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Section 5 [Reserved]

Section 6 Objective Classification of Balance Sheet Elements

SOURCE: ER-980, 42 FR 29, Jan. 3, 1977, unless otherwise noted.

CURRENT ASSETS

1010 Cash.

(a) Record here all general and working funds available on demand as of the date of the balance sheet which are not formally restricted or earmarked for specific objectives. Funds deposited for special purposes which are to be satisfied within one year shall be included in account 1100 Short-term Investments and funds restricted as to general availability, which are not offset by current liabilities, shall be included in account 1550 Special Funds.

(b) Each air carrier shall subdivide this account in such manner that the balance can be readily segregated as between balances in United States currency and the balances in each foreign currency.

1100 Short-term Investments.

(a) Record here the cost of short-term investments such as special deposits and United States Government securities, any other temporary cash investments, and the allowance for unrealized gain or loss on current marketable equity securities.

(b) Special deposits for more than one year, not offset by current liabilities, shall not be included in this account but in account 1550 Special Funds.

(c) This account should be charged or credited for discount or premium on United States Government securities or other securities which should be amortized to profit and loss account 80 Interest Income.

1200 Notes Receivable.

(a) Record here current notes receivable including those from associated companies, company personnel, and all other sources.

(b) Balances of notes payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled

currently shall not be included in this account but in balance sheet account 1510.3 Advances to Associated Companies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

1270 Accounts Receivable.

(a) Record here current accounts receivable including those due from the United States Government, foreign governments, associated companies, company personnel, and other amounts due for the performance of air transportation.

(b) Amounts due from the United States Government shall be maintained in such fashion as will clearly and separately identify service mail pay receivables, subsidy receivables and other than mail transportation receivables.

(c) Amounts due for the performance of air transportation shall include gross amounts due whether settled through airline clearing houses or with individual carriers. Amounts payable collected as agent shall not be credited to this account, but should be included in account 2190 Other Current Liabilities.

(d) Balances payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included in this account but in balance sheet account 1510.3 Advances to Associated Companies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

1290 Allowance for Uncollectible Accounts.

(a) Record here accruals for estimated losses from uncollectible accounts.

(b) All accounts against which allowances have been established shall be examined quarterly for the purpose of redetermining the basis of accruals to be applied to subsequent accounting periods and the reasonableness of allowances already provided.

1300 Spare parts and supplies.

(a) Record here the cost of:

(1) Flight equipment replacement parts of a type which ordinarily would be recurrently expended and replaced rather than repaired and reused;

(2) Unissued fuel inventories for use in the overall or system operations of the carrier. Adjustments of inventories for aircraft fuel due to retroactive price increases and decreases shall not be entered in this account but in profit and loss account 45, Aircraft Fuels and Oils; and

(3) Unissued and unapplied materials and supplies held in stock such as unissued shop materials, expendable tools, stationery and office supplies, passenger service supplies, and restaurant and food service supplies.

(b) Costs paid by the air carrier such as transportation charges and customs duties; excise, sales, use and other taxes; special insurance; and other charges applicable to the cost of spare parts and supplies shall be charged to this account when they can be definitely allocated to specific items or units of property. If such costs cannot be so allocated, or if of minor significance in relation to the cost of such property, such amounts may be charged to balance sheet account 1890 Other Assets and Deferred Charges and cleared either by a suitable "loading charge" as the parts are used or by current charges to appropriate expense or property accounts; so long as the method of application does not cause material distortion in operating expenses from one accounting period to another.

(c) Reusable spare parts and supplies recovered in connection with construction, maintenance, or retirement of property and equipment shall be included in this account at fair and reasonable values but in no case shall such values exceed original cost. Recoveries of normally repairable and reusable parts of a type for which losses in value may be covered on a practical basis through valuation allowance provisions shall be included in this account on an original cost basis. Scrap and non-usable parts, expensed from this account and recovered, shall be included at net amounts realizable therefrom with contra credit to the expense accounts initially charged.

(d) The cost of rotatable parts and assemblies of material value included in

this account which ordinarily are repaired and reused and possess a service life approximating that of the primary property types to which related shall not be recorded in this account but in balance sheet account 1608 Flight Equipment Rotable Parts and Assemblies. For purposes of identifying rotatable parts and assemblies of insignificant unit value which may be included in this account, a reasonable maximum unit value limitation may be established.

