September 16, 1994, is amended as follows:

*Paragraph 500 General*

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**AGL MI D Detroit, MI [Revised]**

Detroit, Willow Run Airport, MI
(Lat. 42°14′16″ N., long. 83°31′50″ W.)

That airspace extending upward from the surface to but not including 3,000 feet MSL within a 4.4-mile radius of Willow Run Airport, excluding that airspace within the Detroit, MI, Class B airspace area.

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**AGL IL D Alton, IL [Revised]**

Alton, St. Louis Regional Airport, IL
(Lat. 38°53′25″ N., long. 90°02′45″ W.)

That airspace extending upward from the surface to and including 3,000 feet MSL within a 4.2-mile radius of the St. Louis Regional Airport, excluding that airspace within the Lambert-St. Louis International Airport, MO, Class B airspace area. The Class D airspace is effective during the specific dates and times established in advance by a Notice to Airmen. The effective dates and times will thereafter be continuously published in the Airport/Facility Directory.

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Issued in Des Plaines, Illinois on April 11, 1995.

**Roger Wall,**

*Manager, Air Traffic Division.*

[FR Doc. 95–10042 Filed 4–21–95; 8:45 am]

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## SECURITIES AND EXCHANGE COMMISSION

### 17 CFR Part 211

**[Release No. SAB 94]**

### Staff Accounting Bulletin No. 94

**AGENCY:** Securities and Exchange Commission.

**ACTION:** Publication of staff accounting bulletin.

**SUMMARY:** The interpretations in this staff accounting bulletin express the views of the staff regarding the period in which a gain or loss is recognized on the early extinguishment of debt.

**EFFECTIVE DATE:** April 18, 1995.

**FOR FURTHER INFORMATION CONTACT:** Tracey Barber, Office of Chief Accountant (202) 942–4400, or Douglas Tanner, Division of Corporation Finance (202) 942–2960, Securities and Exchange Commission, 450 Fifth Street NW., Washington, DC 20549.

**SUPPLEMENTARY INFORMATION:** The statements in staff accounting bulletins are not rules or interpretations of the Commission nor are they published as bearing the Commission's official approval. They represent interpretations and practices followed by the Division of Corporation Finance and the Office of the Chief Accountant in administering the disclosure requirements of the Federal securities laws.

**Margaret H. McFarland,**

*Deputy Secretary.*

## PART 211—[AMENDED]

Accordingly, Part 211 of Title 17 of the Code of Federal Regulations is amended by adding Staff Accounting Bulletin No. 94 to the table found in Subpart B.

### Staff Accounting Bulletin No. 94

The staff hereby adds Section AA to Topic 5 of the Staff Accounting Bulletin Series. Topic 5–AA provides guidance regarding the period in which a gain or loss is recognized on the early extinguishment of debt.

**Topic 5: Miscellaneous Accounting**

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*AA. Recognition of a Gain or Loss on Early Extinguishment of Debt*

*Facts:* In the fourth quarter of its fiscal year, a registrant announces its intent to call for redemption certain of its outstanding debt obligations. By their terms, the debt obligations are not callable until the third quarter of the subsequent fiscal year. The obligations will be redeemed for an amount that exceeds the net amount at which they are carried on the registrant's balance sheet. The debt extinguishment would not be deemed a troubled debt restructuring addressed by *Statement of Financial Accounting Standards No. 15,* "Accounting by Debtors and Creditors for Troubled Debt Restructurings."

*Question:* Would the staff object if the registrant recorded the loss expected to result from redemption of the debt obligations (the excess of the reacquisition cost over the net carrying amount of the extinguished debt) in the period that it announces its intent to call the debt for redemption?

*Interpretive Response:* Yes. *Accounting Principles Board Opinion No. 26,* "Early Extinguishment of Debt," (APB 26) and its amendments, including, among others, *Statement of Financial Accounting Standards No. 76,* "Extinguishment of Debt," (SFAS 76) govern the accounting and disclosure for extinguishment of debt. Pursuant to APB 26, the gain or loss from an extinguishment of debt "should be recognized currently in income of the period of extinguishment." Paragraph 3 of SFAS 76 identifies the circumstances under which a debt obligation would be considered extinguished.[1] The staff would object to recognition of a gain or loss from a debt extinguishment in a period other than the period in which the debt is considered extinguished.[2] Disclosure regarding a planned extinguishment and its likely effects would be required in footnotes to the financial statements and in Management's Discussion and Analysis to the extent material. In periods preceding extinguishment, interest expense and other carrying costs of the debt should be recognized in accordance with the terms of the instrument. Deferred debt issue costs and debt discount or premium would continue to be amortized based on the life of the debt that was assumed when the obligation initially was recorded.

Some registrants have suggested that *Statement of Financial Accounting Standards No. 5,* "Accounting for Contingencies," (SFAS 5) requires recognition of an estimated loss on extinguishment when the extinguishment becomes probable, such as upon an issuer's announcement of a plan to call the debt. The staff does not believe that SFAS 5 supersedes or conflicts with other authoritative literature providing specific guidance concerning the accounting for debt extinguishment. A probable and estimable loss is recognized under SFAS 5 if, and only if, an asset has been impaired or a liability had been incurred at the balance sheet date. The staff believes that announcement of an intent to extinguish a liability in the future does not, by itself, result in a requirement to recognize a loss. Further, the staff believes that an issuer's irrevocable offer to repurchase a debt obligation is not sufficient to result in the debt's extinguishment for accounting purposes. A debt holder's acceptance of that offer at or prior to the balance sheet date by means of tendering the security and surrendering all rights under the instrument's terms, however, would be considered an extinguishment of that debt. In the case of an issuer's call of a debt obligation (including an original issue discount obligation), extinguishment is not considered to have occurred before interest ceases to accrue or accrete under the terms of the obligation as a result of the call. In any case, loss recognition is not elective under SFAS 5. The accounting consequence for an issuer that

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[1] Paragraph 3 of SFAS 76 states that "[a] debtor shall consider debt to be extinguished for financial reporting purposes in the following circumstances:

a. The debtor pays for creditor and is relieved of all of its obligations with respect to the debt. This includes the debtor's reacquisition of its outstanding securities in the public securities markets, regardless of whether the securities are cancelled or held as so-called treasury bonds.

b. The debtor is legally released from being the primary obligor under the debt either judicially or by the creditor and its is probable that the debtor will not be required to make future payments with respect to that debt under any guarantees. (footnotes omitted)

c. The debtor irrevocably places cash or other assets in a trust to be used solely for satisfying scheduled payments of both the interest and principal of a specific obligation and the possibility that the debtor will be required to make future payments with respect to the debt is remote. In this circumstance, debt is extinguished even though the debtor is not legally released from being the primary obligor under the debt obligations."

[2] The extinguishment of a debt obligation subsequent to the balance sheet date but prior to the issuance of financial statements reporting as of and for the period ended on the balance sheet date should not result in adjustment to those financial statements.