

Statement of Financial Accounting Standards No. 67

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Accounting for Costs and Initial Rental Operations
of Real Estate Projects

October 1982



Financial Accounting Standards Board
of the Financial Accounting Foundation
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FAS 67: Accounting for Costs and Initial Rental Operations of Real Estate Projects

FAS 67 Summary

This Statement extracts the specialized accounting principles and practices from AICPA Statements of Position 80-3, *Accounting for Real Estate Acquisition, Development, and Construction Costs*, and 78-3, *Accounting for Costs to Sell and Rent, and Initial Rental Operations of Real Estate Projects*, and those in the AICPA Industry Accounting Guide, *Accounting for Retail Land Sales*, that address costs of real estate projects. This Statement establishes whether costs associated with acquiring, developing, constructing, selling, and renting real estate projects should be capitalized. Guidance also is provided on the appropriate methods of allocating capitalized costs to individual components of the project.

This Statement also establishes that a rental project changes from nonoperating to operating when it is substantially completed and held available for occupancy, that is, upon completion of tenant improvements but no later than one year from cessation of major construction activities. At that time, costs should no longer be capitalized.

INTRODUCTION

1. This Statement establishes accounting and reporting standards for acquisition, development, construction, selling, and rental costs associated with real estate projects. It also provides guidance for the accounting for initial rental operations and criteria for determining when the status of a rental project changes from nonoperating to operating.

SCOPE AND APPLICABILITY

2. This Statement does not apply to:
 - a. Real estate developed by an enterprise for use in its own operations,¹ other than for sale or

- rental.
- b. "Initial direct costs" of sales-type, operating, and other types of leases, which are defined in FASB Statement No. 17, *Accounting for Leases—Initial Direct Costs*. The accounting for initial direct costs is prescribed in FASB Statement No. 13, *Accounting for Leases*.
 - c. Costs directly related to manufacturing, merchandising, or service activities as distinguished from real estate activities.

Paragraphs 20-23 of this Statement do not apply to real estate rental activity in which the predominant rental period is less than one month.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

General

3. Paragraphs 4-25 specify the accounting for the following as they relate to real estate projects: (a) **preacquisition costs**,² (b) taxes and insurance, (c) **project costs**, (d) **amenities**, (e) **incidental operations**, (f) allocation of capitalized costs to components of a real estate project, (g) revisions of estimates, (h) abandonments and changes in use, (i) selling costs, (j) rental costs, and (k) costs in excess of estimated **net realizable value**.

Acquisition, Development, and Construction Costs

Preacquisition Costs

4. Payments to obtain an option to acquire real property shall be capitalized as incurred. All other costs related to a property that are incurred before the enterprise acquires the property, or before the enterprise obtains an option to acquire it, shall be capitalized if all of the following conditions are met and otherwise shall be charged to expense as incurred:

- a. The costs are directly identifiable with the specific property.
- b. The costs would be capitalized if the property were already acquired.
- c. Acquisition of the property or of an option to acquire the property is probable.³ This condition requires that the prospective purchaser is actively seeking to acquire the property and has the ability to finance or obtain financing for the acquisition and that there is no indication that the property is not available for sale.

5. Capitalized preacquisition costs (a) shall be included as project costs upon the acquisition of the property or (b) to the extent not recoverable by the sale of the options, plans, etc., shall be charged to expense when it is probable that the property will not be acquired.

Taxes and Insurance

6. Costs incurred on real estate for property taxes and insurance shall be capitalized as property cost only during periods in which activities necessary to get the property ready for its intended use are in progress.⁴ Costs incurred for such items after the property is substantially complete and ready for its intended use ⁵ shall be charged to expense as incurred.

Project Costs

7. Project costs clearly associated with the acquisition, development, and construction of a real estate project shall be capitalized as a cost of that project. **Indirect project costs** that relate to several projects shall be capitalized and allocated to the projects to which the costs relate. Indirect costs that do not clearly relate to projects under development or construction, including general and administrative expenses, shall be charged to expense as incurred.

Amenities

8. Accounting for costs of amenities shall be based on management's plans for the amenities in accordance with the following:

- a. If an amenity is to be sold or transferred in connection with the sale of individual units, costs in excess of anticipated proceeds shall be allocated as **common costs** because the amenity is clearly associated with the development and sale of the project. The common costs include expected future operating costs to be borne by the developer until they are assumed by buyers of units in a project.
- b. If an amenity is to be sold separately or retained by the developer, capitalizable costs of the amenity in excess of its estimated **fair value** as of the expected date of its substantial physical completion shall be allocated as common costs. For the purpose of determining the amount to be capitalized as common costs, the amount of cost previously allocated to the amenity shall not be revised after the amenity is substantially completed and available for use. A later sale of the amenity at more or less than its estimated fair value as of the date of substantial physical completion, less any accumulated depreciation, results in a gain or loss that shall be included in net income in the period in which the sale occurs.

