



February 16, 2018

David R. Bean, CPA  
Director of Research and Technical Activities  
GASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

**Re: November 20, 2017 GASB Proposed Statement (ED), *Accounting for Interest Cost during the Period of Construction* (Project No. 9-5)**

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the ED and believes that this guidance will achieve the Board's objectives of enhancing the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifying accounting for interest cost incurred during the period of construction.

This proposed Statement would require that interest cost incurred during the period of construction be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred during a period of construction would no longer be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This proposed Statement also would reiterate that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred during the period of construction should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

TIC believes that this proposed accounting treatment will simplify the accounting for interest cost during the construction period. TIC is aware that this proposed accounting treatment could result

in differences in how governmental entities report these costs as compared to privately run entities (such as hospitals), but this issue arises in other areas of GAAP so TIC does not foresee an issue with those differences.

TIC has discussed this proposal with their clients, and none of them foresee any changes to debt covenants or other significant impact of the ED and, therefore, TIC believes an effective date of periods beginning on or after December 15, 2018 would be appropriate.

TIC also appreciates the proposed prospective application as this will make adoption easier and more cost effective for governments.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink that reads "Michael A. Westervelt". The signature is written in a cursive, slightly slanted style.

Michael A. Westervelt, Chair  
PCPS Technical Issues Committee  
cc: PCPS Executive and Technical Issues Committees