



ED 195

Responses due by 28 January 2022

ACCOUNTING STANDARDS BOARD

INVITATION TO COMMENT ON PROPOSED AMENDMENTS TO THE STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE ON

HERITAGE ASSETS

(ED 195)

Commenting on this Exposure Draft

The Accounting Standards Board (the Board) seeks comment on the Exposure Draft of *Proposed Amendments to the Standard of GRAP on Heritage Assets (GRAP 103)* (ED 195). Based on comments received during the post-implementation review undertaken on GRAP 103, the Board is proposing several amendments to the Standard. These amendments respond to users who requested additional information, as well as to preparers that highlighted issues on the practical application of the Standard to specific situations.

The proposals in this Exposure Draft may be modified in the final documents in the light of comment received. Comment on this Exposure Draft should be submitted in writing to be received by **28 January 2022**. Email responses are preferred. Unless respondents to this Exposure Draft specifically request confidentiality, their comment is a matter of public record once the Standard has been updated. Comment should be addressed to:

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Introduction

Standards of Generally Recognised Accounting Practice

The Accounting Standards Board (the Board) is required in terms of the Public Finance Management Act, Act No. 1 of 1999, as amended (PFMA), to determine generally recognised accounting practice referred to as Standards of Generally Recognised Accounting Practice (GRAP).

The Board must determine GRAP for:

- (a) departments (including national, provincial and government components);
- (b) public entities;
- (c) trading entities (as defined in the PFMA);
- (d) constitutional institutions;
- (e) municipalities and boards, commissions, companies, corporations, funds, or other entities under the ownership control of a municipality; and
- (f) Parliament and the provincial legislatures.

The above are collectively referred to as “entities” in Standards of GRAP.

The Board has approved the application of International Financial Reporting Standards (IFRS[®] Standards) issued by the International Accounting Standards Board[®] for:

- (a) public entities that meet the criteria outlined in the Directive on *The Selection of an Appropriate Reporting Framework by Public Entities*; and
- (b) entities under the ownership control of any of these entities.

Financial statements should be described as complying with Standards of GRAP only if they comply with all the requirements of each applicable Standard and any related Interpretations of the Standards of GRAP.

Any limitation of the applicability of specific Standards or Interpretations is made clear in those Standards or Interpretations.

All paragraphs in this Standard have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This Standard should be read in the context of its objective, its basis for conclusions if applicable, the *Preface to Standards of GRAP*, the *Preface to the Interpretations of the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*.

Standards of GRAP and Interpretations of the Standards of GRAP should also be read in conjunction with any directives issued by the Board prescribing transitional provisions, as well as any regulations issued by the Minister of Finance regarding the effective dates of the Standards, published in the Government Gazette.

Reference may be made here to a Standard of GRAP that has not been issued at the time of issue of this Standard. This is done to avoid having to change the Standards already issued when a later Standard is subsequently issued. Paragraph .11 of the Standard of GRAP on *Accounting Policies, Changes in Accounting Estimates and Errors* provides a basis for selecting and applying accounting policies in the absence of explicit guidance.

Background to the development of this Exposure Draft

Introduction

1. The Board completed its post-implementation review of the Standard of GRAP on *Heritage Assets* (GRAP 103) (hereafter referred to as “the review”) in 2021.
2. The objective of the review was twofold. Firstly, the Board wanted to solicit feedback from stakeholders to assess if GRAP 103 achieves its objective of providing information to users that meets their needs. The second objective was to identify challenges experienced by preparers in applying GRAP 103. The comment received from stakeholders along with the Board’s responses thereto, and the Progress Report on the review can be accessed at [[Summary-and-analysis-of-written-comments-on-ED-180.pdf \(asb.co.za\)](#)], [Summary-and-analysis-of-verbal-comments-on-ED-180.pdf \(asb.co.za\)](#) and [GRAP-103-Progress-report-for-website.pdf \(asb.co.za\)](#).
3. Based on the feedback received as part of the review, the Board agreed to reconsider certain principles in GRAP 103.

Proposed amendments to GRAP 103

Definition of a heritage asset

4. The Board agreed that the definition of a heritage asset in GRAP 103 should be reconsidered to better align it with the legislative explanation of a heritage resource in the National Heritage Resources Act, 1999, and the South African Heritage Resources Agency classifications.
5. The National Heritage Resources Act defines a “heritage resource” as “any place or object of cultural significance. “Cultural significance” is defined as “aesthetic, architectural, historical, scientific, social, spiritual, linguistic or technological value or significance”. The Act also explains why objects are part of the national estate if they have cultural significance, and lists objects or items that may be part of the national estate.
6. The definition of a heritage asset was revised to focus on assets that have “cultural significance”. A definition of “cultural significance” was also included in GRAP 103. The characteristics displayed by heritage assets, and the range of assets that could be regarded as heritage assets, have been aligned with the legislative guidance. Refer to paragraphs .04, .04A, .04B, .05 and .06 for the proposed amendments and BC13 to BC15 that explains the Board’s reasoning for these adjustments.

