



ACCOUNTING STANDARDS BOARD

THE STANDARD OF GENERALLY RECOGNISED ACCOUNTING PRACTICE

HERITAGE ASSETS (GRAP 103)



GRAP 103

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HERITAGE ASSETS

This Standard was originally issued by the Accounting Standards Board (the Board) in July 2008. Since then, it has been amended by:

- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 25 on *Employee Benefits*
- Consequential amendments following the revisions to GRAP 5 *Borrowing Costs* and GRAP 100 *Discontinued Operations* in 2013.
- Improvements to the Standards of GRAP, issued by the Board in November 2013.
- Consequential amendments when the following Standards of GRAP became effective:
 - GRAP 105 *Transfers of Functions Between Entities Under Common Control*
 - GRAP 106 *Transfers of Functions Between Entities Not Under Common Control*
 - GRAP 107 *Mergers*
- Consequential amendments following the amendments to the Standards of GRAP on *Investment Property* and *Property, Plant and Equipment* (2014) issued on 26 May 2015.
- Improvements to the Standards of GRAP, issued by the Board in November 2017.
- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 32 *Service Concession Arrangements: Grantor*
- Consequential amendments when the following Standard of GRAP became effective:
 - GRAP 110 *Living and Non-living Resources*
- Amendments to the Standard of GRAP on *Heritage Assets* issued in June 2022.



Introduction

This pronouncement is set out in paragraphs .01 to .108B. All paragraphs in this pronouncement have equal authority. The status and authority of appendices are dealt with in the preamble to each appendix. This pronouncement should be read in the context of its objective, its basis for conclusions and/or the basis for conclusions of its international equivalent, if applicable, the *Preface to the Standards of GRAP* and the *Framework for the Preparation and Presentation of Financial Statements*¹.

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.

Directives should be read in conjunction with the applicable Standards of GRAP and Interpretations of the Standards of GRAP.

¹ In June 2017, the Board replaced the *Framework for the Preparation and Presentation of Financial Statements* with the *Conceptual Framework for General Purpose Financial Reporting*.

Objective

- .01 The objective of this Standard is to prescribe the accounting treatment for heritage assets and related disclosure requirements.

Scope

- .02 *An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the recognition, measurement and disclosure of all assets that meet the definition of a heritage asset, except:*
- (a) *the initial recognition and initial measurement of heritage assets acquired in a transfer of functions between entities under common control (see the Standard of GRAP on Transfer of Functions Between Entities Under Common Control) or a merger (see the Standard of GRAP on Mergers);*
 - (b) *bearer plants and biological assets related to agricultural activity (see the Standards of GRAP on Property, Plant and Equipment (GRAP 17) and Agriculture (GRAP 27)); and*
 - (b)A *living and non-living resources other than land (see the Standard of GRAP on Living and Non-living Resources (GRAP 110)).*
- .03 [Deleted].
- .03A This Standard applies to heritage assets after its initial recognition and measurement in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor (GRAP 32).

Definitions

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

Carrying amount *is the amount at which an asset is recognised after deducting accumulated impairment losses.*

Class of heritage assets *means a grouping of heritage 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.*

Cost *is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.*

Cultural significance *means aesthetic, architectural, historical, scientific, social, spiritual, linguistic or technological value or significance.*

Fair value *is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.*

Heritage assets are assets that have cultural significance, ~~environmental, historical, natural, scientific, technological or artistic significance~~ and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an entity is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

Heritage assets

Cultural significance

.04A In applying the definition of a heritage asset, an entity needs to assess the item's cultural significance. "Cultural significance" is a broad term that means that the item has significance or other special value because of:

- (a) its importance in the community, or pattern of South Africa's history;**
- (b) its possession of uncommon, rare or endangered aspects of South Africa's natural or cultural heritage;**
- (c) its potential to yield information that will contribute to an understanding of South Africa's natural or cultural heritage;**
- (d) its importance in demonstrating the principal characteristics of a particular class of South Africa's natural or cultural places or objects;**
- (e) its importance in exhibiting particular aesthetic characteristics valued by a community or cultural group;**
- (f) its importance in demonstrating a high degree of creative or technical achievement at a particular period;**

- (g) its strong or special association with a particular community or cultural group for social, cultural or spiritual reasons;
- (h) its strong or special association with the life or work of a person, group or organisation of importance in the history of South Africa; and
- (i) sites of significance relating to the history of slavery in South Africa.

.04B Characteristics often displayed by heritage assets include the following:

- (a) their cultural significance value in cultural, environmental, educational, technological, and historical terms is unlikely to be fully reflected in monetary terms;
- (b) ethical, legal and/or statutory obligations may impose prohibitions or severe stipulations on a heritage asset's use, disposal, transfer or exchange, by sale (hereafter referred to as protective rights);
- (c) they are often irreplaceable;
- (d) their value may increase over time even if their physical condition deteriorates;
- (e) they have an indefinite life and their value appreciates over time due to their cultural, environmental, educational, natural, scientific, technological, artistic or historical significance; and
- (f) they are protected, kept unencumbered, cared for and preserved.

These characteristics are not necessarily exclusive to all heritage assets.

.05 Illustrations of the range of assets that can be regarded as ~~classes of~~ heritage assets include the following:

- (a) places, buildings, structures and equipment of cultural significance;
- (b) places to which oral traditions are attached or which are associated with living heritage;
- (c) historical settlements and townscapes;
- (d) landscapes and natural features of cultural significance;
- (e) geological sites of scientific or cultural importance;
- (f) archaeological and palaeontological sites;
- (g) graves and burial grounds, including:
 - (i) ancestral graves;
 - (ii) royal graves and graves of traditional leaders;
 - (iii) graves of victims of conflict;
 - (iv) graves of individuals;
 - (v) historical graves and cemeteries;

- (vi) other human remains;
- (h) sites of significance relating to the history of slavery in South Africa;
- (i) protected areas; and
- (j) movable objects, including:
 - (i) objects recovered from the soil or waters of South Africa, including archaeological and palaeontological objects and material, meteorites and rare geological specimens;
 - (ii) objects to which oral traditions are attached or which are rare geological specimens;
 - (iii) ethnographic art and objects;
 - (iv) military objects;
 - (v) objects of decorative or fine art;
 - (vi) objects of scientific or technological interest; and
 - (vii) books, records, documents, photographic positives and negatives, graphic, film or video material or sound recordings, excluding those that are public records as designated in legislation.
- ~~(a) — works of art, antiquities and exhibits such as preserved biological and mineral specimens or technological artifacts;~~
- ~~(b) — collections of insects, butterflies and fossils;~~
- ~~(c) — collections of rare books, manuscripts, records, photographic positives and negatives, and other reference material held by libraries to be preserved for their historical and cultural value;~~
- ~~(d) — objects of scientific or technological interest;~~
- ~~(e) — historical monuments, such as graves and burial grounds;~~
- ~~(f) — archaeological and paleontology sites;~~
- ~~(g) — conservation areas, such as national parks;~~
- ~~(h) — historical buildings that have a significant historical association;~~
- ~~(i) — movable objects, such as military insignia, medals, coins, stamp collections or objects of decorative or fine art; and~~
- ~~(j) — recreational parks used for leisure to be preserved for the benefit of present and future generations.~~

.05A For an item to have “cultural significance” as described in paragraph .04A, it need not have significance in a South African context. Items could have a broader cultural significance as described in the circumstances in paragraphs (e) to (g).

