

Decision No. 25426

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation)
on the Commission's own motion of a)
proposed Uniform System of Accounts) Case No. 3390
for Cold Storage Warehousemen.)

In the Matter of the Investigation)
on the Commission's own motion of a) Case No. 2597
proposed Uniform Classification of)
Accounts for Warehousemen.)

L. A. Bailey, for Pacific Cold Storage Warehousemen's Association and California Warehousemen's Association.

H. A. Coggins, for Union Ice and Cold Storage Company and Merchants Ice and Cold Storage Company.

E. G. Wunner, for National Ice and Cold Storage Company; Consumers Ice and Cold Storage Company, Sacramento; Fresno Consumers Ice Company, Fresno; San Jose Ice and Cold Storage Company, San Jose; and Cone Ice and Cold Storage Company, Red Bluff.

G. F. Dodson, for Security Warehouse and Cold Storage Company, San Jose.

Eugene M. Prince and Hugh Fullerton, of Pillsbury, Madison and Sutro, for Frank P. Grace Co. and Grace Bros. Inc.; and for Los Angeles Ice and Cold Storage Company, Merchants Ice and Cold Storage Company (Los Angeles), Pasadena Ice Company and Pomona Valley Ice Company.

F. L. Degan, for Haslett Warehouse Company.

Clarence E. Todd, for Growers Refrigeration Company.

Milton D. Sapiro, for Poultry Producers of Central California.

BY THE COMMISSION:

O P I N I O N

The Commission by its order dated October 24, 1932, instituted a proceeding (Case No. 3390) on its own motion, for the purpose of fixing and prescribing a uniform system of accounts for cold storage warehousemen. On October 31, 1932, the Commission by

its order, reopened Case No. 2597 for further hearing, for the purpose of relieving cold storage warehousemen from keeping their accounts as prescribed by the order in Decision No. 20433, dated November 13, 1928.

Hearings were had on the above numbered proceedings on November 15th, 25th and 28th. The matters have been submitted and are now ready for decision.

At the hearings had, representatives of cold storage warehousemen suggested certain changes in Exhibit "A", referred to in the Commission's order instituting the proceeding designated as Case No. 3390. These changes have been considered. Such changes as we find satisfactory have been incorporated in the uniform system of accounts referred to in the following order.

We believe that warehousemen whose annual operating revenues are \$25,000.00 or less should not be required to keep all of the operating revenue and operating expense accounts set forth in said Exhibit "A". The system of accounts prescribed by the following order divides warehousemen into two classes as follows:

CLASS A- warehousemen whose annual operating revenues
exceed \$25,000.00

CLASS B- warehousemen whose annual operating revenues
are \$25,000.00 or less.

The system of accounts prescribed by the following order indicates the accounts which each class of warehousemen will be required to keep. The Class "B" warehousemen will be required to keep only four revenue accounts and ten operating expense accounts if they are all applicable to his business. No doubt some of the balance sheet, income and earned surplus accounts will not be applicable to his business. We fail to see wherein such an ac-

counting system will impose any undue expense upon a warehouseman.

An order in Case No. 2597 will relieve cold storage warehousemen from keeping their accounts and records, as required by Decision No. 20433, dated November 13, 1928.

O R D E R

Public hearings having been held in the above entitled matters, and the Commission having given due consideration to the evidence submitted at said hearings,

IT IS HEREBY ORDERED AND DIRECTED, that all cold storage warehousemen subject to the provisions of the Public Utilities Act must, on and after January 1, 1933, keep their accounts, books, records and papers in accordance with the uniform system of accounts contained in Exhibit "B" attached hereto, which uniform system of accounts is hereby made a part of this order, and is hereby adopted and prescribed by the Railroad Commission, for said warehousemen.

IT IS HEREBY FURTHER ORDERED, that this order shall become effective fifteen (15) days after the date hereof.

DATED at San Francisco, California, this 10th day of December, 1932.

Chas. E. ...

W. A. ...

W. B. Harris

Fred G. ...

Commissioners.

EXHIBIT B

UNIFORM SYSTEM OF ACCOUNTS FOR COLD STORAGE WAREHOUSEMEN

GENERAL RULES AND REGULATIONS, INFORMATION AND DEFINITIONS.

Section 1. Decision of Commission.- The Railroad Commission of the State of California by its order in Decision No. _____ dated _____ in Case No. 3390 ordered and directed all cold storage warehousemen hereinafter sometimes referred to as warehousemen, or warehouseman, to keep their books, accounts, records and papers in accordance with this uniform system of accounts for cold storage warehousemen.