Costs of amenities shall be allocated among land parcels ⁶ benefited and for which development is probable.

9. Before an amenity is substantially completed and available for use, operating income (or loss) of the amenity shall be included as a reduction of (or an addition to) common costs. When an amenity to be sold separately or retained by the developer is substantially completed and available for use, current operating income and expenses of the amenity shall be included in current operating results.

Incidental Operations

10. **Incremental revenue from incidental operations** in excess of **incremental costs of incidental operations** shall be accounted for as a reduction of capitalized project costs. Incremental costs in excess of incremental revenue shall be charged to expense as incurred, because the incidental operations did not achieve the objective of reducing the costs of developing the property for its intended use.

Allocation of Capitalized Costs to the Components of a Real Estate Project

11. The capitalized costs of real estate projects shall be assigned to individual components of the project based on specific identification. If specific identification is not practicable, capitalized costs shall be allocated as follows:

- a. Land cost and all other common costs ⁷ (prior to construction) shall be allocated to each land parcel benefited. Allocation shall be based on the **relative fair value before construction**.
- b. Construction costs shall be allocated to individual units in the phase on the basis of relative sales value of each unit.

If allocation based on relative value also is impracticable, capitalized costs shall be allocated based on area methods (for example, square footage) or other value methods as appropriate under the circumstances.

Revisions of Estimates

12. Estimates and cost allocations shall be reviewed at the end of each financial reporting period until a project is substantially completed and available for sale. Costs shall be revised and reallocated as necessary for material changes on the basis of current estimates.⁸ Changes in estimates shall be reported in accordance with paragraph 31 of APB Opinion No. 20, *Accounting Changes*.

Abandonments and Changes in Use

13. If real estate, including rights to real estate, is abandoned (for example, by allowing a mortgage to be foreclosed or a purchase option to lapse), capitalized costs of that real estate shall be expensed. Such costs shall not be allocated to other components of the project or to other projects even if other components or other projects are capable of absorbing the losses.

14. Real estate donated to municipalities or other governmental agencies for uses that will benefit the project are not abandonments. The cost of the real estate donated shall be allocated as a common cost of the project.

15. Changes in the use of real estate comprising a project or a portion of a project may arise

after significant development and construction costs have been incurred. If the change in use is made pursuant to a formal plan for a project that is expected to produce a higher economic yield (as compared to its yield based on use before change), the development and construction costs to be charged to expense shall be limited to the amount by which the capitalized costs incurred and to be incurred exceed the estimated value of the revised project when it is substantially complete and ready for its intended use.

16. In the absence of a formal plan for a project that is expected to produce a higher economic yield, the project costs to be charged to expense shall be limited to the amount by which total project costs exceed the estimated net realizable value of the property determined on the assumption it will be sold in its present state.

Costs Incurred to Sell and Rent Real Estate Projects, Including Initial Rental Operations

Costs Incurred to Sell Real Estate Projects

17. **Costs incurred to sell real estate projects** shall be capitalized if they (a) are reasonably expected to be recovered from the sale of the project or from incidental operations and (b) are incurred for (1) tangible assets that are used directly throughout the selling period to aid in the sale of the project or (2) services that have been performed to obtain regulatory approval of sales. Examples of costs incurred to sell real estate projects that ordinarily meet the criteria for capitalization are costs of model units and their furnishings, sales facilities, legal fees for preparation of prospectuses, and semipermanent signs.

18. Other costs incurred to sell real estate projects shall be capitalized as prepaid costs if they are directly associated with and their recovery is reasonably expected from sales that are being accounted for under a method of accounting other than full accrual.⁹ Costs that do not meet the criteria for capitalization shall be expensed as incurred.

19. Capitalized selling costs shall be charged to expense in the period in which the related revenue is recognized as earned. When a sales contract is canceled (with or without refund) or the related receivable is written off as uncollectible, the related unrecoverable capitalized selling costs shall be charged to expense or an allowance previously established for that purpose.