- .06 ~~[Deleted]~~ Characteristics often displayed by heritage assets include the following:
- ~~(a) their cultural significance value in cultural, environmental, educational, technological, and historical terms is unlikely to be fully reflected in monetary terms;~~
 - ~~(b) ethical, legal and/or statutory obligations may impose prohibitions or severe stipulations disposal, by sale;~~
 - ~~(c) they are often irreplaceable;~~
 - ~~(d) their value may increase over time even if their physical condition deteriorates;~~
 - ~~(e) they have an indefinite life and their value appreciates over time due to their cultural significance cultural, environmental, educational, natural, scientific, technological, artistic or historical significance; and~~
 - ~~(f) they are protected, kept unencumbered, cared for and preserved.~~
- ~~These characteristics are not necessarily exclusive to all heritage assets.~~
- .07 ~~[Deleted]~~ Entities may have large holdings of heritage assets that have been acquired over many years and by various means, for example, through purchase, discovery, donations, or bequests. These assets are not necessarily held for their ability to generate cash inflows, and there may be ethical, legal, or social obstacles to using them for such purposes.
- .08 ~~[Deleted]~~ In order to meet the definition of an asset, it must be controlled by the entity as a result of past events and future economic benefits, or service potential are expected to flow to the entity from holding it. Some entities hold heritage assets to meet service delivery objectives rather than to generate future economic benefits. The service potential embodied in a heritage asset arises from the benefit to preserve the specific asset for present and future generations.

Heritage assets with more than one use

- .09 Some heritage assets have more than one use purpose, e.g., a an historic building which, in addition to meeting the definition of a heritage asset, is also used as office accommodation. ~~The entity needs to determine whether the significant portion of the asset meets the definition of a heritage asset. The entity must use its judgement to make such an assessment. Irrespective of whether a heritage asset has more than one use, it is~~ The asset should be accounted for as a heritage asset in accordance with this Standard if, and only if, the definition of a heritage asset is met, ~~and only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. If, however, the definition of a heritage asset is not met, or a significant portion is held for use in the production or supply of goods or services or for administrative purposes, the asset should not be accounted for as a heritage asset. Instead, the entity should account for the asset in accordance with the applicable Standard of GRAP.~~

- .10 ~~If, however, the definition of a heritage asset is not met, or a significant portion is held for use in the production or supply of goods or services or for administrative purposes, the asset should not be accounted for as a heritage asset. Instead, the entity should account for the asset in accordance with the applicable Standard of GRAP.~~ A building used to house heritage assets is recognised as a heritage asset only if it also meets the definition of a heritage asset. If not, the building should be accounted for in accordance with GRAP 17.
- .11A In some instances, items of property, plant and equipment may be required to safeguard or otherwise operate the heritage assets. For example, a museum may maintain a constant room temperature to safeguard a manuscript collection using a specialised air conditioning system, or include elevators, escalators, display units, etc. to view the assets. Such items of property, plant and equipment are recognised as assets in terms of GRAP 17 and not as part of the cost of the heritage asset.
- .11 ~~[Deleted]Some heritage assets are described as “inalienable”, because the entity is restricted from disposing of these heritage assets, unless approval is granted. Stipulations may be imposed, inter alia, by a trust, statute or law, or from the transferor’s stipulations on disposal, use, alteration, etc. For example, the department of arts and culture may acquire a historical building through a donation subject to conditions restricting the building’s use to a museum.~~
- .12 ~~[Deleted]For some entities, heritage assets are essential to the performance of the principal objectives of the entity. For example, the fundamental objective of a museum is to restore, conserve and preserve heritage assets for the benefit of present and future generations. Yet, a heritage asset may be incidental to the fundamental objective of the entity, such as a bequest of an art collection to a local authority.~~

Recognition

- .13 ***A heritage asset shall be recognised as an asset if, and only if:***
- (a) it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and***
- (b) the cost or fair value of the asset can be measured reliably.***
- .14 For the heritage asset to be recognised in accordance with the criteria in paragraph .13, it needs to be controlled by the entity as a result of past events (see the definition of assets in paragraph .04). Even though a protective right may be imposed on a heritage asset, ~~the entity may be restricted from disposing of a heritage asset based on a stipulation imposed by, for example, a trust, statute or law, or from the transferor’s stipulations,~~ the heritage asset is still controlled by the entity when it is able to generate future economic benefits or service potential from the asset. Accordingly, the entity recognises the heritage asset when the recognition criteria in paragraph .13 are met.

- .14A Some heritage assets are described as “inalienable” because protective rights are imposed on ~~because the entity is restricted from disposing of these heritage assets,~~ unless approval is granted. Stipulations may be imposed, inter alia, by a trust, statute or law, or from the transferor’s stipulations on disposal, use, alteration, etc. For example, the department of arts and culture may acquire a historical building through a donation subject to conditions restricting the building’s use to a museum. Despite these protective rights, an entity will account for the heritage asset if it controls the heritage asset.
- .14B ~~In order to~~ To meet the definition of an asset, the asset ~~it must be controlled by an the~~ entity as a result of past events, and when future economic benefits, or service potential are expected to flow to the entity ~~from~~ holding it. Entities generally hold heritage assets to meet service delivery objectives rather than to generate future economic benefits. Some entities may also hold heritage assets incidental to meeting their service delivery objectives. For example, a municipality may receive an art collection through a donation and use it for decorative purposes in its offices. The service potential embodied in a heritage asset arises from the benefit to preserve the specific asset for present and future generations.
- .15 The entity uses judgement to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.
- .15A Entities may have large holdings of heritage assets that have been acquired over many years and by various means, for example, through purchase, discovery, donation, or bequest. These assets are not necessarily held for their ability to generate cash inflows, and there may be ethical, legal, or social obstacles to using them for such purposes.
- .16 Future economic benefits or service potential flowing from a heritage asset may include revenue, for example an entrance fee charged by a museum. The revenue generated by the entity under such circumstances is normally insignificant compared to the operating costs of the museum. The revenue generated is rather used towards the maintenance of the heritage asset. The heritage asset should, however, be accounted for in terms of this Standard as the heritage value attached to the specific asset constitutes its service potential.
- .16A This Standard does not prescribe the unit of measure for recognition of a class of heritage assets. Thus, judgement is required in applying the recognition criteria to an entity’s specific circumstances. It may be appropriate to aggregate items when this is a more relevant representation of the items’ cultural significance. For example, a single item may have limited cultural significance but, when combined with a number of similar items, the collection has increased cultural significance.
- .17 If the cost or fair value of an asset cannot be measured reliably on initial recognition as noted in paragraphs .47A to .47C, the heritage asset shall not be recognised as the recognition criteria are not met (see paragraph .13). Instead, if**

~~an entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.~~

.17A An entity shall assess at each reporting date whether there is an indication that a heritage asset that did not meet the recognition criteria in paragraph .13 on initial recognition, can subsequently be measured reliably. If any such indication exists, the entity shall recognise the heritage asset.

.17B In assessing whether a heritage asset can subsequently be measured reliably, an entity shall consider, as a minimum, the following indicators:

- (a) Changes in the condition of the heritage asset.**
- (b) Information about the fair value of a heritage asset becomes available.**
- (c) Changes in the demand by the market for a specific heritage asset.**

.17C The above list is not exhaustive. There may be other indicators that result in a reliable value becoming available that enables the entity to recognise a heritage asset when the recognition criteria in paragraph .13 are met.