Section 2. Definition of warehouseman.- The term warehouseman is used throughout this system of accounts as defined in subdivision (aa) of section two of the public utilities act, and in section two and one half (2-1/2) of said public utilities act.

Subdivision (aa) of section two of the public utilities act reads-

"(aa) The term 'warehouseman,' when used in this act, includes every corporation or person, their lessees, trustees, receivers or trustees appointed by any court whatsoever, owning, controlling, operating or managing any building or structure in which property is regularly stored for compensation within this state, in connection with or to facilitate the transportation of property by a common carrier or vessel, or the loading or unloading of the same, other than a dock, wharf or structure, owned, operated, controlled or managed by a wharfinger."

Section two and one half (2-1/2) of the public utilities act reads-

" The term 'warehouseman,' when used in this act, includes every corporation or person, their lessees, trustees, receivers or trustees appointed by any court whatsoever, owning, controlling, operating or managing any building, or structure, or warehouse, in which merchandise, other than second-hand household goods or effects, and other than merchandise sold but retained in the custody of the vendor, is regularly stored for the public generally, for compensation, within this state, excepting warehouses conducted by any nonprofit, cooperative association or corporation which is engaged in the handling or marketing of the agricultural products of its members; also excepting warehouses conducted by the agents, individual or corporate, of such associations or corporations, while acting within the limitations imposed by law on the principal of any such agent. (Added Statutes 1927, Chapter 878.)"

Section 3. To whom does this uniform system of accounts apply.-
For the purpose of this uniform system of accounts, warehousemen are divided into two classes, as follows:

CLASS A.-Warehousemen having annual operating revenues exceeding \$25,000.

CLASS B.-Warehousemen having annual operating revenues of \$25,000. or less.

CLASS A warehousemen shall keep all the accounts of this uniform system of accounts, which are applicable to their affairs.

CLASS B warehousemen shall keep all the accounts of this uniform system of accounts, which are applicable to their affairs, except that their accounts of operating revenues and expenses may be kept under the accounts of the condensed classification shown on page 31 and page 34.

Note: In order that frequent changes may be avoided, warehousemen may adopt the scheme of accounts indicated by the average of their annual operating revenues for the three years immediately preceding the effective date of this uniform system of accounts. New companies shall estimate the amount of their annual operating revenues and adopt the scheme of accounts appropriate for the amount of such estimated revenues.

Section 4. General outline of accounts.-

a. All accounts under this system shall be kept by the double entry method.

b. For convenience the accounts have been classified under six general divisions, namely, balance sheet accounts, cold storage warehouse property and equipment accounts, earned surplus accounts, income accounts, operating revenue accounts and operating expense accounts. In each subdivision the titles of the accounts are shown followed by the text thereof, and, where necessary, explanatory notes are appended.

c. The numbers prefixed to account titles are solely for convenience of reference and are not part of the titles or definitions.

Section 5. Accounting periods.- The accounting under this system of accounts shall begin on January 1, 1933, and unless otherwise authorized by the Commission the entries shall be made and the accounts kept on a monthly basis. Books and accounts shall be closed annually thereafter as of December 31st.

Section 6. Records.-

a. The general books of account and all other books, records and memoranda which support, in any way, the entries in such books shall be kept in such manner that full information can be furnished at any time relative to any particular entry herein. Each entry to every account shall be supported by detailed information enabling a ready identification and verification of such entry.

b. The books and records referred to herein include not only all accounting records in a limited technical sense, but all other records such as minute books, stock books, etc., which will be useful in developing the history of any of the transactions.

c. No warehouseman shall, except as may be permitted by the Commission's general order number twenty-eight(28), destroy or otherwise dispose of any books, accounts, records or papers.

d. All books, accounts, records or papers shall be kept where they will be reasonably protected from theft, or from damage by fire, flood or otherwise, and where they will be readily accessible for inspection by duly authorized representatives of the Commission. Except as otherwise authorized by the Commission, all books, accounts, records and papers of warehousemen shall be kept in this state.

Section 7. Subdivision of accounts.- Warehousemen may subdivide any of the accounts, provided such subdivisions do not impair the integrity of the accounts prescribed. The titles of all such subdivisions or subaccounts shall refer by number or title to the accounts of which they are subdivisions.

Section 8. Submission of accounting questions.- To the end that uniformity of accounting may be maintained, all questions of doubtful interpretation of the prescribed accounting shall be submitted to the Commission for consideration and decision.

Section 9. Rates.- In prescribing this system of accounts, the Commission does not bind itself to approve any item set out in any account, either as to amount or character, for rate fixing purposes or when authorizing the issue of securities. This prescribed system of accounts is designed to set out the facts in connection with a warehouseman's investment, revenues and expenditures, and therefrom the Commission will determine, when engaged in fixing rates or approving the issues of securities, what consideration shall be given to the various items in the several accounts.

