



MALAYSIAN INSTITUTE  
OF ACCOUNTANTS

9 October 2017

Mr John Stanford  
Technical Director  
International Public Sector Accounting Standards Board  
International Federation of Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2  
CANADA

Dear John,

**CONSULTATION PAPER FINANCIAL REPORTING FOR HERITAGE IN THE PUBLIC SECTOR**

The Malaysian Institute of Accountants ("MIA") is pleased to provide comments on the International Public Sector Accounting Standards Board ("IPSASB") Consultation Paper *Financial Reporting for Heritage in the Public Sector* as attached in Appendix 1 to this letter.

We hope our comments would contribute to the IPSASB's deliberation in finalising the matter. If you have any queries or require clarification of this submission, please contact Rasmimi Ramli at +603 2722 9277 or by email at [rasmimi@mia.org.my](mailto:rasmimi@mia.org.my).

Yours sincerely,

**DR NURMAZILAH DATO' MAHZAN**  
Chief Executive Officer  
MALAYSIAN INSTITUTE OF ACCOUNTANTS

## Part I: Preliminary Views and Specific Matters for Comment

### Specific Matters for Comments – Chapter 1

Do you agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting in paragraphs 1.7 and 1.8?

If not, please give reasons and identify any additional characteristics that you consider relevant.

We agree that the IPSASB has captured all of the characteristics of heritage items and the potential consequences for financial reporting.

### Preliminary View – Chapter 2.1

For the purposes of this CP, the following description reflects the special characteristics of heritage items and distinguishes them from other phenomena for the purposes of financial reporting:

Heritage items are items that are intended to be held indefinitely and preserved for the benefit of present and future generations because of their rarity and/or significance in relation, but not limited, to their archeological, architectural, agricultural, artistic, cultural, environmental, historical, natural, scientific or technological features.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

We agree with the IPSASB's Preliminary View.

Paragraph 2.9 of the CP states that other sources of information such as expert knowledge are needed to provide comprehensive and verifiable information on whether items are heritage items. We believe further guidance on what is considered expert knowledge would be beneficial in order to identify heritage items.

### Preliminary View – Chapter 2.2

For the purposes of this CP, natural heritage covers areas and features, but excludes living plants and organisms that occupy or visit those areas and features.

Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.

We agree with the IPSASB's Preliminary View. However, the IPSASB should consider the effect of the absence of the living plants and organisms on the valuation of natural heritage.



**Preliminary View – Chapter 3**

**The special characteristics of heritage items do not prevent them from being considered as assets for the purposes of financial reporting.**

**Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.**

We agree with the IPSASB's Preliminary View.

**Specific Matters for Comment – Chapter 4.1**

**Do you support initially recognizing heritage assets at a nominal cost of one currency unit where historical cost is zero, such as when a fully depreciated asset is categorized as a heritage asset then transferred to a museum at no consideration, or an entity obtains a natural heritage asset without consideration?**

**If so, please provide your reasons.**

We do not support the above approach as we believe it is similar to symbolic value. This is consistent with paragraph BC7.41 of the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* where the majority of IPSASB members took the view that symbolic values do not meet the measurement objective, because they do not provide relevant information on financial capacity, operational capacity or the cost of services. It was concluded that the decision whether to recognise an item as an asset should be made following an assessment of whether the item meets the definition of an asset and recognition criteria. It was also accepted that, in cases where it is impossible or very costly to obtain a valuation, it is important that the information to be provided through disclosures is carefully considered by the relevant Standard.

**Preliminary View – Chapter 4.1**

**Heritage assets should be recognized in the statement of financial position if they meet the recognition criteria in the Conceptual Framework.**

**Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.**

We agree with the IPSASB's Preliminary View.



### **Specific Matters for Comment – Chapter 4.2**

**Are there heritage-related situations (or factors) in which heritage assets should not initially be recognized and/or measured because:**

- (a) It is not possible to assign a relevant and verifiable monetary value; or**
- (b) The cost-benefit constraint applies and the costs of doing so would not justify the benefits?**

**If yes, please describe those heritage-related situations (or factors) and why heritage assets should not be recognized in these situations.**

The IPSASB should consider that certain items are not easily measured due to their lack of physical substance such as intellectual properties or due to rarity such as ancient coins. Such factors may cause difficulty in determining the appropriate basis of measurement. In addition, if natural heritage is recognised in the financial statements, given it meets the recognition criteria, the IPSASB also needs to consider the effect on measurement, given that the living plants and organisms are significant to natural heritage.

### **Preliminary View – Chapter 4.2**

**In many cases it will be possible to assign a monetary value to heritage assets. Appropriate measurement bases are historical cost, market value and replacement cost.**

**Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.**

We agree with the IPSASB's Preliminary View.

### **Specific Matters for Comment – Chapter 4.3**

**What additional guidance should the IPSASB provide through its Public Sector Measurement Project to enable these measurement bases to be applied to heritage assets?**

We believe that there is no additional guidance required for these measurement bases to be applied to heritage assets.



### **Preliminary View – Chapter 5**

#### **Subsequent measurement of heritage assets:**

- (a) Will need to address changes in heritage asset values that arise from subsequent expenditure, depreciation or amortization, impairment and revaluation.**
- (b) Can be approached in broadly the same way as subsequent measurement for other, non-heritage assets.**

**Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.**

We believe that subsequent measurement of heritage assets should not address changes in heritage assets arising from depreciation or amortisation as it appears to contradict with the element of "held indefinitely" in the proposed description of heritage items. Such heritage items should be tested for impairment by comparing its recoverable amount with its carrying amount annually and whenever there is an indication that the tangible asset may be impaired.

### **Specific Matters for Comment – Chapter 5**

**Are there any types of heritage assets or heritage-related factors that raise special issues for the subsequent measurement of heritage assets?**

**If so, please identify those types and/or factors, and describe the special issues raised and indicate what guidance IPSASB should provide to address them.**

Please refer to our comment for Preliminary View – Chapter 5.

### **Preliminary View – Chapter 6**

**The special characteristics of heritage items, including an intention to preserve them for present and future generations, do not, of themselves, result in a present obligation such that an entity has little or no realistic alternative to avoid an outflow of resources. The entity should not therefore recognize a liability.**

**Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons.**

We agree with the IPSASB's Preliminary View.

### **Preliminary View – Chapter 7**

**Information about heritage should be presented in line with existing IPSASB pronouncements.**

**Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and describe what further guidance should be provided to address these.**

We believe that due to their unique feature, heritage assets should be presented as a separate line item to be relevant for a better understanding of the entity's financial position.