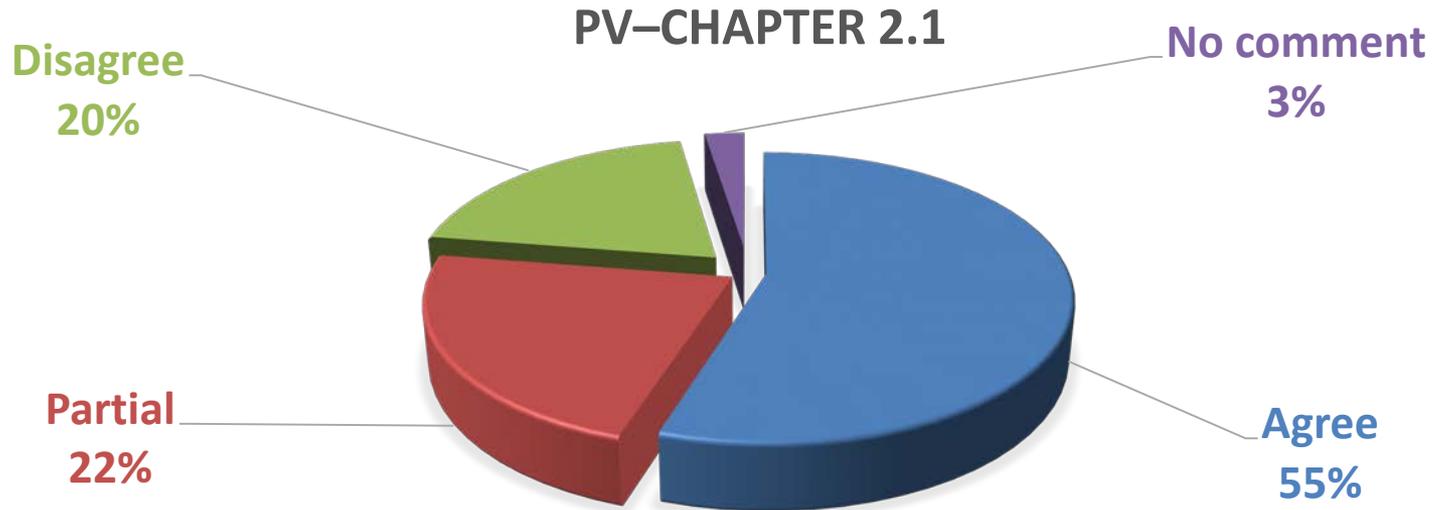
4. Recognition and
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2. Heritage Items–Description



1. Overview

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2. Heritage Items–Description

- Boundary between agree vs partially agree (unclear)
- The main issues raised in responses were:
 - Addition of ‘religious’ &/or ‘social’ significance or shorten list by combining ‘agricultural with natural’
 - Strengthen description so that it can function as a definition
 - Address heritage items that are used operationally
 - Amend the idea of ‘intended to be held indefinitely’

1. Overview

**2. Heritage
Items**

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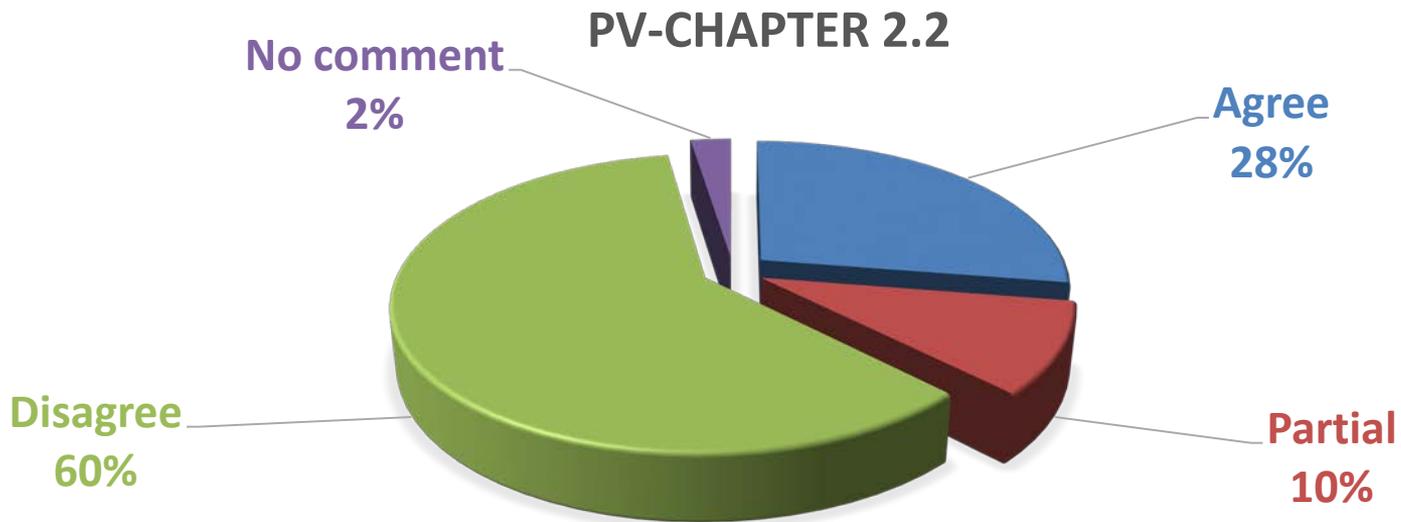
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2. Heritage Items–Natural Heritage