Classification of a heritage asset with a significant alternative use

7. The Board agreed that all heritage assets should be accounted for using GRAP 103, irrespective of their alternative use. The Board’s reasoning is included in BC16 and BC17.
8. GRAP 103 was amended to require that:
 - heritage assets should be presented as a single line item on the face of the statement of financial position; and
 - the disclosure note to heritage assets in the financial statements provides information about the heritage asset’s significant alternative use.

These amendments are reflected in paragraphs .09, .10 and .94.

9. Clarification has also been included in paragraph .11A to explain that other assets that are used with a heritage asset should be accounted for using the applicable Standard of GRAP.
10. The Board agreed that the requirement for a heritage asset to reflect a heritage value and another value if the heritage asset has a significant alternative use, should be deleted from GRAP 103. This resulted in the deletion of paragraph .44.
11. To explain at what value a heritage asset should be reclassified if it was previously accounted for using another Standard of GRAP because of its alternative use, guidance has been included as part of the transitional arrangements. Paragraph .106D and BC18 have been included.
12. As heritage assets will only be accounted for in terms of GRAP 103, other Standards of GRAP will no longer be considered. Heritage assets with an alternative use will therefore longer be depreciated. Instead, entities will be required to undertake an annual assessment to test if any impairment indicators have been triggered. The Board's reasoning for this conclusion is explained in BC19.

Determining a reliable value

Use of peer data

13. The Board agreed to allow entities that have no, or insufficient, sources of entity-specific data to use peer group experience for a comparable heritage asset in determining a reliable value for the asset. This requirement will allow entities to value a heritage asset based on the value of a comparable heritage asset held by another entity. For a heritage asset to be comparable, it must be of a similar nature, demonstrate the same characteristics and be of the same condition as the heritage asset held by the entity. The Board's rationale for allowing entities to use peer data is explained in BC20 and BC21, and the new guidance is included in paragraph .47D.

Protective rights imposed by legislation or similar means

14. Respondents to the review noted various concerns in determining a reliable value for some heritage assets as a result of:
 - stipulations imposed by legislation or similar means; or
 - restrictions on the use or disposal, including the sale, trade, exchange, transfer, or export of some heritage assets following a stipulation imposed by a trust, or a transferor.
15. Respondents also noted that a value cannot be determined for some heritage assets due to the unique nature of the asset, or because it is unethical to value them.
16. After considering the requirements in legislation, the Board concluded that various stipulations or restrictions may be imposed by legislation or similar means. These stipulations or restrictions are protective rights that are imposed to ensure that a heritage asset is held indefinitely for the benefit or present and future generations. The Board concluded that protective rights will not preclude an entity from determining a reliable value. Refer to paragraphs .07, .08, .11, .12, .14, .14A, .14B, .15A, .16, .46, and

.47A for the proposed amendments, and BC22 to BC23 for the Board's conclusions on protective rights.

17. Users also noted that information about protective rights over heritage assets informs decision-making. New disclosure requirements are proposed for information on:
 - (a) a heritage asset or classes of heritage assets on which protective rights are imposed (see paragraphs .99B and .99D); and
 - (b) the circumstances that permitted the disposal of a heritage asset or classes of heritage assets on which a protective right are imposed, along with a description of the heritage asset or classes of heritage assets and the compensation received (see paragraph .99C). BC24 and BC25 explain the Board's conclusion on these additional disclosures.

Variability in the range of reasonable fair value estimates

18. The Board agreed to amend GRAP 103 to explain the circumstances under which a reliable measure for fair value cannot be determined. The amendment explains that if the variability in the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed, a fair value should not be determined for the heritage asset. Refer to paragraphs .34, .46A, .47B and .47C for the proposed amendments and BC26 for the Board's rationale on this.

Re-assess if a reliable value becomes available

19. The Board agreed that an entity should be required to reassess if reliable information becomes available to recognise a heritage asset for which a reliable value could not be determined on initial recognition. To assess if conditions in the market may have changed that enables the entity to subsequently determine a reliable value for the heritage asset, an indicator approach should be followed. Proposed disclosures have been proposed in paragraph .99A. BC27 and BC28 explains the Board's rationale for proposing these amendments. Refer to paragraphs .17, .18, .17A, 17B, .17C, and .17D for the proposed amendments.
20. An amendment is also proposed to explain that when a reliable measure becomes available after initial recognition, the heritage asset should be recognised as an asset. The resulting difference should be recognised in surplus or deficit and classified in accordance with the applicable Standard of GRAP. Refer to paragraph .18A and BC29.