.17D A change in the condition of the heritage asset may occur for example, when a heritage asset is restored into a useable condition and can now be compared to heritage assets selling in the market. Information about a heritage asset can become available, for example, through the establishment of new markets or new valuation techniques being developed. Changes in the demand by the market may also be triggered by changes in technology that result in a reliable value becoming available for a heritage asset.

.18 Judgement is required in applying the initial recognition criteria to the specific circumstances surrounding the entity and the asset. If, on initial recognition of a heritage asset, it cannot be reliably measured by the entity, then it should not be recognised as such in the financial statements. Instead, relevant, and useful information about the heritage asset, as required in paragraph .96, should be disclosed until the heritage asset can subsequently be measured reliably.

.18A When a reliable measure becomes available after initial recognition, the heritage asset shall be recognised. The resulting difference should be recognised in surplus or deficit and classified using the relevant Standard of GRAP. Information about the recognised heritage asset, as required by paragraph .99A, shall be disclosed.

.19 ~~[Deleted]~~In some instances, items of property, plant and equipment may be required to safeguard the heritage assets. For example, a museum may maintain a constant room temperature to safeguard a manuscript collection using an air conditioning system. Such items of property, plant and equipment are recognised as assets in terms of GRAP 17 and not as part of the cost of the heritage asset.

- .20 If the heritage asset is not recognised in terms of paragraph .17, any initial costs to assess the state of the heritage asset and any costs incurred subsequently should be recognised in surplus or deficit as incurred.
- .21 Under the recognition principles in paragraph .13, the entity does not recognise in the carrying amount of a heritage asset the day-to-day operating costs of the heritage asset, or the costs to maintain or to hold the heritage asset. Rather, these costs are recognised in surplus or deficit as incurred. For example, the day-to-day operating costs incurred to maintain an air conditioning system in a library that is necessary to ensure that the books are kept in good condition, should be expensed as incurred. Such day-to-day operating costs also include the costs of inspecting the heritage asset, consumables, and other maintenance costs.
- .21A Under the recognition principle in paragraph .13, an entity recognises in the carrying amount of a heritage asset, the cost of a replacement for part of the asset. The carrying amount of the parts that are replaced is derecognised in accordance with the derecognition provisions of this Standard (see paragraphs .82 to .85A).
- .22 Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life should be capitalised as part of its cost. Such costs should be recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria in paragraph .13 are met.
- .23 Reference should be made to the guidance on research and development costs in the Standard of GRAP on *Intangible Assets* (GRAP 31) for guidance on the treatment of exploration costs in searching for new heritage assets. GRAP 31 requires that expenditure incurred on research or on the research phase of an internal project, for example, exploration costs, should be recognised as an expense when it is incurred as the entity cannot demonstrate that a heritage asset that meets the definition and recognition criteria in terms of this Standard will be located. Only when the criteria for development costs, as set in GRAP 31 are met, should these costs be capitalised in the carrying amount of the heritage asset.

Measurement at recognition

- .24 A heritage asset that qualifies for recognition as an asset shall be measured at its cost.**
- .25 Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.**
- .26 A heritage asset may be acquired through a non-exchange transaction. For example, a museum may receive a valuable art collection from an estate benefactor. Under these circumstances, the cost of the heritage asset is its fair value as at the date of acquisition. In determining the fair value of a heritage asset acquired through a non-exchange transaction, the entity should apply the principles in paragraphs .38 to .48. Any transaction costs incurred are recognised in accordance with the requirements of paragraphs .28 to .30.

- .27 For the purposes of this Standard, the measurement at recognition of a heritage asset acquired through a non-exchange transaction, at its fair value consistent with the requirements of paragraph .25 does not constitute a revaluation.

Elements of cost

- .28 The cost of a heritage asset comprises:
- (a) its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
 - (b) any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- .29 Examples of directly attributable costs are:
- (a) costs of employee benefits (as defined in the Standard of GRAP on *Employee Benefits*) which may arise, for example, from the initial assessment of the state of a heritage asset by museum staff when initially acquired along with any time spent on the restoration of an asset;
 - (b) costs incurred to remove the heritage asset or restore the site where it is located;
 - (c) professional fees;
 - (d) property transfer taxes;
 - (e) initial delivery and handling costs;
 - (f) installation and assembly costs; and
 - (g) other transaction costs.
- .30 Examples of costs that are not included in the carrying amount are:
- (a) costs of opening a new exhibition, e.g., a new section in a museum to display an art collection;
 - (b) costs of conducting operations in a new location (including staff training); and
 - (c) administration and other general overhead costs.
- .31 The cost of a heritage asset is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the allowed alternative treatment in the Standard of GRAP on *Borrowing Costs* (GRAP 5).

Measurement of cost

- .32 The cost of a heritage asset is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price

equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with GRAP 5.

- .33 One or more items of heritage assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets. The following discussion refers simply to an exchange of one non-monetary asset for another, but it also applies to all exchanges described in the preceding sentence. The cost of such an item of heritage assets is measured at fair value unless the fair value of neither the asset received, nor the asset given up is reliably measurable. If the acquired item is not measured at fair value, its cost is measured at the carrying amount of the asset given up. The acquired item is measured in this way even if an entity cannot immediately derecognise the asset given up.
- ~~.34 The fair value of an asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If an entity is able to determine reliably the fair value of either the asset received or the asset given up, then the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.~~

Measurement after recognition

- .35 An entity shall choose as its accounting policy either the cost model in paragraph .36, or the revaluation model in paragraph .37, and shall apply that policy to an entire class of heritage assets.**

Cost model

- .36 After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.**

Revaluation model

- .37 After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. The accounting treatment for revaluations is set out in paragraphs .54 to .56.**

Determining fair value

- ~~.38 This Standard requires all entities to determine the fair value of a class of heritage assets for the purpose of measurement if the entity uses the revaluation model, and for the purpose of the encouraged disclosure of fair value in paragraph .95 if it uses the cost model.~~

- .39 The fair value of a heritage asset is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Fair value specifically excludes an estimated price inflated or deflated by special terms or circumstances, such as special considerations or concessions granted by anyone associated with the exchange.
- .40 An entity determines fair value without any deduction for transaction costs it may incur on sale or other disposal.
- .41 The definition of fair value refers to "knowledgeable, willing parties". In this context, "knowledgeable" means that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the heritage asset, its actual and potential uses, and market conditions at the date of the revaluation. A willing buyer is motivated, but not compelled, to buy. Such a buyer is neither over-eager nor determined to buy at any price. The assumed buyer would not pay a higher price than a market comprising knowledgeable, willing buyers and sellers.
- .42 A willing seller is neither an over-eager nor a forced seller, prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in current market conditions. The willing seller is motivated to sell the heritage asset at market terms for the best price obtainable. The factual circumstances of the actual heritage asset owner are not a part of this consideration because the willing seller is a hypothetical owner.
- .43 The definition of fair value refers to an arm's length transaction. An arm's length transaction is one between parties that do not have a particular or special relationship that makes prices of transactions uncharacteristic of market conditions. The transaction is presumed to be between unrelated parties, each acting independently.
- .44 ~~[Deleted]When determining the fair value of a heritage asset that has more than one purpose as explained in paragraph .09, the fair value of the heritage asset should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.~~
- .45 In determining the fair value of a collection, the entity should consider whether the entire collection has a higher value than the sum of the values of the individual items making up that collection. Under such circumstances, the carrying value of the entire collection may need to be reassessed, when a group of individual heritage assets constitutes a collection. If items are removed from the collection, the value of the collection may also need to be reassessed.
- .46 The fair value of a heritage asset can be determined from market-based evidence determined by appraisal. ~~The fair value will be ascertained by reference to quoted prices in an active and liquid market. For example, current market prices can usually be obtained for certain collections of butterflies and other movable objects, such as coin or stamp collections. The existence of published price quotations in an active market is the best evidence of the fair value, such as the quoted price from recent auctions. A restriction on the disposal of a heritage asset resulting from a stipulation~~

~~imposed by, a trust, statute or law, or from the transferor's stipulations, for instance, does not preclude the entity from determining its fair value.~~ An appraisal of the value of the asset may be undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification, or by another expert with the requisite competence to undertake such appraisals in accordance with the requirements of the applicable Standards of GRAP. The valuer or other expert may be employed by the entity.

