



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

(202) 755-4846



75-1

FOR RELEASE: Saturday, February 1, 1975

The Commission wishes to express its pleasure at the prompt and decisive manner in which the Financial Accounting Standards Board has moved to deal with the problems posed by the application of Accounting Principles Board Opinions No. 26 and 30 to the early extinguishment of debt, particularly in this time when high interest rates have resulted in sharply reduced valuations of debt originally incurred at substantially lower rates.

In the course of the Commission's activities in reviewing registration statements, annual reports and other financial information filed with it, the Commission's staff became increasingly aware of the serious distortions which might occur in the reporting of income as a consequence of the application of Accounting Principles Board Opinions No. 26 and 30, which appeared to mandate recording as ordinary income gain upon the extinguishment of debt. In keeping with its statement in Accounting Series Release No. 150 that the Commission would look to the Financial Accounting

Standards Board for leadership in establishing and improving accounting principles and standards, albeit without surrender by the Commission of its responsibilities to carry out the mandate of Congress to assure adequate disclosure to investors, the Commission conferred with the Board concerning the possibility that such recording of income could be misinterpreted or misunderstood by investors. The Board determined that it would, in accordance with expedited procedures provided for in its bylaws, prepare and publish promptly a proposed modification of Accounting Principles Board Opinion No. 30 and solicit comments thereon. The Board has now done this and it is the hope of both the Commission and the Board that within a short period of time a definitive resolution of the uncertainties surrounding this matter may be had. The Commission regards the Board's decisive action in response to the Commission's inquiry as a significant example of the capacity of the Board to deal constructively and promptly with emerging accounting problems and as evidence of the manner in which the Board and the Commission, each with its respective responsibilities, can collaborate in achieving their common purpose of providing to investors full, fair and complete disclosure.

We congratulate the Board upon its response to this problem.