Barter is a method of exchange by which goods or services are directly exchanged for other goods or services without using a medium of exchange, such as money. Barter Exchanges or Trade Agreements are considered taxable revenue by the Internal Revenue Service (IRS), and the gross amount of a barter exchange sales are reported to the IRS on form 1099-B. All Barter Exchanges are also subject to Generally Acceptable Account Procedures (GAAP).

To ensure compliance to these standards and regulations, no employee can enter into a Barter Agreement on behalf of the college without the approval of the Chief Financial Officer and the Vice President of Operations and Finance. Procedures have been developed for the approval, recording, and monitoring of Barter Exchanges and are monitored by the controller.

Before the department director enters into a Barter Agreement, the following should be considered:

1. **Personnel involvement**---Trade transactions require additional personal effort. Approvals and controls are necessary to protect the company’s assets and liabilities and require additional personnel time and effort.
2. **Inventory tracking and record management**---Goods and services acquired in a trade transaction must be recorded, inventoried and expensed as they are used. In order to protect the assets from theft or unauthorized use, the hard goods must be secured and a periodic physical inventory taken.
3. **Lost-cash**---It may be necessary to forego additional cash sales in order to meet the trade-contract obligation (ticket sales, rental space, etc).
4. **Uneven trade ratios**---In some trade arrangements, the company may agree to exchange services or goods with a greater dollar value (when calculated at full rate or other agreed-upon price) than the fair market value of the goods or services received. Such an agreement discounts the company’s products, and could make it more difficult to make cash sales at standard prices.
5. **Junk trades**---Trade arrangements can result in acquiring goods for which the company has little or no use.
6. **Budgeting considerations**---Trade usage is an operating expense, and may reduce available budget for cash transactions.
7. **Taxes**---Depending upon local and federal tax laws, the goods or services could be subject to sales and income taxes which are payable in cash.

**Responsibility:** Chief Financial Officer