DOI: https://doi.org/10.37075/EA.2025.3.02 Economic Alternatives, 2025, Issue 3, pp. 636-657

Standardized Model for Accounting of Heritage Assets in the Public Sector of Bulgaria

Received: 30.03.2025
Available online: 30.09.2025

Daniela Milchova Feschiyan[*]

Abstract

This study proves the need for the implementation of a new conceptually based standardized model for accounting of heritage assets as a component of the management of public assets. The argumentation for the scientific and social relevance of the issues is determined.

It is suggested that a conceptually based standardized model for heritage asset accounting should be adopted that will bring positive effects with regard to the benefit of financial reports for society at large as well as to the information about heritage assets in Bulgaria. The place of tangible heritage assets has been identified within the structure and content of general purpose financial reports. Arguments have been given in favor of the constructed two-component conceptually based standardized accounting model for heritage asset reporting.

The effects are systematized of the introduction of an improved conceptually based standardized model and the assumption is held that the problem at the national level may be resolved only by the adoption of accounting standards that could possibly replace the current practice of the regulation of the accounting in the public sector in Bulgaria through instructions. To reaffirm the research assumption and the accompanying working hypotheses the results from a empirical survey have been presented.

Keywords: public sector accounting, heritage assets, IPSAS, financial reporting, financial statement, financial report, accounting model

JEL: M41

1. Introduction

1.1. Topicality and relevance of the problems

The relevance and public significance of the issue dedicated to the construction of a conceptually based standardized model for accounting of heritage assets in the public sector of Bulgaria stems from the emerging international trends for changes in the accounting system of public sector entities, as well as from the public significance of heritage assets in a national and global aspect. Globally, there is a lack of a conceptually based approach with an established accounting model for the

[*] Department of Accounting and Analysis, Finance and Accounting Faculty, University of National and World Economy

recognition, accounting and disclosure of heritage assets, as a specific category of non-current assets, tailored to the specifics of business activity and based on global accounting standards. The one valid until the end of 2024 IPSAS 17 Property, plant and equipment does not include heritage assets in its scope without imposing a prohibition on application. To date the full text of the new IPSAS 45 Property, Facilities and Equipment has been adopted, which replaces IPSAS 17 and enters into force for reporting periods as of 1 January 2025. In the new standard, the issues related to heritage assets are only marked without depth, although with a claim that the main goal of the Board's work is to identify the existing problems and limitations related to the heritage asset accounting and to develop additional instructions and guidelines to overcome them.

Heritage assets is a topical and significant object of accounting and is a priority in the accounting system of the public sector. It covers a specific category of tangible and intangible non-current assets, which implies the adoption of a new conceptually based standardized model for their accounting. So far there has been no public discussion on these issues among the academic community, regulatory bodies and professional organizations in Bulgaria. The public significance of the issue is determined by the objective need to develop a new standardized model for accounting of heritage assets, based on the philosophy of the conceptual framework for financial reporting in the public sector as a specific category of non-current assets, and this model will significantly improve the effective management of public assets, as well as the publicity and transparency of the information about them.

At the national level, the legal regulation of the accounting system of public sector entities includes Ministry of Finance (MoF) orders, instructions, models, among other, the nature of which is unsystematic and chaotic and as a result there is subjectivity in their reporting. There is no synchronization and adaptation of the accounting standards applicable by public sector entities to the Conceptual framework for general purpose financial reporting by public sector entities (CFGPFRPSE, IPSASB, 2023) issued by the International Public Sector Accounting Standards Board (Feschiyan, 2018, p.36). **It is the lack of a nationally and globally applicable standardized model for the recognition, accounting and disclosure of heritage assets, as a specific category of non-current assets, that determines the relevance and significance of the examined problems.**

1.2. Aims and working hypotheses of the study

The aim of the research is to expose the major problems in the organization and methodology of accounting in the public sector entities in Bulgaria, and thus prove the need to apply a conceptually based standardized model for accounting of tangible heritage assets and its effects.

In order to achieve the main goal of the research, the solution of the following tasks is envisaged:

1. To examine in retrospection the development of the applicable legal framework for accounting of heritage assets in the accounting system in Bulgaria's public sector.
2. To expose the major practical problems and challenges in the accounting of heritage assets.

3. To prove the need to implement a new conceptually based standardized model for accounting of heritage assets in public sector entities.
4. To outline the possible effects of the introduction of a conceptually based standardized model for the accounting of heritage assets in the accounting system of public sector entities.

Working hypotheses

The main assumption held in this study is that there are opportunities to improve the accounting of heritage assets in public sector entities in Bulgaria.

Two hypotheses arise from the main assumption:

- The accounting of heritage assets should be carried out within a new conceptually based standardized model that includes specific rules for the recognition, accounting and disclosure of these assets.
- The implementation of a conceptually based standardized model for heritage asset accounting is a necessary condition for increasing the transparency of financial statements and general purpose financial reports for the benefit of the public interest and the credibility of accounting information for the purposes of accountability and oversight of public sector entities.

The scope of the study is limited to tangible heritage assets, although the research methodology and the tracking of the effects of the construction of a conceptually based standardized model are applicable to both tangible and intangible heritage assets.

1.3. Methodology and methods for achieving the research aims

Heritage assets is a multidisciplinary research field of significant economic and immeasurable social importance. The Council of Europe defines heritage assets as a strategic resource for a sustainable Europe and emphasizes that it has many dimensions – cultural, physical, digital, ecological, human and social (EC, 2014). The interdisciplinary nature of the research implies the use of the systemic approach to the identification and description of the main problems in the legal regulations and existing accounting practices, and to prepare recommendations for overcoming these problems and implement a new conceptually based approach and standardized accounting model for recognition, reporting and disclosure of the heritage assets of Bulgaria. The systemic approach will allow for the identification of the existing regulatory problems, the definition of suggestions for their reduction, the analysis of the applicability of a global standardized approach in the reporting of heritage assets and the study of the opinion of interest parties and institutions on the effects of the suggestions made.

1.4. Research methods and tools

The methods of observation, comparison, analysis and synthesis, modeling, analogy, among other, were applied in the specific study and in shaping its results. By their nature, they are tools of the dialectical, historical, inductive-deductive and systemic approach, as well as comparative analysis.

The following methods were also used to achieve the research objectives:

- Review of the theoretical works of Bulgarian and internationally renowned authors.

- Critical analysis of International Accounting Standards in public sector entities (IPSAS) and the national accounting standards (NAS), applicable to public sector entities in Bulgaria.
- Surveys and interviews - primary information was used, collected mainly by conducting surveys and interviews with respondents who are representatives of the leading public sector entities.

1.5. Limitation of the study

The study covers the accounting system of public sector entities, excluding state-owned enterprises, in accordance with the regulatory framework and understanding of the scope of the public sector accounting system in the Republic of Bulgaria.

