

Agenda Item 11: Heritage

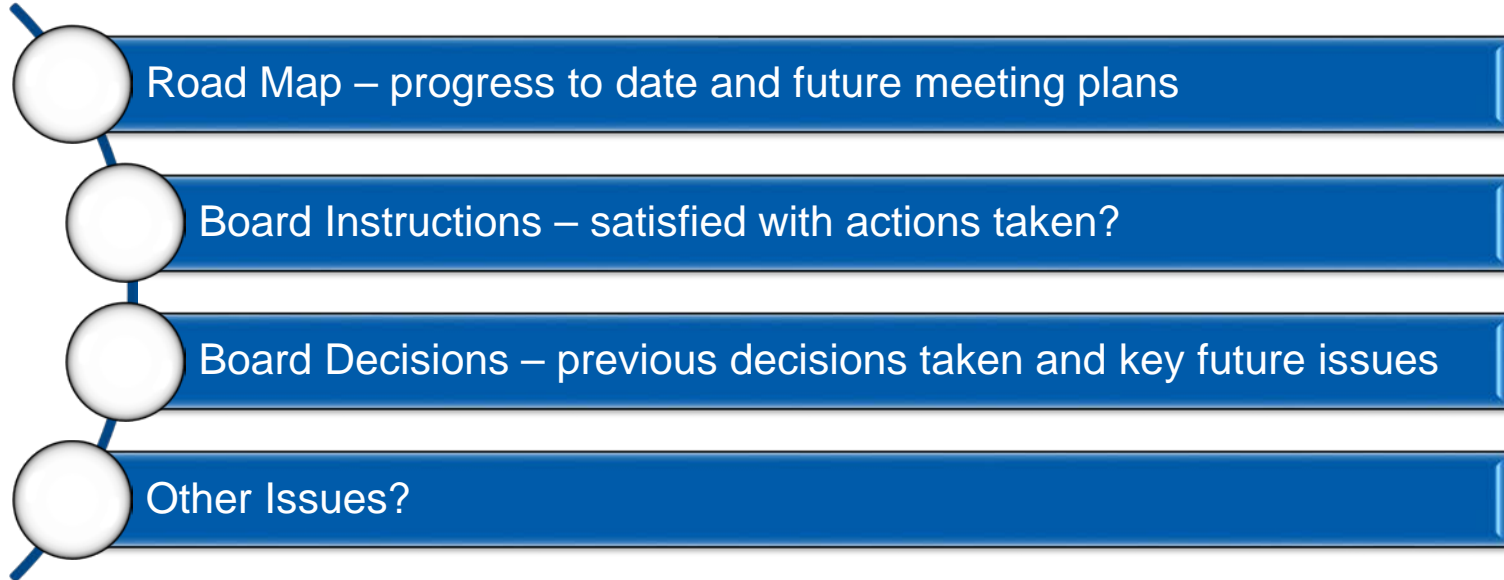
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IPSASB Meeting

September 24–27, 2019

Lisbon, Portugal

Project management: Stocktake for Heritage Project

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- Road Map – progress to date and future meeting plans
 - Board Instructions – satisfied with actions taken?
 - Board Decisions – previous decisions taken and key future issues
 - Other Issues?

Overview of Session

1. Plan to address issues
2. Ownership/ stewardship/ held in trust
3. Heritage use/ non-heritage use
4. Subsequent expenditure
5. Useful lives/ depreciation/ impairment

11.2.1 Question (Plan)

- Does the IPSASB agree with the proposed plan to address heritage-related financial reporting issues?

11.2.1 Plan: Issues and timing

Issue	Meeting
1. Ownership/stewardship/held in trust	September
2. Heritage use/ non-heritage use	
3. Subsequent expenditure	
4. Useful lives/ depreciation/ impairment	
5. Relevance/ Measurement basis	December
6. Natural heritage—coverage	
7. Techniques (and sources)	
8. Reliability/ measurability	March 2020
9. Presentation: Information to Display and Disclose	

11.2.1 Plan: Approach to each issue paper

- Working assumption – can treat heritage as generic assets
- Standard form - address recognition, measurement and then presentation (see 11.2.2 to 11.2.5)
- Include recommendation on type of text (e.g. revision to IPSAS core text or application/implementation guidance)
- Show link between each issue and June's table of issues

Decisions required

- Does the IPSASB agree with the proposed plan?

11.2.2 Question (Stewardship/ In trust)

- Does the IPSASB agree that where heritage assets are held in some type of stewardship or trust arrangement the recommendations in paragraph 11 should apply for their recognition, measurement, and presentation?

