

Bond Case Briefs

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GASB Proposes Guidance on Capitalization of Interest Cost and Implementation of Recent Pronouncements.

Norwalk, CT, December 8, 2017 — The Governmental Accounting Standards Board (GASB) has issued two Exposure Drafts proposing accounting and financial reporting guidance—a proposed Statement related to capitalization of interest cost and a proposed Implementation Guide that addresses multiple topics.

Capitalization of Interest Cost

The [Exposure Draft](#), *Accounting for Interest Cost during the Period of Construction*, proposes guidance that would enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also would simplify accounting for interest cost incurred during the period of construction.

For financial statements prepared using the economic resources measurement focus, interest cost incurred during the period of construction would be recognized as an expense in the period in which the cost is incurred. Such interest cost would not be capitalized as part of the historical cost of a capital asset.

For financial statements prepared using the current financial resources measurement focus, interest incurred during the period of construction would continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Implementation Guidance

The [proposed Implementation Guide](#), *Implementation Guidance Update—201Y*, contains questions and answers intended to clarify, explain, or elaborate on GASB Statements. It proposes guidance on a range of topics, including pensions, other postemployment benefits, the statistical section, regulatory reporting, and tax abatement disclosures. The proposed Implementation Guide also includes amendments to previously issued implementation guidance.

Both Exposure Drafts are available on the GASB website, www.gasb.org. Stakeholders are encouraged to review and provide comments on the Exposure Drafts.

Comments are due on the Exposure Draft, *Accounting for Interest Cost during the Period of Construction*, by March 5, 2018.

Comments are due on the Exposure Draft of Implementation Guide No. 201Y-X, *Implementation Guidance Update—201Y*, by February 16, 2018.