This study is grounded in the interrelationship between theory, methodology, and empirical evidence. Drawing on the theoretical framework, the author proposes the development of an appropriate methodology for accounting models of cultural heritage, the validity of which is supported through empirical research.

The analysis of accounting standardization in the international context is addressed in a separate publication, in accordance with the overarching aim of the present research to provide a focused and structured examination of heritage asset accounting in the public sector.

2. Analysis of the state of research in the field

In the international context, the studies of De Wolf, A., Christiaens, J., & Aversano, N. (2021), Ouda, H. A. (2014), Landriani, L., & Pozzoli, M. (2013), Napier, C. J., & Giovannoni, E. (2021), and Ellwood, S., & Greenwood, M. (2016) are of particular interest regarding the issues of accounting for cultural heritage and will be the focus of the author's future research. Among the contemporary research in Bulgaria dedicated to heritage assets, the works of Zhelyu Vladimirov (2023) have been examined, which contain definitions, approaches and policies for defining and protecting heritage assets.

The cultural and economic value of heritage assets as a public good is analyzed. Methods for the economic measurement of cultural heritage and events are systematized and applied models are presented for the effects of specific sites from the cultural heritage on the socio-economic development of the regions. Specialized research in the field of accounting standardization in the public sector, in particular heritage assets, is fairly limited and boils down to the verified research assumptions of Daniela Feschiyan, Daniela Georgieva and Radka Andasarova. Daniela Feschiyan (2020, p.22-47; 2013, p.122-145) proves the lack of synchronization and adaptation of the accounting standards applicable by public sector entities to the Conceptual framework for general purpose financial reporting by public sector entities (CFGPFRPSE) (Feschiyan, 2013, p.62-73). The researcher offers arguments for deviations from fundamental accounting principles in the public sector (Feschiyan, 2012, p.168-176) and examines the negative effect of the lack of standardization in the public sector, as well as the effects of adopting a standardized approach to the preparation of financial statements (Feschiyan, 2023, p.1-25). The researcher also makes proposals for balance sheet recognition and disclosure of heritage assets (Feschiyan, 2013, pp. 38-48).

Daniela Georgieva (2020) studies current issues related to cultural asset accounting in the public sector and systematizes approaches in relation to the presentation of sites in financial statements, while Radka Andasarova (2024) studies financial reporting in the public sector in the context of the transition to European accounting harmonization.

In a study by Daniela Feschiyan and Radka Andasarova (2022, p. 559 – 586), it is stated that internationally, in the last decade, empirical studies have showed an increased interest in analyzing the evolution of accounting standardization in the public sector and the research assumptions on the examined issues are systematized.

3. Critical analysis of the legal framework.

The implementation of a standardized model in public sector entities and its effects faces two challenges. The first is related to a critical analysis of research on the state of affairs and development of the legal regulation of accounting in the public sector with the aim of exposing the main flaws, and the second - to overcome the defects of the legally regulated models for accounting, presentation and measurement of public assets, including heritage assets. The effective Accounting Law contains provisions regulating the accounting actions and procedures of a wide range of entities, including public sector entities. Currently, the International Public Sector Accounting Standards (IPSAS) framework has been adopted as a basis for standardization, or is in the process of being implemented in a number of countries. The problem is completely different with the standardization of accounting in public sector entities in Bulgaria. Over the past twenty years, the accounting system in the public sector has not undergone serious innovation and regulation, compared to other areas of accounting science and practice. With the instructions of the Ministry of Finance - VAT No. 20 of 14 December 2004 - the National Accounting Standards (NAS), were adopted under the decree of the Council of Ministers No. 37 of 2002 for implementation by public sector entities. The adopted accounting standards with VAT No. 20, applicable to date, were not specifically written for public sector entities and to a certain extent were not in line with their specific activity.

The lack of standardization has led to a number of deviations from fundamental accounting principles in the accounting of various sites in public sector entities. One of the most striking such deviations is the violation of the principle of "advantage of content (economic meaning) over form (legal regulation)" in the regulation of heritage asset reporting until 2013. In a study by the author (Feschiyan, 2013, p.38-48) it is stated that a gross violation of this principle is the approach taken to cover a significant part of fixed tangible assets in public sector entities, referred to as non-capitalized assets, which also includes heritage assets, namely - assets with historical and artistic value - memorial complexes, monuments, sculptural compositions and sculptures, museum exhibits, expositions and others (without buildings), as well as books in libraries.

In the retrospective analysis of the models applied in practice for the accounting of tangible heritage assets in Bulgaria after the transition to accounting on an accrual basis, two legal approaches can be distinguished. Approach of off-balance sheet recognition of tangible heritage assets applied in the period from 2004 until 2013 and approach of the so-called "capitalization" of tangible heritage assets in reporting group Other accounts and activities applied since 2014.

In the approach of the off-balance sheet recognition of heritage assets, the guidelines for implementing the Chart of Accounts of public sector entities (MoF, 2001, item 40) were followed, where it is stated that when acquiring assets of a heritage nature, they are covered as a current expense and are reported through off-balance sheet accounts. In the specialized literature, as well as in the Manual for the implementation of the budget chart of accounts, as reasons for adopting this approach are identified the following:

1. From an accounting point of view, in most cases there is no derivation of benefit from and control over these assets within the meaning of the definition of assets in the accounting standards. Rather, the entity performs functions of their storage and maintenance without having the right to freely dispose of them.
2. Presence of practical difficulty, as well as lack of administrative capacity of the public sector entity to perform a reliable measurement of these assets for accounting purposes.
3. A significant part of these assets (including the heritage assets) are public goods with access to them by a large number of other persons and the resulting impossibility of controlling access and the use of their benefits.
4. The inclusion of these assets in the entity's balance sheet could mislead the users of this information about the actual available and the usable material resources.

When acquiring such assets, after the recognition of expenses and a decrease in cash or an increase in liabilities (obligations), the same were recognized on off-balance sheet accounts for assets of historical and artistic value and books in libraries.

In disagreement with this reporting model back in 2013, the author expressed a position that despite the technical difficulty in making a reliable measurement of the said assets, measurement is extremely necessary (Feschiyan, 2013, p.38-48). After their measurement, the assets acquire the quality of commensurability. According to the author, not including this type of assets in the balance sheet leads to a distortion of the information content of the financial statement, which very often manifested itself in a large excess of off-balance sheet assets over those recognized on the balance sheet in the financial statements of the municipalities, unclear content, inaccurate classification of a significant part of the entity's assets. Last but not least, the fact is highlighted that public sector entities derive benefit from the management of the specified assets, which should be measured in a social aspect like all other public goods.

