

AN ALERT FROM THE BDO NATIONAL ASSURANCE PRACTICE

# BDO FLASH REPORT

## FASB



### SUBJECT

## FASB ISSUES ASU TO ADD SEC STAFF ANNOUNCEMENT ABOUT LOAN COSTS TO THE CODIFICATION

### SUMMARY

The FASB recently issued ASU 2015-15 to codify an SEC staff announcement that entities are permitted to defer and present debt issuance costs related to line-of-credit arrangements as assets. The ASU is effective immediately and is available [here](#).

### DETAILS

#### **Background:**

In April 2015, the FASB issued ASU 2015-03<sup>1</sup> which requires entities to present debt issuance costs as a direct deduction from the carrying amount of the related debt liability, as discussed in a recent [flash report](#). That guidance does not address how debt issuance costs related to line-of-credit arrangements should be presented on the balance sheet or amortized.

As defined in the ASC Master Glossary, a line-of-credit or revolving-debt arrangement is an agreement that provides the borrower with the option to make multiple borrowings up to a specified maximum amount, to repay portions of previous borrowings, and to then reborrow under the same contract. Line-of-credit and revolving-debt arrangements may include both amounts drawn by the debtor (a debt instrument) and a commitment by the creditor to make additional amounts available to the debtor under predefined terms (a loan commitment).

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<sup>1</sup> Simplifying the Presentation of Debt Issuance Costs

***Main Provisions:***

Given the absence of authoritative guidance within Update 2015-03 for debt issuance costs related to line-of-credit arrangements, ASU 2015-15 clarifies that the SEC staff would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

The SEC staff announcement is effective immediately.

We believe private companies may apply this same guidance.

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