Costs Incurred to Rent Real Estate Projects

20. If **costs incurred to rent real estate projects**, other than initial direct costs,¹⁰ under operating leases are related to and their recovery is reasonably expected from future rental operations, they shall be capitalized. Examples of such costs are costs of model units and their furnishings, rental facilities, semipermanent signs, "grand openings," and unused rental brochures. Costs that do not meet the criteria for capitalization shall be expensed as incurred, for example, rental overhead.

21. Capitalized rental costs directly related to revenue from a specific operating lease shall be amortized over the lease term. Capitalized rental costs not directly related to revenue from a specific operating lease shall be amortized over the period of expected benefit. The amortization period shall begin when the project is substantially completed and held available for occupancy.¹¹ Estimated unrecoverable amounts of unamortized capitalized rental costs associated with a lease or group of leases shall be charged to expense when it becomes probable that the lease(s) will be terminated.

Initial Rental Operations

22. When a real estate project is substantially completed and held available for occupancy, rental revenues and operating costs shall be recognized in income and expense as they accrue, all carrying costs (such as real estate taxes) shall be charged to expense when incurred, depreciation on the cost of the project shall be provided, and costs to rent the project shall be amortized in accordance with paragraph 21 of this Statement. A real estate project shall be considered substantially completed and held available for occupancy upon completion of tenant improvements by the developer but no later than one year from cessation of major construction activity (as distinguished from activities such as routine maintenance and cleanup).

23. If portions of a rental project are substantially completed and occupied by tenants or held available for occupancy and other portions have not yet reached that stage, the substantially completed portions shall be accounted for as a separate project. Costs incurred shall be allocated between the portions under construction and the portions substantially completed and held available for occupancy.

Recoverability

24. The carrying amount of a real estate project, or parts thereof, held for sale or development and sale shall not exceed net realizable value. If costs exceed net realizable value, capitalization of costs associated with development and construction of a property shall not cease, but rather an allowance shall be provided to reduce the carrying amount to estimated net realizable value, determined on the basis of an evaluation of individual projects. An individual project, for this purpose, consists of components that are relatively homogeneous, integral parts of a whole (for example, individual houses in a residential tract, individual units in a condominium complex, and individual lots in a subdivision and amenities). Therefore, a multiphase development consisting of a tract of single-family houses, a condominium complex, and a lot subdivision generally would be evaluated as three separate projects.

25. Evidence of insufficient rental demand for a rental project currently under construction may indicate an impairment of the carrying value. If it is probable that the insufficient rental demand is other than temporary, an allowance for losses shall be provided, whether or not construction is actually suspended.

Amendments to Other Pronouncement

26. The references to AICPA Statements of Position 78-3, *Accounting for Costs to Sell and Rent, and Initial Rental Operations of, Real Estate Projects*, and 80-3, *Accounting for Real Estate Acquisition, Development, and Construction Costs*, are deleted from Appendixes A and B of FASB Statement No. 32, *Specialized Accounting and Reporting Principles and Practices in AICPA Statements of Position and Guides on Accounting and Auditing Matters*, respectively.

Effective Date and Transition

27. This Statement shall be applied to costs of real estate projects incurred in fiscal years beginning after December 31, 1982. Earlier application is encouraged but not required.

**The provisions of this Statement need
not be applied to immaterial items.**

This Statement was adopted by the affirmative votes of six members of the Financial Accounting Standards Board. Mr. Morgan dissented.

Mr. Morgan dissents to the issuance of this Statement. Although he recognizes the Board's commitment, as stated in paragraph 2 of Statement 32, to extract specialized principles and practices from SOPs and Guides and to issue them as FASB Statements and the fact that issuance of this Statement is considered by a majority of Board members as a fulfillment of part of that commitment, Mr. Morgan believes this Statement should be deferred until certain other projects are completed.

Incorporation of these detailed guidelines into accounting standards is inappropriate at this time in view of two projects in process that should bear on the nature and effect of accounting standards in this area.

- a. The Board's project on financial reporting by private and small public companies
- b. The August 1982 report of the Financial Accounting Foundation Structure Committee, which acknowledges the comments of many respondents that the Board should deal primarily with broad accounting standards issues and charges the Board to develop a plan, for consideration by the Trustees, to provide timely *guidance* for implementation questions and emerging issues

Mr. Morgan believes that no urgent need for an FASB Statement on this subject has been demonstrated. Accordingly, he believes it more prudent to complete the broader, more general projects before further considering whether this Statement is needed.