- .46A ~~The best evidence of fair value is a price quoted in an active and liquid market, for example, prices from recent sale transactions. The fair value will be ascertained by reference to quoted prices in an active and liquid market. For example, Current market prices can, usually be obtained for certain art collections and other movable objects, such as coin or stamp collections. The existence of published price quotations in an active market is the best evidence of the fair value, such as the prices from recent sale transactions quoted price from recent auctions.~~
- .47 Where no evidence is available to determine the market value in an active market of a heritage asset, a valuation technique may be used to determine its fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and reference to the current fair value of other heritage assets that have substantially similar characteristics in similar circumstances and locations, adjusted for any specific differences in circumstances. If there is a valuation technique commonly used by market participants to price such an asset, and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity may use that technique in determining the fair value.
- .47A ~~A protective right does not preclude the entity from determining fair value. Where a protective right is imposed on a heritage asset and that heritage asset is disposed, an entity should apply the disclosure requirements in paragraph .99B.~~
- .47B ~~The fair value of a heritage asset for which comparable market transactions do not exist is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that heritage asset or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.~~
- .47C ~~There are situations in which the variability in the range of reasonable fair value estimates of a heritage asset, that does not have a market value in an active market, is likely to be significant. If a fair value cannot be determined for a heritage asset because 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 example, due to the unique nature of a heritage asset, e.g. archaeological or paleontological items, or because it is unethical to value certain types of heritage assets, e.g. human remains, market information may not be~~

available, or the range of reasonable fair values could be significant. An entity may therefore not be able to determine a reliable fair value for the heritage asset.

.47D In valuing heritage assets an entity may use peer group data. Peer group data means valuing heritage assets 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 similar characteristics and be held in a similar condition as the heritage asset held by the entity. In considering peer data, an entity needs make adjustments based on the nature, condition, and specific characteristics of the heritage asset for which a reliable value is determined.

.48 In the case of specialised heritage buildings and other man-made heritage structures, such as monuments, the entity may need to determine fair value by using a replacement cost approach. The reproduction cost or the restoration cost approach may be the best indicator of the heritage asset's replacement cost.

The revaluation model

.49 The frequency of revaluations depends upon the changes in the fair values of the heritage asset being revalued. When the fair value of a revalued heritage asset differs materially from its carrying amount, a further revaluation is required. Some heritage assets experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary, however, for a heritage asset which shows insignificant changes in fair value. It may then be necessary to revalue the heritage asset only every three to five years.

.50 *If a heritage asset is revalued, the entire class of heritage assets to which that asset belongs shall be revalued.*

.51 A class of heritage assets is a grouping of assets of a similar nature or function in an entity's operations. The following are examples of separate classes:

- (a) Art collections.
- (b) Stamp collections.
- (c) Collections of rare books or manuscripts.
- (d) Historical buildings.

.52 When grouping heritage assets into classes, an entity should take into account the nature and characteristics of those assets ~~involved~~. Judgement, based on an entity's specific circumstances, is required in grouping heritage assets. It may be appropriate to aggregate individually insignificant items, and to apply the criteria to the aggregate value.

.53 Items within a class of heritage assets are revalued simultaneously to avoid selective revaluation of heritage assets and the reporting of amounts in the financial statements that are a mixture of costs and values at different dates. Nevertheless, a class of heritage assets may be revalued on a rolling basis provided revaluation of the class of

heritage assets is completed within a short period, and provided the revaluations are kept up to date.

- .54 If a heritage asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to a revaluation surplus. However, the increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.**
- .55 If the heritage asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in surplus or deficit. However, the decrease shall be debited directly in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset. The decrease recognised directly in net assets reduces the amount accumulated in net assets under the heading revaluation surplus.**
- .56 Some or all of the revaluation surplus included in net assets in respect of a heritage asset may be transferred directly to accumulated surpluses or deficits when it is derecognised. This may involve transferring some or the whole of the surplus when the heritage assets to which the surplus relates are retired or disposed of. Transfers from revaluation surplus to accumulated surpluses or deficits are not made through surplus or deficit.
- .57 Guidance on the effects of taxes on revenue, if any, resulting from the revaluation of a heritage asset, are recognised¹ and disclosed in accordance with the International Accounting Standard® on *Income Taxes*.

Inability to determine fair value reliably

- .58 There is a presumption that fair value can be measured reliably for a heritage asset. However, that presumption can be rebutted when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable. In such a case, the heritage asset shall be measured using the cost model in paragraph .36. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses.**
- .59 In the exceptional cases when the entity is compelled, for the reason given in the previous paragraph, to measure a heritage asset at its cost less any accumulated impairment losses, the entity should continue to account for each of the remaining heritage assets using the revaluation model.
- .60 If an active market no longer exists for a revalued heritage asset, the entity needs to assess whether it might be impaired in accordance with the Standards of GRAP on *Impairment of Non-cash-generating Assets* (GRAP 21) and *Impairment of Cash-generating Assets* (GRAP 26).

- .61 If the fair value of the heritage asset can be determined by reference to an active market at a subsequent measurement date, the revaluation model is applied from that date.

Impairment

- .62 ***A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.***
- .63 ***In assessing whether there is an indication that an asset may be impaired, an entity shall consider, as a minimum, the following indicators indications:***

External sources of information

- (a) ***During the period, a heritage asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.***
- (b) ***The absence of an active market for a revalued heritage asset.***
- (bA) Significant long-term changes with an adverse effect on the asset have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the entity operates.***

Internal sources of information

- (a) ***Evidence is available of physical damage or deterioration of a heritage asset.***
- (b) ***A decision to halt the construction of the heritage asset before it is complete or in a usable form.***
- .64 The above list is not exhaustive. An entity may identify other indicators indications that a heritage asset may be impaired, and these would also require the entity to determine the heritage asset's recoverable amount or recoverable service amount. A change in the use of a heritage asset does not necessarily indicate impairment, but may require the asset to be transferred in terms of paragraphs .71 and .73.
- .65 A decline in the demand for an art collection of a famous artist, or a decline in the demand for a specific ~~coin fossil~~ collection, could indicate an impairment of the heritage asset. In assessing whether impairment has occurred, the entity must assess changes in the future economic benefits or service potential.
- .66 Impairment can arise from physical damage to a heritage asset, for example damage by fire or flood. The physical damage to a tape that contains a voice recording of a famous person will result in the impairment of the intangible heritage asset itself if sound quality on the tape is affected.

