

ACCOUNTING MODELS FOR RECOGNITION AND MEASUREMENT OF HERITAGE ASSETS IN FINANCIAL STATEMENTS OF PUBLIC SECTOR ENTITIES

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Received 02.03.2026.

| Sent to review 03.04.2026.

| Accepted 13.08.2026.

Original article



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Email:
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JEL Classification:
M41, M48

Doi: 10.2478/eoik-2026-0061

UDK: 336.71.078.3:658.567.3(497.2)

ABSTRACT

This study aims to develop accounting models for the initial recognition and measurement of tangible cultural heritage in the financial statements of public sector entities. The proposed models are based on a comprehensive theoretical and methodological review of the existing literature, supported by an analysis of international accounting practices. Their implications are considered in the context of sustainable public sector development and adaptation to the evolving global economic environment.

The study argues that Bulgaria lacks a modern accounting framework for the recognition, measurement, and disclosure of tangible cultural heritage that is aligned with the *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* and the requirements of the *International Public Sector Accounting Standards* (IPSAS). To address this gap, a two-component accounting model for tangible cultural heritage is proposed.

The research applies systemic, historical, and logical approaches, together with observation, comparative analysis, and analogy. It evaluates the Conceptual Framework and IPSAS requirements related to heritage asset accounting and examines current accounting practices in Bulgaria to assess their consistency with internationally accepted standards.

Keywords: *heritage assets, tangible cultural heritage, recognition and measurement, financial statements, public sector entities, IPSAS, accounting model*

1. INTRODUCTION

The quality of accounting information has become an important area of research due to its role in supporting transparency, accountability, and effective management of public resources (Özkan-Değirmenci, & Değirmenci, 2026). In the public sector, high-quality accounting information is essential for informed decision-making and sustainable governance. Within integrated financial reporting, materiality is a key principle for determining the scope and relevance of financial and non-financial information. This is particularly significant for tangible cultural heritage, which represents a distinctive category of public sector assets.

Despite its importance, limited research has examined the accounting treatment of cultural heritage within the framework of the *Conceptual Framework for General Purpose Financial*

Reporting by Public Sector Entities and the requirements of IPSAS 45 Property, Plant, and Equipment. This study aims to develop and validate a model for the accounting treatment of tangible cultural heritage in Bulgaria's public sector. It builds upon previous research (Feschiyan, 2025), which established the theoretical and methodological basis for a conceptually grounded two-component accounting model.

The proposed model responds to international developments in public sector accounting and increasing demands for transparency and accountability in the management of cultural heritage. It is also relevant to the ongoing harmonization of public sector accounting within the European Union, where differences in national accounting practices continue to present significant challenges. As many OECD members and EU countries have adopted accrual-based accounting systems (Adhikari & Gårseth-Nesbakk, 2016), improving Bulgaria's accounting framework has become increasingly important, particularly in the context of its OECD accession process.

The study argues that Bulgaria currently lacks a modern accounting model for the recognition, measurement, and disclosure of tangible cultural heritage that is consistent with the Public Sector Conceptual Framework and IPSAS. Existing approaches based on International Financial Reporting Standards (IFRS) or the National Accounting Standards applicable to commercial entities do not adequately reflect the unique characteristics, public value, and management requirements of heritage assets. To address this gap, the study proposes a two-component accounting model. Future research will focus on developing its second component by integrating non-financial information on tangible cultural heritage into general-purpose financial reports and empirically testing the model in Bulgarian public sector entities.

2. LITERATURE REVIEW

Financial reporting encompasses the presentation of financial and non-financial information through general-purpose financial reports (GPFRs), providing information that supports decision-making and enhances public accountability. Within the IPSAS framework, general-purpose financial statements are complemented by additional financial and non-financial disclosures that broaden the scope of reporting. Consequently, the accounting treatment of heritage assets should be considered within this expanded reporting framework, which emphasizes comprehensive disclosure and accountability (Feschiyan & Andasarova, 2025).

Previous studies on accrual accounting in the public sector have identified significant challenges related to the definition, recognition, and measurement of cultural heritage assets (Rowles, 1992; Parker & Gould, 1999; Barton, 2000; Mautz, 1981; Hooper, Kearins & Green, 2005; Wild, 2013; Rustemova et al., 2026). Several authors argue that recognizing heritage assets improves the representation of governments' financial position by reflecting the resources required for their preservation and management (Biondi, Grandis & Mattei, 2021). This perspective is supported by the concept of *service potential*, which prioritizes an asset's capacity to provide public services rather than generate economic benefits (Anessi-Pessina, Caruana, Sicilia, & Steccolini, 2019). This principle has also been adopted within the IPSAS Conceptual Framework.

Despite these developments, the valuation of cultural heritage assets remains one of the most challenging issues in public sector accounting. Existing research highlights the need for a conceptually grounded and standardized accounting model that reflects the unique characteristics of tangible cultural heritage (Biondi et al., 2021; Feschiyan, 2025). Similar conclusions have been reached by Aversano, Christiaens, and Thielen (2019), who advocate a holistic approach to heritage accounting, while Woon, Chatterjee, and Corderly (2019) emphasize the importance of integrating non-financial information to support the identification, preservation, and management of heritage assets.

Although IPSAS has gradually strengthened guidance on heritage assets, disclosure requirements remain limited. IPSAS 17, previously based on IAS 16, contained only general provisions, while the recently introduced IPSAS 45 *Property, Plant, and Equipment* provides only limited additional guidance despite acknowledging the need for improved accounting treatment of cultural heritage (Feschiyan, 2025). Consequently, current standards do not fully satisfy the information needs of users of general-purpose financial reports (Aversano & Christiaens, 2014). Overall, the literature demonstrates the growing importance of developing more comprehensive accounting approaches for tangible cultural heritage. Building on this research, the present study contributes to the international debate by proposing a two-component, conceptually based, standardized model for the accounting treatment of tangible cultural heritage. The structure of the proposed model is presented in Table 1.