(e) Any losses sustained or gains realized upon the abandonment or other disposition of flight equipment expendable parts shall be taken up as capital gains or losses in the periods in which sustained or realized. (See balance sheet account 1311.)

(f) Items in this account shall be charged to appropriate expense accounts as issued for use. Profit and loss on sales of inventory items as a routine service to others shall be included in profit and loss accounts 14 General Service Sales—Associated Companies, or 16 General Service Sales—Outside, and the parts sold shall be removed from this accounts at full cost.

(g) Materials and supplies held in small supply and purchased currently may be charged to appropriate expense accounts when purchased.

(h) An allowance for inventory adjustment applicable to materials and supplies is prohibited. Items in this account shall be charged to appropriate expense accounts as issued for use.

(i) Subaccounts shall be established within this account for the separate recording of each class or type of spare parts and supplies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

1311 Allowance for Obsolescence—Spare Parts and Supplies.

(a) Accruals shall be made to this account when allowances are established for losses in the value of expendable parts. The accruals to this account shall be made by charges to profit and loss account 73 Provisions for Obsolescence and Deterioration—Expendable Parts. Records shall be maintained with sufficient detail to permit association of the allowances with each class or type of expendable parts.

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(b) The accruals to this account shall be based upon a predetermination by the air carrier of that portion of the total inventory of each class and type of expendable parts against which an allowance for loss is to be accrued. Expendable parts issued for use in operations shall be charged to operating expenses as issued and shall not be charged to this account. If at the end of any calendar year the amount of the allowance exceeds the product of the applicable inventory for the year determined consistently on a year-end or average basis, and the sum of the standard percentage accrual rates for all prior years including the current, the allowance shall be adjusted downward by the amount of the excess. Such adjustments shall be charged to this account and credited to profit and loss account 73 Provisions for Obsolescence and Deterioration—Expendable Parts.

(c) Where changing conditions necessitate a revision or adjustment in rates of accrual, such revision or adjustment shall be made applicable to current and subsequent accounting periods and shall not be applied retroactively to prior accounting periods. Following retirement of airframe or aircraft engine types to which related, any balance remaining in this account shall be offset against related balances carried in balance sheet account 1300 Spare Parts and Supplies and the net cleared to profit and loss accounts 88.5 Capital Gains and Losses—Operating Property or 88.6 Capital Gains and Losses—Other.

[ER–980, 42 FR 29, Jan. 3, 1977, as amended by ER–1401, 50 FR 241, Jan. 3, 1985]

1410 Prepaid Items.

Record here prepayments of obligations which if not paid in advance would require the expenditure of working capital within one year, such as prepaid rent, insurance, taxes, interest, etc. Unexpired insurance and miscellaneous prepayments applicable to periods extending beyond one year where significant in amount shall be charged to balance sheet account 1820 Long-Term Prepayments.

1420 Other Current Assets.

Record here current assets not provided for in balance sheet accounts 1010 to 1410, inclusive.

INVESTMENTS AND SPECIAL FUNDS

1510 Investments in Associated Companies.

(a) Record here net investments in associated companies.

(b) [Reserved]

(c) This account shall be subdivided by all air carrier groups as follows:

[ER–980, 42 FR 29, Jan. 3, 1977, as amended by ER–1027, 42 FR 60128, Nov. 25, 1977; ER–1188, 45 FR 48870, July 22, 1980]

1510.1 *Investments in Investor Controlled Companies.*

Record here the cost of investments in investor controlled companies except that permanent impairment in the value of securities may be reflected through charges to profit and loss classification 8100, Nonoperating Income or Expense—Net. This account shall also include the equity in undistributed earnings or losses since acquisition. In the event dividends are declared by such companies, the air carrier shall credit this account for its share in dividends declared and debit balance sheet account 1270 Accounts Receivable. This account shall separately state: (a) The cost of such investments at date of acquisition and (b) the equity in undistributed earnings or losses since acquisition.

[Amdt. 241–58, 54 FR 5592, Feb. 6, 1989]

1510.2 *Investments in Other Associated Companies.*

Record here the cost of investments in associated companies other than investor controlled companies. Cost shall represent the amount paid at the date of acquisition without regard to subsequent changes in the net assets through earnings or losses of such associated companies. However, permanent impairment in the value of securities may be reflected through charges to profit and loss classification 8100, Nonoperating Income or Expense—Net.