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2. Heritage Items–Natural Heritage

Main reasons for disagreement that living plants & organisms should *not* be classified as heritage:

- Meet the CP’s description of heritage items
- May live for long periods while non-living heritage may have a limited life (Example–Kauri tree)
- Important for identification of natural heritage areas
- Classification linked to holding the entity accountable

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3. Heritage Assets

PV–Chapter 3

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

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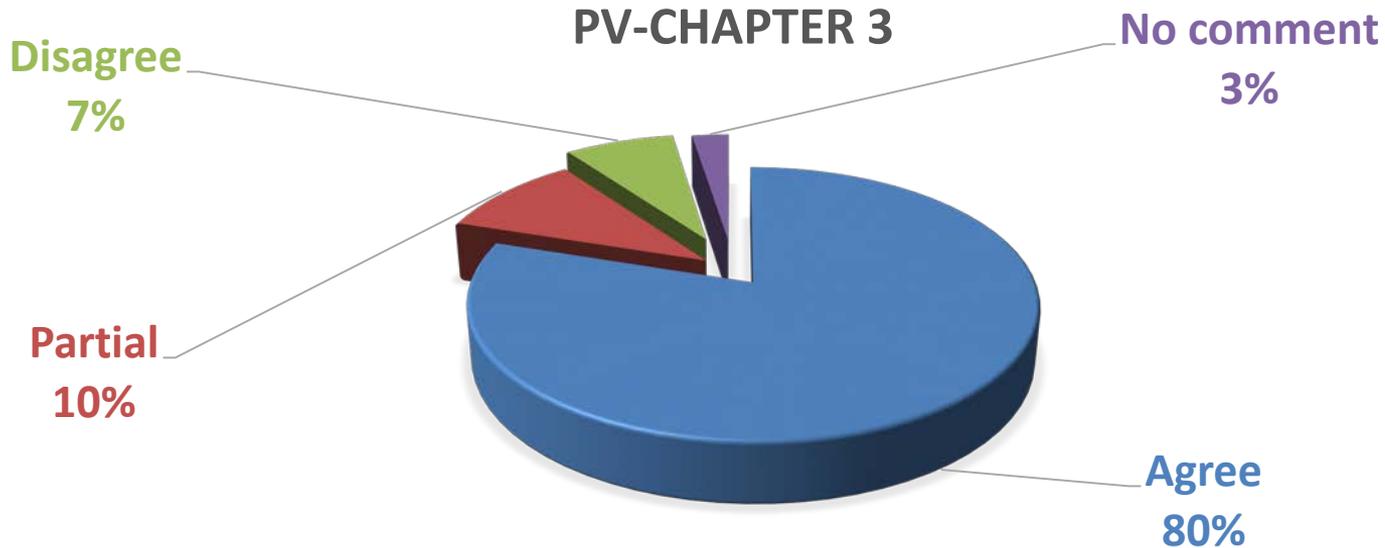
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3. Heritage Assets



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3. Heritage Assets

- The main issues raised were:

Use of the term 'assets'

Separate line item + disclosure

Exclude natural areas & features

Exclude intangible cultural heritage items

Restricted & Non-Restricted inclusion

Knowledge-in-action

Service potential &/or future economic benefits

Measure reliably

Element of control

Intangible items are assets – extent

Completeness of financial information

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4. Recognition & Initial Measurement of Heritage Assets