Table 1. A two-component, conceptually based, standardized model for the accounting treatment of tangible cultural heritage

Model Structure	Model Content	Theoretical Characteristics of the Model
I. Financial Information on Tangible Cultural Heritage Assets in General-Purpose Financial Statement	1. A Standardized Model for Identifying Tangible Cultural Heritage Assets	Tangible cultural heritage that meets both the definition of an asset and the criteria for its recognition in financial statements.
	1.1. Definition based on a conceptual approach	Meets the definition of tangible cultural heritage in the context of IPSAS 45, supplemented by the requirements of the UNESCO World Heritage Convention.
	1.2. Standardized review of recognition criteria	Meets the criteria for asset recognition under the conceptual framework for financial reporting in the public sector.
	2. Standardized Model for the Accounting Treatment of Tangible Cultural Heritage Assets	Adoption of an approach for the initial recognition and initial measurement of tangible cultural heritage.
	2.1. Standardized Model for Initial Recognition and Measurement	Meets the criteria for recognizing cultural heritage and selecting an applicable approach for initial measurement in accordance with the requirements of IPSAS 45
	2.2. Standardized Model for Subsequent Measurement and Presentation of Tangible Cultural Heritage Assets in Financial Statements	Selection of an applicable approach for the subsequent measurement of tangible cultural heritage assets in accordance with the requirements of IPSAS 45.
	2.3. Standardized model for the valuation of tangible cultural heritage assets	Selection of an appropriate impairment model for tangible cultural heritage assets based on the concept of distinguishing between cash-generating units and non-cash-generating units.
	2.4. Standardized model for the disclosure of tangible cultural heritage assets	Determination of the minimum scope of information to be disclosed in the notes to the annual financial statements.
II. Non-financial information on tangible cultural heritage assets in general-purpose financial reports	1. Standardized model for the identification of tangible cultural heritage assets that cannot be valued	Tangible cultural heritage that meets the definition of an asset but does not meet the recognition criteria due to the inability to measure it reliably.
	1.1. Definition Based on a Conceptual Approach	Meets the definition of tangible cultural heritage in the context of IPSAS 45, supplemented by the requirements of the UNESCO World Heritage Convention.
	1.2. Standardized Assessment of Recognition Criteria	Identification of limitations related to the lack of conditions for a reliable valuation in accordance with the conceptual framework for public sector financial reporting and applicable IPSAS.
	2. Standardized Model for Integrating Non-Financial Information on Tangible Cultural Heritage Assets into General-Purpose Financial Reports	Determination of the minimum scope of non-financial information contained in general-purpose financial reports.

Source: Author's own construction based on Feschiyan (2025)

3. STANDARDIZED MODEL FOR IDENTIFYING TANGIBLE CULTURAL HERITAGE ASSETS

Tangible cultural heritage, as a distinct category subject to accounting treatment in the public sector, requires interpretation through the conceptual framework defining assets, the specific recognition requirements of IPSAS 45 *Property, Plant, and Equipment*, and the scope of tangible cultural heritage established by the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage.

Within the IPSAS Conceptual Framework, an asset is defined as a resource currently controlled by an entity as a result of past events. A resource, in turn, is defined as a right that has the potential to provide public services or deliver public goods. A distinguishing characteristic of public sector assets is their capacity to provide public services without necessarily generating economic benefits or cash inflows.

IPSAS 45 *Property, Plant, and Equipment* regulates the accounting treatment of heritage assets by recognizing their distinctive archaeological, architectural, artistic, cultural, environmental, historical, natural, scientific, and technological characteristics. Compared with the repealed IPSAS 17 *Property, Plant, and Equipment*, IPSAS 45 provides significantly greater clarity regarding the recognition of heritage assets in the financial statements of public sector entities. The new standard explicitly introduces the concept of *heritage assets*, encompassing cultural and historical heritage, including historic buildings, thereby extending and refining the accounting treatment previously applied under IPSAS 17. This approach differs from the treatment prescribed in many national accounting regulations (Feschiyan, 2025).

Building upon the definitions contained in the Conceptual Framework, IPSAS 45, and the UNESCO Convention, the authors propose the following definition of tangible cultural heritage as an accounting object:

Tangible cultural heritage comprises a collection of government-controlled assets possessing physical substance and embodying cultural, archaeological, artistic, natural, or historical value. It encompasses movable, immovable, and underwater cultural heritage. Immovable cultural heritage includes historic buildings, monuments, archaeological sites, and monumental paintings. Movable cultural heritage includes museum collections, works of art, and other artifacts of significant cultural, scientific, or public value. Underwater cultural heritage constitutes an integral part of the world's cultural wealth and comprises sites of historical, cultural, and archaeological significance (Feschiyan & Andasarova, 2025).

According to the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, recognition is the process of incorporating an item that satisfies the definition of an element into the face of the financial statements. Recognition is appropriate only when the item can be measured in a manner that achieves the qualitative characteristics of useful financial information while taking into account the applicable cost-benefit and other reporting constraints. Furthermore, the existence of the asset and the uncertainty associated with its recognition should be assessed at each reporting date.