Section 10. Apportionment of cost of property and expenses, etc., between utility and nonutility business.- It is realized that some of a warehouseman's property may be used both in public utility and nonutility business. If such is the case, the cost of such property and the revenues and expenses appertaining thereto shall, on some equitable basis, be apportioned to public utility and nonutility accounts.

If a cold storage warehouseman is also engaged in the dry warehouse business and his operating revenue from the dry warehouse business exceeds the operating revenue from the cold storage warehouse business he may keep the balance sheet, income and surplus accounts as prescribed by Decision No. 20433 dated November 13, 1928, in Case No. 2597.

BALANCE SHEET ACCOUNTS

Asset side.

Intangible fixed capital.

- 100 Organization.
- 101 Miscellaneous intangible capital.

Tangible fixed capital.

- 102 Cold storage property and equipment.
- 103 Fixed capital under construction. (Cold storage warehouse only).
- 104 Other property and equipment.

Investments.

- 105 Investments in affiliated companies.
- 106 Miscellaneous investments.
- 107 Special funds.

Current and accrued assets.

- 108 Cash.
- 109 Special deposits.
- 110 Notes receivable
- 111 Accounts receivable
 - (a) Due on cold storage charges.
 - (b) Advances for customers.
 - (c) Other accounts receivable.
- 112 Materials and supplies.

Deferred assets.

- 113 Prepayments.
- 114 Treasury and reacquired securities.
- 115 Discount on capital stock.
- 116 Unamortized discount and expense on long term debt.
- 117 Other deferred debits.

Liability side.

Capital stock and long term debt.

- 150 Capital stock.
- 151 Premium on capital stock.
- 152 Assessment on capital stock.
- 153 Proprietor's account.
- 154 Long term debt.
- 155 Indebtedness due affiliated companies.

Current and accrued liabilities.

- 156 Notes payable.
- 157 Accounts payable.
- 158 Accrued liabilities.

Deferred liabilities.

- 159 Unamortized premium on long term debt.
- 160 Other deferred credits.

Reserves.

- 161 Reserve for accrued depreciation.
 - (a) Accrued depreciation on cold storage property and equipment.
 - (b) Accrued depreciation on other property and equipment.
- 162 Other reserves.

Surplus.

- 163 Capital surplus
- 164 Earned surplus

GENERAL INSTRUCTIONS AND DEFINITIONS

Section 1. Purpose of balance sheet accounts.- The balance sheet accounts are designed to show the assets, liabilities, capital stock, and surplus or deficit of the warehouseman.

By balance sheet accounts, when used in this system of accounts, are meant those assets, liabilities and surplus accounts classified as shown on page 4 of this system of accounts. Tangible fixed capital accounts as they appear on the balance sheet are control accounts and must be supported by a plant ledger or similar record showing the primary fixed capital accounts as classified on page 15 of this system of accounts.

Section 3. Discount and premium on capital stock.-

a. By the term "discount" is meant the excess of the par value of stocks actually issued or assumed (and accrued dividends, if any, expressed in the contract of sale) over the actual cash value of the consideration received for such stocks. By the term "premium" is meant the excess of the actual cash value of the consideration received for stocks or assumed over the par value of such stock (and accrued dividends, if any).

b. Ledger accounts shall be provided in which to include at the time of issue the discounts and premiums from each class of capital stock having par value, issued or assumed by the corporation, such as common, preferred, etc. Appropriate entries shall also be made in these ledger accounts in connection with assessments levied on the stockholders or appropriations from surplus and reduction of discounts, reference to which is made in paragraph "c" following; also for adjusting the premium and discount accounts upon reacquirement of stock required by paragraph "d" following.

c. Entries in these accounts representing net discounts shall be carried therein until offset (1) by premiums realized on subsequent sales of the same class of stock, (2) by assessments levied on the stockholders, or (3) by appropriations from earned surplus for that purpose. Entries in these accounts representing premiums shall be carried therein until offset (1) by discounts suffered on sales of the same class of stock, or (2) until permission has been granted by the Commission to distribute the same.

d. When stock which has been issued or assumed by a warehouseman is reacquired, the difference between the price paid and the par value of the stock, or in case of stock without par value, the difference between the price paid and the value carried in account 150, "Capital stock," shall be charged or credited to Account 163 "Capital surplus", as may be appropriate. Concurrently the premium or discount account for the particular issue of stock reacquired shall, if practical, be adjusted through capital surplus; otherwise through credits and debits to earned surplus. If the adjustments are through earned surplus the credits and debits to earned surplus shall be included in account 303,