- .67 In assessing whether a halt in the construction of a heritage asset has triggered impairment, the reason for it should be considered. If the construction work will not be completed in the foreseeable future, the heritage asset may have been impaired.
- .67A A deterioration in the condition of the heritage asset may arise when the asset is not properly maintained, managed and preserved by the entity. For example, an art collection needs to be held under certain climatic and lighting conditions. Not preserving a heritage asset under the right conditions may result in an impairment.
- .68 The existence of impairment indicators will result in the entity estimating the heritage asset's recoverable amount and recoverable service amount determined in accordance with GRAP 21 and GRAP 26. GRAP 21 and GRAP 26 explain how an entity reviews the carrying amount of its assets, how it determines the recoverable amount or recoverable service amount of an asset, and when it recognises or reverses the recognition of, an impairment loss. Any excess of the carrying amount over the recoverable amount or recoverable service amount should be recognised as an impairment loss.

Compensation for impairment

- .69 Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.**
- .70 Impairments or losses of heritage assets, related claims for or payments of compensation from third parties and any subsequent purchase or replacement of heritage assets, are separate economic events that are accounted for separately as follows:
- Impairments of a heritage asset are recognised in accordance with GRAP 21 and GRAP 26.
 - Derecognition of a heritage asset retired or disposed of is determined in accordance with this Standard.
 - Compensation from third parties for a heritage asset that has been impaired, lost, or given up is included in determining surplus or deficit when it becomes receivable.
 - The cost of a heritage asset restored, purchased, or replaced is determined in accordance with this Standard.

Transfers

- .71 Transfers from heritage assets shall be made when, and only when, the particular asset no longer meets the definition of a heritage asset.**
- .72 Transfers from heritage assets should be made when, and only when, the asset no longer meets the definition of a heritage asset (see paragraph .04). For instance, if an item in an art collection is destroyed in a fire and the remaining paintings in the

collection no longer meet the definition of a heritage asset, the remaining value of the collection should be transferred from heritage assets to property, plant and equipment, providing the definition of property, plant and equipment in GRAP 17 is met.

- .73 Transfers to heritage assets shall be made when, and only when, the asset meets the definition of a heritage asset.**
- .74 In some instances, the classification of an asset may change when the definition of a heritage asset is met. For example, a work of art may have been initially acquired for decorative purposes, but the entity may decide to preserve it as a result of its artistic significance after the death of the artist.
- .75 Changed circumstances may result in a transfer from inventory or property, plant or equipment, because the asset now meets the definition of a heritage asset. For example, the Department of Defence, which previously classified military medals as inventory, may decide that it should preserve the medals because of their historical significance. As these assets now meet the definition of a heritage asset, they should be treated as such.
- .76 Paragraphs .77 to .81 apply to the recognition and measurement issues that arise when the entity uses the revaluation model for heritage assets. When the entity uses the cost model, transfers between heritage assets, items of property, plant and equipment, inventories, investment property or intangible assets do not change the carrying amount of the asset transferred, or its cost for measurement or disclosure purposes.
- .77 For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting in accordance with the applicable Standard of GRAP shall be its revalued amount at the date of transfer. The entity shall apply the principles in this Standard up to the date of transfer. The entity treats any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard.**
- .78 If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset.**
- .79 The entity recognises any impairment losses that have occurred up to the date when a heritage asset becomes an item of property, plant and equipment, an investment property, or an intangible asset. The entity depreciates the asset and recognises any impairment losses that have occurred up to the date when an item of property, plant and equipment or an intangible asset becomes a heritage asset at a revalued amount. The entity treats any difference at that date between the carrying amount of the asset

to be transferred and its fair value in the same way as a revaluation in accordance with the principles of this Standard, or in accordance with the principles in the applicable Standard of GRAP relating to that asset, as appropriate. In other words:

- (a) any resulting decrease in the carrying amount of the asset is recognised in surplus or deficit. To the extent, however, that an amount is included in revaluation surplus for that asset, the decrease is charged against that revaluation surplus; and
- (b) any resulting increase in the carrying amount is treated as follows:
 - (i) To the extent that the increase reverses a previous impairment loss for that asset, the increase is recognised in surplus or deficit. The amount recognised in surplus or deficit does not exceed the amount needed to restore the carrying amount to that which would have been determined (net of depreciation) had no impairment loss been recognised.
 - (ii) Any remaining part of the increase is credited directly to net assets in the revaluation surplus.

.80 When a heritage asset carried at a revalued amount is transferred to inventories, the revaluation reserve included in net assets in respect of the heritage asset should be transferred directly to the accumulated surplus or deficit when the inventory is consumed or distributed in the production process, or in the ordinary course of operations.

.81 *For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount shall be recognised in surplus or deficit.*

Derecognition

.82 *The carrying amount of a heritage asset shall be derecognised:*

- (a) *on disposal (including disposal through a non-exchange transaction); or***
- (b) *when no future economic benefits or service potential are expected from its use or disposal.***

.83 The gain or loss arising from the derecognition of a heritage asset shall be *included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on Leases (GRAP 13) requires otherwise on a sale and leaseback).*

.84 The disposal of a heritage asset may occur in a variety of ways (e.g., by sale or by entering into a finance lease or through a non-exchange transaction). In determining the date of disposal of a heritage asset, the entity applies the criteria in the Standard of GRAP on *Revenue from Exchange Transactions* (GRAP 9), for recognising revenue from the sale of goods. GRAP 13 applies to a disposal by a sale and leaseback.

- .85 The consideration receivable on disposal of a heritage asset is recognised initially at its fair value. If payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue in accordance with GRAP 9 reflecting the effective yield on the receivable.
- .85A If, under the recognition principle in paragraph .13, an entity recognises in the carrying amount of a heritage asset, the cost of a replacement for part of the asset, then it derecognises the carrying amount of the replaced part. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed.

Disclosure

- .86 The financial statements shall disclose, for each class of heritage assets recognised in the financial statements:**
- (a) the measurement bases used for determining the gross carrying amount;**
 - (b) the gross carrying amount aggregated with accumulated impairment losses at the beginning and end of the period;**
 - (c) a reconciliation of the carrying amount at the beginning and end of the period showing:**
 - (i) additions;**
 - (ii) disposals;**
 - (iii) acquisitions through a transfer of functions between entities under common control, a transfer of functions between entities not under common control or a merger;**
 - (iv) increases or decreases resulting from revaluations under paragraphs .37, .54 and .55 and from impairment losses recognised or reversed directly in net assets in accordance with GRAP 21 or GRAP 26, as appropriate;**
 - (v) impairment losses recognised in surplus or deficit in accordance with GRAP 21 or GRAP 26, as appropriate;**
 - (vi) impairment losses reversed in surplus or deficit in accordance with GRAP 21 or GRAP 26, as appropriate;**
 - (vii) the net exchange differences arising from the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity;**

(viii) transfers to and from property, plant and equipment, investment property, inventories or intangible assets; and

(ix) other changes.

.87 An entity shall disclose the following in the notes to the financial statements in relation to heritage assets which are in the process of being constructed or developed:

- (a) The cumulative expenditure recognised in the carrying value of such heritage assets. These expenditures shall be disclosed in aggregate per class of heritage asset.*
- (b) An analysis of the carrying value of heritage assets that are taking a significantly longer period of time to complete than expected, including reasons for any delays.*
- (c) An analysis of the carrying value of heritage assets where construction or development has been halted. The entity shall also disclose reasons for halting the construction or development of the asset and indicate whether any impairment losses have been recognised in relation to these assets.*

In providing the disclosures in paragraphs .87(b) and (c) an entity shall decide how to present the information required, i.e. individually or in aggregate, for example per project, per class or another relevant basis.