On this basis, a standardized recognition model for tangible cultural heritage should be developed to ensure a consistent accounting approach in the public sector. Such a model should be founded on the Conceptual Framework's definition of an asset and supplemented by the following recognition criteria:

- a. the item shall satisfy the definition of tangible cultural heritage in accordance with the provisions of IPSAS 45 *Property, Plant, and Equipment* and the UNESCO Convention Concerning the Protection of the World Cultural and Natural Heritage;

- b. the item shall be capable of being measured in a manner that enables the financial statements to achieve the qualitative characteristics of useful financial information while taking into account the reporting constraints established in the IPSAS Conceptual Framework.

4. STANDARDIZED MODEL FOR ACCOUNTING FOR TANGIBLE CULTURAL HERITAGE ASSETS

The measurement of tangible cultural heritage represents one of the most complex issues in public sector accounting owing to the unique characteristics of heritage assets and the public interest objectives they serve. Unlike conventional property, plant, and equipment, tangible cultural heritage is primarily preserved to safeguard cultural identity, historical continuity, scientific knowledge, and collective memory rather than to generate economic benefits. Consequently, the development of an appropriate measurement model requires the integration of the principles established in the IPSAS Conceptual Framework with the specific accounting requirements of IPSAS 45 *Property, Plant, and Equipment* and IPSAS 46 *Measurement*.

The initial measurement of tangible cultural heritage follows the historical cost model. In accordance with the IPSAS Conceptual Framework, historical cost represents the consideration paid to acquire, construct, or develop an asset together with all directly attributable transaction costs. Historical cost provides an objective and verifiable measure because it reflects the transaction price incurred at the date on which control over the asset is obtained. Consequently, initial recognition is based on observable evidence and satisfies the qualitative characteristics of faithful representation and verifiability that underpin public sector financial reporting.

While historical cost provides an appropriate basis for initial recognition, it is less capable of reflecting subsequent changes in the value and service potential of heritage assets. The revised IPSAS Conceptual Framework therefore adopts a structured hierarchy for subsequent measurement comprising valuation models, valuation bases, and valuation techniques. This hierarchy establishes a logical sequence for determining carrying amounts in financial statements. The valuation model represents the overarching accounting approach, the valuation basis specifies the principle upon which the measurement is founded, and the valuation technique provides the practical methodology for estimating the selected measurement basis using available market or non-market information.

Building upon this conceptual structure, two alternative models for the subsequent measurement of tangible cultural heritage are proposed (Fig. 1): the historical cost model and the current value model.

The historical cost model preserves the carrying amount established at initial recognition while adjusting it for impairment losses. Under this model, impairment becomes the principal mechanism through which changes in value are recognised. Impairment occurs when the carrying amount of tangible cultural heritage exceeds the remaining service potential or recoverable economic benefits embodied in the asset. Such reductions may result from physical deterioration, environmental degradation, catastrophic events, technological obsolescence affecting conservation methods, or other circumstances that diminish the asset's capacity to provide public services. Consequently, impairment should not be interpreted merely as a decline in market value but rather as evidence that the heritage asset can no longer provide the level of public services originally expected by the reporting entity.

Although the historical cost model ensures stability and objectivity in financial reporting, it may gradually lose relevance, particularly for heritage assets held over extended periods. Many cultural assets appreciate in cultural, historical, or scientific significance despite the absence of corresponding market transactions. Their carrying amounts therefore become in-

creasingly detached from the value of the public services they provide. For this reason, the IPSAS Conceptual Framework introduces the current value model as an alternative basis for subsequent measurement.

Unlike historical cost, current value reflects changes in the value of assets that occur after initial recognition. Rather than focusing exclusively on past transactions, current value seeks to measure the present economic or service potential embodied in an asset. Within the IPSAS framework, current value measurement encompasses current operational value, fair value, and replacement cost, although replacement cost is principally applied in the measurement of liabilities. For tangible cultural heritage, the principal measurement alternatives are therefore current operational value and fair value.

The selection between these measurement bases depends upon the purpose for which the reporting entity manages the heritage asset. This distinction reflects one of the fundamental characteristics of public sector accounting, namely that public assets may be held either to provide public services or to generate economic benefits. In practice, most tangible cultural heritage assets are maintained primarily to preserve national identity, historical memory, educational opportunities, scientific research, and cultural development. Their principal objective is therefore the delivery of public services rather than commercial return.

Where tangible cultural heritage is managed principally for service delivery, current operational value provides the most appropriate measurement basis. Current operational value represents the present value of the remaining service potential embodied in an asset and reflects the amount that would be required to obtain an equivalent asset capable of providing the same level of public services. Importantly, this measurement basis does not assume that the asset will be employed in its highest and best use, as required under fair value measurement. Instead, it reflects the asset's actual function within the public sector and its contribution to fulfilling governmental objectives. Consequently, current operational value is conceptually consistent with the stewardship responsibilities of public authorities responsible for preserving cultural heritage for present and future generations.