[Amdt. 241–58, 54 FR 5592, Feb. 6, 1989]

1510.3 *Advances to Associated Companies.*

(a) Record here advances, loans, and other amounts not settled currently with investor controlled and other associated companies and nontransport divisions. Balances receivable from and payable to different associated companies and different nontransport divisions shall not be offset.

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(b) In the case of nontransport divisions three subaccounts shall be maintained:

- (1) Net investment;
- (2) current net profit or loss; and
- (3) current accounts receivable or payable between the air carrier and the nontransport division.

(c) Each nontransport division shall be accounted for separately in net amounts receivable which shall be included in this account or net amounts payable which shall be included in balance sheet account 2240 Advances from Associated Companies.

[ER-980, 42 FR 29, Jan. 3, 1977. Redesignated by ER-1401, 50 FR 241, Jan. 3, 1985]

1530 Other Investments and Receivables.

Record here notes and accounts receivable not due within one year, investments in securities issued by others, investments in leveraged leases, the noncurrent net investment in direct financing and sales-type leases, and the allowance for unrealized gain or loss on noncurrent marketable equity securities. Securities held as temporary cash investments shall not be included in this account but in balance sheet account 1100 Short-Term Investments. Investments in and receivables from associated companies which are not settled currently shall be included in balance sheet account 1510 Investments in Associated Companies.

[Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

1550 Special Funds.

Record here special funds not of a current nature and restricted as to general availability. Include items such as sinking funds, cash and securities posted with courts of law, employee's funds for purchase of capital stock, pension funds under the control of the air carrier and equipment purchase funds.

OPERATING PROPERTY AND EQUIPMENT

"Operating Property and Equipment" shall encompass items used in air transportation services and services related thereto.

1601 Airframes.

(a) Record here the total cost to the air carrier of airframes of all types and classes together with the full complement of instruments, appurtenances and fixtures comprising complete airframes including accessories necessary

to the installation of engines and flight control and transmission systems, except as specifically provided otherwise in accounts 1602 and 1607. Also record here in separate subaccounts the costs of airframes overhauls accounted for on a deferral and amortization basis.

(b) Airframes designed to permit multiple payload configurations shall be recorded in this account at the total cost of the maximum complement of instruments, appurtenances, and fixtures used in the air carrier's operations.

(c) This account shall be subdivided as follows by all air carriers:

1601.1 *Airframes.*

1601.2 *Unamortized Airframe Overhauls.*

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1602 Aircraft Engines.

(a) Record here the total cost to the air carrier of complete units of aircraft engines of all types and classes together with a full complement of accessories, appurtenances, parts and fixtures comprising fully assembled engines as delivered by the engine manufacturer ready for operation in test but without the accessories necessary to its installation in airframes. Also record here in separate subaccounts the costs of aircraft engine overhauls accounted for on a deferral and amortization basis.

(b) This account shall be subdivided as follows by all air carriers:

1602.1 *Aircraft Engines.*

1602.2 *Unamortized Aircraft Engine Overhauls.*

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1607 Improvements to Leased Flight Equipment.

Record here the total cost incurred by the air carrier for modification, conversion or other improvements to leased flight equipment. Also record here, in separate subaccounts, the costs of airframe and aircraft engine overhauls of leased aircraft accounted for on a deferral and amortization basis.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

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1608 Flight Equipment Rotable Parts and Assemblies.

(a) Record here the total cost to the air carrier of all spare instruments, parts, appurtenances and subassemblies related to the primary components of flight equipment units provided for in balance sheet accounts 1601 through 1607, inclusive. This account shall include all parts and assemblies of material value which are rotatable in nature, are generally reserviced or repaired, are used repeatedly and possess a service life approximating that of the property type to which they relate. Items of an expendable nature which generally may not be repaired and re-used, shall not be recorded in this account but in account 1300 Spare Parts and Supplies. Except for recurrent service sales, flight equipment parts recorded in this account shall not be charged to operating expenses as retired. Profit or loss on sales of parts as a routine service to others shall be included in profit and loss account 14 General Service Sales, and parts sold shall be removed from this account at full cost irrespective of any allowance for depreciation which has been provided.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

1608.1 *Airframe Parts and Assemblies.*

1608.5 *Aircraft Engine Parts and Assemblies.*

1608.9 *Other Parts and Assemblies.*

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1609 Flight Equipment.