Members of the Financial Accounting Standards Board:

Donald J. Kirk, *Chairman*
Frank E. Block
John W. March
Robert A. Morgan
David Mosso
Robert T. Sprouse
Ralph E. Walters

Appendix A: GLOSSARY

28. This glossary defines certain terms as they are used in this Statement.

Amenities

Examples of amenities include golf courses, utility plants, clubhouses, swimming pools, tennis courts, indoor recreational facilities, and parking facilities.

Common Costs

Costs that relate to two or more units within a real estate project.

Costs Incurred to Rent Real Estate Projects

Examples of such costs include costs of model units and their furnishings, rental facilities, semipermanent signs, rental brochures, advertising, "grand openings," and rental overhead including rental salaries.

Costs Incurred to Sell Real Estate Projects

Examples of such costs include costs of model units and their furnishings, sales facilities, sales brochures, legal fees for preparation of prospectuses, semipermanent signs, advertising, "grand openings," and sales overhead including sales salaries.

Fair Value

The amount in cash or cash equivalent value of other consideration that a real estate parcel would yield in a current sale between a willing buyer and a willing seller (i.e., selling price), that is, other than in a forced or liquidation sale. The fair value of a parcel is affected by its physical characteristics, its probable ultimate use, and the time required for the buyer to make such use of the property considering access, development plans, zoning restrictions, and market absorption factors.

Incidental Operations

Revenue-producing activities engaged in during the holding or development period to

reduce the cost of developing the property for its intended use, as distinguished from activities designed to generate a profit or a return from the use of the property.

Incremental Costs of Incidental Operations

Costs that would not be incurred except in relation to the conduct of incidental operations. Interest, taxes, insurance, security, and similar costs that would be incurred during the development of a real estate project regardless of whether incidental operations were conducted are not incremental costs.

Incremental Revenues from Incidental Operations

Revenues that would not be produced except in relation to the conduct of incidental operations.

Indirect Project Costs

Costs incurred after the acquisition of the property, such as construction administration (for example, the costs associated with a field office at a project site and the administrative personnel that staff the office), legal fees, and various office costs, that clearly relate to projects under development or construction. Examples of office costs that may be considered indirect project costs are cost accounting, design, and other departments providing services that are clearly related to real estate projects.

Net Realizable Value

The estimated selling price in the ordinary course of business less estimated costs of completion (to the stage of completion assumed in determining the selling price), holding, and disposal.

Phase

A parcel on which units are to be constructed concurrently.

Preacquisition Costs

Costs related to a property that are incurred for the express purpose of, but prior to, obtaining that property. Examples of preacquisition costs may be costs of surveying, zoning or traffic studies, or payments to obtain an option on the property.

Project Costs

Costs clearly associated with the acquisition, development, and construction of a real estate project.

Relative Fair Value before Construction

The fair value of each land parcel in a real estate project in relation to the fair value of the other parcels in the project, exclusive of value added by on-site development and construction activities.

Appendix B: BACKGROUND INFORMATION AND SUMMARY OF CONSIDERATION OF COMMENTS ON EXPOSURE DRAFT

29. As discussed in Statement 32, the FASB is extracting the specialized ¹² accounting and reporting principles and practices from AICPA SOPs and Guides on accounting and auditing matters and issuing them in FASB Statements after appropriate due process. This Statement extracts without significant changes the specialized principles and practices from AICPA SOPs 80-3, Accounting for Real Estate Acquisition, Development, and Construction Costs, and 78-3, Accounting for Costs to Sell and Rent, and Initial Rental Operations of, Real Estate Projects, and those from the AICPA Industry Accounting Guide (Guide), Accounting for Retail Land Sales, that address costs of real estate projects. Accounting and reporting standards that apply to costs in general also apply to real estate costs, and the standards in this Statement are in addition to those standards.

30. SOP 80-3 was developed to provide guidance in accounting for costs associated with real estate acquisition, development, and construction. Trends in real estate development activities at the time SOP 80-3 was developed had dramatically increased the size of enterprises engaged in real estate development, the cost of individual projects, and the time required to complete the development of individual projects. Those trends focused attention on the need for guidance. SOP 80-3 specifies when costs related to a real estate project should be capitalized and how those costs should be allocated to the components of a real estate project.

31. SOP 78-3 was developed to eliminate the wide diversity in practice in accounting for costs to sell and rent real estate projects and the costs and revenues during the initial operating period of a rental project before occupancy stabilizes (sometimes referred to as the "rent-up" period).