SMC–Chapter 4.1

- Do you support initially recognizing heritage assets
 - at a nominal cost of one currency unit where historical cost is zero

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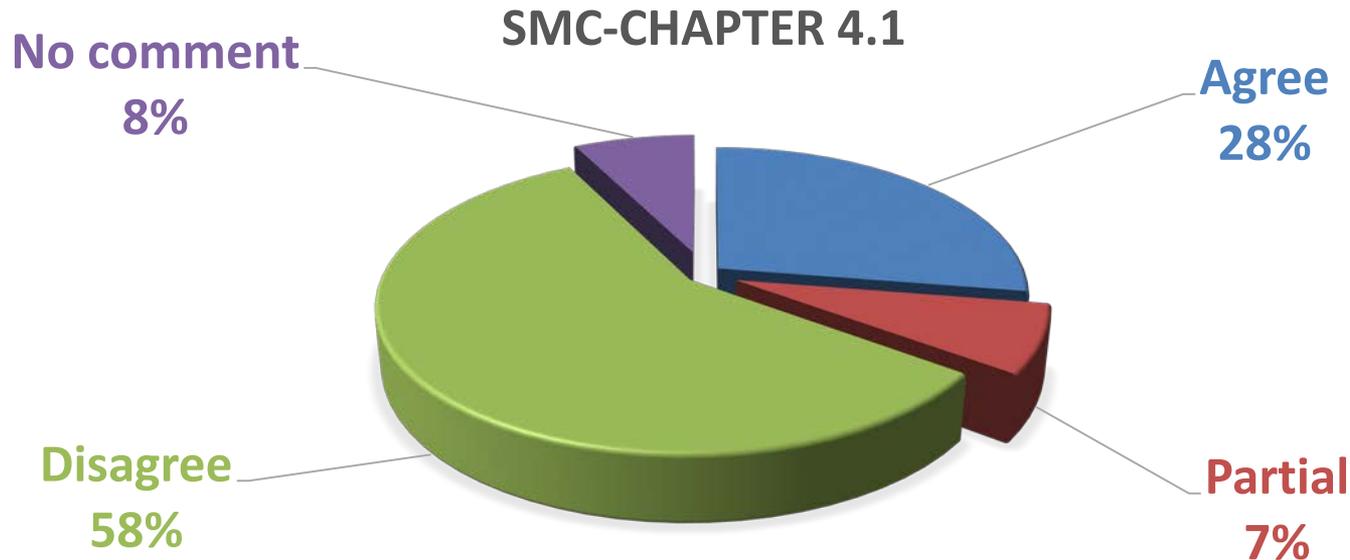
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4. Recognition & Initial Measurement of Heritage Assets



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4. Recognition & Initial Measurement of Heritage Assets

- The main issues raised were:
 - Difficulty of heritage measurement
 - The meaning of resulting information
 - Disclosures to provide relevant and useful information
- Further considerations will be discussed as part of: ‘Public Sector Measurement Project’

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4. Recognition & Initial Measurement of Heritage Assets