This classification is established only for purposes of control by the BTS and shall reflect the total cost of property and equipment of all types and classes used in the in-flight operations of aircraft.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended at 60 FR 66723, Dec. 26, 1995]

1629 Flight Equipment Airworthiness Allowances.

(a) Record here accumulated provisions for overhauls of flight equipment.

(b) Separate subaccounts shall be established for recording accumulated

provisions related to each type of airframe and aircraft engine, respectively.

NOTE: At the option of the air carrier, the number "2629" may be assigned to this account for accounting purposes. However, for purposes of reporting on BTS Form 41, the balance in this account shall be reported under account "1629."

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989; 60 FR 66723, Dec. 26, 1995]

1630 Equipment.

Record here the total cost to the air carrier of ground equipment to include the following:

(a) Equipment assigned to aircraft or active line operations as opposed to items held in stock for servicing passengers such as broilers, bottleware, dishes, food boxes, thermos jugs, blankets, first aid kits, etc. Spare items shall be carried in balance sheet account 1300 Spare Parts and Supplies and shall be charged directly to expense upon withdrawal from stock for replacing original complements.

(b) Equipment used in restaurants and kitchens.

(c) Equipment of all types and classes used in enplaning and handling traffic and in handling aircraft while on ramps, including motorized vehicles used in ramp service. Classes of equipment used interchangeably between handling aircraft on ramps and in maintaining aircraft may be classified in accordance with normal predominant use.

(d) Nonairborne equipment of all types and classes used in meteorological and communication services which is not a part of buildings.

(e) Equipment of all types and classes including motorized vehicles used in engineering and drafting services and in maintaining, overhauling, repairing and testing other classes of property and equipment.

(f) Property and equipment of all types and classes used in ground and marine transportation services.

(g) Property and equipment of all types and classes used in storing and distributing fuel, oil and water, such as fueling trucks, tanks, pipelines, etc.

(h) All other ground equipment of all types and classes such as medical, photographic, employees' training equipment, and airport and airway lighting equipment.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1636 Furniture, Fixtures, and Office Equipment.

Record here the total cost to the air carrier of furniture, fixtures and office equipment of all types and classes wherever used or located.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1639 Improvements to Leased Buildings and Equipment.

Record here the total cost to the air carrier incurred in connection with modification, conversion, or other improvements to leased buildings and equipment.

1640 Buildings.

Record here the total cost to the air carrier of owned buildings, structures and equipment and related improvements. Each air carrier shall maintain the following subaccounts in which the values fairly assignable to maintenance and other operations shall be separately recorded:

1640.9 *Other Buildings and Improvements.*

1640.1 *Maintenance Buildings and Improvements.*

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1649 Ground Property and Equipment.

This classification is established only for purposes of control by the BTS and shall reflect the total cost of property and equipment of all types and classes other than flight equipment, equipment purchase deposits and advance payments, land, and work in progress.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended at 60 FR 66723, Dec. 26, 1995]

1668 Allowance for Depreciation of Flight Equipment and Ground Property and Equipment and Amortization of Overhaul and Airworthiness Costs.

(a) Record in accounts 1611 and 1618, inclusive, and 1650 through 1660, inclu-

sive, accruals for depreciation of flight equipment and ground property and equipment.

(b) As set forth in section 3, Chart of Balance Sheet Accounts, separate accounts shall be established for depreciation allowances to parallel balance sheet accounts 1601 through 1608 established for recording the cost of flight equipment and accounts 1630 through 1640 established for recording the cost of ground property and equipment.

(c) This account shall be used as a control account and shall reflect the total amounts recorded in balance sheet accounts 1611 through 1618 and 1650 through 1660 in addition to account 1629 Flight Equipment Airworthiness Allowance.

1679 Land.

Record here the initial cost and the cost of improving land.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1685 Equipment Purchase Deposits and Advance Payments.

Record here the amount of purchase deposits and advance payments made to acquire operating property and equipment under outstanding purchase commitments. Funds set aside but not deposited or used as advance payments should not be included in this account but in Account 1550 Special Funds.

1689 Construction Work in Progress.

(a) Record here all direct and indirect costs of the air carrier that are expended for constructing and readying property and equipment of all types and classes for installation in operations. The amount reported shall reflect all such expenses that are accumulated to the balance sheet date. Where properly includable in the property and equipment classification, record here also the accumulated costs for uncompleted overhauls of airframes, aircraft engines, or other material units of property.