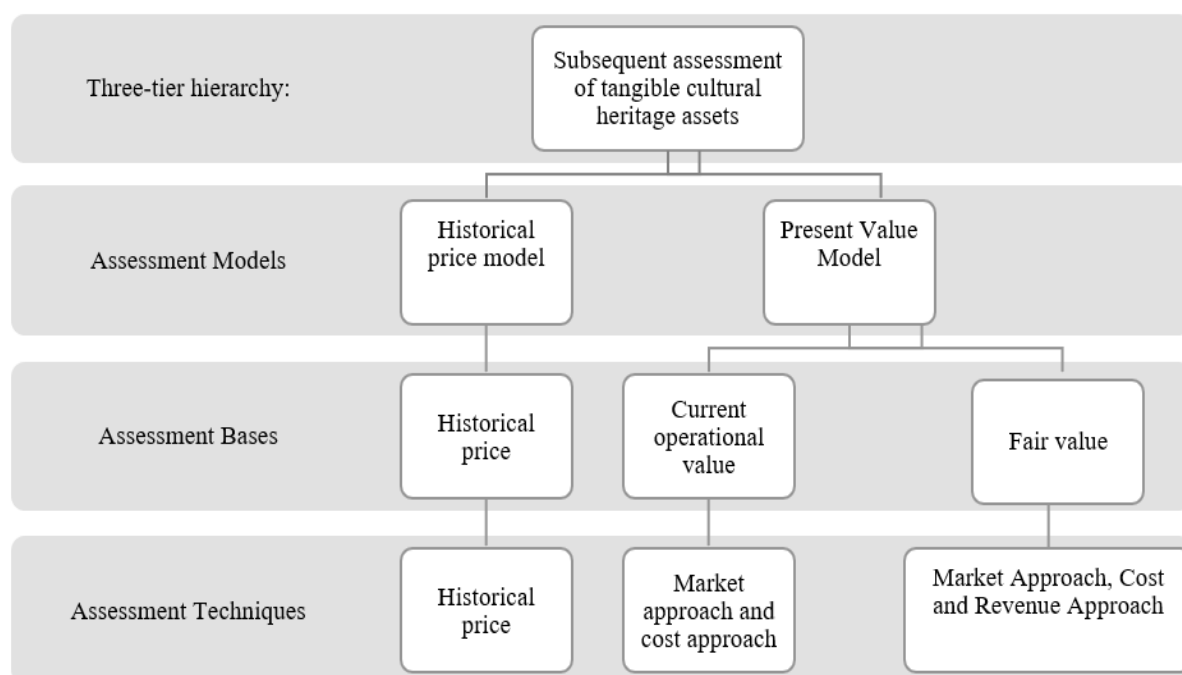
IPSAS 46 identifies several valuation techniques that may be employed in determining current operational value. Among these, the market approach and the cost approach are particularly relevant for tangible cultural heritage. The market approach estimates value by reference to observable prices for identical or comparable assets traded in active markets. However, because cultural heritage assets are generally unique and transactions involving comparable assets occur infrequently, active markets rarely exist. The market approach is therefore applicable only in exceptional circumstances.

In contrast, the cost approach provides a more practical and theoretically robust basis for measuring heritage assets. Under this approach, value is estimated by determining the current cost of replacing the asset's remaining service potential through the acquisition or construction of an equivalent asset. Although an exact physical replacement of a heritage asset is impossible, replacement cost provides an estimate of the resources necessary to reproduce its capacity to deliver equivalent public services. Consequently, the cost approach is likely to constitute the primary valuation technique for the majority of tangible cultural heritage assets held by public sector entities.

Fair value becomes relevant only where tangible cultural heritage is managed with the objective of generating economic benefits. In accordance with IPSAS 46 and IFRS 13 *Fair Value Measurement*, fair value represents the price that would be received from the sale of an asset in an orderly transaction between market participants at the measurement date. This approach assumes that market participants seek to maximise the economic value derived from the asset through its highest and best use.

However, this assumption significantly limits the applicability of fair value to tangible cultural heritage. Heritage assets are seldom acquired or preserved for commercial purposes, and active markets capable of producing reliable observable prices rarely exist. Moreover, the highest and best use assumption may conflict with legal restrictions, conservation requirements, and the public interest objectives governing heritage protection. In many jurisdictions, cultural heritage cannot be freely sold, modified, or commercially exploited, rendering market-based assumptions inconsistent with the economic and legal reality of public sector heritage management. Consequently, although fair value remains theoretically available, its practical application is confined to relatively limited categories of heritage assets that possess demonstrable commercial potential. These conceptual and practical considerations support the conclusion that current operational value should constitute the preferred basis for the subsequent measurement of tangible cultural heritage within the public sector. Unlike fair value, current operational value reflects the primary purpose for which governments preserve heritage assets, namely the continuous provision of public services rather than the generation of economic returns. By focusing on service potential rather than market exchange, current operational value provides information that is more relevant to users of general-purpose financial statements while remaining consistent with the stewardship responsibilities of public sector entities. Accordingly, the proposed measurement framework reconciles the objectives of financial reporting with the distinctive characteristics of tangible cultural heritage and establishes a theoretically coherent basis for its subsequent measurement under IPSAS.

Figure 1. Applicable framework for the subsequent measurement of tangible cultural heritage in public sector entities



Source: ICAEW, 2023

The impairment of tangible cultural heritage represents one of the most significant challenges in the accounting treatment of heritage assets within the public sector. The distinctive characteristics of these assets, their predominantly non-commercial purpose, and their unique cultural, historical, and social significance require an impairment model that reflects both the principles of public sector financial reporting and the specific objectives of heritage preservation. Accordingly, the authors propose a standardized impairment model based on the require-

ments of IPSAS 21 *Impairment of Non-Cash-Generating Assets* and IPSAS 26 *Impairment of Cash-Generating Assets*.

The proposed model recognizes that tangible cultural heritage comprises heterogeneous classes of assets that differ fundamentally in the manner in which they generate value. While certain heritage assets are capable of generating economic benefits through commercial activities, such as admission fees, licensing arrangements, or tourism-related services, the overwhelming majority are held primarily to preserve cultural identity, historical continuity, scientific knowledge, and public access. These assets therefore satisfy the definition of non-cash-generating assets because their principal objective is the provision of public services rather than the generation of cash inflows.

