1938

Securities and Exchange Commission today made public an opinion in its accounting series as to the proper treatment of unamortized bond discount and expense applicable to bonds which, prior to maturity, nave been retired out of the proceeds of a sale of capital

United States. Securities and Exchange Commission

William W. Werntz

For Release in MORNING Newspapers of Friday, December 23, 1938.

SECURITIES AND EXCHANGE COMMISSION
Washington

ACCOUNTING SERIES
Release No. 10

The Securities and Exchange Commission today made public an opinion in its accounting series as to the proper treatment of unamortized bond discount and expense applicable to bonds which, prior to maturity, have been retired out of the proceeds of a sale of capital. The opinion, prepared by William W. Werntz, Chief Accountant, follows:

"Question has frequently been raised as to the proper treatment to be accorded unamortized debt discount and expense applicable to bonds which, prior to maturity, have been retired by the use of funds derived from the sale of capital stock. As generally presented, the inquiry relates to the propriety of carrying such unamortized debt discount and expense as a deferred charge and amortizing it over the remaining portion of the original life of the retired bonds.

"While it may be permissible to retain on the books and amortize any balance of discount and expense applicable to bonds refunded by other evidences of indebtedness, similar treatment is not ordinarily acceptable, in my opinion, when funds used to retire the existing bonds are derived from the sale of capital stock. In such cases it is my opinion that, as a general rule, sound and generally accepted accounting principles and practice require that the unamortized balance of the debt discount and expense applicable to the retired bonds should be written off by a charge to earnings or earned surplus, as appropriate, in the accounting period within which the bonds were retired."

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