.88 An entity shall ~~separately~~ disclose separately expenditure incurred to repair and maintain heritage assets in the notes to the financial statements.

.89 As entities may apply different bases for determining expenditure on repairs and maintenance, an entity shall disclose information about the specific costs included in the amount of repairs and maintenance disclosed in the notes. In determining the amount disclosed in the notes to the financial statements on expenditure incurred to repair and maintain heritage assets, an entity may include amounts paid to service providers, as well as amounts spent on materials and time spent by employees in repairing and maintaining the asset(s).

.90 ~~[Deleted] To the extent that it provides useful and relevant information, entities are encouraged to disclose:~~

- ~~(a) information that will enable users to appreciate the age and/or condition of the heritage assets; and~~
- ~~(b) information on heritage assets that are borrowed from, or on loan to other entities.~~

.90A For heritage assets that are borrowed from, or on loan to other entities, at the reporting date, the following shall be disclosed:

- (a) a description of the heritage asset borrowed from or on loan to the other entity;**

(b) the entity from which the heritage asset is borrowed or the entity to which the heritage asset is on loan; and

(c) the period for which the heritage asset will be borrowed or on loan.

.90B An entity should apply judgement to assess if the disclosures in paragraph .90A should be provided for individual heritage assets or collections of similar heritage assets based on the nature of the heritage assets that are borrowed from, or on loan to other entities.

.91 The financial statements shall also disclose for each class of heritage assets recognised in the financial statements:

- (a) the existence and amounts of restrictions on title and disposal of heritage assets;***
- (b) heritage assets pledged as securities for liabilities;***
- (c) the amount of contractual commitments for the acquisition, maintenance, and restoration of heritage assets; and***
- (d) if it is not disclosed separately on the face of the statement of financial performance, the amount of compensation from third parties for items of heritage assets that were impaired, lost or given up that is included in surplus or deficit.***

.92 Heritage assets should be presented as a separate line item on the face of the statement of financial position.

.93 In accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3), an entity discloses the nature and effect of a change in an accounting estimate in the current period or subsequent periods.

.94 Where a heritage asset has more than one use, information about the heritage asset's alternative use shall be disclosed in the notes to the financial statements. ~~The financial statements shall disclose information about the alternative use and value of heritage assets that are used by the entity for more than one purpose.~~

.95 If a class of heritage assets is stated at revalued amounts, the following shall be disclosed:

- (a) the effective date of the revaluation;***
- (b) the method used to determine the heritage asset's fair value;***
- (c) the significant assumptions applied in estimating the heritage assets' fair values;***
- (d) the extent to which the heritage assets' fair values were determined directly by reference to observable prices in an active market or recent***

market transactions on arm's length terms, or were estimated using other valuation techniques; and

- (e) the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to owners of net assets.*

.96 In accordance with GRAP 21 or GRAP 26, as appropriate, an entity discloses information on impaired heritage assets in addition to the information required by paragraphs .86(c)(iv) to (vi).

.97 *Financial statements shall also disclose the carrying amount of each class of heritage assets retired from active use and held for disposal.*

.98 ~~[Deleted] When the cost model is used, financial statement users also find information relevant to the fair value of the heritage asset when this is materially different from the carrying amount. Therefore, entities are encouraged to disclose these amounts.~~

.99 *When an entity does not recognise a heritage asset, or a class of heritage assets as a result of reliable measurement not being possible on initial recognition (see paragraph .17), the entity shall disclose the following for each heritage asset or class of heritage assets:*

- (a) a description of the heritage asset or class of heritage assets;*
- (b) the reason why the heritage asset or class of heritage assets could not be measured reliably; and*
- (c) on disposal of the heritage asset or class of heritage assets, the compensation received, and the amount recognised in the statement of financial performance; and*
- (d) where a protective right is imposed on the heritage asset or class of heritage assets, the disclosures as required by paragraph .99B(a) and (c).*

.99A *When a heritage asset, or class of heritage assets can be measured reliably after initial recognition (see paragraph .17A), the entity shall disclose the following for each heritage asset or class of heritage assets:*

- (a) a description of the heritage asset or class of heritage assets;*
- (b) the events or circumstances that led to a reliable value becoming available; and*
- (c) the value at which the heritage asset or class of heritage assets are recognised.*

.99B *Where a protective right is imposed on a heritage asset, or a class of heritage assets, the financial statements shall disclose:*

- (a) a description of the heritage asset or class of heritage assets on which protective rights are imposed;*

(b) the carrying value of the heritage asset or class of heritage assets on which protective rights are imposed; and

(c) a description of the protective right.

.99C Where a protective right is imposed on a heritage asset, or a class of heritage assets, and the heritage asset or class of heritage asset is disposed, the financial statements shall disclose:

(a) a description of the heritage asset or class of heritage assets that were disposed;

(b) the circumstances that permitted the entity to dispose of the asset; and

(c) the compensation received and the amount recognised in the financial statements.

.99D An entity should apply judgement to assess if the disclosures in paragraphs .99B and .99C 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.

.100 In the exceptional cases referred to in paragraph .58, when an entity measures a heritage asset or class of heritage assets using the cost model, the reconciliation required by paragraph .86 shall disclose amounts relating to that heritage asset or class of heritage assets separately from amounts relating to other heritage assets or classes of heritage assets. In addition, an entity shall disclose:

(a) a description of the heritage asset or class of heritage assets;

(b) an explanation why fair value cannot be determined reliably;

(c) on disposal of the heritage asset or class of heritage assets;

(i) the fact that the entity has disposed of the heritage asset or class of heritage assets;

(ii) the carrying amount of that heritage asset or class of heritage assets at the time of sale; and

(iii) the amount of gain or loss recognised.

.101 [Deleted]To the extent that information is available, entities are encouraged to disclose the range of estimates within which fair value is highly likely to lie when a heritage asset or a class of heritage assets are not recognised on initial recognition because they could not be measured reliably (see paragraph .17). Entities are further encouraged to disclose the range of estimates within which fair value is highly likely to lie when heritage assets are measured using the cost model under the exceptional cases referred to in paragraph .58.

.102 *If the fair value of the heritage asset or class of heritage assets previously measured at cost less any impairment losses becomes reliably measurable during the current period, an entity shall disclose for those heritage assets or classes of heritage assets:*

- (a) a description of the heritage asset or class of heritage assets;*
- (b) an explanation why fair value has become reliably measurable; and*
- (c) the effect of the change.*

Transitional provisions

Initial adoption of the Standards of GRAP

.103 *The transitional provisions to be applied by entities on the initial adoption of this Standard are prescribed in a directive(s). The provisions of this Standard should be read in conjunction with each applicable directive.*

Amendments to Standards of GRAP

.104 ~~*[Deleted] Paragraphs .02, .03, .04, .11, .16, .26, .27, .37, .53, .56, .57, .82, .83, and .84 were amended and paragraphs .33 and .34 were added by the Improvements to the Standards of GRAP issued on 1 April 2014. An entity shall apply these amendments retrospectively for annual periods beginning on or after 1 April 2015. If an entity elects to apply these amendments earlier, it shall disclose this fact.*~~

.105 ~~*[Deleted] Paragraphs .44, .87 and .95(b) were amended by the Amendments to the Standards of GRAP on Investment Property and Property, Plant and Equipment (2014) issued on 26 May 2015. An entity shall apply these amendments prospectively in accordance with GRAP 3.*~~

.106 ~~*[Deleted] Amendments to paragraphs .88 and .89 relating to the disclosure of expenditure incurred to repair and maintain heritage assets, shall be applied prospectively.*~~

