

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **GASB Proposes Clarifications to Guidance on Majority Equity Interests.**

Norwalk, CT, November 9, 2017—The Governmental Accounting Standards Board (GASB) today proposed guidance that would clarify the accounting and financial reporting for a state or local government's majority equity interest in an organization that remains legally separate after acquisition.

A public hospital acquiring a rehabilitation center that remains legally separate from the hospital after acquisition is an example of the kind of situation the proposed guidance addresses.

Under guidance proposed in the Exposure Draft, *Accounting and Financial Reporting for Majority Equity Interests*, a government's majority equity interest in a legally separate organization would be reported as an investment if that equity interest meets the GASB's definition of an investment. Except in certain specific circumstances, a majority equity interest that meets the definition of an investment would be measured using the equity method.

For all other majority equity interests in a legally separate entity—those that do not meet the definition of an investment—a government would report the legally separate entity as a component unit.

The document also proposes guidance for remeasuring assets and liabilities of an acquired entity that remains legally separate to be consistent with existing standards that apply to acquisitions that do not remain legally separate.

The [Exposure Draft](http://www.gasb.org) is available on the GASB website, [www.gasb.org](http://www.gasb.org). Stakeholders are encouraged to review the proposal and provide comments by January 12, 2018.