PV–Chapter 4.1

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

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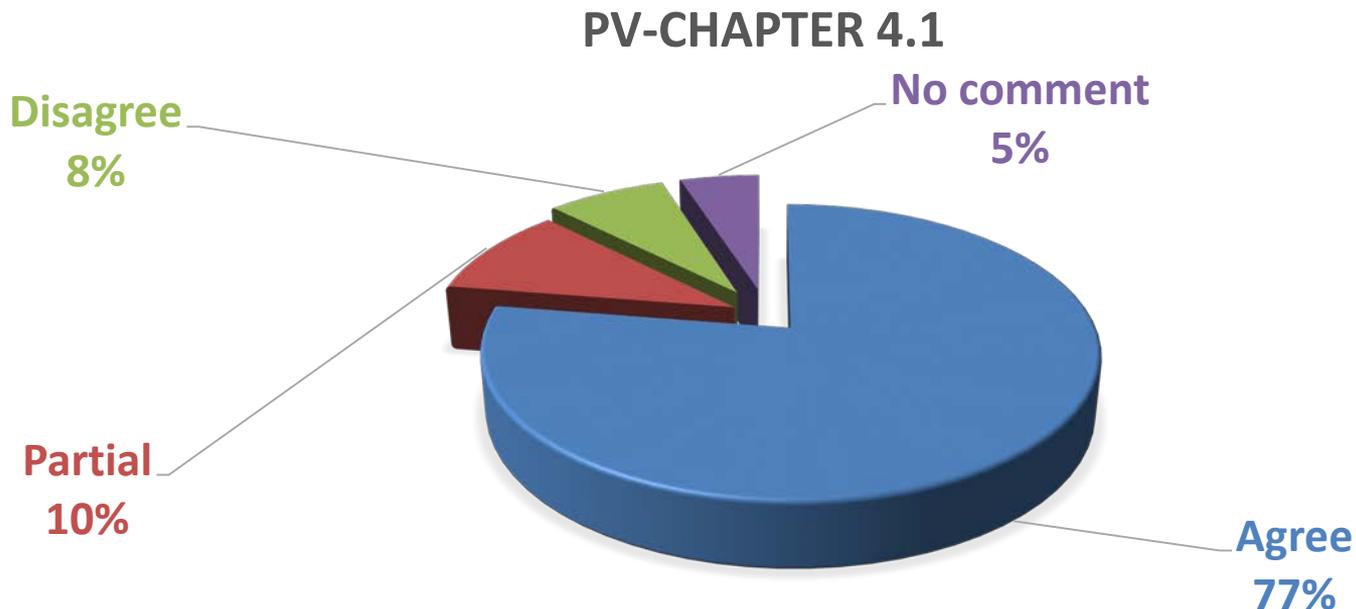
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4. Recognition & Initial Measurement of Heritage Assets



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4. Recognition & Initial Measurement of Heritage Assets

- Level of agreement may be conditional on use of 1 currency unit for initial measurement
- The main issues raised were:
 - Heritage items are not assets
 - Heritage assets should not be recognized on the b/s, but qualitative information is reported in a note that links to a line item
 - Heritage items that don't have economic benefits or service potential are not assets

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4. Recognition & Initial Measurement of Heritage Assets

SMC–Chapter 4.2

- Heritage-related situations in which heritage assets should not initially be recognized and/or measured because:
 - It is not possible to assign a relevant and verifiable monetary value; or
 - The cost-benefit constraint applies

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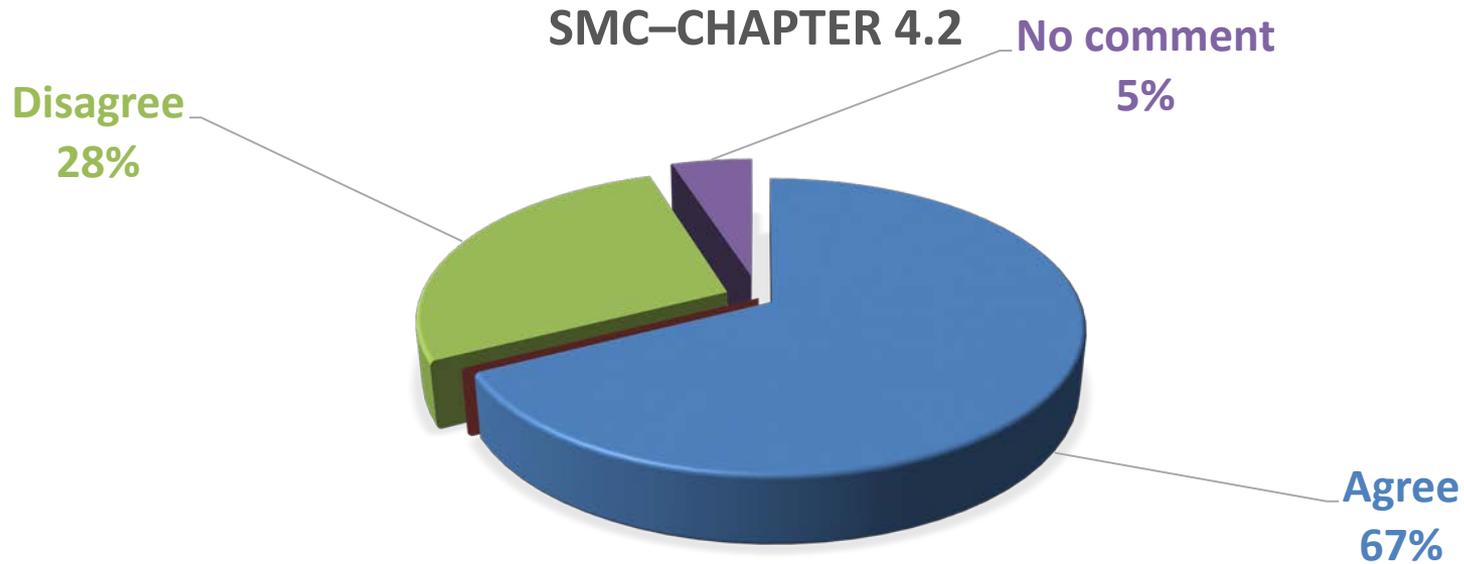
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4. Recognition & Initial Measurement of Heritage Assets