(b) At the option of the air carrier this account may be used as a clearing account for recording the cost of property and equipment acquisitions prior to a distribution thereof to the appropriate property accounts, whether or

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not conditioning or modification is necessary before placing in service.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

1695 Leased Property Under Capital Leases.

(a) Record here the total costs to the air carrier for all property obtained under capital leases.

(b) This account shall be subdivided by all air carrier groups as follows:

1695.1 *Capital Leases—Flight Equipment.*

1695.2 *Capital Leases—Other Property and Equipment.*

[ER-1401, 50 FR 241, Jan. 3, 1985, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

1696 Leased Property Under Capital Leases—Accumulated Amortization.

(a) Record here accruals for amortization of leased property obtained under capital leases.

(b) This account shall be subdivided by all air carrier groups as follows:

1696.1 *Accumulated Amortization—Capitalized Flight Equipment.*

1696.2 *Accumulated Amortization—Capitalized Other Property and Equipment.*

[ER-1401, 50 FR 241, Jan. 3, 1985, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

NON-OPERATING PROPERTY AND EQUIPMENT

“Nonoperating Property and Equipment” includes investments in property and equipment not separately accounted for within a nontransport division but assigned to other than air transportation and transport-related services, and property and equipment held for future use.

1700 Non-operating Property and Equipment.

The total cost to the air carrier of nonoperating property and equipment and related allowances for depreciation shall be recorded in balance sheet accounts 1701 through 1796 which, as set forth in section 3, Chart of Balance Sheet Accounts, parallel balance sheet accounts 1601 through 1689, for recording the cost of operating property and equipment. In addition to these accounts, Account 1797 has been established for recording the cost of prop-

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erty on operating-type leases to others and property held for lease; any accumulated depreciation applicable to the assets contained in Account 1797 shall be recorded in Account 1798.

[ER-1013, 42 FR 37515, July 21, 1977]

1797 Property on Operating-type Lease to Others and Property Held for Lease.

Record here the total cost to the air carrier of property on operating-type lease to others and property held for lease.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

1798 Property on Operating-type Lease to Others and Property Held for Lease—Accumulated Depreciation.

Record here accruals for depreciation of property on operating-type leases to others and property held for lease.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

OTHER ASSETS

1820 Long-Term Prepayments.

Record here prepayments of obligations applicable to periods extending beyond one year such as payments on leased property and equipment and other payments and advances for rents, rights, or other privileges.

1830 Unamortized Developmental and Preoperating Costs.

(a) Record here costs accumulated and deferred by the air carrier pertaining to the development of new routes or extension of existing routes, preparation for operation of new routes subsequent to certification by the DOT, the integration of new types of aircraft or services, and other preparations for substantial alterations in operational characteristics.

(b) Costs chargeable to this account shall include items directly related to each specific developmental or preoperating project, such as travel and incidental expenses, legal expenses, flight crew training expenses, and regulatory proceedings expenses. Expenses which would be otherwise incurred in the normal air transport operations conducted by the air carrier during the current accounting period

shall not be allocated to developmental or preoperating projects and charged to this account. Nor shall this account be credited for revenues from aircraft flights of a developmental or preoperating character the operating costs of which are charged to this account. Any such revenues shall be included in the profit and loss account for the respective type of revenue. This account shall include charges for only those costs associated with projects directed at obtaining new operating authority or expanding the physical capacity of the air carrier and shall not include costs incurred for the purpose of generating revenues through rate adjustment. Accordingly, costs associated with regulatory proceedings involving route awards or amendments, whether successful or unsuccessful to the carrier, shall be included in this account whereas costs associated with regulatory proceedings involving rate or other revenue generation matters shall be charged to appropriate expense accounts.

(c) Records shall be established for new routes or extensions of existing routes to record separately: (1) Costs incurred in acquiring or applying for the routes, including all costs incurred prior to certification by the DOT and inauguration of service by the air carrier, and (2) costs incurred after revenue operations begin over the new routes or extensions.

