Kenneth Long, CPA, working for University of Utah, University Health Care; not a representation of the University

Comments to GASB regarding Invitation to Comment on Revenue and Expense Recognition

2.1 – Yes - The University Hospitals have non-exchange transactions (classification) and proceeds are used to provide care to the whole individual through multiple services, clinicians, staff, equipment and facilities.

Statement 33(recognition), of which the Hospitals would appear to identify with voluntary non-exchange revenues and expenses, is somewhat ambiguous. Revenue here is posted as earned, daily. I realize you are not re-evaluating Statement 33; however, an initial step, outside of Statement 33, like the binding agreement requirement is to the introduction to the Performance Obligation Approach, could be an additional non-exchange attribute to consider; then, you would not be changing Statement 33. My opinion is that the voluntary exchange types of transactions could be more focused on once earned than an action, point in time, when imposed, assessment date or point of eligibility - instead using the exchange transactions earnings recognition approach perhaps. Emphasize the ‘resources received in advance being reported as a liability’, as with derived tax revenue transactions, would be beneficial. I am looking for a clear distinction from cash basis to accrual here, and revenue recognized once earned.

Determining what is an exchange transaction is problematic versus what is a non-exchange. More examples and in more areas of governments, such as universities, would significantly improve a consistent application. Maybe a crosswalk could be developed for exchange, non-exchange in the form of a practice manual. I felt the examples given in the Invitation provided value and a few more could provide a reasonable consistent conclusion.

3.1 – No- I believe the Performance Obligation criteria (classification) of: is it a binding agreement, could be only changing the terminology from Exchange/Non-Exchange to Binding/Non-Binding. Further, now we have a new challenging model with an unfamiliar name/methodologies/few practice examples. Why not
fix the existing established framework of which many government employees can have some baseline knowledge of?

(Recognition) Relating more to my University colleagues, I believe allocating revenue to each individual performance obligation, for items, such as tuition, would be problematic and some might say punitive with little ROI. There might be even ‘workarounds’ to avoid using the PO Model and default to the more common, practical Statement 33. For example, would revenue from a campus theatre production be subject to a more complex revenue allocation application and exclude indirect unrelated items, which might entail student scholarships or general University overhead charges? Would we need guidance to what is direct versus indirect? Then, the question is to what degree: is it mostly binding or remotely binding.

I do like the clear guidance on the PO: performance obligations can be satisfied at a point in time or over time. This guidance could be guidance for non-exchange transactions.

4-1 No – A hybrid or alternative approach (To FASB) might bring confusion. Competency, consistent application could be delayed for some time. Training and GASB/GASB Constituents labor to provide a third guidance would create potentially a whole new series of novelties in practice: Old, FASB (PO), New.

***My sincere apologies if I have not fully understood all the elements in your Invitation. I really enjoyed reading this invitation and think that it was extremely well done. Thank you for this opportunity to add my humble opinion. Appreciate the many times GASB representatives have provided me with assistance.