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4. Recognition & Initial Measurement of Heritage Assets

- Main issues from respondents who agreed that situations exist (non-recognition/cannot be measured):
 - Acknowledgement of measurement difficulties & cost-benefit
 - Recognition at nominal value of 1 currency unit (5 respondents)
- Will be considered further as part of ‘Public Sector Measurement Project’

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4. Recognition & Initial Measurement of Heritage Assets

PV–Chapter 4.2

- In many cases it will be possible to assign a monetary value to heritage assets
- Appropriate measurement bases are historical cost, market value and replacement cost

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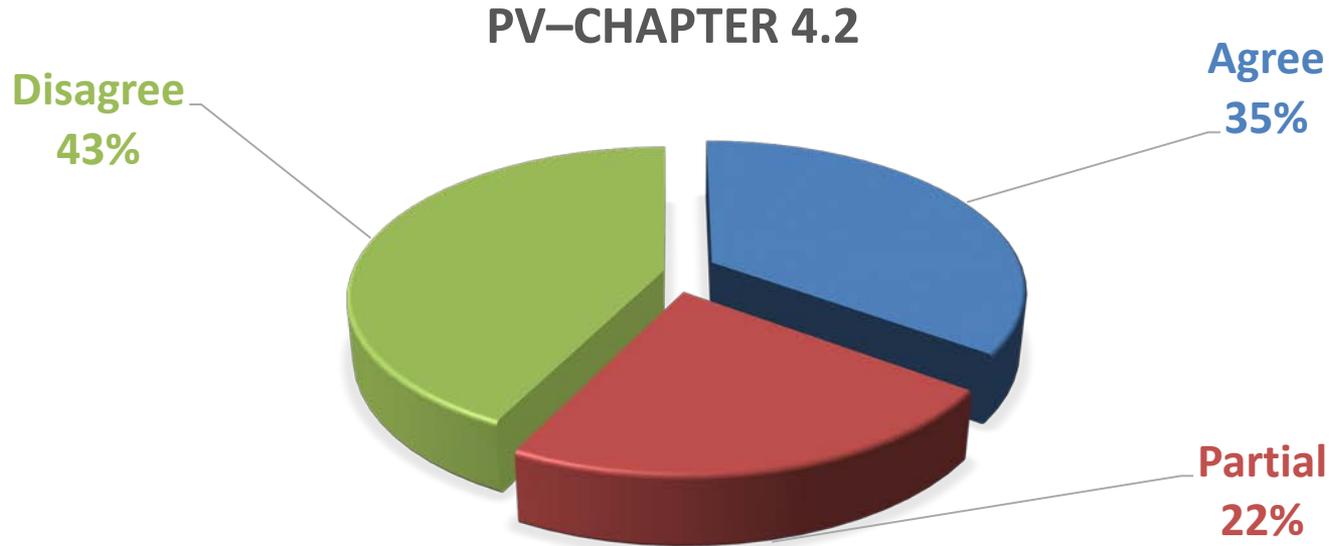
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4. Recognition & Initial Measurement of Heritage Assets



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4. Recognition & Initial Measurement of Heritage Assets

- The main issues raised by respondents who disagreed:
 - Particular measurement bases would be unavailable or are inappropriate
 - The resultant monetary values are irrelevant
 - Scope to use other measurement bases such as one currency unit
 - Distinction between operational & non-operational heritage assets during measurement

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4. Recognition & Initial Measurement of Heritage Assets