This distinction has significant accounting implications. Tangible cultural heritage that generates economic benefits should be recognized and reported separately from heritage assets whose value lies predominantly in their service potential. Such classification is essential because the determination of impairment, the measurement of recoverable amount, and the recognition of impairment losses differ substantially depending on whether the asset is classified as cash-generating or non-cash-generating. Consequently, the classification of heritage assets constitutes the starting point for establishing an appropriate impairment methodology within public sector accounting.

The standardized impairment model proposed in this study builds upon the long-term tangible asset impairment framework originally developed and empirically tested by Feschiyan (2013) for public sector accounting and subsequently incorporated into the monograph on the standardization of public sector accounting (Feschiyan, 2018). The present model adapts this framework to the specific characteristics of tangible cultural heritage while ensuring consistency with the requirements of IPSAS 21 and IPSAS 26.

For tangible cultural heritage classified as non-cash-generating assets, the impairment process may be structured into three consecutive stages.

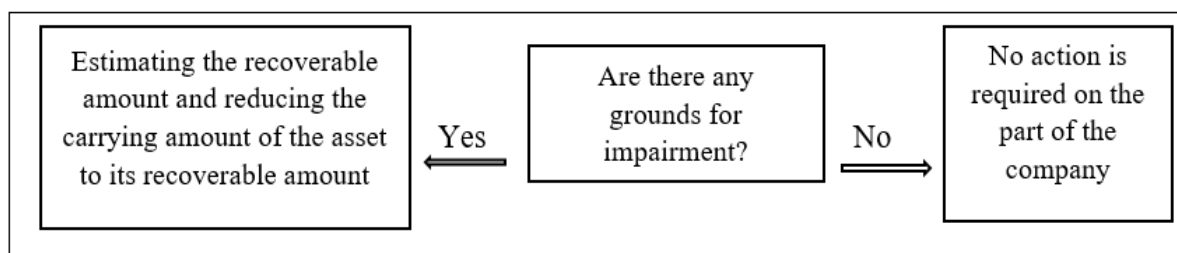
Step 1. Identification of indicators of impairment

The first stage requires the reporting entity to assess whether there is any indication that a heritage asset may be impaired. In accordance with IPSAS 21 *Impairment of Non-Cash-Generating Assets*, this assessment should be performed at least annually, normally at the reporting date when the annual financial statements are prepared. The objective of this assessment is to determine whether events or changes in circumstances indicate that the carrying amount of the asset may no longer be recoverable through its remaining service potential.

Indicators of impairment may arise from both external and internal sources. External indicators include adverse legislative or regulatory changes affecting the use or protection of the heritage asset, significant physical damage caused by natural disasters or environmental deterioration, technological developments that reduce the asset's capacity to provide public services, or substantial declines in the demand for the cultural or educational services associated with the asset. Internal indicators include evidence of physical deterioration, inadequate conservation or maintenance, changes in the manner in which the asset is used, or decisions by the reporting entity to restrict, discontinue, or substantially modify the public services provided through the heritage asset.

The identification of one or more indicators of impairment does not automatically require the recognition of an impairment loss. Rather, it establishes the need for a detailed assessment of the asset's recoverable service amount in the subsequent stage of the impairment process. Conversely, where no indicators of impairment exist, the carrying amount of the tangible cultural heritage asset is presumed to continue reflecting its remaining service potential, and no further impairment testing is required for the reporting period.

Figure 1. Actions to be taken by the company when conditions for impairment exist



Source: Author's own construction

When assessing whether the conditions for impairment exist, it is necessary to distinguish between the sources of impairment information. In accordance with the philosophy of IPSAS 21 *Impairment of Non-Cash-Generating Assets*, the sources (causes) of impairment can be divided into internal and external.

When distinguishing between internal and external sources of impairment, the following factors should be considered (Table 2):

Table 2. Conditions for impairment

Sources of information on impairment	
External sources	Internal sources
Adverse changes in the demand for public services provided by the asset.	Damage to or total destruction of the asset.
Significant adverse changes in the social, economic, and political environment, government policy, etc.	Changes in the extent and manner of the asset's use
	Probability that the service potential or economic benefits from the asset will fall below expectations, based on information from the entity's internal records

