

# **Bond Case Briefs**

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## **GASB On the Horizon: Capitalization of Interest Cost.**

The GASB currently is deliberating a project that reexamines the idea that the cost of borrowing during a construction period should be included in the cost of the capital asset.

The project is taking another look at the accounting and financial reporting requirements for capitalization of interest cost, with the goal of enhancing the relevance of capital asset information and potentially simplifying related reporting. The Board is reviewing the current guidance in light of the definitions of financial statement elements established in the GASB's conceptual framework.

A key question the Board is exploring is whether interest cost is a period expense relative to borrowing or is a necessary cost of the capital asset. Based primarily on the GASB's definition of an asset, the Board has tentatively decided to propose eliminating the requirement to capitalize interest cost. This proposal, if adopted after due process, would be adopted on a prospective basis.

What's next: After the conclusion of project deliberations over the summer and fall months, the Board is expected to vote on an Exposure Draft before the end of the year.

[More information about the Capitalization of Interest Cost project.](#)