
PROPOSED STATUTORY BOARD FINANCIAL REPORTING STANDARD GUIDANCE NOTE 12

Accounting for Heritage Assets

SB-FRS Guidance Note 12 *Accounting for Heritage Assets* applies to Statutory Boards for annual periods beginning on or after 1 January 2026. Earlier application is permitted.

Comments to be received by 2 Sep 2024

This exposure draft on SB-FRS Guidance Note 12 *Accounting for Heritage Assets* is issued by the Accountant-General's Department Technical Directorate for comments only and does not necessarily represent the views of the Directorate. The proposals may be modified in the light of the comments received before being issued as a Statutory Board Financial Reporting Standard Guidance Note.

Comments are most helpful if they indicate the specific paragraph or group of paragraphs to which they relate, clearly explaining the problem and providing a suggestion for alternative wording with supporting reasoning.

Comments should be submitted in writing, so as to be received by **2 Sep 2024** preferably by email to AGD_ASSB_Feedback@agd.gov.sg or addressed to:

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Statutory Board Financial Reporting Standard Guidance Note 12 *Accounting for Heritage Assets* is set out in paragraphs 1-27. All the paragraphs have equal authority. SB-FRS Guidance Notes are issued to standardise the accounting and disclosure requirements of Statutory Boards in specific areas and are to be complied with by Statutory Boards. These Guidance Notes rank behind SB-FRS and INT SB-FRS in terms of importance.

Acknowledgement

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Statutory Board Financial Reporting Standard (SB-FRS) Guidance Note 12

Accounting for Heritage Assets

Objective

1. The objective of this Guidance Note is to provide guidance to Statutory Boards on the accounting for heritage assets owned by Statutory Boards.

Background

2. As set out by the SB-FRS Conceptual Framework for Financial Reporting, an asset is a present resource controlled by the Statutory Board as a result of past events. A resource is in turn a right with service potential or the potential to generate economic benefits.
3. Some of these assets or resources could be in the form of heritage assets that have service potential in the form of facilitating or promoting the appreciation and study of heritage.
4. While Statutory Boards may apply SB-FRS 16 *Property, Plant and Equipment* or SB-FRS 38 *Intangible Assets* to account for heritage assets, these standards do not explicitly address the accounting for heritage assets. This Guidance Note provides additional guidance on the accounting for heritage assets, including characteristics and useful lives of heritage assets, and subsequent costs on and disclosures for unrecognised heritage assets.
5. Other standards may also be relevant in accounting for heritage assets. For example, Statutory Boards should refer to SB-FRS 1001 *Accounting and Disclosure for Non-Exchange Revenue* to account for donated heritage assets and SB-FRS 20 *Accounting for Government Grants and Disclosure of Government Assistance* to account for government-funded heritage assets.

Scope

6. Each Statutory Board is unique in its operations, and therefore what is considered heritage to a Statutory Board may not be heritage to another Statutory Board.
7. Some assets are described as heritage assets because of their rarity and/or significance in relation, but not limited, to their archaeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific, or technological features. Statutory Boards usually intend to hold heritage assets for long periods and preserve them for the benefit of present and future generations. Examples of heritage assets include historic buildings, monuments, museum collections, and works of art.

8. Heritage assets typically have the following distinguishing characteristics:
 - (a) They have restrictions on their use and/or disposal;
 - (b) They are irreplaceable; and
 - (c) They have long and sometimes indefinite useful lives.

Accounting for Heritage Assets

Recognition

9. In accordance with SB-FRS 16 and SB-FRS 38, the cost of an item of 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 item will flow to the Statutory Board; and
 - (b) The cost of the item can be measured reliably.
10. However, there may be instances where the cost of heritage assets may not be measured reliably and therefore, the assets could not be recognised, such as elements of culture that were not acquired but instead gained over time. Nonetheless, information about the contribution of such assets to the delivery of the Statutory Board's objectives could still be useful to users of the financial statements, and additional disclosures should be provided in accordance with Paragraph 21, if such information is deemed to be material.
11. Donated heritage assets should be measured at fair value in accordance with SB-FRS 1001. In the event that a valuation cannot be obtained, instead of not recognising the donated assets, SBs may prefer to recognise the donated assets at a nominal value for tracking purposes. While this practice is acceptable, the additional disclosures in accordance with Paragraph 21 should still be provided.
12. When information about the cost of the heritage assets becomes available, the Statutory Board shall, from that date, recognise the heritage assets in accordance with Paragraph 9 and apply the measurement principles in SB-FRS 16 or SB-FRS 38.

Subsequent Costs on Unrecognised Heritage Assets

13. A Statutory Board recognises subsequent expenditure on heritage assets in accordance with the recognition principles in Paragraph 9. Recognition of such subsequent expenditure as an asset is unaffected by whether or not the underlying heritage asset was initially recognised. If the subsequent expenditure relates to heritage asset that was not recognised initially, because its costs could not be measured reliably, it should nonetheless be reviewed in light of Paragraph

9 to determine whether or not it meets the recognition principle and should be recognised as an asset.

