This is an issue on which students may have different views. Issues which should be considered include whether the requisite degree of control exists in relation to heritage assets and whether heritage assets are expected to generate future economic benefits that are probable and measurable. The text describes a number of factors which may indicate that heritage assets are not clearly assets as defined in the IASB/AASB Conceptual Framework. These factors are:

- Heritage assets often do not provide economic benefits.
- Determination of ‘control’ is problematic.
- The benefits are difficult to quantify in monetary terms.

At a broader level, another issue is whether there is actually a demand for financial information pertaining to heritage assets. Is such information useful for assessing the performance of those responsible for managing or maintaining the heritage assets? Should those in charge of looking after heritage assets be accountable for the financial performance of such assets, or should they be accountable for other non-financial aspects associated with the heritage asset’s use? Valuation of heritage assets can be a costly exercise and, as such, the activity should only be undertaken if there are some associated benefits. To date, demand for financial information about heritage assets has not been clearly established.

The IASB/AASB Conceptual Framework defines liabilities as:

\[
\text{a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.}
\]

There are three key components in this liability definition, these being:

(i) There must be an expected future disposition of economic benefits to other entities.
(ii) There must be a present obligation.
(iii) A past transaction or other event must have created the obligation.

At issue here is whether there is a present obligation to transfer funds in the future. Arguably, there is no such obligation, and although the heritage ‘asset’ may be likely to generate negative net cash flows in the future this in itself would not be sufficient to say that it is a liability.

Again, there is no right or wrong answer to this question. Alternative arguments are provided in the chapter. If it was considered that the accountability of managers of heritage assets is best demonstrated by numbers generated by conventional financial accounting procedures (for example, profits) then valuations of the heritage assets would be appropriate. Such valuations would enable the generation of such performance indicators as return on assets. Increases or decreases in the valuations of the assets would also be included in reported profits.

If we consider that the accountability of such managers is not well demonstrated by financial numbers then we may question the necessity of requiring periodic valuations.
9.10 AASB141 *Agriculture* defines a biological asset as a ‘living animal or plant’. Biological assets would include:

- trees held as part of a forestry operation
- animals held as part of a livestock operation
- orchards and vineyards
- aquaculture and fishery holdings.

9.15 The basis of their argument would appear to be that the process of financial accounting is being applied to issues where such application is not suited, or perhaps is illogical. They argue that heritage assets are not really assets consistent with the definition provided in the Conceptual Framework and that the information produced by valuing heritage assets in a financial accounting sense is of very limited use. They argue that the accountability of managers of heritage assets would be better assessed by using measures of a non-financial nature; measures which amongst other things might indicate how the existing use of the heritage assets provides social, cultural or environmental benefits to the community. There is also an argument that if heritage assets are to be accounted for in financial terms, then the managers of the heritage assets might be persuaded to utilise the assets in a way that maximises the financial results associated with the assets, rather than perhaps using them in ways which benefit the community. Instructors should encourage students to indicate whether they agree or disagree with Carnegie and Wolnizer.

9.22  

(a) Costs incurred in maintaining biological assets

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2015</td>
<td>Expenses (salaries, fertiliser, etc.)</td>
<td>50 000</td>
</tr>
<tr>
<td></td>
<td>Cash /Accounts payable</td>
<td>50 000</td>
</tr>
</tbody>
</table>

The expenses incurred in maintaining the biological assets are expensed as incurred and are not capitalised. Pursuant to AASB 141, the amount capitalised for a biological asset is measured on initial recognition, and at the end of each reporting period, at its fair value less estimated point-of-sale costs.

(b) Harvesting of agricultural produce

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 June 2015</td>
<td>Inventory</td>
<td>220 000</td>
</tr>
<tr>
<td></td>
<td>Gain arising on recognition of harvested apples</td>
<td>220 000</td>
</tr>
</tbody>
</table>

The above entries are consistent with paragraphs 13 and 28 of AASB 141, which state:

13. *Agricultural produce harvested from an entity’s biological assets shall be measured at its fair value less estimated point-of-sale costs at the point of harvest.*

28. *A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs shall be included in profit or loss for the period in which it arises.*
23 June 2015
Dr  Picking and packing costs  15 000
Cr  Cash  15 000

The picking and packaging costs would be treated as a cost of the period, and not treated as point-of-sale costs, which would be offset against inventory. This is consistent with paragraph 14 of AASB 141, which states:

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, and transfer taxes and duties. Point-of-sale costs exclude transport and other costs necessary to get assets to a market.

(c) Sale of agricultural produce
30 June 2015
Dr  Cash  210 000
Cr  Sales revenue—mangoes  210 000
Dr  Selling costs  3 000
Cr  Cash/payables  3 000

30 June 2015
Dr  Cost of good sold  198 000
Cr  Inventory  198 000

The cost of goods sold is determined as 90% x $220 000 = $198 000. The fair value less estimated point-of-sale costs (previously recognised) is deemed to be ‘cost’ for the purposes of inventory and, therefore, also for determining cost of good sold. As noted above, paragraph 13 of AASB 141 states:

Agricultural produce harvested from an entity’s biological assets shall be measured at its fair value less estimated point-of-sale costs at the point of harvest. Such measurement is the cost at that date when applying AASB 102 or another applicable Standard.

Between the date of picking the mangoes, and the date of selling them (one week), there has been a change in the value of the inventory. We are told that on 23 June, the date when they were picked, the inventory had a fair value less estimated point-of-sale cost of $220 000. When 90 per cent of the inventory was sold they were sold for $210 000, which was more than was anticipated. Without a change in price the mangoes would have sold for $220 000 x 0.90, which equals $198 000. Yet Nambour Limited received $210 000, or $12 000 more than was expected. With 10 per cent of the inventory on hand at reporting date, the question becomes whether we should revalue the balance of inventory. The answer to this is ‘no’—once inventory is measured at the point of harvest it cannot be revalued upwards—however, if the net realisable value of the inventory fell below the notional ‘cost’ of the inventory then there would need to be an inventory write-down.
(d) Changes in fair value of biological assets between the ends of the reporting periods

**30 June 2015**

<table>
<thead>
<tr>
<th>Dr</th>
<th>Biological assets</th>
<th>70 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cr</td>
<td>Gain arising from increase in valuation of mango trees</td>
<td>70 000</td>
</tr>
</tbody>
</table>

The above entry recognises the change in fair value less estimated point-of-sale costs of the biological assets ($550 000 – $480 000).