According to the author, the application up to 2013 of the legal approach to off-balance sheet recognition of heritage assets violates the accounting principle of priority of content over form, which results in the following negative effects:

- lack of balance sheet information for significant assets - the cultural assets of our country;
- reduction of the total value of the property of the public sector entity;
- deterioration of the quality of accounting information;

- reducing the possibilities for measurement and analysis of the portfolio of fixed assets, including heritage assets.

To date, in a national aspect, the legal approach of "capitalization" of the tangible heritage assets in the reporting area Other accounts and activities applied since 2014 has been applicable. There is still a lack of accounting standards regulating the recognition, measurement and disclosure of heritage assets. The accounting treatment of heritage assets in public sector entities is subject to legal regulation in the directive of the Ministry of Finance - VAT No. 14 of 30 December 2013 Chart of accounts of public sector organizations. The provisions of the Directive state that the acquisition of assets with historical and artistic value is reported as a current expense in the Budget reporting group and at the same time capitalized (recognized on the balance sheet) in the Other accounts and activities (OAA) reporting group (MoF, 2013). There is a minimal improvement of the accounting model, insofar as there is balance sheet recognition of the heritage assets, but the question remains unanswered pertaining to the correctness of its capitalization in the reporting group Other accounts and activities. According to the author, recognition in this reporting group does not reflect the economic and social significance of heritage assets and their embodiment as a public good, nor the derivation of effects in the activities of public sector entities. It would be logical for heritage assets to be recognized as an asset in the entity's budgetary activity for which the public good created by them is actually intended.

In a research experiment to find out how tangible heritage assets are currently presented in the general purpose financial statements of museums in Bulgaria, it was found that most museums did not publish their financial statements with the argument that they are budget authorizers by sub-delegation. The National Historical Museum of Bulgaria does not have a published financial statement, nor does the second most important national museum - the National Archaeological Museum at the Bulgarian Academy of Sciences (BAS). However, even if they had published financial statements, according to the current instructions of the MoF, only the museum buildings would be visible in the Budget reporting group, but not the cultural heritage exhibits. Therefore, our national wealth could only be seen if it is measured and recognized in the balance sheet in the reporting group Other accounts and activities. This legal approach reduces the reliability of the information - the basic assets of the museums are precisely the cultural heritage exhibits, which in most cases remain "invisible" in the financial statements and hence "invisible" also to society! Interviews with chief accountants of museums revealed that movable heritage assets in most museums are not recognized on the balance sheet, nor on off-balance sheet accounts. They are not reported in accounting, but are entered in registers according to the method of operational reporting, because they are not measured. In the period 2015-2016, an unsuccessful attempt was made to measure the museum exhibits of the nature of heritage assets by symbolic values in order to recognize them in the balance sheet - a practice that is widespread in Japan, China, among other countries. The initiative was terminated by a decision of parliament. The opinion of the museum experts at the time was that such a measurement was “pointless work”. In fact, with the termination of measurement, society at large is deprived of the chance to see the balance sheet of the museum expositions, and the information in the financial statements is incomplete, deprived of the most significant asset of the museums. The current practice is to describe the heritage assets in electronic registers by the so-called **fund-holders** in the museums responsible for certain expositions. Every **fund-holder** enriches the fund for which they are responsible with newly discovered cultural values. This gives us grounds to draw the conclusion that there is complete subjectivism in the approach to the non-accounting registration of heritage assets. What draws our attention, however, is that when these unmeasured and unrecognized expositions go to another museum, especially abroad, they are insured at an approximate insurance value. Hence, we cannot see the Panagyurishte gold treasure with its nine components in the balance sheet of the historical museum in Plovdiv, but the same can be insured for 9 million BGN, for example. Spreadsheets or paper cards store information about our national wealth of extreme public significance, and this information is invisible to the public. Exactly what kind of control is exercised for the accurate registration of our heritage assets, and what kind of control is exercised over the registration of newly discovered exhibits, are questions of extreme public importance! In the balance sheet of the museums, we can see newly acquired collections of the museums and some real exhibits of the cultural heritage such as the Boyana Church, the Zemensky Monastery, the Steamboat Radetsky. They are recognized on the balance sheet, but as already stated, they are recognized in the reporting group Other accounts and activities and not in the Budget group. There is a lack of updating and synchronization of the applicable accounting standards with the latest amendments and supplements to the National Accounting Standards, effective as of 2016, as well as with the conceptual framework for financial reporting in the public sector. Another significant flaw of the national accounting legislation is that when defining the non-current tangible and intangible assets, issues related to the theoretical characteristics and content of the heritage assets are omitted.

3. On the need for a conceptually based standardized accounting model for heritage asset reporting

In the IFRS financial reporting framework, an *asset* is defined as a resource currently controlled by the entity as a result of past events (IPSASB, 2022). At the same time, *resource* is defined as “a right that has the potential to provide services and generate economic benefits” (IPSASB, 2022). In the public sector, this includes the ability to provide public services or create a public good or generate economic benefits (Andasarova, 2024). Therefore, the definitions in the Conceptual Framework are tailored to the specifics of public assets, namely - the potential of the relevant asset to provide public services in accordance with the entity’s objectives, without necessarily having a commitment to receive cash. The latter is only an option to contribute to the asset, which can also manifest itself as the ability to enjoy economic benefits in the form of an increase in cash inflows or a decrease in cash outflows.

Particular attention is paid to understanding asset control. Control within the meaning of the Conceptual Framework for Financial Reporting in Public Sector Entities includes the entity's ability to direct the beneficial use of the resource to provide public services or to derive economic benefits from the resource. In a broad sense, control over resources derives from the legal ownership of the entity. In a narrower economic sense, however, based on the accounting principle of priority of economic content over legal form, we can find a number of exceptions, such as assets rented under the terms of a lease contract, but recognized as own. According to the philosophy of the Conceptual Framework, a determining factor for the existence of control is not only the right of access, it is supplemented by the requirement of total prohibition or partial restriction of access by third parties. Such cases are observed in the world nowadays - municipalities completely or partially restrict access to cultural monuments in certain time zones or days of the week by introducing entrance fees.

Following the conceptual approach, the IPSAS Board adopts the concept of *current control* in order to prioritize the requirement of having control at the time of recognition (reporting) of the asset, rather than in a future period. In contrast to the conceptual approach in item 2 of NAS 16 Fixed Tangible Assets (MoF, 2004), applicable to date in public sector entities refers to a requirement for acquisition and possession by the entity - ascertainable, non-financial resources acquired and owned by the entity which:

a) have a **natural-material** form;
b) are used for the production and/or supply/sale of assets or services, for rental, administrative or other purposes;
c) expected to be used in more than one accounting period.