"Miscellaneous credits to earned surplus," or in account 313, "Miscellaneous debits to earned surplus," respectively. In case the premium or discount realized at the prior sale of the stock reacquired has been included in an account other than the premium and discount account, such account shall be concurrently adjusted through capital surplus, if practical, otherwise through earned surplus to the extent of the premium or discount previously included therein with respect to the shares reacquired. This paragraph does not apply to stocks issued or assumed by the corporation when purchased for special funds and carried in the accounts at cost.

e. In no case shall discount on capital stock be charged or included in any account as a part of the cost of acquiring any property, tangible or intangible, or as a part of the cost of operation. In case the warehouseman is permitted by the Commission to distribute all or any part of the net premium on its capital stock to stockholders, the amount thus distributed shall be charged to the appropriate premium account.

f. Expenses in connection with the initial issue and sale of stock, such as fees for drafting stock certificates, fees and taxes for issuing and recording stock certificates, cost of printing stock certificates, fees and commissions paid underwriters and brokers for marketing such stock, and other like expense, shall be included in balance sheet account 100, "Organization."

Section 3. Discount, expense and premium on long term debt.-

a. By the term "discount" is meant the excess of the par value of the debts issued or assumed and the accrued interest thereon, over the actual cash value of the consideration received for such debts.

b. By the term "expense" is meant all expenses in connection with the issue and initial sale of evidences of debt, such as fees for drafting mortgages and deeds of trust, fees and taxes for issuing and recording mortgages and deeds of trust, cost of printing bonds, certificates of indebtedness, and other commercial paper; costs incident to obtaining governmental authority to incur debt; fees other than annual charges paid for legal services to trustees relative to mortgage securities; fees and commissions paid underwriters and brokers for marketing evidences of debt; and other like expenses. Expenses incurred subsequent to the issue and initial sale of evidences of debt, such as payments to trustees for services in connection with the payment of interest on, or the redemption of debt obligations, should be charged to operating expense account 658, "Miscellaneous general administrative expenses," or other appropriate account.

c. By the term "premium" is meant the excess of the actual cash value of the consideration received for debts issued or assumed over the par value of such debts and the accrued interest thereon.

d. Ledger accounts shall be provided in which to include the discount suffered, expenses incurred, and premiums realized at the sale of each class of debt. If fixed capital accounts are debited or credited with any portion of the discount, expense

and premium on debt, the amount included in fixed capital accounts shall be debited or credited, as may be appropriate, to the ledger account for discount, expense and premium; and when entries are made debiting or crediting income accounts for amortization of debt discount, expense and premium, or debiting or crediting earned surplus accounts, contra credits and debits shall be made to the appropriate ledger accounts. In stating the balance sheet, the total of the net debit balances remaining in the several ledger accounts shall be reported under balance sheet account 116, "Unamortized discount and expense on long term debt" and the total of the net credit balances remaining in the several ledger accounts shall be reported under balance sheet account 159, "Unamortized premium on long term debt."

TEXT PERTAINING TO BALANCE SHEET ACCOUNTS

Asset accounts.

100. Organization.(Intangible).- Charge to this account the cost of organizing and incorporating the corporation, and the expense of issuing capital stock. An individual engaged in the warehouse business may charge to this account the expenses of obtaining the necessary permits to engage in such business.

101. Miscellaneous intangible capital.- Charge to this account the cost of all patent rights, privileges and other intangible capital, for which no provision is made elsewhere.

102. Cold storage property and equipment.- The amount to be included under this head in the balance sheet is the total of the balances in accounts 200 to 210, both inclusive, representing the cost at the date of such balance sheet of all tangible property used by the warehouseman in his public utility warehouse operations.

103. Fixed capital under construction.- (Cold storage warehouse only). Include in this account all expenditures under estimates, work orders or jobs representing construction work in progress not ready for service at the date of the balance sheet; also the cost of equipment, materials and supplies located at the point of use which have been purchased exclusively for new construction purposes and which may not properly be included as a current asset in account 112, "Materials and supplies." Such expenditures shall also include that portion of supervision, engineering, tool and store expenses, interest during construction and other like expenses which may properly be assignable to such construction. When work is completed and the estimate, or work order closed, credit this account and charge the appropriate cold storage property and equipment accounts with the cost of the completed work.

All charges and credits made to this account, together with all supporting memoranda, shall be so recorded that the utility can furnish a complete analysis of the expenditures.

104. Other property and equipment.- This account shall include the cost of property, such as lands, buildings, plant and equipment, etc., not used in public utility cold storage warehouse operations.

