



Advancing
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Accountability

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June 30, 2004

The Technical Director
Public Sector Committee
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017

Dear Sir:

The Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA) is pleased to provide comments on the IFAC's Invitation to Comment (ITC) regarding *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*. The FMSB comprises 21 members with accounting and auditing backgrounds in federal, state and local government, academia and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members.

Revenue from Non-Exchange Transactions (Including Taxes and Transfers) develops proposals on the financial reporting of revenue arising from non-exchange transactions. FMSB agrees that the proper financial reporting of these classes of revenue is essential if the financial statements of governments and other public sector reporting entities are to be transparent, support informed assessments of financial condition, and discharge accountability obligations.

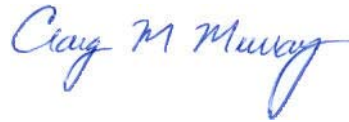
FMSB disagrees with the PSC view in the ITC on three issues. On the issue of whether some components of non-exchange transactions should be accounted for in the same manner as exchange transactions, FMSB thinks that the transaction should be recognized as a non-exchange transaction in its entirety. It does not believe that an IPSAS on revenue should require separate disclosure of revenue from exchange transactions and revenue from non-exchange transactions. It also does not think that "expenses paid through the tax system" should be recognized separately in the statement of financial performance and that tax revenue should be grossed up, but rather that taxation revenues should be reported net of



expenses paid through the tax system to the extent that an individual taxpayer's tax bill is reduced to zero.

FMSB appreciates the opportunity to reply to this ITC. We would be pleased to discuss this letter with you at your convenience. You can contact me at MurrayC@michigan.gov or (517) 334-8050 or Anna D. Gowans Miller, CPA, AGA's Technical Manager and facilitator for this project, at amiller@agacgfm.org or (703) 684-6931, ext. 203.

Sincerely,

A handwritten signature in blue ink that reads "Craig M. Murray". The signature is written in a cursive style with a large, looping "M".

Craig M. Murray, CPA, Chair,
AGA Financial Management Standards
Board

- c. Jullin Renthrope, CGFM, CPA
AGA National President