

Interpretation of the Emerging Accounting Issues Working Group**INT 00-10: EITF 98-14: Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements****ISSUE NULLIFIED BY SSAP NO. 15****INT 00-10 Dates Discussed**

March 13, 2000; June 12, 2000

INT 00-10 References

SSAP No. 15—Debt and Holding Company Obligations (SSAP No. 15)

INT 00-10 Issue

1. A line-of-credit or revolving-debt arrangement is an agreement that provides the borrower with the option to make multiple borrowings up to a specified maximum amount, to repay portions of previous borrowings, and to then reborrow under the same contract. Line-of-credit and revolving-debt arrangements may include both amounts drawn by the debtor (a debt instrument) and a commitment by the creditor to make additional amounts available to the debtor under predefined terms (a loan commitment). In most situations, a debtor incurs costs to establish line-of-credit or revolving-debt arrangements, and some or all of the costs are deferred and amortized over the term of the arrangement.

2. EITF 96-19, *Debtor's Accounting for a Modification or Exchange of Debt Instruments* (EITF 96-19) provides guidance for modifications to or exchanges of debt instruments by and between a debtor and a creditor in a nontroubled debt situation. EITF 96-19 does not specifically address the accounting for modifications to (for example, changing interest rates, draw-down terms, covenants, or maturity) or exchanges of a line-of-credit or revolving-debt arrangement. Unlike a single debt arrangement, it is unclear how to apply a cash flow calculation similar to EITF 96-19 to line-of-credit and revolving-debt arrangements in which amounts may be outstanding and the lender is committed to lend additional amounts or in which no amounts are drawn down, to determine whether the change is considered substantial.

3. The issue is how to account for modifications to or exchanges of line-of-credit or revolving-debt arrangements, including the accounting for unamortized costs at the time of the change, fees paid to or received from the creditor, and third-party costs incurred.

INT 00-10 Discussion

4. The working group reached a consensus to reject the conclusions reached in EITF 98-14, *Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements* and expense such costs as incurred.

INT 00-10 Status

5. No further discussion is planned.