32. The Guide was developed to clarify and standardize the accounting for retail land sales. The Guide discusses both the timing of revenue and income recognition and costs to be capitalized. This Statement incorporates only the principles addressing the accounting for costs. The specialized principles dealing with revenue and income recognition have been extracted into Statement 66.

33. Board members have assented to the issuance of this Statement on the basis that it is an appropriate extraction of existing specialized principles and practices and that a comprehensive reconsideration of those principles and practices was not contemplated in undertaking this FASB project. Most of the background material and discussion of accounting alternatives have not been carried forward from the AICPA real estate related SOPs and Guide. The Board's conceptual framework project on accounting recognition criteria will address recognition issues relating to elements of financial statements. A Statement of Financial Accounting Concepts resulting from that project in due course will serve as a basis for evaluating existing standards

and practices. Accordingly, the Board may wish to evaluate the standards in this Statement when its conceptual framework project is completed.

34. An Exposure Draft of a proposed FASB Statement, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, was issued on December 15, 1981. The Board received 37 comment letters in response to the Exposure Draft. Certain of the comments received and the Board's consideration of them are discussed in this appendix.

Due Process

35. Several respondents questioned the appropriateness of extracting specialized accounting principles from AICPA documents that had not been subjected to the FASB's extensive due process procedures. They noted the Guides and SOPs were promulgated through a process that did not include input from industry, academe, or the general public and that those documents were not exposed for comments before they were issued.

36. The extraction process is described in paragraph 29 of this Statement, paragraphs 1-9 of FASB Statement 32, and the FASB's *Request for Written Comments on an FASB Proposal for Dealing with Industry Accounting Matters and Accounting Questions of Limited Application*. Input from the public has been received and carefully considered:

- a. At a meeting of the Financial Accounting Standards Advisory Council in July 1978 at which the extraction process was discussed
- b. In the form of 157 letters of comment on the request for written comments described above
- c. In the form of 53 letters of comment in response to the Exposure Draft, *Specialized Accounting and Reporting Principles and Practices in AICPA Industry Accounting Guides, Industry Audit Guides, and Statements of Position*
- d. At two meetings of the FASB Task Force on Specialized Principles for the Real Estate Industry in 1981
- e. In extensive oral and written comments from task force members on several drafts of the Exposure Draft, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*, and of this Statement
- f. In the form of 37 letters of comment on the Exposure Draft

The Board believes it has followed its required due process procedures and that it is appropriate to issue this Statement. In addition, in its August 1982 report, the Structure Committee of the Financial Accounting Foundation said it believes the program to extract specialized accounting standards from AICPA pronouncements and issue them as FASB Statements is consistent with the Board's mission (page 18 of the report).

Initial Rental Operations

37. Respondents commented on the appropriateness of the proposed provision that a rental

project changes from nonoperating to operating status when it is substantially completed and held available for occupancy. Some respondents said that the proposed provision was acceptable although they suggested that further clarification of the phrase *substantially completed and held available for occupancy* was necessary, specifically, how tenant improvements should be treated. Some respondents suggested that a limit of one year be placed on the length of time a project that is substantially completed (other than tenant improvements) and held available for occupancy can remain in a nonoperating status.

38. Other respondents recommended that the "percentage-of-occupancy" method, or some variation thereof, be used to phase in depreciation and other operating costs. The Board considered the percentage-of-occupancy method but concurred with a majority of respondents that the method proposed in the Exposure Draft, modified by a one-year maximum period, was more appropriate. The Board has therefore modified the provisions of the Exposure Draft to state that a project shall be considered to be substantially completed and held available for occupancy upon completion of tenant improvements by the developer but no later than one year from cessation of major construction activity.

Amenities

39. With respect to the proposed accounting for amenities, some respondents indicated that the Exposure Draft appropriately extracted the relevant provisions of SOP 80-3. A few of those respondents also indicated that paragraph 13(b) of the Exposure Draft should be modified to indicate that downward revision of costs allocated to an amenity would be appropriate in the event of an impairment.

40. A few respondents believe that the provisions of the retail land sales Guide should have been extracted instead of the provisions of SOP 80-3. They believe those provisions would not have required any adjustment for fair value at the date of substantial physical completion.

41. Although the Board agrees that the provisions of the retail land sales Guide would not have required a fair value adjustment, it concluded that any excess of capitalizable costs over fair value should be allocated as common costs and no changes have been made to the provisions of the Exposure Draft.