In paragraph 3 item 1 (MoF, 2004) it is stated that an asset is recognized as a fixed tangible asset when:

a) it meets the definition of a fixed tangible asset;
b) the value of the asset can be reliably measured;
c) the entity expects to derive economic benefits associated with the asset.

This yet again proves the lack of synchronization and adaptation of the accounting standards applicable in Bulgaria in the public sector with the conceptual approach and the contemporary philosophy of accounting standards in a national and global aspect.

According to the author, if we apply the conceptual approach, the assets included in the concept of heritage assets[1] meet the definition of such, a significant number of them would probably also meet the conditions for recognition, regardless of the difficulties in their measurement, and the latter is not impossible. In the cases where heritage assets cannot be measured but meet the definition of an asset, the philosophy of the Conceptual Framework suggests the preparation of a General Purpose Financial Report, in which information on heritage assets is integrated as non-financial information. Here it is necessary to point out that "in contrast to the general purpose financial statements, which establish the general requirements

[1] According to Art. 2 para. 1 of the Law on the Cultural Heritage of the Republic of Bulgaria "cultural heritage includes intangible and tangible, immovable and movable heritage assets, as a set of cultural values that are carriers of historical memory, national identity and have scientific or cultural value".

for presenting and summarizing the financial information regulated in the IPSAS, the conceptual framework for the IPSAS provides for the inclusion of additional information in the financial statements within the framework of the general purpose financial reports" (Andasarova, 2024, p.68). In addition to the general purpose financial statements, which present only financial information about Available Capital, Assets, Liabilities, Income, Expenses, as well as other resources and liabilities recognized in the Statement of Financial Position, but not meeting the definition of an element, the Conceptual Framework justifies the special importance of general purpose financial reports, from the point of view of the possibility of including additional financial and non-financial information that expands and complements the information in the financial statements (IPSASB, 2022). In the author's opinion, the place for the integration of non-financial information about heritage assets, which meet the definition of an asset but not the conditions for recognition because they cannot be reliably measured, is precisely in the Financial Report that public sector entities can prepare in line with the conceptual approach. The place of tangible heritage assets in the structure and content of general purpose financial reports is presented in figure 1[2].

Ignorance and non-application of the philosophy of the Conceptual Framework and International Public Sector Accounting Standards (IPSAS) (Stoyanov and Feschiyan, 2012, p.71) in the legal framework of Bulgaria is not only a violation of Art. 164 para. 1 of the Law on Public Finances[3], but also the main reason for the existing chaos of instructions in the accounting system of the public sector and the public finances of the country (Feschiyan, 2010), as well as the complete lack of legal regulation on the issues of heritage asset accounting. Globally, by the end of 2024 the accounting treatment of fixed tangible assets (which includes tangible heritage assets), related to their definition, recognition, measurement and disclosure is subject to regulation in IPSAS 17 *Property, plant and equipment*. In addition, the standard defines the scope and content of fixed tangible assets in the form of heritage assets, without defining the models for their accounting, recognition and depreciation. It states that heritage assets are excluded from the scope of the standard, but does not "prohibit" their treatment (IPSASB, 2022). IPSAS 17 allows for the entity to choose whether to recognize them on the balance sheet or to treat them differently. Therefore, the texts in IPSAS are not so categorical and allow for the entity to determine on its own the reporting approach. The very definition of the

[2] The author considers the element Available capital as the sum total of the capital provided by the funding budget, the increase or decrease in net assets for the current period and cumulatively.

[3] Pursuant to Art. 164, Para. 1 of the LPF "For budget enterprises, the Minister of Finance approves accounting standards and a chart of accounts that are in accordance with:

a. The requirements of the European Union for the reporting, statistics and budgeting of the public sector;
b. The accounting framework, principles and concepts of the Government Finance Statistics Methodological Manual issued by the International Monetary Fund;
c. International Federation of Accountants International Public Sector Accounting Standards
d. The requirements of the Bulgarian legislation regarding budgeting, the reporting of the implementation of the consolidated fiscal program and the management and control of the funds and expenses of the budgetary organizations"

