

Interpretation of the Emerging Accounting Issues Working Group**INT 99-14: EITF 96-19: Debtor's Accounting for a Modification or Exchange of Debt Instruments****ISSUE NULLIFIED BY SSAP NO. 91R****INT 99-14 Date Discussed**

June 7, 1999; October 4, 1999

INT 99-14 References

SSAP No. 18—Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SSAP No. 18)

SSAP No. 91R—Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SSAP No. 91R)

INT 99-14 Issue

1. For GAAP purposes, prior to the issuance of FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (FAS 125), the primary guidance for extinguishment of debt was located within FASB Statement No. 76, *Extinguishment of Debt* (FAS 76). However, when FAS 125 was issued, it superseded FAS 76 and caused some confusion in the accounting for some transactions where debt is extinguished through an exchange. EITF 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments* (EITF 96-19) provides guidance for the application of FAS 125 as it relates to exchanges of debt instruments.

2. EITF 96-19 was adopted in the base portion of Codification, along with FAS 125, in SSAP No. 18. At the time of its adoption, only one conclusion had been reached (Issue 1) on the below accounting issues, and it was a tentative conclusion. EITF 96-19 should now be considered for the consensus positions that have been adopted by the EITF on this matter.

INT 99-14 Discussion

3. The working group reached a consensus to adopt EITF 96-19. Therefore, an exchange of debt instruments with substantially different terms is a debt extinguishment and should be accounted for in accordance with paragraph 15 of SSAP No. 91R.

4. Furthermore, a debtor's exchange of debt instruments (in a nontroubled debt situation) is accomplished with debt instruments that are substantially different if the present value of the cash flows under the terms of the new debt instrument is at least 10 percent different from the present value of the remaining cash flows under the terms of the original instrument.

INT 99-14 Status

5. No further discussion is planned.