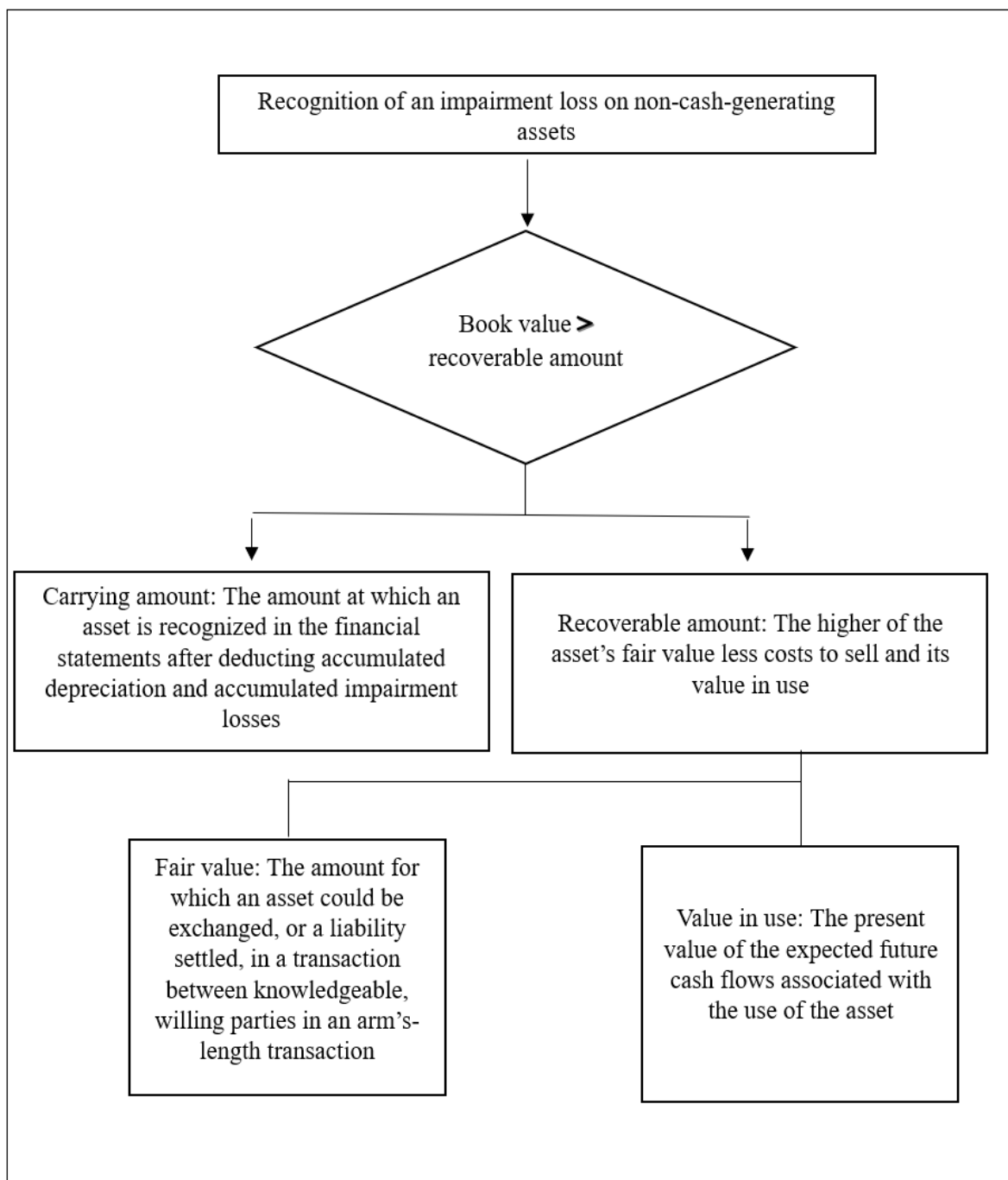
Source: IPSAS 21 *Impairment of Non-Cash-Generating Assets* (IPSAS, 2025)

In summary, at each reporting date, public sector entities assess whether there are any conditions (signs, indications) of impairment. There are two types of impairment conditions: internal and external sources of information. IPSAS 21 *Impairment of Non-Cash-Generating Assets* requires the calculation of recoverable amount in cases where both types of impairment indicators are present. IPSAS 26 *Impairment of Cash-Generating Assets* prescribes a different approach for testing assets for impairment and identifies a third group of conditions - other sources of information - that include specific situations for assessing the recoverable amount of the asset.

Step 2: Determining the asset's recoverable amount and the impairment loss

According to the authors, public-sector entities recognize an impairment loss on non-cash-generating cultural heritage assets when their carrying amount exceeds their recoverable amount. Similarly, as illustrated in Fig. 3, IPSAS 26 *Impairment of Cash-Generating Assets* regulates the determination of recoverable amount and the recognition of impairment losses for tangible cultural heritage assets classified as cash-generating assets.

Figure 3. Recoverable amount and impairment loss



Source: IPSAS 21 Impairment of Non-Cash-Generating Assets (IPSAS, 2025)

In applying the standardized impairment approach, it is not always necessary to determine both fair value less costs of disposal and value in use. Where either of these amounts exceeds the carrying amount of the asset, the asset is not impaired, and that amount may be regarded as sufficient evidence that the recoverable amount exceeds the carrying amount. This approach reduces unnecessary valuation effort while preserving the reliability of impairment testing.

On the basis of the foregoing analysis, several conclusions may be drawn regarding the impairment of tangible cultural heritage in the public sector.

First, the distinction between cash-generating and non-cash-generating tangible cultural heritage assets is fundamental. Their separate presentation in the statement of financial position is necessary because the identification of impairment indicators, the determination of recov-

erable amount, and the recognition of impairment losses differ depending on the purpose for which the asset is held.

Second, the requirements of IPSAS 21 *Impairment of Non-Cash-Generating Assets* provide an appropriate basis for recognizing impairment losses on tangible cultural heritage assets that are held primarily for service delivery rather than for the generation of cash flows. This approach is consistent with the objectives of general-purpose financial statements, as it enables users to assess the remaining service potential embodied in heritage assets.

Third, the application of a standardized impairment model for non-cash-generating tangible cultural heritage assets in the Bulgarian public sector would improve the transparency, comparability, and predictive value of financial statements. By ensuring that impairment losses are identified and recognized consistently, such a model would strengthen accountability for the preservation, management, and intergenerational transfer of cultural heritage.

5. APPLICABLE MODEL FOR ACCOUNTING, VALUATION, AND PRESENTATION OF MOVABLE TANGIBLE CULTURAL HERITAGE IN THE FINANCIAL STATEMENTS OF MUSEUMS IN BULGARIA – AN EMPIRICAL STUDY

This study builds upon the research project conducted by Prof. Daniela Feschiyan, Ph.D. in 2025, which examined the presentation of tangible cultural heritage in the general-purpose financial statements of museums in Bulgaria. Its objective is to provide a comparative analysis of existing accounting practices and to assess the effects of the current regulatory approach on the recognition, measurement, and disclosure of tangible cultural heritage in the financial statements of public sector entities.