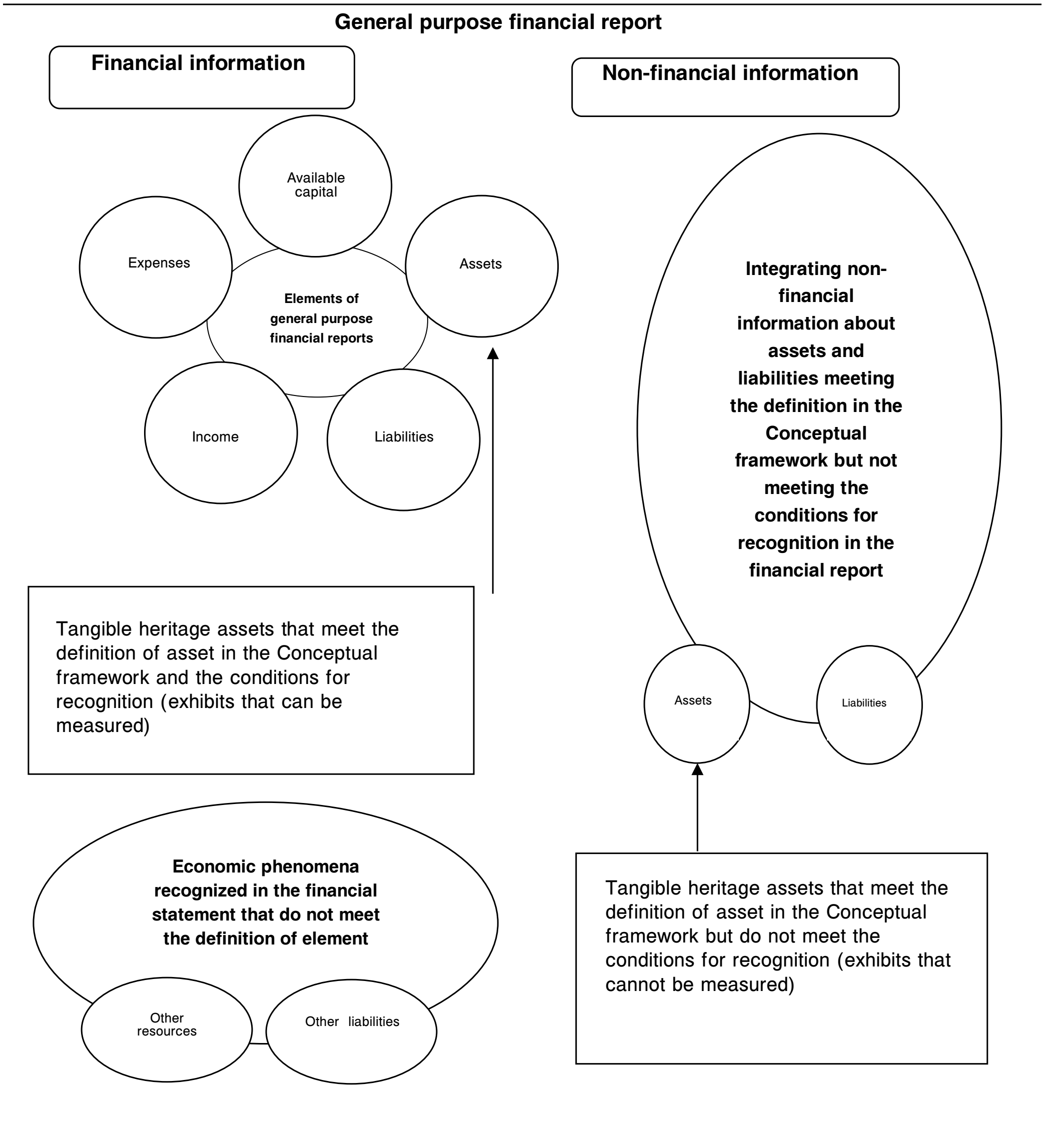


Fig. 1. Tangible heritage assets in the structure and content of a general purpose financial report
Source: author

assets envisaged in IPSAS 17 is different. For example, Property, plant and equipment are considered tangible assets that:

a) are held for use in the production or supply of goods or services, for rental to other persons or for administrative purposes;

b) are expected to be used in more than one accounting period.

This is a different definition from the one given in the applicable NAS 16 Fixed tangible assets. As we have already pointed out in the reasoning on the approach in the Conceptual

Framework, as well as in IPSAS 17 Property, Plant, and Equipment, there is no requirement that the asset should be owned by the entity, but only controlled (used) by it, whereas our national regulatory framework requires that in order to be recognized, the asset should be owned by the public sector entity.

In the new IPSAS 45 Property, Plant, Equipment, which enters into force for accounting periods after 1 January 2025, for the first time, the concept of *heritage assets* is introduced, including cultural and historical heritage, including historical buildings unlike their treatment in national regulations - VAT No. 20 item 16, according to which buildings with historical and cultural value, cultural monuments, museum exhibits and the like are not included in the group of FTA. In IPSAS 45, the conceptual approach is again laid down and there is no requirement that the asset should be owned by the entity, but only controlled (used) by it, in contrast to the already mentioned national standard which requires that in order to be recognized, the asset should necessarily be owned by the public sector entity. As already stated, a significant deficiency of the national accounting legislation is that, when defining non-current assets, issues related to the theoretical characteristics and content of heritage assets are omitted.

4. Elements of conceptually based standardized model for accounting of heritage assets

From the above reasoning on the accounting standards regulating the accounting of heritage assets in a global aspect, it becomes evident that to date there is no accounting standard narrowly treating the specificity of tangible heritage assets and their presentation in financial statements and financial reports. The author attempts to lay the theoretical and methodological foundations for the construction of a two-component model, including the presentation of financial information about the tangible heritage assets in the general purpose financial reports and the integration of non-financial information about the tangible heritage assets in the general purpose financial reports.

The structure and content of a standardized model for accounting of heritage assets includes the following elements:

1. Presentation of financial information about tangible heritage assets in the general purpose financial reports – it should necessarily meet the definition of assets and the criteria for recognition:

1.1. Standardized model for the identification of measurable tangible heritage assets:

1.1.1. Definition of conceptual approach;

1.1.2. Standardized verification of recognition criteria;

1.2. Standardized model for the accounting coverage (treatment) of tangible heritage assets:

1.2.1. Standardized model for the initial recognition and the initial measurement of tangible heritage assets;

1.2.2. Standardized model for the follow-up measurement and presentation of tangible heritage assets in financial statements;

1.2.3. Standardized model for the depreciation of tangible heritage assets;

1.2.4. Standardized model for the disclosure in financial statements of tangible heritage assets.

In the author's opinion, and as a result of numerous discussions among the

professional community during the writing of IPSAS 45 Property, plant, equipment, heritage assets do not meet the requirement for a limited period of practical use and are therefore not subject to depreciation. This is the reason why the model does not provide a special element for the accrual and accounting of depreciation.

2. Integration of non-financial information of the tangible heritage assets in the general purpose financial reports – it is necessary that they should meet the definition of asset, but not the recognition criteria. This encompasses the part of the tangible heritage assets that cannot be reliably measured:

2.1. Standardized model for the identification of tangible heritage assets that cannot be measured;

2.1.1. Definition of conceptual approach;

2.1.2. Standardized verification of recognition criteria;

2.2. Standardized model for the integration of non-financial information about the tangible heritage assets in financial reports – with a comprehensive description of the exhibits, their components, including photographic material.

All the arguments presented so far prove the need for the presented two-component conceptually based standardized model. The author does not deny the challenges related to the measurement of heritage assets. One possibility is measurement at symbolic value for the purpose of recognition in the balance sheet. Another possibility is the preparation of general purpose financial reports that allow the integration of non-financial information about exhibits that cannot be measured. After the presentation of the financial report, a complete description of the exhibits in the museum by collections could be given in the appendices section, with a full description of the exhibits, including photographic material. This is what integrated accounting is all about, and it would bring sustainability to the heritage asset disclosure approach. The solution to this problem implies writing down and adopting a special accounting standard for the recognition, measurement and disclosure of heritage assets in public sector entities as well as the construction of a comprehensive standardized approach in the accounting system of public sector entities based on the conceptual approach in a global aspect.

5. Effects of the implementation of a conceptually based standardized model for accounting of heritage assets

The adoption of a conceptually based standardized model for heritage asset reporting will lead to the following results in theoretical, methodological and applied aspects:

Expected effects from of the implementation of a conceptually based standardized model for accounting of heritage assets in public sector entities in **theoretical and methodological terms:**

1. Identification of the problems and prospects for the accounting system of the public sector entities in Bulgaria
2. Defining the essential characteristics of heritage assets as an object of accounting in public sector entities.
3. Construction of models for recognition, accounting and disclosure of heritage assets.
4. Systematization of the specifics of public sector entities for the purposes of accounting reporting and the possibilities

for applicability of the IPSAS in the accounting systems of Bulgaria.

5. Exposure of opportunities for the use of accounting information in the effective management of heritage assets in the public sector.
6. Suggestions for improvement of the applied methodology of heritage asset reporting in public sector entities in Bulgaria.

