

## Office of the Secretary, DOT

transport-related services, in the assignment thereto of proportionate direct overheads, as well as direct labor and materials, of the applicable expense functions prescribed by this system of accounts and reports, and (2) with respect to separate ventures, in the assignment thereto of proportional general and administrative overheads as well as the direct overheads, labor, and materials.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-841, 39 FR 11994, Apr. 2, 1974; ER-1401, 50 FR 238, Jan. 3, 1985. Redesignated and further amended by Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

### Sec. 2-3 Distribution of revenues and expenses within entities.

(a) Revenues and expenses attributable to a single natural objective account or functional classification shall be assigned accordingly.

(b) Revenue and expense items which are common to two or more natural objective accounts shall be recorded in the objective accounts to which they predominantly relate.

(c) Expense items contributing to more than one function shall be charged to the general overhead functions to which applicable except that where only incidental contribution is made to more than a single function an item may be included in the function to which primarily related, provided such function is not distorted by including an aggregation of amounts applicable to other functions. When assignment of expense items on the basis of the primary activity to which related does not in the aggregate result in a fair presentation of the expenses applicable to each function, apportionment shall be made between functions based upon a study of the contribution to each function during a representative period.

[ER-755, 37 FR 19726, Sept. 21, 1972. Redesignated by Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

### Sec. 2-4 Accounting period.

(a) The accounting year of each air carrier subject to this Uniform System of Accounts shall be the calendar year unless otherwise approved by the BTS.

(b) Each air carrier shall keep its financial accounts and records on a full

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accrual basis for each quarter so that all transactions, as nearly as may reasonably be ascertained, shall be fully reflected in the air carrier's books for the quarter in which revenues have been earned and the costs attaching to the revenues so earned in each quarter have been incurred independently of the incidence of sales or purchases and settlement with debtors or creditors.

(c) Expenditures incurred during the current accounting year which demonstrably benefit operations to be performed during subsequent accounting years to a significant extent shall be deferred and amortized to the period in which the related operations are performed when of sufficient magnitude to distort the accounting results of the year in which incurred.

(d) Expenditures charged directly or amortized to operations within one accounting year shall not be reversed in a subsequent accounting year and re-amortized or charged directly against operations of subsequent years except that retroactive adjustments are permitted where necessary to conform with adjustments required by the DOT for ratemaking purposes.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1027, 42 FR 60127, Nov. 25, 1977; ER-1188, 45 FR 48870, July 22, 1980; 60 FR 66723, 66725, Dec. 26, 1995]

### Sec. 2-5 Revenue and accounting practices.

(a) Revenue accounting practices shall conform to the provisions of account 2160, Air Traffic Liability.

(b) Each route air carrier shall physically verify the reliability of its passenger revenue accounting practice at least once each accounting year.

(c) For those carriers who use the yield or average-fare method to determine earned revenue, the analysis supporting the verification shall include:

(1) The cutoff date for the liability to be verified; such cutoff date shall be at the end of a calendar month.

(2) The number of months after the cutoff date during which documents were examined to verify the liability; the number of months after the cutoff date during which documents are examined shall not exceed the maximums set forth below:

**Section 3**

Class of carrier	Maximum months <sup>1</sup>
TWA .....	18
Trunks (except TWA) .....	12
All other route air carriers .....	6

<sup>1</sup> Applies only to carriers on a yield or average-fare basis.

(3) The nature of the documents which were examined for purposes of the verification.

(4) The totals for each of the various types of documents examined, on actual or sampling basis.

(5) A description of the sampling technique and conversion to totals, if sampling was employed.

(6) The amount and basis for all estimates employed in the verification.

(7) The amount of resulting adjustments and the quarter in which such adjustments were, or are to be, made in the accounts.

(d) For those carriers who use the sales-lift match method to determine earned revenue, the analysis supporting the physical inventory verification shall include:

(1) The cutoff date for the liability to be verified; such cutoff date shall be at the end of a calendar month.

(2) A trial balance as of the cutoff date of all subaccounts supporting the Air Traffic Liability control account; the subsidiary trial balance must agree with the Air Traffic Liability control account or a reconciliation statement furnished.

(3) A statement to the effect that a sales listing of the value of all unmatched auditor coupons has been compiled and compared to the general ledger control figure; the statement required by this subparagraph shall indicate whether or not the value of the unmatched coupons is in agreement with the general ledger. If the sales listing is not in agreement with the Air Traffic Liability control account, the amount of such difference shall be shown on such statement.

[ER-948, 41 FR 12290, Mar. 25, 1976, as amended by ER-1401, 50 FR 238, Jan. 3, 1985. Redesignated at Amdt. 241-58, 54 FR 5592, Feb. 6, 1989; 60 FR 66725, Dec. 26, 1995]

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**BALANCE SHEET CLASSIFICATIONS**

**Section 3 Chart of Balance Sheet Accounts**

[See footnotes at end of table]

Name of account	General classification	
	Operating	Nonoperating
<b>Current assets:</b>		
Cash .....	1010	
Short-term investments .....	1100	
Notes receivable .....	1200	
Accounts receivable .....	1270	
Allowance for uncollectible accounts .....	1290	
Spare parts and supplies ...	1300	
Allowance for obsolescence—Spare parts and supplies .....	1311	
Prepaid items .....	1410	
Other current assets .....	1420	
<b>Investments and special funds:</b>		
Investments in associated companies .....	1510	
Investments in investor controlled companies .....	1510.1	
Investments in other associated companies .....	1510.2	
Advances to associated companies .....	1510.3	
Other investments and receivables .....	1530	
Special funds .....	1550	
Property and equipment .....	1600-1700	
	Operating	Nonoperating
Airframes .....	1601	1701
Airframes .....	1601.1	1701.1
Unamortized airframe overhauls .....	1601.2	1701.2
Aircraft engines .....	1602	1702
Aircraft engines .....	1602.1	1702.1
Unamortized aircraft engine overhauls .....	1602.2	1702.2
Improvements to leased flight equipment .....	1607	1707
Flight equipment rotatable parts and assemblies .....	1608	1708
Airframe parts and assemblies .....	<sup>1</sup> 1608.1	<sup>1</sup> 1708.1
Aircraft engine parts and assemblies .....	<sup>1</sup> 1608.5	<sup>1</sup> 1708.5
Other parts and assemblies .....	<sup>1</sup> 1608.9	<sup>1</sup> 1708.9
Flight equipment .....	1609	1709
<b>Allowance for depreciation:</b>		
Airframes .....	1611	1711
Aircraft engines .....	1612	1712
Improvements to leased flight equipment .....	1617	1717
Flight equipment rotatable parts and assemblies .....	1618	1718
Flight equipment airworthiness allowance .....	<sup>2</sup> 1629	<sup>2</sup> 1729
Equipment .....	1630	1730
Furniture, fixtures and office equipment .....	1636	1736
Improvements to leased buildings and equipment .....	1639	1739