Public heritage assets

Accounting for public heritage facilities – assets or liabilities of the government? The Authors Allan D. Barton, Department of Commerce, Faculty of Economics and Commerce, Australian National University, Canberra, Australia Acknowledgements The author wishes to thank three anonymous referees for their constructive comments on earlier drafts of the paper.

Abstract Public heritage facilities – national parks, art galleries, museums and so on – are now required by professional accounting standards in Australia to be valued and included in government general purpose financial statements as assets.

This study challenges the appropriateness of such an accounting treatment in relation to the SAC4 definition of assets and the purported usefulness of the information. Instead it is argued that these facilities are public goods, and that commercial accounting principles should not be applied to them. The article explains the nature and significance of public goods and how they differ from private goods. It explains why commercial accounting principles are irrelevant for public heritage facilities because their objectives are social rather than financial and why commercial valuations are irrelevant and unreliable if applied to them.

He proposed that all such national treasures be called “ facilities” rather than assets, and that they be accounted for separately. I shall follow Mautz’s nomenclature for much of this paper. This little story about whether the Washington Monument is an asset or a liability encapsulates a major issue in public sector accounting. Many Australian governments are in the process of adopting full accrual accounting systems based on those adopted by business, and it is proposed that all public heritage facilities should be recognised as government assets and be recorded in its statement of assets and liabilities.

SAC4 (1992), Definition and Recognition of the Elements of Financial Statements, and all the recent professional accounting standards relating to government activities – AAS27 (1993), Financial Reporting by Local Governments, AAS29 (1996), Financial Reporting by Government Departments, and AAS31 (1996), Financial Reporting by Governments, and the Department of Finance (1995a) – require that public heritage facilities be recognised and accounted for along with all other government assets, so long as they can be reliably measured.

These new standards were preceded by a series of research monographs prepared by the Australian Accounting Research Foundation (AARF) which advocated their inclusion in government financial statements (Rowles, 1992; Micallef et al. , 1994). This treatment has been critically examined and rejected by Carnegie and Wolnizer (1995, 1996, 1997, 1999) and Stanton and Stanton (1998), and vigorously defended by Micallef and Peirson (1997) who were involved with its development by AARF, and by Hone (1997).