



**ED 156**

**Responses due by 15 September 2017**

## **ACCOUNTING STANDARDS BOARD**

# **INVITATION TO COMMENT ON THE CONSULTATION PAPER OF THE INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD ON FINANCIAL REPORTING FOR HERITAGE IN THE PUBLIC SECTOR (ED 156)**

## Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of the Consultation Paper of the International Public Sector Accounting Standard Board's (IPSASB) on *Financial Reporting for Heritage in the Public Sector* (ED 156). Comment received on this Consultation Paper will be used in formulating a response to the IPSASB.

Comment should be submitted in writing so as to be received by **15 September 2017**. E-mail responses are preferred. Unless respondents to the Exposure Draft specifically request confidentiality, the comment is a matter of public record once the pronouncement has been finalised by the IPSASB. Comment should be addressed to:

The Chief Executive Officer  
Accounting Standards Board

P O Box 7001

Halfway House

1685

Fax: +2711 697 0666

E-mail Address: [info@asb.co.za](mailto:info@asb.co.za)

### Copyright © 2017 by the Accounting Standards Board

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior permission of the Accounting Standards Board. The approved text is published in the English language.

Permission to reproduce limited extracts from the publication will usually not be withheld.

## **Background and purpose of this Exposure Draft**

### *International perspective on accounting for heritage assets in the public sector*

The International Public Sector Accounting Standards Board (IPSASB) identified that there are currently a variety of practices for the financial reporting of heritage in different jurisdictions. IPSAS 17 on *Property, Plant and Equipment* allows public sector entities to choose the accounting approach they use, including whether to recognise heritage items as assets in the financial statements and, if so, the measurement base applied. This diversity reduces comparability between public sector entities. Financial reporting practices may not provide the information that users of general purpose financial reports (GPFs) need for accountability and decision making.

To address the divergence in practice, the IPSASB agreed to develop a Consultation Paper to obtain views from stakeholders on the financial reporting for heritage in the public sector. These views will support the IPSASB's work to consider the need to develop additional guidance on financial reporting for heritage in order to meet the needs of users' information needs.

The Consultation Paper describes what may be considered heritage items and whether these items meet the definition of an asset as described in the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Framework). The Consultation Paper also considers whether heritage items can be measured and recognised in the financial statements in accordance with the Framework, and whether heritage preservation responsibilities could result in present obligations. Presentation of information about heritage in financial statements and other GPFs are also considered.

### *Impact of the IPSASB's work on the local environment*

The Standard of GRAP on *Heritage Assets* became effective for reporting periods commencing or after 1 April 2012. As the development of guidance by the IPSASB on accounting for heritage in the public sector is still in the early stages, the Board will monitor the IPSASB's work in this regard and provide comment on pronouncements when issued. As the Board's work programme for 2017 to 2020 has already been determined, the Board will re-assess the IPSASB's work on heritage when it considers its work programme after 2020.

## **Due process and timetable**

The due process followed by the Board in developing Standards of GRAP is for the Board to receive comment on the proposals set out in the Exposure Draft from preparers, users, auditors, standard setters and other parties with an interest in public

sector financial reporting. Accordingly, all interested parties are invited to provide comment.

## **Request for comment**

Comment is invited by **15 September 2017** on this Exposure Draft. The comment period is earlier than the comment date of the international Consultation Paper to enable the Board to review and collate the comment received prior to submission to the IPSASB.

The Board requires that respondents express an overall opinion on whether the Exposure Draft, in general, is supported and supplement this opinion with detailed comment, whether supportive or critical, on the principles in the Exposure Draft.

## **Invitation to comment on specific matters**

The IPSASB invites comment on the following Specific Matters for Comment and Preliminary Views included below:

### **Specific Matters for Comment—Chapter 1 (following paragraph 1.8)**

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

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

### **Preliminary View—Chapter 2.1 (following paragraph 2.11)**

For the purposes of this CP, the following description reflects the special characteristics of heritage items and distinguishes them from other phenomena for the purposes of financial reporting:

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

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

### **Preliminary View—Chapter 2.2 (following paragraph 2.12)**

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

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

**Preliminary View—Chapter 3 (following paragraph 3.11)**

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

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

**Specific Matters for Comment—Chapter 4.1 (following paragraph 4.17)**

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

If so, please provide your reasons.

**Preliminary View—Chapter 4.1 (following paragraph 4.40)**

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

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

**Specific Matters for Comment—Chapter 4.2 (following paragraph 4.40)**

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

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

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

**Preliminary View—Chapter 4.2 (following paragraph 4.40)**

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

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

**Specific Matters for Comment—Chapter 4.3 (following paragraph 4.40)**

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

**Preliminary View – Chapter 5 (following paragraph 5.14)**

Subsequent measurement of heritage assets:

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

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

**Specific Matters for Comment—Chapter 5 (following paragraph 5.14)**

Are there any types of heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets?

If so, please identify those types and/or factors, and describe the special issues raised and indicate what guidance IPSASB should provide to address them.

**Preliminary View—Chapter 6 (following paragraph 6.10)**

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

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

**Preliminary View—Chapter 7 (following paragraph 7.9)**

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

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

**Other matters**

As with any other Exposure Draft, comment on any other matter would be welcomed. Comment is most helpful if reference is made to a specific paragraph or group of paragraphs in your response.