Expected effects of the adoption of a new conceptually based standardized model for heritage asset accounting in public sector entities in an applied aspect:

1. Meeting the specific needs of public sector entities by outlining specific methods, models and mechanisms for their practical implementation.
2. Increasing the possibility of control over significant assets as a result of their balance sheet recognition;
3. A true measurement of the value of the property available to the public sector entity;
4. Improving the quality of accounting information and achieving a true and fair presentation of the portfolio of fixed assets in the entity's financial reports;
5. Ability to adequately measure, analyze and manage the portfolio of fixed assets.
6. Adaptation of the accounting system in public sector entities to global accounting standards.
7. Providing the results of the research to the regulatory authorities through specially organized forums and workshops.
8. Updating the curricula in the lecture courses for students and doctoral students in the academic centers in the country.
9. Improvement of the applied methods for recognition, reporting and disclosure of the heritage assets in Bulgaria, by informing the regional and municipal administrations.
10. Summarizing the results of the conducted surveys and interviews will give feedback about the opinion of the users of information on the topic under examination.
11. The development of a standardized model will improve the financial planning process in the public sector, given the existing obligation of public sector entities to maintain cultural heritage, which requires financial resources for its preservation and protection.

6. Empirical research on the applicability of a conceptually based standardized model for heritage asset reporting in public sector entities in Bulgaria

Working hypotheses of the study

To provide arguments in favor of and prove ***the main assumption that there are opportunities to improve the accounting of heritage assets in the public sector***, summarized and systematized results of a specialized survey are herewith presented. The purpose of the survey is to verify the need to implement a new conceptually based standardized model for reporting tangible heritage assets by surveying the interested representatives among the respondents from the public sector in Bulgaria.

As already stated in the introduction - two working hypotheses of applied research arise from the main thesis:

- The accounting of heritage assets should be carried out within a new conceptually based standardized model that includes specific rules for the recognition, accounting and disclosure of these assets.
- The application of a conceptually based standardized model for heritage asset

accounting is a necessary condition for increasing the transparency of general purpose financial statements for the benefit of the public interest and the reliability of accounting information for the purposes of accountability and oversight of public sector entities.

6.2. Structure and profile of the respondents

The survey was intended to be comprehensive among all budget authorizers by delegation in Bulgaria[4].

In October 2024 a total of 67 survey cards were sent to all central budget authorizers by delegation, including ministries (14 questionnaires), agencies and commissions (16 questionnaires), other institutions as budget authorizers by delegation (10 questionnaires) and municipalities that are regional centers in Bulgaria (27 questionnaires). Of these, 50 questionnaires were returned (about 75%), with the biggest number of completed questionnaires coming from the ministries - central budget authorizers by delegation.

The survey card encompasses three main questions. Before the basic questions, a preliminary section is included, aiming to establish the type of administrative structure, position of the respondent, their age and professional experience. The survey is accompanied by the requirement of confidentiality. The survey was carried out using the online survey method and is targeted entirely at civil servants working in the Financial and Economic Activities departments at the central budget authorizers by delegation.

The summarized profile of the respondents shows that the majority (48%) are experts from ministries, 22% are from municipal administrations, 16% are experts from agencies and commissions and 14% are from other public sector entities (fig.2).

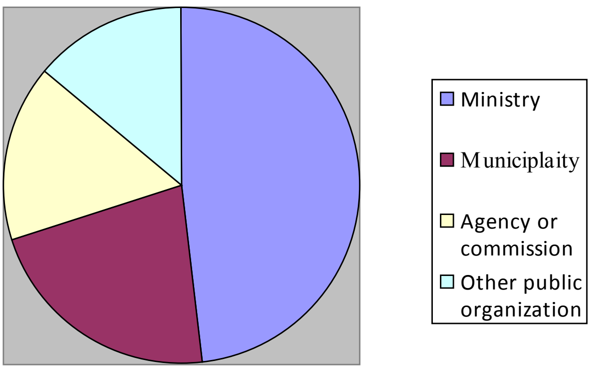


Fig. 2. Summarized profile of respondents

[4] Outside the scope of the study are the administrations of the National Assembly, the President and the Council of Ministers; the judicial system, the public sector entities of which disclose an insignificant share of heritage assets in the total amount of assets. Public universities were also excluded from the scope of the survey, as among these public sector entities in 2012 a specialized empirical survey devoted to existing problems in the organization of accounting in the public sector was conducted.
The results of the research have been published in a monography on the topic *The standardization of accounting and models for reporting FTA in the public sector* by prof. Dr. Daniela Feschiyan.

The distribution of the respondents according to the attribute of position shows that the highest share among the respondents are financial and accounting personnel (63%). The management in the civil service has a lower share of the respondents (37%). Figure 3 shows the share of the respondents according to the position they hold.

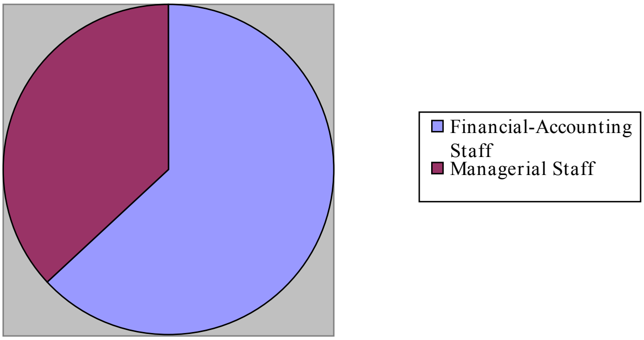


Fig. 3. Distribution of respondents according to the held position

The majority of the surveyed experts have up to 15 years of professional experience. They are 91% of all participants in the sample. Respondents with more than 20 years of experience have the lowest share of only 2%. The structuring of the respondents according to professional experience in intervals of 5 years is illustrated in figure 4.

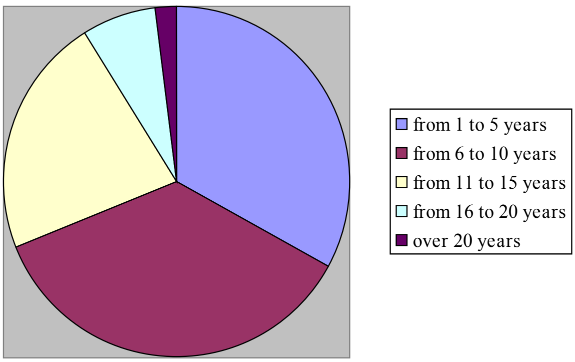


Fig. 4. Professional experience

The last question from the preliminary section is related to the age structure of the employees surveyed in the civil service. The summarized profile shows that about 75% are between 30 and 49 years of age, and 25% are over 50 years of age. The share of young specialists is the smallest (3%). The structuring of the respondents according to age in five-year intervals is presented in figure 5.