The present study extends the scope of Feschiyan's (2025) research by including additional major Bulgarian museums that own, preserve, and manage cultural heritage objects of substantial volume and significance. The findings confirm Feschiyan's conclusions regarding the limited availability of published financial statements for museums, as illustrated by the National Historical Museum of Bulgaria, the National Archaeological Museum at the Bulgarian Academy of Sciences, and the Regional Archaeological Museum – Plovdiv. The results also indicate the absence of both on-balance-sheet and off-balance-sheet accounting information on movable cultural assets within the budgetary activities of these institutions. Furthermore, museums continue to maintain off-balance-sheet records of movable cultural assets through spreadsheets or paper inventory cards, primarily because reliable valuations of museum exhibits are unavailable.

Table 3 presents the museums included in the scope of the study and summarizes the accounting policies applied to the recognition, measurement, and presentation of tangible cultural heritage in their financial statements. Under the regulatory approach currently applied in Bulgaria, immovable cultural heritage in the form of buildings classified as cultural monuments is not treated as part of the category of assets of artistic and historical value for public sector accounting purposes.

Table 3. Applicable Model for the Accounting, Valuation, and Disclosure of Movable Tangible Cultural Heritage in the Financial Statements of Museums in Bulgaria

Museum	Presentation of tangible cultural heritage assets on the balance sheet	Assessment of Tangible Cultural Heritage assets	Disclosure of Information in the Notes to the Annual Financial Statements
<i>National Military History Museum (NMHM)</i> (The NMHM is a state museum under the Ministry of Defense of the Republic of Bulgaria. It is one of the largest museums, housing more than 1,000,000 cultural artifacts that bear witness to Bulgarian and European military history.)	There is a lack of financial information regarding cultural heritage The museum's balance sheet and the consolidated financial statements of the primary budget authority have not been published.	There is no information regarding the criteria used to assess tangible cultural heritage.	No information is published regarding the accounting policies applied at either the secondary or primary budget authority levels.
Etar Regional Open-Air Ethnographic Museum – Gabrovo (the only open-air museum of its kind in Bulgaria, modeled after Skansen. The institution serves as a center for the study of the traditional culture of the Balkan peoples from pre-industrial society to the present day. A secondary budget administrator under the Municipality of Gabrovo).	Tangible cultural heritage is presented as a separate balance sheet item in Section A of the balance sheet under “Non-financial assets,” reporting group “Other accounts and activities (OAA).” According to the balance sheet, movable tangible cultural heritage accounts for 24% of the museum's total non-current assets and 99% of the non-current assets capitalized in the “OAA” reporting group.	There is no information regarding the criteria used to assess tangible cultural heritage.	At the synthetic level, assets with historical and artistic value are recognized in the “Other accounts and activities (OAA)” reporting group, and at the analytical level, they are recognized in an off-balance-sheet account.
Regional History Museum – Sofia (one of the most modern museums in Bulgaria, and a key institution for the history of the Bulgarian capital. The museum maintains an electronic registry of Sofia's immovable cultural heritage. A secondary budget administrator under the Sofia Municipality).	There is no accounting information available regarding cultural heritage. The museum does not publish a balance sheet. The museum is part of the Sofia Municipality, which publishes a consolidated financial statement and presents assets of artistic and historical value as a separate balance sheet item within non-current assets. According to data from the consolidated balance sheet, movable tangible cultural heritage accounts for less than 1% of the total non-current assets of the Sofia Municipality, as well as of the non-current assets capitalized in the “Other accounts and activities (OAA)” reporting group.	There is no information regarding the framework used to assess tangible cultural heritage	No information is published regarding the accounting policies applied at either the secondary or primary budget authority level
National Museum of Natural History at the Bulgarian Academy of Sciences (the only national institution directly involved in the preservation of scientific collections of living and non-living nature from Bulgaria and around the world. A secondary budget administrator under the Bulgarian Academy of Sciences (BAS)).	There is a lack of financial information regarding cultural heritage. The museum does not publish a balance sheet. The museum is part of the Bulgarian Academy of Sciences (BAS), which publishes a consolidated financial statement and reports assets of artistic and historical value as a separate line item under non-current assets. According to data from the consolidated balance sheet, movable tangible cultural heritage accounts for 24% of the total non-current assets of the Bulgarian Academy of Sciences, and 75% of the non-current assets capitalized in the “Other accounts and activities (OAA)” reporting group.	There is no information regarding the framework used to assess tangible cultural heritage	There is no information available regarding the museum's accounting policies. The published accounting policies of the primary budget administrator do not disclose information regarding the accounting treatment of assets of artistic and historical value.