2. Ownership/ stewardship/ held in trust

- Control over heritage may relate to stewardship or items held in trust
- Stewardship can impose procedures/restrictions on heritage items' use
- These do not prevent use/access, but regulate it

2. Ownership/ stewardship/ held in trust

- Consequences:
 - *Recognition*: None. Recognize so long as heritage items can still be used to achieve entity's objectives
 - *Measurement*: Impact on choice of measurement bases
 - *Presentation*: Yes, see recommendation
- Application guidance/amendments: New note disclosure requirements - revisions to text in one or more IPSASs

11.2.2 Recommendation (Paragraph 11)

- *Recognition*: Recognize heritage items as assets if entity uses them to achieve objectives & can measure reliably
- *Measurement*: Where heritage assets:
 - Not allowed to be sold, exit prices are not suitable
 - Can be replaced, replacement cost could apply
 - Maintained, reconstruction cost could apply
 - Used to generate income, income approach is suitable

11.2.2 Recommendation (Paragraph 11)

- *Presentation:* If material then an entity could
 - Display separate line item on face of the statement of financial position, applying IPSAS 1
 - Disclose nature and content of heritage assets held in trust or for stewardship in the notes, to convey rights and obligations attached to those assets
 - Disclose extent of significant heritage items that cannot be measured reliably (in groups if possible)

Decisions required

- Does the IPSASB agree with paragraph 11's recommendations on recognition, measurement and presentation of heritage assets held in trust or for stewardship?

11.2.3 Question (Heritage Uses)

- Does the IPSASB agree that no special, heritage-specific guidance in IPSAS is needed to address recognition, measurement and presentation for different uses of heritage assets?

11.2.3 Heritage use/ non-heritage use

- Usage is a consideration for measurement of heritage assets, but IPSAS already considers impact of asset usage
- Entities use heritage assets in different ways (complex, doesn't depend on type of heritage asset)

11.2.3 Heritage use/ non-heritage use

- Consequences:
 - *Recognition*: None
 - *Measurement*: Consider usage when deciding on applicable IPSAS and when estimating heritage asset's useful life
 - *Presentation*: None
- Application guidance/amendments: None

Decisions required

- Does the IPSASB agree that no heritage-specific guidance is needed in IPSAS to address recognition, measurement and presentation for different uses of heritage assets?

11.2.4 Question (Subsequent expenditure)

- Does the IPSASB agree that no heritage-specific guidance is needed in IPSAS to address the treatment of subsequent expenditure on heritage assets?

11.2.4 Subsequent expenditure

- Should subsequent expenditure be expensed or capitalized? Issues:
 - Heritage assets' useful lives can be hard to estimate, so difficult to decide whether or not subsequent expenditure prolongs useful life
 - Work done could be very expensive compared to “equivalent” work on a similar asset
- Present IPSAS approach can be applied to these issues

11.2.4 Subsequent expenditure

- Consequences:
 - *Recognition*: Recognize when probable that future economic benefits/service potential will flow to entity as result of subsequent expenditure. (Otherwise expense.)
 - *Measurement*: Add subsequent expenditure to asset's carrying amount when it meets IPSAS's guidance for capitalization
 - *Presentation*: No new consequences
- Application guidance/amendments: None

Decisions required

- Does the IPSASB agree that no heritage-specific guidance is needed in IPSAS to address the treatment of subsequent expenditure on heritage assets?

11.2.5 Question (Useful lives/ depreciation & amortization/ impairment)

- Does the IPSASB agree that no heritage-specific guidance is needed in IPSAS to address reporting entities' approach to depreciation and amortization (including determination of useful lives) and impairment when accounting for heritage assets?

11.2.5. Useful lives/ depreciation & amortization/ impairment

- Guidance in IPSAS 17, *Property, Plant and Equipment*, and IPSAS 31, *Intangible Assets*, is available to apply to heritage assets
- Initially an entity may not have internal information upon which to make the best estimate of useful life. As entity acquires more information adjustments can be made to the estimate, in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*

11.2.5. Useful lives/ depreciation/ impairment

- Guidance in IPSAS 21, *Impairment of Non-Cash-Generating Assets*, and IPSAS 26, *Impairment of Cash-Generating Assets*, can be applied to heritage assets
- Entity will need to collect information and make plans about the usage, nature and circumstances of the heritage assets to apply these IPSASs

11.2.5. Useful lives/ depreciation/ impairment

- Consequences:
 - *Recognition*: None
 - *Measurement*: Apply IPSAS guidance
 - *Presentation*: No new consequences
- Application guidance/amendments: None

Decisions required

- Does the IPSASB agree that no heritage-specific guidance is needed in IPSAS to address reporting entities' approach to depreciation (including determination of useful lives) and impairment when accounting for heritage assets?

Road map implications, decisions and instructions?

- Road Map – any changes arising from discussion?
- Board Instructions– arising during discussion
- Board Decisions – arising during discussion
- Other Issues?



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