Depreciation

Finite and Indefinite Useful Lives

14. A Statutory Board shall assess whether the useful life of heritage assets is finite or indefinite. A heritage asset with a finite useful life is depreciated, while a heritage asset with an indefinite useful life is not depreciated.
15. The term “indefinite” does not mean “infinite”. For a heritage asset to have an indefinite useful life, an analysis of the relevant factors should show that it is reasonable for the Statutory Board to consider that there is no foreseeable limit to the period over which it is expected to provide service potential or be used operationally to generate net cash inflows for the Statutory Board. For example, a heritage painting or sculpture held in protective environment that is carefully controlled to preserve the asset could be considered to have an indefinite useful life, so long as those conditions continue to apply.
16. The estimates of useful life, at the time the estimate is made, should reflect projections of the relevant factors that are realistic, rather than optimistic or pessimistic.
17. The main factors to consider when assessing whether a heritage asset has an indefinite useful life are:
 - (a) **Period providing service potential:** The Statutory Board should expect that, to the best of its knowledge, the period over which the heritage asset will continue to provide service potential and/or future economic benefits will continue indefinitely. The assets’ heritage value for future generations should be demonstrable, such that it is reasonable to expect that its heritage value will continue indefinitely.
 - (b) **Usage:** The usage of the heritage asset should not result in physical wear and tear that materially diminish the economic benefits or service potential that might otherwise have been obtained from the heritage asset, taking into consideration the maintenance and preservation efforts that are put in place by the Statutory Board.
 - (c) **Preservation:** The Statutory Board should be able to describe the actions it has taken in the past and plans to continue to take to preserve the heritage asset, including adequate protection of heritage assets from the natural elements, where relevant.
18. Statutory Boards apply judgment to estimate the useful life of an asset with reference to experience with similar assets. If circumstances change, the

Statutory Board will need to consider whether the heritage asset still has an indefinite useful life. If the heritage asset is found to have a finite useful life, the Statutory Board will then treat it as a depreciable asset and account for it accordingly.

Impairment Reviews for Heritage Assets with Indefinite Useful Lives

19. A Statutory Board is required to review heritage assets with indefinite useful lives for impairment in accordance with SB-FRS 36 *Impairment of Assets* or SB-FRS 1002 *Impairment of Non-Cash Generating Assets*. A Statutory Board shall review:
 - (a) Property, Plant and Equipment heritage assets with indefinite useful lives: At the end of each reporting period if there is any indication that the asset may be impaired; and
 - (b) Intangible heritage assets with indefinite useful lives: At least annually, irrespective of whether there is an indicator of impairment.

Subsequent Costs on Heritage Assets with Indefinite Useful Lives

20. For avoidance of doubt, Statutory Board shall apply the principles in SB-FRS 16 or SB-FRS 38 to assess if and how subsequent expenditure on heritage asset with indefinite useful life should be recognised. If the subsequent expenditure is recognised as a distinct component or asset from the heritage asset, the Statutory Board shall assess its useful life separately applying the principles in SB-FRS 16, SB-FRS 38, or this Guidance Note, if applicable. If the subsequent expenditure is integral and form part of the heritage asset, the Statutory Board will need to consider whether the entire heritage asset still has an indefinite useful life.

Disclosure of unrecognised heritage assets

21. When heritage assets or a class of heritage assets is not recognised in the financial statements because, at initial measurement, its cost cannot be measured reliably, the Statutory Board should disclose:
 - (a) The difficulties in obtaining a reliable measurement that prevent recognition; and
 - (b) The significance of the unrecognised heritage asset in relation to delivery of the Statutory Board's objectives.
22. These disclosures should ensure that, when read in the context of information about recognised property, plant and equipment or intangible assets, the financial statements provide useful and relevant information about the Statutory Board's overall holding of property, plant and equipment or intangible assets, and thereby support users' evaluation of the Statutory Board's finances, including its net financial position, and understanding of its ability to deliver services.

23. These disclosures may be presented in aggregate for groups or classes of property, plant and equipment or intangible assets, provided this aggregation does not obscure significant information.
24. For avoidance of doubt, when subsequent expenditures on unrecognised heritage assets are recognised, the disclosure requirements in SB-FRS 16 or SB-FRS 38 shall apply.

Effective Date

25. This Guidance Note is operative for financial statements covering periods beginning on or after 1 January 2026. Earlier application is permitted.

Transition

26. A Statutory Board is not required to apply paragraphs 6 – 8 to reassess whether an asset is a heritage asset at the date of initial application of this Guidance Note. Instead, the Statutory Board shall:
 - (a) Apply this Guidance Note to assets that were previously defined as heritage assets; and
 - (b) Not to apply this Guidance Note to assets that were not previously defined as heritage assets.
27. As a result, the Statutory Board shall apply paragraphs 6 – 8 in this Guidance Note only to assets acquired on or after the date of initial application.