

Trade/Barter Advertising Policy and Procedures

The trade/barter for goods and services in exchange for advertising services is only allowed with the written consent of the company CEO or COO.

Upon written consent from the CEO or COO to enter into a trade agreement to exchange advertising for some other good or service, a written agreement must be signed by both parties indicating the following:

- The dollar amount of the trade
- The period over which the trade will take place, **not to exceed one year**
- The good or service to be provided by each trade partner

Guidelines for Trade Agreements

- Though no cash exchanges hands in a trade agreement, both the revenue for advertising provided as well as the expense for the good or service received is still recognized on the general ledger.
- If the newspaper is providing advertising in the trade agreement, which is what we will see in most instances, the advertising rate to be used should be designated in the trade agreement (for example open rate or the rate at the trade partners contract level on the rate card). It is recommended that advertising be traded based on a total dollar amount rather than a certain number and/or size of ads.
- If a service is provided to the newspaper in the trade agreement the rate for that service should also be designated in the trade agreement. Services provided to the newspaper (for example handyman services) through a trade agreement still require a 1099 to be provided for those services.
- The value received on each side of a trade agreement should be relatively equal.
- There should be a reasonable expectation that the good or service offered by the trade partner is valuable to the newspaper, is something that the newspaper would consider purchasing without the agreement and can reasonably be used within the time frame spelled out in the agreement.

Accounting for Trade

The agreed dollar amount of the trade should be recorded on the balance sheet at the start of the agreement with a debit to Trade/Barter Agreement Receivable and a credit Trade/Barter Agreement Payable. As a good or service provided by the trade partner is used an entry should be made to debit the appropriate expense account and credit the Trade/Barter Agreement Receivable reducing the amount the trade partner owes the CNHI location in trade. As the trade partner runs advertising, an invoice should be sent to the trade partner indicating the value of the advertising used and the credit provided through the trade agreement. The receivable should be adjusted during the billing process and an entry made to debit Trade/Barter Agreement Payable reducing the newspaper's liability to the trade partner and crediting revenue. At the end of the specified period of the agreement if either trade partner has a balance left over it is forfeited unless both parties sign an extension. A trade file is to be maintained by the location tracking and documenting each trade partner's balance remaining on the agreement at the end of every month to support the balances.

Example of Trade/Barter

A Trade/Barter agreement is signed between The Daily News and Joe's Snow Removal for the term November 2015 and April 2016. The Daily News will provide \$2,000 in advertising to Joe's and Joe's will provide \$2,000 in snow removal to The Daily News. Joe's normal snow removal rate is \$400 a month to the newspaper and the newspaper charges Joe \$50 per ad for each 2x1 ad in the service directory and \$12 an inch in any other ROP ads(though Joe rarely , if ever, runs ads outside of the service directory). These are the rates agreed upon in the agreement.

Upon the start of the agreement:

| | |
|--------------------------------------|------------|
| Db Trade/Barter Agreement Receivable | \$2,000.00 |
| Cr Trade/Barter Agreement Payable | \$2,000.00 |

During November Joe provides snow removal for the month of November to the newspaper and the newspaper runs Joe's standard ad in the service directory twice a week for 4 ½ weeks.

To record the newspaper's snow removal received for November(\$400 per mo.):

| | |
|--------------------------------------|----------|
| Db Professional Services | \$400.00 |
| Cr Trade/Barter Agreement Receivable | \$400.00 |

To record Joe's 9 (4.5 weeks x 2 ads per wk.) service directory ads published:

| | |
|-----------------------------------|----------|
| Db Trade/Barter Agreement Payable | \$450.00 |
| Cr Local Revenue | \$450.00 |

Trade Balances at November month-end:

| | |
|-----------------------------------|--------------|
| Trade/Barter Agreement Receivable | \$1,600.00 |
| Trade/Barter Agreement Payable | (\$1,550.00) |