SMC–Chapter 4.3

- Additional guidance that IPSASB should provide through its PSM project to enable measurement bases to be applied to heritage assets

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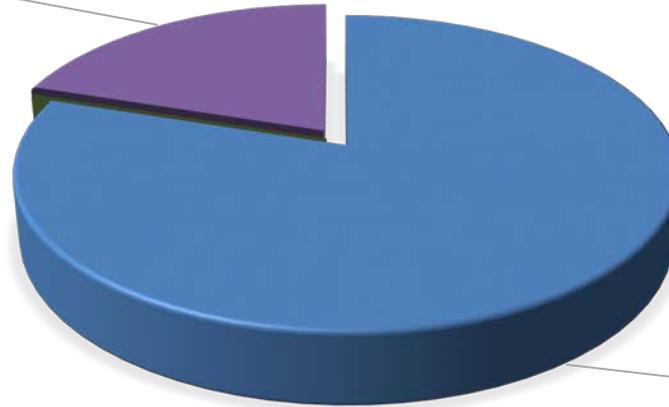
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4. Recognition & Initial Measurement of Heritage Assets

SMC-CHAPTER 4.3

No comment
20%



Agree
80%

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4. Recognition & Initial Measurement of Heritage Assets

The additional guidance will be considered as part of the PSM project

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5. Subsequent Measurement of Heritage Assets

PV–Chapter 5

- Subsequent measurement of heritage assets:
 - Will need to address changes that arise from subsequent expenditure, consumption, impairment and revaluation.
 - Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.

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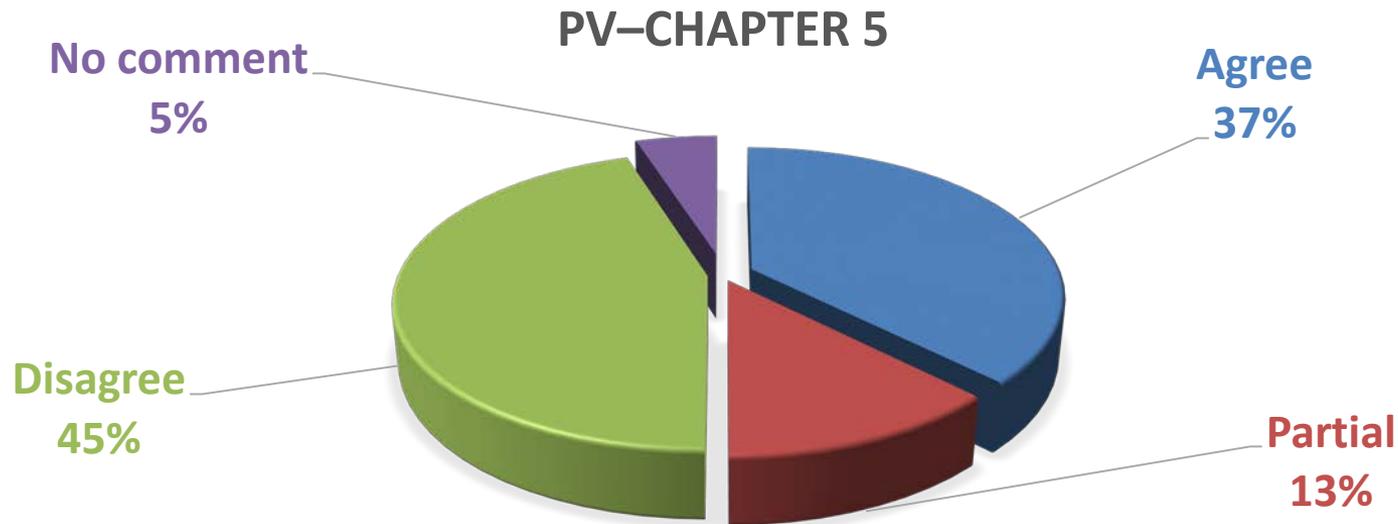
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5. Subsequent Measurement of Heritage Assets



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5. Subsequent Measurement of Heritage Assets

- The areas of disagreement covered all aspects of subsequent measurement
- Issues raised included:
 - Lack of usefulness of the resulting information
 - Inability to determine consumption given an indefinite useful life
 - Cost-benefit issues for revaluation and impairment
 - Proposals that subsequent expenditures should be expensed

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5. Subsequent Measurement of Heritage Assets