.106A ~~*[Deleted] The following paragraphs were amended by the Improvements to the Standards of GRAP issued in April 2017. These amendments are effective for annual periods beginning on or after 1 April 2018. An entity shall apply these amendments as follows:*~~

- ~~*(a) paragraph .26 shall be applied prospectively in accordance with GRAP 3; and*~~
- ~~*(b) paragraph .33 shall be applied retrospectively in accordance with GRAP 3.*~~

~~*Earlier application is encouraged. If an entity elects to apply these amendments earlier, it shall disclose this fact.*~~

.106B Paragraphs .14, .17, .18, .46, .63, .64 and .65 were amended, paragraphs .14A, .14B, .15A, .17A, .17B, .17C, .17D, .18A, .46A, .47A, .47B, .47C, .47D, .67A, .90A, .90B, .99A, .99B, .99C and .99D were added and paragraphs .07, .08, .11, .12, .104 to .106A, .108A and .108B were deleted by the Amendments to the Standards of GRAP on Heritage Assets (2022) issued on DDMM2022. An entity shall apply these amendments prospectively in accordance with GRAP 3.

.106C Paragraphs .04, .05, .09, .10 and .94, were amended, paragraphs .04A, .04B, .05A, .11A, .16A, .21A and .85A were added, and paragraphs .06, .19, .44, .38, .90, .98 and .101 were deleted by the Amendments to the Standards of GRAP on Heritage Assets (2022) issued on DDMM 2022. An entity shall apply these amendments retrospectively in accordance with GRAP 3.

.106D When, on adoption of the amendments in paragraphs .09 and .10, an entity reclassifies a heritage asset previously accounted for using another Standard of GRAP, as a heritage asset using this Standard, any previously recognised depreciation is adjusted retrospectively against accumulated surplus or deficit. The heritage asset is reclassified at its cost on initial recognition and tested for impairment on the date that the amendments are first applied.

Effective date

Initial adoption of the Standards of GRAP

.107 An entity shall apply this Standard for annual financial statements covering periods beginning on or after a date to be determined by the Minister of Finance in a regulation to be published in accordance with section 91(1)(b) of the Public Finance Management Act, Act No. 1 of 1999, as amended.

Entities already applying Standards of GRAP

.108 [Deleted].

~~.108A[Deleted]Paragraph .03A was added by GRAP 32 issued in August 2013. An entity shall apply this amendment for annual financial statements covering periods beginning on or after 1 April 2019. Earlier application is encouraged. If an entity applies the amendment for a period beginning before 1 April 2019, it shall disclose that fact.~~

~~.108B[Deleted]Paragraph .02 was amended and paragraph .03 was deleted by GRAP 110 issued March 2017. An entity shall apply these amendments retrospectively for annual financial periods beginning on or after 1 April 2020. If an entity elects to apply these amendments earlier, it shall disclose this fact.~~

Basis for conclusions

This basis for conclusions gives the Accounting Standards Board's (the Board's) reasons for accepting or rejecting certain proposals related to the accounting for heritage assets. This basis for conclusions accompanies, but is not part of, this Standard.

- BC1. This basis for conclusions summarises the Board's considerations in developing the Standard of GRAP on *Heritage Assets*. In forming its views, the Board considered the views expressed in depth and the comment received from stakeholders that responded to the Invitation to Comment (ITC) of a Discussion Paper on *Heritage Assets* issued in April 2005.
- BC2. In developing this Standard, the Board considered the principles in the Standard of GRAP on *Investment Property* (GRAP 16), GRAP 17, GRAP 27, and GRAP 31.
- BC3. A project on the accounting for heritage assets is reflected on the International Public Sector Accounting Standards Board's (IPSASB) work programme to be undertaken during the next three years. The Board will continue to monitor this project and, at an appropriate time, consider the implications of the IPSASB project on this Standard.

Background

- BC4. The Board considered whether a separate Standard should be developed, or whether guidance on the recognition, measurement and disclosure of heritage assets should be included in existing Standards of GRAP.
- BC5. Heritage assets are normally held indefinitely and for the benefit of present and future generations. As a result, a separate Standard of GRAP that deals with the recognition and measurement of heritage assets is more appropriate. Even though the principles in GRAP 17 and GRAP 31 formed the bases on which this Standard is developed, the Board is of the view that the difference in determining the useful life of a heritage asset makes it inappropriate to include heritage assets in GRAP 17. The requirement to annually assess heritage assets for impairment makes it sufficiently different from intangible assets. Consequently, the Board decided not to amend the scope of GRAP 31.
- BC6. Furthermore, the principles in GRAP 16 are applicable to assets that are held to earn rentals or for capital appreciation. Even though heritage assets may appreciate in value over time, they are held for present and future generations. Revenue generated from heritage assets are normally insignificant compared to the operating costs incurred to maintain and preserve such heritage assets. Heritage assets are therefore different to investment property. Including heritage assets in the scope of GRAP 16 is considered inappropriate.

Scope of this Standard

- BC7. The Board is of the view that the principles in this Standard should be applied to all assets that meet the definition of a heritage asset. In meeting the definition of an

asset, resources must be within the control of an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity. The service potential embodied in a heritage asset results from the heritage value attached to the specific asset.

- BC8. The definition for an intangible heritage asset in legislation is broader than the definition for an intangible asset in GRAP 31. In addition, legislation requires that heritage assets need to be designated as such before the principles of the specific Act apply to their management. The Board is of the view that some assets might also meet the definition and recognition provisions of this Standard, without them being designated as such by legislation. This Standard therefore requires that, once an asset meets the definition of a heritage asset as defined in terms of this Standard, the recognition, measurement, and disclosure requirements in this Standard should be applied to that asset, irrespective of whether that asset has been designated as a heritage asset through legislation.
- BC9. The Board considered whether an entity can manage the biological transformation of an asset that also meets the definition of a heritage asset as defined in this Standard. If the entity does not control the biological asset, the asset cannot be recognised by the entity. The Board also noted that a biological asset will only have a value while the asset is alive. GRAP 27 determines that biological assets should be measured at each reporting date at its fair value less estimated point-of-sale costs. The Board thus concluded that a biological asset should be accounted for in accordance with the requirements of GRAP 27.
- BC10. The Board also considered the application of the principles in this Standard to leases, as defined in GRAP 13. For these principles to be applicable, the lease agreement requires the commitment to make or receive minimum lease payments over the term of the lease agreement. The Board, however, concluded that it is highly unlikely that a heritage asset will be subject to an arrangement that involves minimum lease payments. Accordingly, no guidance has been included in this Standard on the leasing of heritage assets.

Impairment of heritage assets

- BC11. Entities maintain, protect, enhance, and restore heritage assets in their current status to ensure that they are preserved for the benefit of present and future generations. The Board concluded that most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial. The Board therefore concluded that heritage assets should not be depreciated, but an annual assessment should be performed to test whether any impairment indicators have been triggered.

Amendments arising from the post-implementation review (2020)

BC12. The Board completed the post-implementation review of the Standard in 2020. Based on the responses received as part of the review, the Board agreed to re-consider certain requirements in the Standard.

