

Post-implementation review on GRAP 103 *Heritage Assets*

By Amanda Botha, Project manager at the Accounting Standards Board

GRAP 103 on *Heritage Assets* is applied to recognise, measure and present information on assets that are held indefinitely, with the objective to protect and preserve them for present and future generations. These assets are often irreplaceable, are kept unencumbered, with their value appreciating over time due to their cultural, environmental, historical, natural, scientific, technological or artistic significance.

GRAP 103 became effective for financial periods commencing on or after 1 April 2012, with a three-year transitional period granted for the recognition and measurement.

Purpose of post-implementation reviews

The Accounting Standards Board (hereafter referred to as “the Board”) undertakes post-implementation reviews (hereafter referred to as “review”) with the objective of obtaining input from:

- (a) users – to determine if an implemented Standard of GRAP provides relevant and useful information to users that facilitates decision-making and enables them to hold entities accountable. The review is also aimed at identifying other information that users require;
- (b) preparers – to understand the implementation challenges that preparers experience, and the extent to which these challenges impact the consistent application of the requirements in the specific Standard of GRAP; and
- (c) auditors – to understand the audit concerns raised on heritage assets during the audit of the financial statements.

As part of its current work programme, the Board agreed to undertake a review of GRAP 103. Based on the results of the review, the Board will decide if any amendments are required to GRAP 103 or if any other action should be taken.

Undertaking the review

The initial phase of the GRAP 103 review involved a desk-top review of a selection of financial statements of entities that recognised and/or disclosed information about heritage assets in their financial statements. The review noted the following observations, among others:

- (a) Accounting policies were found to be generic and included the exact wording from GRAP 103 rather than explaining how the specific principles and bases in GRAP 103 are applied to the entity’s circumstances. Where the definition of a heritage asset was included in an accounting policy, it was noted that some of the features listed in the definition were not relevant to the characteristics of the heritage assets controlled by the entity.
- (b) It was not always clear what subsequent measurement basis is applied, as the accounting policy made reference to both the cost and the revaluation model.
- (c) Some GRAP 103 disclosures were lacking from the financial statements. For example:
 - the notes to the financial statements indicated that some heritage assets have an alternative use, and/or what this use entails;
 - where a deemed cost was determined for initial recognition of the heritage asset, the notes lacked information on the method used to determine fair value, significant

assumptions made by the valuer, and the extent to which fair value was determined by reference to observable prices in an active market; and

- information was lacking on the frequency of revaluations where the revaluation model was selected as the subsequent measurement basis.

What will the GRAP 103 review focus on?

The review will, among others, focus on:

- if heritage assets should be classified separately from other assets, such as property, plant and equipment or investment property;
- challenges experienced to assess if an asset meets the definition of a heritage asset and to distinguish heritage assets from other classes of assets;
- the need to include information in the financial statements on heritage resources designated as such in terms of legislation or similar means, but which do not meet the definition of a heritage asset from an accounting perspective, and vice versa;
- challenges to initially, and on an ongoing basis, determine a value for a heritage asset;
- challenges to assess impairment and to calculate the impairment loss incurred;
- calculating depreciation for heritage assets with an alternative use, that are accounted for in terms of another Standard of GRAP; and
- assessing if the disclosures provided for a heritage asset with an alternative use, enable decisions about the use, management and condition of the heritage asset.

How to participate in the review

The Board will consider the *Invitation to Participate in the Post-implementation Review of GRAP 103 Heritage Assets* at its December 2019 meeting.

Once approved, a link will be included on the ASB's website to access questionnaires to be completed by users and preparers as part of the GRAP 103 review. The Secretariat will also commence with engagements on GRAP 103 in early 2020.