SMC–Chapter 5

- Heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets

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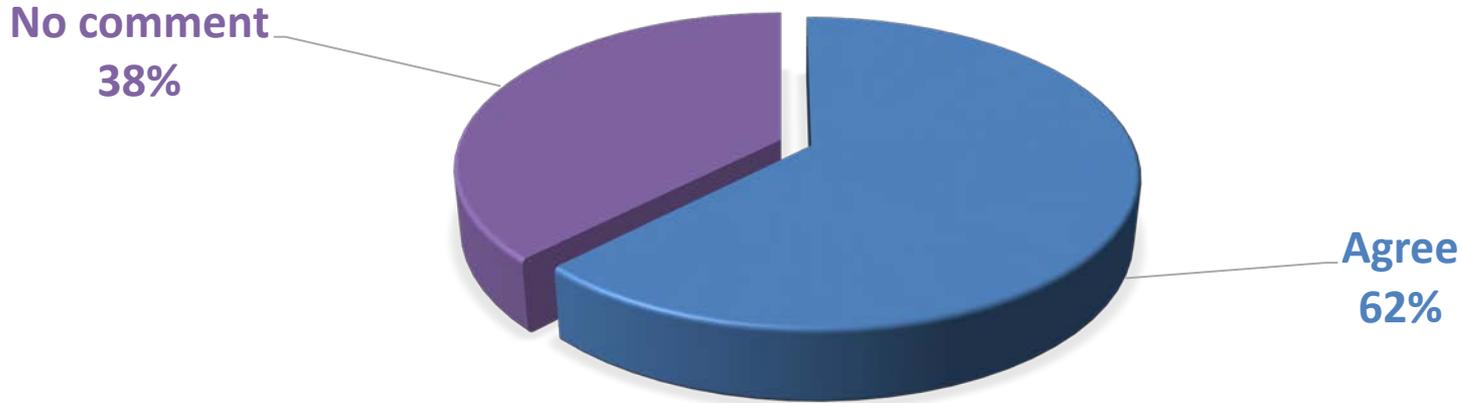
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5. Subsequent Measurement of Heritage Assets

SMC-CHAPTER 5



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5. Subsequent Measurement of Heritage Assets

- Main topic areas where additional guidance required are:
 - Applying judgement as to what ‘indefinite useful life’ means
 - Revaluation model & valuation basis for subsequent measurement
 - Non-financial reports & recognition of the intangible cultural heritage
 - Depreciation, impairment & subsequent expenditure
 - How to account for subsequent measurement costs
- PSM will consider these issues further

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Measurement**

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6. Obligation Related to Heritage

PV–Chapter 6

- The special characteristics of heritage items do not result in a present obligation
- The entity should not therefore recognize a liability.
 - Majority agreed

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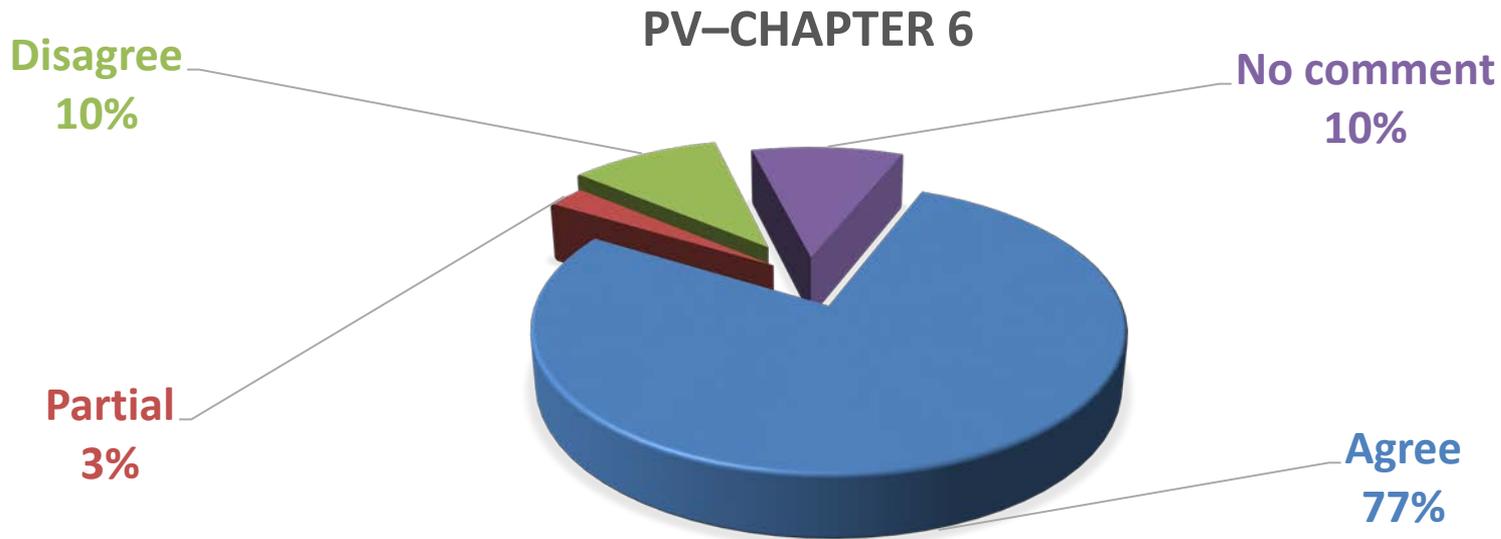
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**6. Heritage
Obligation**