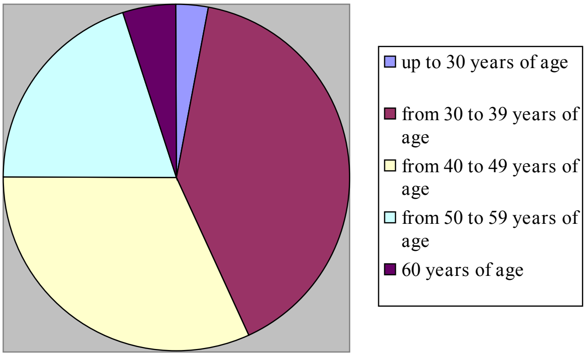


Fig. 5. Age structure of employees in the civil service

6.3. Empirical results

The first main question in the survey card is *Do you think that the current regulatory framework of accounting in the public sector of Bulgaria with regard to the accounting of heritage assets is in line with the philosophy of the Conceptual Framework for Financial Reporting in the Public Sector and IPSAS?* The results of the survey prove that 70% of the respondents express a critical attitude on the matter, questioning the relevance of accounting information. The reason for the negative answer is the lack of adaptation of the national legal regulation to the philosophy of the Conceptual Framework (3%), the lack of timely updating of the accounting standards applicable by public entities (17%) and the lack of synchronization of the national legal regulation in the public sector with the requirements of the IPSAS (50%). The opinion that the regulatory framework of accounting in the public sector meets the contemporary requirements for accountability is supported by 30% of the respondents (figure 6).

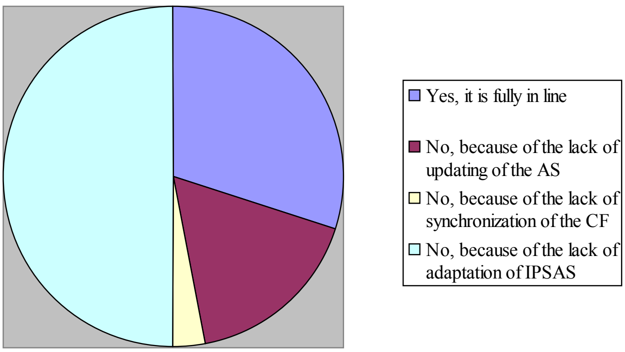


Fig. 6. Do you think that the current regulatory framework of accounting in the public sector of Bulgaria with regard to heritage asset accounting is in line with the philosophy of the Conceptual Framework for Financial Reporting in the Public Sector and IPSAS

The **second main question in the survey card** is *Do you think it is necessary to implement a new conceptually based standardized accounting model for assets in the form of tangible heritage assets in public sector entities?*

In relation to the statements presented, and after holding the assumption that there are imperfections in the legal framework of accounting in the public sector, a logical second question is aimed at examining how experts assess the need to improve the accounting of assets in the form of tangible heritage assets through applying a conceptually based standardized model. In practice, the answers show that 90% of respondents (figure 7) support the proposed model, 6% of them cannot judge yet, and only 4% do not support it.

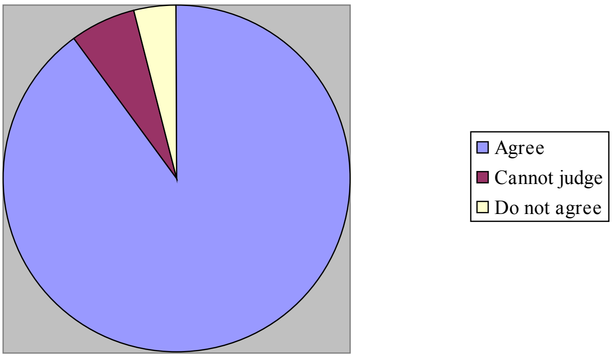
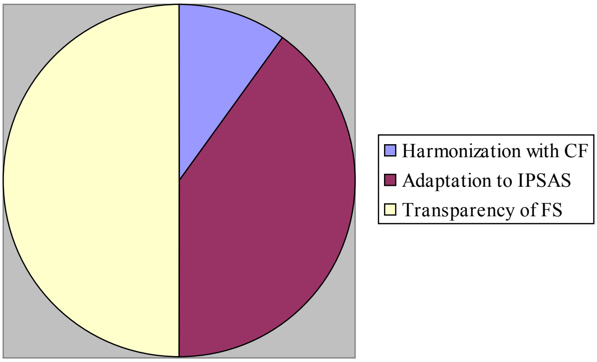


Fig. 7. Do you think it is necessary to implement a new conceptually based standardized accounting model for assets in the form of tangible heritage assets in public sector entities?

In support of the proposal to implement a new conceptually based standardized model for accounting of heritage assets is the positive opinion expressed by 90% of the respondents. According to the respondents, the benefits of its implementation in the country are as follows:

- the process will be supported of harmonizing accountability in the public sector in Bulgaria with the Conceptual Framework (10 %);
- conditions will be created for the application of contemporary accounting models in accordance with the requirements of IPSAS (40 %);
- the transparency of general purpose financial statements will be increased in the public interest and the reliability of accounting information for the purposes of accountability and oversight of public sector entities (50 %).



Фиг. 8. Benefits from the implementation of a conceptually based standardized model for accounting of heritage assets

The third main question in the survey card is *Are you familiar with the Conceptual Framework for Public Sector Financial Reporting and IPSAS?* The answers to this question on figure 9 raise concerns regarding the knowledge of those working in the civil service on the examined issues. Even though more than 52% are not familiar with the Conceptual Framework and IPSAS in the previous answers, they express confidence in improving the quality of accounting information by completely changing the concept of accounting for heritage assets.

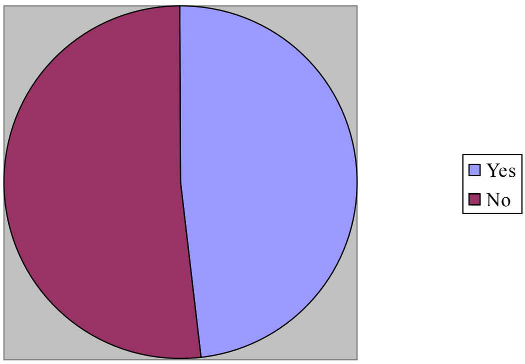


Fig. 9. Are you familiar with the Conceptual Framework for Public Sector Financial Reporting and IPSAS?

7. Conclusion

By presenting this piece of research, the author hopes to lay the groundwork for the improvement of national regulations for heritage asset reporting. The opinions, ideas and research assumptions expressed could possibly serve as a basis for discussions with the national regulatory authority and with experts in the academic community to improve the regulation of public sector financial accounting in the public interest. With the construction of a conceptually based standardized model, the measurement, publicity and transparency of information about the country’s cultural heritage, which is a nationally significant priority, will be improved. With the implementation of the idea and in the course of the construction of the model, the creation of information sources will be achieved for the benefit of the public interest. The presentation of general purpose financial reports will enrich nation-wide the information about the portfolio of national cultural sites with financial and non-financial information. Thus, the public interest will be met by securing information about public goods, as well as a higher degree of publicity and transparency in the public sector. The adoption of the new accounting model in the activities of public sector entities in Bulgaria will improve the effectiveness and efficiency of accounting policies in the context of the use of heritage assets for the benefit of society.

