Mr. David Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
Project No. 4-61  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  

Dear Mr. Bean:  

On behalf of the Brigham Young University RevenueHub team, I appreciate the opportunity to respond to the Invitation to Comment (ITC) by the Governmental Accounting Standards Board related to Revenue and Expense Recognition. We strongly support the Board’s initiative in revisiting recognition of revenues and expenses. We believe the Board’s consideration of these issues comes at an opportune moment, as accounting bodies worldwide, both professional and governmental, are assessing their recognition approaches for revenue and expenses.

Our responses to the questions posed in the ITC follow:

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?

We believe that the exchange/nonexchange model would be suitable for classifying transactions and recognizing revenue and expenses. The terminology and concepts used in this model are familiar to stakeholders. The classification of transactions as exchange and nonexchange can be difficult, particularly because it is difficult to measure value in some transactions. Additional clarification and perhaps specific criteria for determining and comparing these values would be needed.

This model would also require additional guidance on what constitutes an exchange-like transaction to facilitate consistency in application.

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?

We believe that this would be an appropriate model for classifying and recognizing transactions. In the ITC, the Board has clearly articulated the strengths and limitations of this model. Performance obligations provide conceptual simplicity and could lead to improved comparability of governmental financial reporting.

Nevertheless, performance obligations may be difficult to identify in the context of governmental transactions. In this regard, we believe that there is much that can be learned from the issues that arose during the implementation of FASB Topic 606. We think it is important that the Board
carefully consider the challenges encountered by other accounting standard setters in both setting and implementing the performance obligation approach, including those issues identified and resolved by the Transition Resource Group. Not all of these issues will be relevant to entities applying GASB standards, but any clarifications and criteria discussed to assist in the application of the performance-obligation approach might prove useful.

We are also interested in understanding how the expense components of a comprehensive model based on performance obligations would operate. We are confident in the Board and Staff, and strongly support further development of this model.

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?

We believe the alternative model proposed in this chapter could be workable and has the advantage that the accounting for nonexchange transactions would continue as currently applied. However, for conceptual consistency and clarity, we think the proposed performance-obligation model would be a more suitable basis for classifying transactions and recognizing revenue and expenses. The alternative model attempts to combine two very different concepts from both the exchange/nonexchange model and performance/no performance obligation model. We do not believe this combination would provide conceptual clarity or improved practicability commensurate with the increased burden of application.

We would like to thank the Board again for allowing us to provide comment on these important issues. For any questions, please contact Andy Merkley at andrewgmerkley@gmail.com.

Sincerely,

Andy Merkley
RevenueHub