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6. Obligation Related to Heritage



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6. Obligation Related to Heritage

The main issues raised were:

- Heritage preservation gives rise to legally binding obligations
- Specific circumstances
- Further guidance - presentation of non-financial information about:
 - Legal and moral obligations
 - Disclosures

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7. Presentation of Information about Heritage

PV–Chapter 7

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

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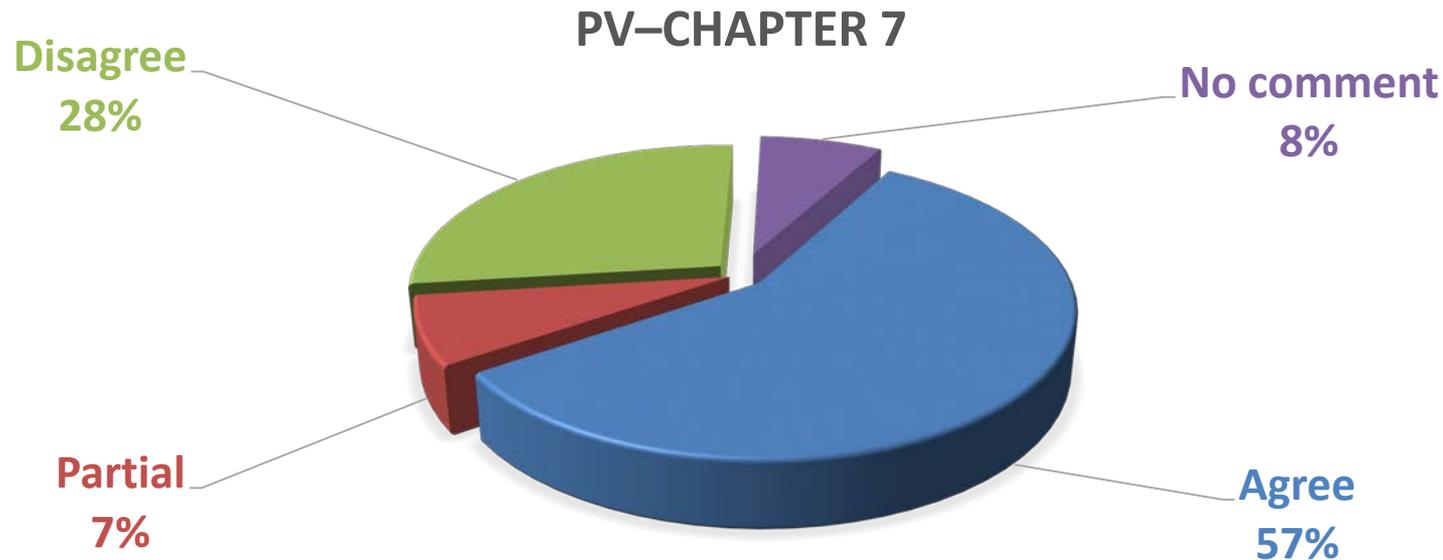
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7. Presentation of Information about Heritage



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7. Presentation of Information about Heritage

The main presentation issues raised were:

- Additional disclosures
- A heritage line item on the face of the statement of financial position
- Heritage-specific report or schedule

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