(d) Subclassifications shall be established to record for each developmental project the period covered and the purpose of each item of expense. Each air carrier shall classify the costs of all projects included in this account between: (1) Those related and contributing to the normal air transportation services currently conducted by the air carrier; (2) those related to services conducted by the air carrier which are extraneous to or are not otherwise related to the air transportation services currently conducted; and (3) those held in suspense pending status determination in terms of possible contribution to the air transportation services and inauguration of the service or operation to which related.

(e) Amounts included in this account which contribute to or protect the position of the normal air transportation

services currently conducted by the carrier shall be amortized to profit and loss account 74 Amortization, unless otherwise approved or directed by the DOT. Other amounts included in this account shall be amortized or charged to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended at 60 FR 66723, Dec. 26, 1995]

1890 Other Assets and Deferred Charges.

(a) Record here other assets and deferred charges not provided for elsewhere.

(b) Record here debits, the proper final disposition of which cannot be determined until additional information has been received. This account shall include the accumulated cost of labor, materials and outside services used in the process of manufacturing flight equipment expendable parts and materials and supplies for stock, the accumulated cost of jobs in process for others, projects to be charged to expense upon completion. This account shall also include unamortized debt expense, property acquisition adjustments and intangible assets.

(c) This account shall be charged with property loss and other costs related to casualties and credited with recoveries from purchased insurance and salvage. A debit or credit balance in this account related to property retired as a result of a casualty shall be recorded in profit and loss account 88.5 Capital Gains and Losses—Operating Property or 88.6 Capital Gains and Losses—Other; however, any balances related to property not retired or to other casualties shall be recorded in profit and loss account 58 Injuries, Loss and Damage. Proceeds from purchased insurance for property damage, received prior to repair of such damage, shall not be credited to this account but to balance sheet account 2390 Other Deferred Credits pending repair. The records for each major casualty shall be kept in such manner as to clearly disclose insurance recoveries and the total costs, which shall include charges for the depreciated cost of property damaged or destroyed, costs for clearing wrecks and damaged property and equipment, including salaries and

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wages for the repair thereof, and payments for damages to property of others. The cost of casualties shall not be charged directly against retained earnings or appropriations thereof, but shall be cleared through the applicable profit and loss accounts in accordance with the foregoing.

(d) Record here the unamortized debt expense related to the assumption by the air carrier of debt of all types and classes. Amounts recorded shall be amortized to profit and loss account 84 Amortization of Debt Discount, Premium and Expense.

(e) Unamortized debt expense shall not include the excess of the par value of debt securities over the cash value of consideration received. Instead, discounts shall be recorded in a sub-account of the related liability.

(f) Record here the cost of patents, copyrights and other intangible properties, rights and privileges acquired as a part of a business from other air carriers and other intangibles not provided for elsewhere. This account shall be subdivided to reflect the nature of each intangible asset included in this account.

(g) Record here the difference between the purchase price to the air carrier of property and equipment acquired as a part of a business from another air carrier through consolidation, merger, or reorganization, pursuant to a plan approved by the DOT, and the depreciated cost to the predecessor company at date of acquisition. Record here also such differences relating to purchases of property and equipment from associated companies unless other treatment is approved by the BTS. Separate subaccounts shall be established to record the amounts applicable to each such acquisition.

(h) Balances in this account relating to property acquisition adjustments shall be amortized by charges to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits unless otherwise directed or approved by the BTS.

[ER-1401, 50 FR 242, Jan. 3, 1985, as amended at 60 FR 66723, Dec. 26, 1995]

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CURRENT LIABILITIES

2000 Current Maturities of Long-term Debt.

Record here the face value or principal amount of debt securities issued or assumed by the air carrier which is payable within 12 months of the balance sheet date unless such debt is to refinance, or where payment is to be made from assets of a type not properly classifiable as current.

2005 Notes Payable—Banks.

Record here the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within one year to a bank or another financial institution with the exception of current maturities of long-term debt which should be included in account 2000.

2015 Notes Payable—Other.

Record here the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within one year to an associated company or party other than a financial institution.

2021 Trade Accounts Payable.

Record here all accounts payable within one year which accrued from generally recognized trade practices.

2025 Accounts Payable—Other.

Record here all accounts payable within one year which are not provided for in accounts 2000 to 2021, inclusive.

2080 Current Obligations Under Capital Leases.

Record here the total current liability applicable to property obtained under capital leases.

[ER-1013, 42 FR 37515, July 21, 1977; 42 FR 38555, July 29, 1977; Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2110 Accrued Salaries, Wages.