Review the definition of a heritage asset

BC13. Stakeholders noted that the legislative description of a heritage resource in the National Heritage Resources Act, 1999, and the South Africa Heritage Resources Agency (SAHRA) classification is clearer than the existing definition of a heritage asset. The Board agreed to review the GRAP 103 definition to better align it with the legislative description of a heritage resource. The Board noted that the definition should remain broad enough to allow for the recognition of heritage assets that are not designated as a heritage resource in legislation. A heritage asset can therefore still be accounted for as a heritage asset in terms of this Standard despite it not being designated as such in terms of legislation or similar means.

BC14. The Board considered the legislative description of a heritage resource and agreed to delete, from the GRAP 103 definition, the list of elements that need to be demonstrated to meet the definition. Instead, the Board agreed to use the legislative reference to “cultural significance”. Cultural significance includes items or objects of “aesthetic, architectural, historical, scientific, social, spiritual, linguistic or technological value or significance. In interpreting “cultural significance”, reference should be made the description in legislation as it is more specific to the guidance included in the Standard, and has a broader meaning to what is commonly understood from a plain language perspective. Despite the legislative description of a heritage asset focusing mainly on items that are of South African cultural significance, items of significance to a particular community or cultural group could also meet the definition of a heritage asset. Items that demonstrate the creative or technical achievement of a particular period could be considered heritage assets. The creative or technical achievement may have relevance for society beyond a South African context.

BC15. As a result of the changes made to the definition of a heritage asset, the characteristics displayed by heritage assets and the range of assets that could be regarded as heritage assets have also been aligned with the legislative guidance. Protected areas designated in legislation, for example areas noted in the National Environmental Management Protected Areas Act, 2003 are also examples of assets that could be regarded as heritage assets.

Classification of heritage assets with an alternative use

BC16. The Board agreed to classify all heritage assets as a single line item of the face of the statement of financial position, if material. This is because all heritage assets are held indefinitely for the benefit of present and future generations. Not classifying all

heritage assets as a single line item may distort the reason for having or holding these assets, and government may also not be able to consolidate the total value of the country's heritage estate.

BC17. Other assets that are used with a heritage asset may still need to be accounted for using another Standard of GRAP when they do not meet the definition of a heritage asset. Guidance has been included to explain this principle.

BC18. Information about a heritage asset's alternative use should be presented in the disclosure note to heritage assets in the financial statements, where this is material. As a result of the proposed amendment, the requirement that the value of a heritage asset with a significant alternative use should reflect a heritage value and another value, was also deleted.

BC19. Transitional guidance has been included to explain that when a heritage asset is reclassified from another Standard of GRAP to a heritage asset using the revised principles in GRAP 103, any previously recognised depreciation should be adjusted retrospectively against accumulated surplus or deficit. The heritage asset should be reclassified at its cost on initial recognition and should be tested for impairment on the date that the amendments are first applied.

Depreciation of heritage assets

BC20. As a result of the decision that all heritage assets should be accounted for in terms of GRAP 103, other Standards of GRAP will no longer be considered. Heritage assets will therefore not be depreciated as this is not required in GRAP 103.

Determining a reliable fair value

Use of peer data

BC21. 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 heritage asset. This guidance is derived from the Standard of GRAP of *Financial Instruments* (2019).

BC22. In considering peer data, the entity needs to ensure that there is sufficient information available about the comparable heritage asset to make appropriate adjustments. Adjustments are made based on the nature, condition, and specific characteristics of the heritage asset for which a reliable value is determined. This involves a review of the methodology and assumptions used in determining the value for the comparable heritage asset.

Protective rights imposed by legislation or similar means

BC23. Stakeholders noted that an entity may not be able to determine a reliable value for specific heritage assets such as certain archaeological and palaeontological collections, for example, fossils or human remains. The Board considered the requirements in the relevant legislation dealing with these types of objects. Legislation requires that all archaeological and palaeontological objects or material,

as well as meteorites, are the property of the State, with certain exceptions. Legislation prohibits an entity to damage, destroy, disturb, excavate, remove from its original position, trade, sell, or export any of these materials without a permit.

BC24. The Board concluded that these legislative requirements are protective rights that are enacted to protect the interest of the State over specific heritage assets. Similar to other protective rights imposed by legislation or similar means, by a trust, or a transferor, the Board agreed that protective rights will not preclude an entity from determining a fair value for a heritage asset. A heritage asset can still be traded in an active market between a willing buyer and seller despite these protective rights.

BC25. The Board proposes a new disclosure requirement to explain the protective rights that are imposed on heritage assets and/or classes of heritage assets. This disclosure is not applicable to internally imposed restrictions, and should be provided, even if the asset is not recognised.

BC26. Stakeholders noted that they find information on the disposal of heritage assets that are subject to protective right useful. The Board agreed to propose a new disclosure requirement to provide information on the reason for disposing heritage assets that are subject to protective rights.

Variability in the range of reasonable fair value estimates

BC27. Based on the feedback from stakeholders, the Board agreed to clarify the Standard to explain when a reliable measure for fair value cannot be determined. The Standard now 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. An example has also been included to explain the principle.

Re-assess if a reliable value becomes available

BC28. The Board agreed that an entity should be required to re-assess if reliable information becomes available to recognise a heritage asset, when a value could not be determined on initial recognition. This is because conditions in the market may occur after initial recognition that enable the entity to subsequently determine a reliable value for a heritage asset. The Board agreed that an indicator approach is feasible as it will be too onerous to require an annual re-assessment. Entities will only be required to determine a value for a heritage asset when specific circumstances exist or have changed from initial recognition.

BC29. The Board developed a list of indicators in consultation with preparers and valuation experts. These indicators reflect the most common circumstances or events that would result in a value becoming available after initial recognition.

BC30. Guidance has also been included to explain that when a reliable measure becomes available after initial recognition, the resulting difference should be recognised in surplus and deficit. This difference should be classified using the relevant Standards of GRAP. For example, the difference could be classified as non-exchange revenue

(either subject to conditions or restrictions) in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers) if the asset was acquired in a non-exchange transaction. However, if there is another liability associated with the heritage asset, the difference should be accounted for using another Standard of GRAP.

Aggregation of individually insignificant heritage assets

BC31. Some stakeholders noted that the separate classification of heritage assets on the statement of financial position may pose a security risk for the entity. The Board observed that this concern is not unique to heritage assets. It was agreed to include guidance, similar to those in other asset related Standards of GRAP. This guidance emphasises that information on heritage assets, or classes of heritage assets do not need to be presented and disclosed on an individual basis.

Impairment of heritage assets

BC32. Stakeholders confirmed that reflecting a decrease in the value of a heritage asset as an impairment loss provides relevant information about the heritage assets. The Board reconsidered the list of impairment indicators to include additional indicators after consultation with stakeholders, including valuation experts.

Encouraged disclosures

BC33. Other than the disclosure on information on heritage assets that are held and borrowed from, or on loan to other entities, stakeholders questioned the need for the encouraged disclosures as they have limited informational value. Often, insufficient information is available to support some of the disclosures. For example, the disclosure on the range of estimates within which fair value is likely to lie when (a) a heritage asset or class of heritage assets are not recognised on initial recognition; (b) heritage assets are measured using the cost model under the exceptional cases referred to in paragraph .58.

BC34. The Board agreed to delete the following encouraged disclosures to simplify and streamline the requirements in the Standards of GRAP:

- (a) Information about the age and condition of the heritage asset.
- (b) Disclosure of the fair value of heritage assets that are not recognised on initial recognition.
- (c) Disclosure of the fair value of heritage assets where the cost model is applied.

BC35. As users find disclosures on heritage assets that are held and borrowed from, or on loan to other entities useful, the Board agreed to provide more guidance.