



January 22, 2019

Mr. David Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT

Dear Mr. Bean:

This letter is in response to the Preliminary Views document on concepts related to the Recognition of Elements of the Financial Statements.

In general, I am supportive of the Preliminary Views document and believe it will be helpful in the future standard-setting process. The concept document adds clarity to when and what should be recognized under the two basis of accounting used by governments. However, there are three areas where I have concerns and some of my concerns seem to be similar to those expressed in the alternate views chapter.

- Class of transactions – I believe transaction classes will require a great deal of guidance. There will be inconsistency in how class is defined by governments and whether the class is considered short-term or long-term. Some governments will tend to make very broad classes while others will want to define class much narrower. Additionally, the class of transactions is analyzed to determine if it is short-term or long-term. However, the decision on short-term or long-term is driven by the time period definition. It is unclear to me from the Preliminary Views document what would drive the time period determination if there are multiple transactions in a class. Would it be the first transaction recorded, the largest, or some other factor? These different interpretations seemingly defeat Concept Statement 1's objective of comparability and perhaps even consistency.
- Time period for short-term – I concur with the alternate view that the measurement of short-term should be from the report date rather than the transaction date. It seems unnecessarily burdensome to have to track a transaction for recording date to determine if it meets the time period for inclusion in the yearend financial statements. Also, it seems to me that if the focus is on the recognition of assets and liabilities the measurement of time should occur at the point in time of the financial statement, which would be yearend for the balance sheet.

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- Normally – Again, I concur with the alternate view concerning normally. The intent of using normally is laudable; however, to me it incorrectly portrays the actual situation. The idea behind the use of normally is that a government that has a transaction that is not of a “normal” length would recognize it as though it were to allow for consistency with how the transaction is treated by most governments. Such recognition provides misinformation (lack of reliability) to the reader and can affect the liquidity and other indicators. It doesn’t seem a government should be treated as normal if it has specifically entered into a transaction that is not normal. Admittedly allowing a transaction to be structured and recognized as other than normal can result in managed structuring of transactions, however, the same can be said if recognition occurs using the definition of normally.

Thank you for the opportunity to comment. Please note that the views represented are my own.

Sincerely,

Jacqueline Reck

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