Record here amounts accrued for unpaid compensation to personnel, which have been charged to profit and loss or capitalized, as compensation for the period in which accrued.

2120 Accrued Vacation Liability.

(a) Record here accruals of liabilities for personnel vacations. All vacation policies, plans, or agreements whether oral or written shall be accounted for on an accrual basis whenever a lag exists between vacations earned and vacations taken, thereby resulting in a liability against the carrier under the applicable policy, plan or agreement.

(b) This account shall be credited and the applicable personnel compensation expense account concurrently charged with the cost of any lag between vacations accrued and vacations taken. Accruals may be based upon standard rates of lag, if such standard rates are verified by physical inventory and adjusted accordingly at least once each calendar year. Adjustments of balances in this account shall be cleared to applicable compensation expense accounts.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1027, 42 FR 60128, Nov. 25, 1977; ER-1188, 45 FR 48870, July 22, 1980; Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2125 Accrued Interest.

Record here interest payable within one year for all outstanding obligations.

2130 Accrued Taxes.

(a) Record here accruals for currently payable income and other forms of taxes which constitute a charge borne by the air carrier as opposed to those collected as an agent for others.

(b) Each air carrier shall disclose in the footnotes of its BTS Form 41 for each calendar quarter whether utilized credits are accounted for by the flow-through method or the deferred method. The method selected shall be consistently followed by the carrier.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]

2140 Dividends Declared.

Record here in separate subdivisions for each class and series of capital stock, all dividends declared but unpaid on capital stock.

2160 Air Traffic Liability.

(a) Record here balances representing the value of unused transportation

sold. Transportation sold includes both sales for transportation to be provided by the air carrier and transportation to be provided by another air carrier.

(b) Earned revenue, determined by the yield or average fare method or by the sales-lift-match method, shall be consistently and periodically cleared by debit to this account, and by credit to the appropriate profit and loss revenue account. Amounts receivable for transportation to be provided by the air carrier shall be debited to balance sheet account 1270 Accounts Receivable.

(c) Carriers who determine earned revenue on a yield or average fare method may not accrue income during the accounting year in anticipation of a favorable annual physical inventory determination, nor for unused or unrepresented tickets.

(d) Subaccounts to this account shall be established to record balances pertaining to passenger and cargo transportation sold, respectively, and separately to sales in scheduled and non-scheduled services.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 242, Jan. 3, 1985]

2190 Other Current Liabilities.

Record here current and accrued liabilities, including amounts payable collected as an agent, not provided for in accounts 2110 to 2160, inclusive.

NON-CURRENT LIABILITIES

2210 Long-Term Debt.

(a) Record here the face value of principal amount of debt securities issued or assumed by the air carrier and held by other than associated companies, which has not been retired or cancelled and is not payable within 12 months of the balance sheet date.

(b) In cases where debt coming due within 12 months is to be refunded, or where payment is to be made from assets of a type not properly classifiable as current, the amount payable shall not be removed from this account. In addition, this account shall include short-term debt obligations when both the intent to refinance the short-term

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obligations on a long-term basis is established and the ability to consummate this refinancing can be demonstrated.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2240 Advances from Associated Companies.

Record here net amounts due associated companies and nontransport divisions for notes, loans and advances which are not settled currently. Balances payable to and receivable from different associated companies shall not be offset.

2250 Pension Liability.

Record here the liability of the air carrier under employee pension plans, to which either or both employees and the air carrier contribute, if the plan is administered by the air carrier.

2280 Noncurrent Obligations under Capital Leases.

Record here the total noncurrent liability applicable to property obtained under capital leases.

[ER-1013, 42 FR 37515, July 21, 1977, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2290 Other Noncurrent Liabilities.

Record here noncurrent liabilities not provided for in balance sheet accounts 2210 to 2280, inclusive, such as the liability for installments received on capital stock from company personnel who are not bound by legally enforceable subscription contracts, accruals for personnel dismissal liability, and accruals of other demonstrable miscellaneous noncurrent liabilities.

[ER-1401, 50 FR 242, Jan. 3, 1985]

DEFERRED CREDITS

2340 Deferred Income Taxes.

Record here credits and debits representing the net tax effect of material timing differences originating and reversing in the current accounting period, giving appropriate recognition to the portion of investment tax credits which would have been allowed if taxes were based on pretax accounting in-

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come by a reduction of the deferred tax provision.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2345 Deferred Investment Tax Credits.