Revisions of Estimates

42. Some respondents commented that the seller's performance of development and construction work is very similar to the long-term construction contracts discussed in SOP 81-1, *Accounting for Performance of Construction-Type and Certain Production-Type Contracts*. SOP 81-1 requires that revisions of estimates be accounted for by the cumulative catch-up method and those respondents believed that the accounting for real estate should be consistent.

43. The provisions in the Exposure Draft extracted from SOP 80-3 are consistent with

paragraph 31 of Opinion 20, which requires that a change in estimate should be accounted for in (a) the period of change if the change affects that period only or (b) the period of change and future periods if the change affects both. The Board has concluded that this Statement should rely on the general provisions of Opinion 20. The provisions of SOP 81-1 will be considered when the specialized accounting principles and practices from that AICPA document are extracted.

Interest as a Holding Cost

44. Some of the respondents indicated that the definition of net realizable value needed clarification, particularly whether interest not capitalized under Statement 34 should be considered as a holding cost in determining net realizable value.

45. The Board considered the need to address the issue of interest as a holding cost in this document. The Board concluded that it was not appropriate to address this issue within the real estate extraction project because the issue is not limited to real estate transactions.

Allocation of Capitalized Costs to the Components of Real Estate Projects

46. A number of respondents commented that the guidance in the Exposure Draft on allocation of capitalized costs to the components of real estate projects precluded the use of "area" and "other value" methods as provided in the retail land sales Guide. Those respondents indicated that this omission would have a significant impact on the real estate industry.

47. The Board has agreed with those respondents. The paragraph has been revised to allow for area or other value methods to be used if specific identification or relative fair and sales value methods, as originally proposed, are impracticable.

Other Comments

48. Several respondents suggested various substantive changes to the Exposure Draft. Adoption of those suggestions would have required a reconsideration of some of the provisions of the Guide and SOPs. Such a reconsideration is not contemplated in the extraction project unless a proposed change meets one of the three criteria for change included in the "Notice for Recipients" of the Exposure Draft or is broadly supported. The proposed changes did not meet the criteria for change and were not broadly supported. Accordingly, the Board did not adopt those suggestions. However, based on suggestions from respondents to the Exposure Draft, the Board has made several other changes that it believes clarify the Statement.

49. The Board has concluded that it can reach an informed decision on the basis of existing information without a public hearing and that the effective date and transition specified in paragraph 27 are advisable in the circumstances.

Footnotes

FAS67, Footnote 1--In this context, "real estate developed by an enterprise for use in its own operations" includes real estate developed by a member of a consolidated group for use in the operations of another member of the group (for example, a manufacturing facility developed by a subsidiary for use in its parent's operations) when the property is reported in the group's consolidated financial statements. However, such property is not "real estate developed for use in the enterprise's operations" when reported in the separate financial statements of the entity that developed it.

FAS67, Footnote 2 --Terms defined in the glossary (Appendix A) are in **boldface type** the first time they appear in this Statement.

FAS67, Footnote 3--*Probable* is defined in FASB Statement No. 5, *Accounting for Contingencies*, as "likely to occur" and is used in the same sense in this Statement.

FAS67, Footnote 4--The phrase *activities necessary to get the property ready for its intended use are in progress* is used here with the same meaning as it has for interest capitalization in paragraph 17 of FASB Statement No. 34, *Capitalization of Interest Cost*.

FAS67, Footnote 5--The phrase *substantially complete and ready for its intended use* is used here with the same meaning as it has for interest capitalization in paragraph 18 of Statement 34.

FAS67, Footnote 6--A land parcel may be considered to be an individual lot or unit, an amenity, or a **phase**.

FAS67, Footnote 7--Including the costs of amenities to be allocated as common costs (paragraphs 8 and 9).

FAS67, Footnote 8--Paragraph 76 of Statement No. 66, *Accounting for Sales of Real Estate*, discusses revisions of estimates relating to retail land sales accounted for by the percentage-of-completion method.

FAS67, Footnote 9--FASB Statement 66 discusses the circumstances under which the appropriate accounting methods are to be applied, including the full accrual method.

FAS67, Footnote 10--Initial direct costs are defined in Statement 17. The accounting for initial direct costs is prescribed in Statement 13.

FAS67, Footnote 11--Refer to paragraph 22 for the definition of *substantially completed and held available for occupancy*.

FAS67, Appendix B, Footnote 12--The term *specialized* is used to refer to those accounting and reporting principles and practices in AICPA Guides and SOPs that are neither superseded by nor contained in Accounting Research Bulletins, APB Opinions, FASB Statements, or FASB Interpretations.