



**State of Louisiana**  
Division of Administration  
**Office of Statewide Reporting and Accounting Policy**

April 23, 2013

**OSRAP MEMORANDUM 13-26**

TO: Fiscal Officers  
All State Agencies

FROM: Afranie Adomako, CPA  
Director

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

In December 2010, the GASB issued Statement 62 to incorporate into the GASB's literature certain accounting and financial reporting guidance included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board (FASB) Statements and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

A key factor in the GASB's decision to issue Statement 62 was the FASB's decision to combine all of its authoritative literature in the *FASB Accounting Standard's Codification*. The pre-1989 FASB and AICPA accounting literature accepted for governmental accounting and reporting by GASB is not separately identifiable in the FASB Codification and is difficult to find. Thus, Statement 62 brings this authoritative financial reporting literature for governments together in one place, and eliminates the need for preparers and auditors of governmental financial statements to determine which FASB and AICPA pronouncement provisions apply to governments.

Additionally, Statement 62 supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Statement 20 permitted governments with enterprise funds and business-type activities to elect to implement FASB pronouncements issued after November 30, 1989 to the extent these didn't conflict or contradict GASB pronouncements. This option has been

eliminated by Statement 62. All potentially applicable post-November 30, 1989 non-GASB standards would be “other accounting literature” in the Governmental GAAP hierarchy and could be adopted as long as they do not conflict with or contradict GASB Statements.

Statement 62 addresses more than 120 FASB and AICPA pronouncements that date back several decades and covers 30 accounting and financial reporting topics. Some of these topics are highlighted below—specifically, those that are most commonly applied by governments and that have the greatest impact on governmental accounting and financial reporting for the widest range of governmental entities. Topics addressed include:

- *Accounting changes and error corrections*—defines various types of accounting changes, such as changes in accounting principle or estimate, and provides guidance for determining the manner of reporting each type. It also covers reporting a correction of an error in previously issued financial statements.
- *Capitalization of interest costs*—includes guidance for capitalizing interest as part of the historical cost of constructing certain business-type activity assets.
- *Contingencies*—addresses circumstances in which a loss contingency should be recognized as a liability or disclosed in the notes to the financial statements.
- *Extinguishments of debt*—provides guidance for when certain types of governmental debt is considered to be extinguished.
- *Imputation of interest costs*—includes guidance on when and how to impute interest costs relating to the difference between the face amount and the present value of certain receivables or payables.
- *Investments in common stock*—explains how to apply the equity method to valuing these investments.
- *Leases*—incorporates standards for capital and operating lease agreements that previously were only referenced in the GASB’s literature.
- *Regulated operations*—provides guidance for preparing financial statements for many public utilities.
- *Special and extraordinary items*—defines *unusual in nature* and *infrequent in occurrence* as they are used in the definitions of special and extraordinary items.
- *Statement of net assets classification*—defines and provides examples of what may be included in or excluded from current assets and current liabilities in a classified format.

Other less common topics addressed in Statement 62 include: revenue recognition for exchange transactions; revenue recognition when right of return exists; comparative financial statements; related parties; prior-period adjustments; disclosure of accounting policies; long-term construction-type contracts; troubled debt restructuring; foreign currency transactions; inventory; nonmonetary transactions; sales of real estate; costs and initial rental operations of real estate projects; research and development arrangements; broadcasters; cable television systems; insurance entities other than public entity risk pools; lending activities; and mortgage banking activities.

The requirements of this Statement apply to accounting and financial reporting for governmental activities, business-type activities, and proprietary funds, except that:

- paragraphs pertaining to the capitalization of interest costs apply only to interest costs reported for business-type activities and enterprise funds;
- paragraphs pertaining to revenue recognition when right of return exists apply only to business-type activities and proprietary funds;
- paragraphs pertaining to inventory apply only to business-type activities and proprietary funds;
- paragraphs pertaining to regulated operations can apply to certain business-type activities that meet the criteria provided in the standard;
- paragraphs pertaining to special and extraordinary items also apply to governmental funds, subject to the accounting and financial reporting distinctions of governmental funds;
- paragraphs pertaining to related parties also apply to governmental funds, subject to the accounting and financial reporting distinctions of governmental funds;
- paragraphs pertaining to accounting for contingencies also apply to governmental funds, subject to the accounting and financial reporting distinctions of governmental funds; and
- paragraphs pertaining to accounting for leases also apply to governmental funds, subject to the accounting and financial reporting distinctions of governmental funds.

Accounting and financial reporting distinctions of governmental funds refer to the current financial resources measurement focus and modified accrual basis of accounting.

If you have any questions about Statement 62, please contact the consultant assigned to your agency. If you do not know your assigned consultant, call the main desk at 225-342-0708 to be transferred to the appropriate staff member. You may also contact Ms. Sue Seab at [Sue.Seab@LA.gov](mailto:Sue.Seab@LA.gov) or 225-342-1096.

AA/SIS