

Audit Alert: Simplifying the presentation of debt issuance costs

The Board issued ASU 2015-03, [*Simplifying the Presentation of Debt Issuance Costs*](#). The Board issued this Update as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative).

The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements.

Concepts Statement 6 further states that debt issuance costs cannot be an asset because they provide no future economic benefit.

The amendment requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

This amendment only affects the presentation and disclosure of debt issuance costs in the financial statements it does not affect recognition and measurement guidance.

It says that debt issuance costs related to a note shall be reported in the balance sheet as a direct deduction from the face amount of that note. The discount, premium, or debt issuance costs shall not be classified as a deferred charge or deferred credit.

Amortization of discount or premium shall be reported as interest expense in the case of liabilities or as interest income in the case of

assets. Amortization of debt issuance costs also shall be reported as interest expense.

The amendment is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years.

Other entities effective dates for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016.

An entity should apply the new guidance on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance.

Source: fasb.org ASU 2015-03 April 2015 and ASC and SAS Updates 2017 Prof. Eva Quiñones.

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