Aggregation of individually insignificant heritage assets

21. The Board agreed that guidance should be included in the Standard to emphasise that information on heritage assets does not need to be presented and disclosed on an individual basis. An entity may aggregate individually insignificant items and apply the criteria in the Standard to the aggregate values. The proposed amendment is included in paragraph .16A while BC30 explains the Board's conclusion for this amendment.

Impairment of heritage assets

22. The Board agreed to reconsider the list of indicators in GRAP 103 (see BC31). This resulted in the proposal of additional impairment indicators in GRAP 103 along with additional examples. See paragraphs .63, .64, .65 and .67A.

Encouraged disclosures

23. There are a few encouraged disclosures included in GRAP 103. The Board agreed to delete most of them as respondents questioned the relevance of some of these disclosures. Refer to BC32 and BC33 for more information. Also refer to paragraphs .38, .90, .98 and .101.
24. The Board agreed to make encouraged disclosures for heritage assets that are held and borrowed from, or on loan to other entities, mandatory. New disclosures are included in paragraphs .90A and .90B. BC34 explains the Board's reasoning for amending the encouraged disclosure to a mandatory requirement.

Next steps

It is currently anticipated that the Board will finalise the proposed amendments to GRAP 103 in quarter 2 in 2022.

Once the amendments have been approved by the Board, an effective date for the revised Standard will be recommended to the Minister of Finance who is responsible to determine the effective date.

Due process and timetable

The Board invites comment on the proposals set out in this Exposure Draft from preparers, users, auditors, standard-setters, and other parties with an interest in public sector financial reporting.

Upon the closure of the comment period, the Board will consider the comment received on this Exposure Draft.

Request for comment

Comment on this Exposure Draft is invited by **28 January 2022**. The Board requests that respondents express an overall opinion on whether this Exposure Draft, in general, are supported and to supplement this opinion with detailed comment, whether supportive or critical. Respondents are also invited to provide detailed comment identifying the specific paragraphs to which it relates, explaining the issue and suggesting alternative wording, with supporting reasoning, where appropriate. The basis for accepting or rejecting significant comment will be published on the website.

The Board would particularly appreciate answers from respondents to the questions below.

Specific matters for comment

Definition of a heritage asset

Question 1

Do you support the revised definition of a heritage asset that focuses on cultural significance in paragraph .04, and the inclusion of guidance in paragraph .04A that explains when an object has cultural significance?

If not, please explain why.

Indicators to re-assess if a reliable value becomes available

Question 2

Paragraph .17B lists the indicators that an entity can apply to assess if a heritage asset can subsequently be measured reliably. Please indicate:

- (a) if you agree with the list of indicators. If not, please explain why; and
- (b) if there are any additional indicators that entities may consider.

Determining a reliable value

Question 3

In addressing challenges to determine a reliable value for a heritage asset, the Exposure Draft:

- (a) proposes guidance on the use of peer data to allow an entity to value a heritage asset based on the value of a comparable heritage asset held by another entity (see paragraph .47D);
- (b) includes additional guidance that explains that a protective right should not preclude the entity from determining a fair value for a heritage asset (see the amendments to paragraphs .11, .14 and .46, and new guidance in paragraphs .14A and .47A); and
- (c) proposes guidance to explain that if the variability in the range of reasonable fair value estimates is significant, and the probabilities of the various estimates cannot be reasonably assessed, a fair value should not be determined for the heritage asset (see paragraphs .47B and .47C).

Please indicate if this guidance useful in addressing challenges with determining a reliable value for a heritage asset. If not, please explain why.

Question 4

Where a protective right is imposed on a heritage asset or a class of heritage assets, paragraph .99B proposes that an entity shall include disclosures about the nature of such protective rights, along with a description and the carrying value of the heritage asset or class of heritage assets on which protective rights are imposed. Judgement should be applied to assess if these disclosures should be provided for individual heritage assets or collections of similar heritage assets based on the nature of the heritage assets on which protective rights are imposed (see paragraph .99D).

- (a) Do you agree that disclosures on protective rights imposed on a heritage asset or a class of heritage assets will be relevant for accountability and decision-making.
- (b) In your view, will providing these disclosures be onerous?

Please explain your response.

Impairment indicators

Question 5

Paragraph 63 proposes amendments to the indicators that an entity considers to assess if there is an indication that an asset may be impaired. Please indicate:

- (a) if you agree with the amendments. If not, please explain why; and

(b) if there are any additional indicators that entities may consider.

General matters for comment

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