Acknowledgments: This paper presents results obtained in collaboration with Hebei University of Economics and Business, as part of the project No. KP-06-China/14 — Research and assessment of the capacity of the state administration in Bulgaria and guidelines for good governance, funded by the Bulgarian National Science Fund.

Funding: This research was financially supported by project No. KP-06-China/14, Research and assessment of the capacity of the state administration in Bulgaria and guidelines for good governance, funded by the Bulgarian National Science Fund.

References

Andasarova, R. (2024). Financial Reporting in the Public Sector in the Context of Transition to European Accounting Harmonisation. Sofia: AP UNWE (In Bulgarian).

De Wolf, A., Christiaens, J., & Aversano, N. (2021). Heritage assets in the due process of the International Public Sector Accounting Standards Board (IPSASB). Public Money & Management, 41(4), 325-335.

Ellwood, S., & Greenwood, M. (2016). Accounting for Heritage Assets: does measuring economic value 'kill the cat'?. Critical perspectives on accounting, 38, 1-13. https://www.sciencedirect.com/science/article/pii/S1045235415001021

Vladimirov, Zh. (2023) Cultural Heritage As a Resource for Local Development. Sofia: UP УИ St. Kliment Ohridski (In Bulgarian).

Georgieva, D. (2020). Current Issues Related to the Accounting of Heritage Sites in Public Sector Organisations. In: Economic Science, Education and Real Economy: Development and Interactions in the Digital Age, Proceedings of the Jubilee International Scientific Conference in Honour of the 100th Anniversary of the Founding of the Varna University of Economics (In Bulgarian).

European Commission (2014). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "Towards an integrated approach to Europe's cultural heritage", Brussels, 22 July 2014

Ministry of Finance. (2001). Introductory Guide to the Single Chart of Accounts for Public Sector Entities (In Bulgarian).

Ministry of Finance. VAT №14/30 December 2013. On the Chart of Accounts of Public Sector Entities (In Bulgarian).

Ministry of Finance. VAT №20/14 December 2004. On the Application of the National Accounting Standards by Public Sector Entities (In Bulgarian).

Stoyanov, St. & Feschiyan, D. (2012). Issues and Guidelines for the Development of the Accounting System of Public Sector Entities in the Process of Bulgaria's EU Integration, Annual Scientific Session of the UNWE (In Bulgarian).

Feschiyan, D. (2023). On the Need for Standardised Financial Statements in the Public Sector. Journal of Institute of Certified Public Accountants in Bulgaria, 2 (In Bulgarian).

Feschiyan, D. (2023). Deviations from Fundamental Accounting Principles in the Accounting System of Public Sector Entities. Paper at the International Conference at UNWE "Crisis and Economic Growth", Volume 1, Sofia: PC – UNWE (In Bulgarian).

Feschiyan, D. (2020). Regulation and Standardisation of the Public Sector Accounting System. Plenary Paper in the Proceedings of the Jubilee International Scientific Conference on the Occasion of the 100th Anniversary of the Accounting and Analysis Department. Sofia: PC – UNWE (In Bulgarian).

Feschiyan, D. (2018). Accounting Standardisation and Accounting Models for Fixed Tangible Assets in the Public Sector (third revised and supplemented editio). Sofia: PC – UNWE (In Bulgarian).

Feschiyan, D. (2013). International Accounting Standards for the Public Sector and the EU Accounting Harmonisation Process. Economic Research, Institute for Economic Research at the Bulgarian Academy of Sciences, vol.4 (In Bulgarian).

Feschiyan, D. (2013). European System of Harmonised Accounting Standards for the Public Sector. Economic Thought III, Institute for Economic Research at the Bulgarian Academy of Sciences, Vol.4. (In Bulgarian).

Feschiyan, D., Andasarova, R. & Daskalov, Y. (2022). Challenges and Projections in the Accounting System of Public Sector Entities in the Process of Establishing Standardised Models for Recognition, Reporting and Disclosure of Infrastructure Assets. Sofia: PC – UNWE (In Bulgarian).

Feschiyan, D. (2013). A Model for Financial Reporting of Fixed Tangible Assets in Public Sector Entities. Economic Archive, D. A. Tsenov Academy of Economics, Svishtov, Vol.2.

Feschiyan, D. (2013). A System of Indicators for Financial Analysis of the Municipal Real Property. Acta Universitatis Danubius,Vol.4.

Feschiyan, D. (2013). Importing the Model of Uncapitalized Assets Accounting in Public Sector. Economics 21,Vol.2.

Feschiyan, D. (2010). International Public Sector Accounting Standards in Bulgaria. 2–nd Balkans and Middle East Countries Conference on Auditing and Accounting History, Conference Proceedings, Vol. II.

Feschiyan, D. & Andasarova, R. (2022). Improving Reporting of Infrastructure Assets by Using Standardised Models. Economic Alternatives, 28 (4).

Feschiyan, D. & Raleva, S. (2013). Valuation Bases and Accounting System Entries in Financial Analysis of the Municipal Real Property. Acta Universitatis Danubius,Vol.4.

Ouda, H. A. (2014). Towards a practical accounting approach for heritage assets: An alternative reporting model for the NPM practices. Journal of Finance and Accounting, 2(2), 19-33.

Landriani, L., & Pozzoli, M. (2013). Management and valuation of heritage assets: a comparative analysis between Italy and USA. Springer Science & Business Media).

Napier, C. J., & Giovannoni, E. (2021). Accounting for heritage assets: Thomas

Holloway's picture collection, 1881–2019. The British Accounting Review, 53(2), 100944. https://www.sciencedirect.com/science/article/pii/S0890838920300640

IPSASB. (2023). Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. https://www.ipsasb.org/publications/conceptual-framework-general-purpose-financial-reporting-public-sector-entities-2023

IPSASB. (2023). Final Pronouncement: IPSAS 45, Property, Plant, and Equipment

https://ifacweb.blob.core.windows.net/publicfiles/2023-05/IPSAS-45-Property-Plant-Equipment_1.pdf

IPSASB. (2022). Handbook of International Public Sector Accounting Pronouncements. https://www.ipsasb.org/publications/2022-handbook-international-public-sector-accounting-pronouncements

IPSASB. (2022). Exposure Draft 81: Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements, paragraph 5.6. https://www.ipsasb.org/publications/exposure-draft-ed-81-proposed-update-conceptual-framework

IPSASB. (2022). Exposure Draft 81: Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements, paragraph 5.6. https://www.ipsasb.org/publications/exposure-draft-ed-81-proposed-update-conceptual-framework