2.1. Do you believe the exchange/nonexchange model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

The State of Montana believes the exchange/nonexchange model would provide a suitable basis for classifying transactions and recognizing revenue and expense. This model utilizes the existing concepts and wording provided in authoritative GASB statements which would build off a foundation that exists with current governmental accountants and financial statement users. The definition of exchange includes the term equal value. This term does introduce subjectivity to applying the model to revenue recognition. The revenue and expense recognition portion does require a complete transaction to finalize the process, interpretation of completing a transaction could cause a challenge to this process.

Existing GASB standards contain existing guidance for exchange transactions even if it is limited; it currently utilizes the concepts of exchange or nonexchange, however these terms have been used by governmental accountants and moving away from existing terminology and concepts would require additional knowledge for governmental accountants. A benefit of clarification of the existing terminology and concepts would be that you are starting with concepts and terms that are known to governmental accountants.

3.1. Do you believe the performance obligation/no performance obligation model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

The State of Montana believes that the performance obligation model would provide a suitable basis for classifying transactions and recognizing revenue and expense. Using terminology and concepts provided by the performance obligation model would introduce a new term and concept to governmental accounting. The positive aspect is that other accounting standard setters are implementing or considering implementing the performance obligation model. Utilizing the same model as other accounting standards would limit the confusion of revenue and expense recognition for financial users along with making the information more useful in financial reports.

4.1. Do you believe that the alternative model presented as an example in Chapter 4 could provide a suitable basis for classifying transactions and recognizing revenue and expense? If so, what are the potential benefits and challenges of that model?

The State of Montana does not believe that the example as presented in Chapter 4 would provide a suitable basis for classifying transactions and recognizing revenue and expense.

A potential challenge of the model is that it takes away the strength of the performance obligation definitions/concepts that are distinctly defined and decreases the clarity by mixing exchange and nonexchange to confuse financial statement users with the addition of performance obligation terms and concepts. If a concept is to be used it should utilize the existing concepts that the model was created with.
4.2. The models distinguish transactions on the basis of (a) exchange or nonexchange or (b) a performance obligation or no performance obligation. Do you believe there is another alternative for distinguishing revenue and expense transactions? If so, please describe that alternative and explain why you believe it would be suitable.

The State of Montana does not suggest another alternative for distinguishing revenue and expense transactions based upon the arguments for the two models mentioned in the above paragraphs.