Accounting Models for Recognition and Measurement of Heritage Assets in Financial Statements of Public Sector Entities

Museum	Presentation of tangible cultural heritage assets on the balance sheet	Assessment of Tangible Cultural Heritage assets	Disclosure of Information in the Notes to the Annual Financial Statements
Ethnographic Museum at the Bulgarian Academy of Sciences (one of the most important museums dedicated to Bulgarian traditional culture and ethnography. The museum building has been designated a cultural monument of national significance. It is a secondary budget administrator under the Bulgarian Academy of Sciences (BAS)).	There is a lack of financial information regarding cultural heritage. The museum does not publish a balance sheet. The museum is part of the Bulgarian Academy of Sciences (BAS), which publishes a consolidated financial statement and reports assets of artistic and historical value as a separate line item under non-current assets.	There is no information regarding the framework used to assess tangible cultural heritage	There is no information available regarding the museum's accounting policies. The published accounting policies of the primary budget administrator do not disclose information regarding the accounting treatment of assets of artistic and historical value.
„Old Nessebar“ Museum (The museum operates within the Old Nessebar Architectural Reserve, which is included on the List of World Cultural Heritage Sites. It is a secondary budget administrator under the Municipality of Nessebar.)	There is a lack of accounting information regarding cultural heritage. The museum does not publish a balance sheet. The museum is part of the structure of the Municipality of Nessebar, which publishes a consolidated financial statement and presents assets of artistic and historical value as a separate balance sheet item within non-current assets. According to data from the consolidated balance sheet, movable tangible cultural heritage accounts for less than 1% of the total non-current assets of the Municipality of Nessebar, as well as of the non-current assets capitalized in the “Other accounts and activities (OAA)” reporting group.		There is no information available regarding the museum's accounting policies. The published accounting policies of the primary budget administrator do not disclose information regarding the accounting treatment of assets of artistic and historical value.
National Museum „Earth and People“ (a specialized museum covering the Earth's mineral kingdom. A secondary budget administrator under the Ministry of Culture of the Republic of Bulgaria).	Lack of accounting information on cultural heritage The museum's balance sheet is not published, nor is the consolidated financial report of the primary budget administrator.	There is a lack of information regarding the adopted basis for the valuation of tangible cultural heritage.	Information on the accounting policies applied is not published at either the secondary or the primary budget administrator level.

Source: Author's own construction based on financial statements of public sector entities

The study, which examines the models for accounting, valuation, and presentation of movable tangible cultural heritage in the financial statements of museums in Bulgaria, enables several key findings and conclusions to be drawn.

First, the vast majority of museums in Bulgaria do not publish separate financial statements. Instead, their financial information is consolidated at the level of the primary budget administrator. For many of the entities examined, publicly available information on the accounting policies adopted by the primary budget administrator is either limited or absent. This includes information on initial recognition, initial and subsequent measurement, impairment, and disclosure of assets of artistic and historical value. Publicly disclosed information is generally confined to annual activity reports, cash-basis budget execution reports, and National Audit Office audit reports on consolidated financial statements.

Second, the study identifies a significant discrepancy between the information contained in public registers of cultural heritage of national significance and the information presented in the financial statements of museums in Bulgaria. This discrepancy raises concerns regarding

the faithful representation of cultural heritage in public sector financial reporting and demonstrates the need for a conceptually grounded and standardized accounting model.

Third, cultural heritage assets are largely absent from the statement of financial position. According to the balance sheets of the surveyed primary budget administrators, the reported value of these assets represents less than one per cent of total non-current assets. This is inconsistent with both the volume and the public significance of the cultural heritage managed by museums. In practice, analytical records for these assets continue to be maintained off-balance sheet. At the same time, the National Institute for Immovable Cultural Heritage under the Ministry of Culture maintains an electronic register of immovable cultural assets of national significance, including buildings. However, these buildings are excluded from the accounting category of assets of artistic and historical value and are instead subject to the general public sector accounting rules applicable to non-current assets.

Fourth, the regulatory approach currently applied to tangible cultural heritage, under which such assets are accounted for in the “Other Accounts and Activities” reporting group while the acquisition is recognized as an expense in the “Budget” reporting group, does not satisfy contemporary requirements for public accountability and transparency. This treatment restricts the capacity of financial statements to present reliable information on the state’s responsibilities and the related public expenditures incurred for the preservation, protection, and management of tangible cultural heritage.

6. CONCLUSION

Public sector accounting standards at the international, European, and national levels still provide limited guidance on the accounting treatment of tangible cultural heritage. In most cases, such assets are treated analogously to other long-lived tangible assets, despite their distinctive nature and the conceptual and practical challenges associated with their recognition, subsequent measurement, and impairment. Although IPSAS 45 *Property, Plant, and Equipment* introduces a separate reference to heritage assets, its guidance remains insufficient for addressing the complexity, diversity, and public significance of tangible cultural heritage.

The application of a standardized accounting model for tangible cultural heritage in the public sector would promote consistency and comparability across reporting entities. Such a model would enhance transparency in determining measurement bases, subsequent valuation approaches, presentation requirements, and disclosure practices. Given the heterogeneity and specificity of tangible cultural heritage, additional accounting requirements and interpretative guidance are necessary to support professional judgement and ensure the preparation of high-quality information for users of financial statements.

In the Bulgarian context, the improvement of public sector accounting requires the adoption of accounting models specifically designed for public sector financial reporting and grounded in the principles of IPSAS and the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. The implementation of such models would contribute to the generation of relevant, faithfully represented, and useful accounting information that reflects the state’s responsibilities for the preservation, protection, and management of cultural heritage. Ultimately, this would strengthen public accountability and serve the broader interests of society.

Future research will focus on the development of the second component of the proposed model, namely the integration of non-financial information on tangible cultural heritage into general-purpose financial reports. In addition, an empirical study will be conducted to test the applicability of the proposed model in the accounting practices of public sector entities in Bulgaria.

Acknowledgments

This paper presents results obtained in collaboration with Hebei University of Economics and Business within project No. KII-06-China/14, “Standardized Model for Accounting of Heritage Assets in the Public Sector of Bulgaria and China,” funded by the Bulgarian National Science Fund.

Funding

This research was financially supported by project No. KII-06-China/14, “Standardized Model for Accounting of Heritage Assets in the Public Sector of Bulgaria and China,” funded by the Bulgarian National Science Fund.

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