Record here investment tax credits utilized as reduction of tax liabilities, when the carrier exercises the option to defer such credits for amortization over the service life of the related equipment.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2390 Other Deferred Credits.

Record here credits, not provided for elsewhere, the proper final disposition of which cannot be effected until additional information has been received.

STOCKHOLDERS' EQUITY

2820 Preferred Stock.

Record here in separate subdivisions for each class and series, the par or stated value of preferred capital stock issued or in the case of no-par stock without stated value, the full consideration received.

2840 Common Stock.

Record here in separate subdivisions for each class and series, the par or stated value of common stock issued or in case of no-par stock without stated value, the full consideration received.

2860 Subscribed and Unissued Stock.

Record here in separate subdivisions for each class and series, the par or stated value, or the subscription price in the case of stock without par or stated value, of legally enforceable subscriptions to the capital stock of the air carrier.

2890 Additional Capital Invested.

(a) Record herein separate subdivisions for each class and series, the difference between the price at which capital stock is sold and the par or stated value of the stock; gains or losses arising from the reacquisition and the resale or retirement of each class and series of capital stock; donations; the excess of retained earnings capitalized over par or stated value of capital

stock issued; adjustments in capital resulting from reorganization or recapitalization; and proceeds attributable to detachable stock purchase warrants related to debt issues. This account shall also include balances of contributions to the business enterprise of individual proprietors or partners.

(b) Each air carrier shall maintain the following subaccounts:

2890.1 *Premium on capital stock.* Record here in separate subdivisions for each class and series of capital stock issued the excess of the cash value of consideration received over the par or stated value and accrued dividends of stock issued together with assessments against stockholders representing payments required in excess of par or stated value.

2890.2 *Discount on capital stock.* Record here in separate subdivisions for each class and series of capital stock issued, the excess of the par or stated value over the cash value of consideration received, less accrued dividends. Discounts applicable to a particular class and series of capital stock may be offset against premiums from the same class and series of capital stock. Discounts and premiums on different classes and series of capital stock shall not be offset. The air carrier may, at its option, record in this subaccount commissions and expenses incurred in the issuance of capital stock and may charge balance sheet account 2900 Retained Earnings to the extent capital stock expense may exceed any existing balance of paid-in capital over the par or stated value of capital stock.

2890.3 *Other Capital Stock Transactions.* Record here in separate subdivisions for each class and series, the balance of credits arising from the reacquisition and resale or cancellation of capital stock, credits arising from a reduction in the par or stated value of capital stock or the net balance of credits or debits resulting from other paid-in capital transactions such as proceeds attributable to detachable stock purchase warrants related to debt issues, not provided for elsewhere, which is identified with a particular class and series of capital stock.

2900 Retained Earnings.

(a) Record here the net income or loss from operations of the air carrier

and dividends declared on capital stock.

(b) This account shall not be charged with dividends on treasury stock. If a dividend is not payable in cash, the values entered in this account shall be completely described.

(c) Delayed credits or charges to income shall not be entered in this account directly but in appropriate profit and loss accounts.

(d) Net income or loss accounted for during the current fiscal year shall not be entered in this account until the close of the fiscal year. Individual proprietorships or partnerships may clear net income or loss accounted for during the year directly to balance sheet account 2890 Additional Capital Invested, or optionally, to this account for subsequent transfer to balance sheet account 2890 Additional Capital Invested.

(e) A separate subaccount to this account shall be maintained to record changes in the valuation of marketable equity securities included in noncurrent assets. Such changes shall be reflected in this subaccount to the extent the balance in this subaccount represents a net unrealized loss as of the current balance sheet date.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 242, Jan. 3, 1985]

2990 Treasury Stock.

(a) Record here the cost of capital stock issued by the air carrier reacquired by it and not retired or canceled.

(b) Separate records shall be established for each class and series of capital stock held in this account.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

PROFIT AND LOSS CLASSIFICATION

Section 7 Chart of Profit and Loss Accounts

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
OPERATING REVENUES AND EXPENSES			
Transport revenues:			
01 Passenger:			
01.1 Passenger—first class	31, 32	31, 32	31, 32.
01.2 Passenger—coach	31, 32	31, 32	31, 32.