105. Investments in affiliated companies.- This account shall include the cost of the corporation's investments in securities and non-negotiable notes issued or assumed by affiliated companies and advances to such companies.

Two companies are affiliated if either one controls the policy of the other, or if both are subject to the same control.

By "advances" are meant debit balances in open account with affiliated companies not subject to current settlement. Advances may include a corporation's investment in a partnership arrangement with another corporation in the same line of business.

106. Miscellaneous investments.- This account shall include the cost of stocks, bonds, non-negotiable notes and mortgages owned by the warehouseman and payable at more than one year after date. Do not include in this account unissued or treasury stock, bonds or other evidences of indebtedness of the accounting warehouseman, or any amounts due for services rendered.

This account shall be divided as follows: (a) stocks; (b) bonds; (c) notes; (d) other evidences of indebtedness.

107. Special funds. This account shall include the cost or ledger value of securities and other assets which have been set apart and held in depreciation, sinking, insurance or other funds.

108. Cash.- This account shall include the amount of cash and other current funds on hand or on deposit in banks or with trust companies.

NOTE: Funds deposited for paying interest coupons, declared dividends or for other special purposes, and not available for general use, should not be included in this account, but in account 109, "Special deposits."

109. Special deposits.- This account shall include deposits to pay interest and dividends; cash realized from the sale of securities and deposited with trustees for disbursement when the purposes for which the securities are sold are accomplished; amounts realized from the sale of property and deposited with trustees other than in sinking funds until the property is replaced, or the money otherwise released from the lien of the mortgage; deposits for the payment of debts; money and securities deposited to secure the performance of contracts; and other deposits of a special nature not provided for elsewhere.

110. Notes receivable.- This account shall include the cost of all collectible obligations in the form of notes receivable and other similar evidences of money receivable within a time not to exceed one year after date of issue. This account does not include interest coupons or notes coming within the definition of "Investments in affiliated companies", account 105, or "Miscellaneous investments", account 106.

111. Accounts receivable.- This account shall include the debit balance described under the following subheads:

(a) Due on storage charges.- Include in this subaccount the amount due on storage charges, exclusive of advances for customers.

(b) Advances for customers.- Include in this subaccount all advances made by the warehouseman as freight advances in order to get freight released from a common carrier.

(c) Other accounts receivable.- Include in this subaccount the amount due from nonutility customers; also amounts due from employees and miscellaneous debtors.

112. Materials and supplies.- This account shall include the balances representing the cost of materials and supplies on hand, arrived at as follows: Charge to this account the cost of materials and supplies purchased, including transportation and other charges. Charge also to this account, at salvage value, any materials recovered from plant retired and taken into store for future use or sale.

Materials and supplies taken out of store for use or sale shall be credited to this account at the value at which such materials and supplies have been included herein.

113. Prepayments.- Charge to this account the amount of rents, taxes, licenses, insurance and other like expenses paid in advance of the period to which they apply. As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other accounts with the amount applicable to the period.

114. Treasury and reacquired securities.- This account shall include the par value of securities which have been nominally but not actually issued by a warehouseman, also the par value of reacquired securities. Separate accounts shall be maintained for each class of capital stock, such as common and preferred, and for each class of long term debt such as bonds and notes payable one year after date of issue.

NOTE. Capital stock is considered nominally issued when certificates are signed and sealed and placed with the proper officer for sale and delivery, or pledged, or otherwise held within the control of the warehouseman. It is considered actually issued when it has been sold to a bona fide purchaser for a valuable consideration and such purchaser holds it free from all control of the accounting warehouseman.

Long term debt securities are considered to be nominally issued when certified by trustees and placed with the proper official for sale and delivery, or pledged or otherwise held within the control of the company. They are considered to be actually issued when they have been sold to a bona fide purchaser for a valuable consideration and such purchaser holds them free from all control of the accounting warehouseman,

115. Discount on capital stock.- This account shall include the discount on capital stock issued or assumed by a warehouseman. Separate accounts shall be maintained for the discount on each class of stock, such as common and preferred, and also for each issue of the same class if the terms are in any way different.

Entries in these accounts shall be carried therein until offset:

(1) By premium realized on subsequent sales of the same class of stock.

(2) By assessments levied on the stockholders.

(3) By appropriations from capital or earned surplus for that purpose.

NOTE. The cash as received from stockholders in respect to assessments shall be credited to account 152, "Assessment on capital stock." If the total received is less than the balance at the debit of discount account, the amount received shall be transferred to this account; and if the total received is greater, the balance at debit of this account shall be transferred to account 152, "Assessment on capital stock."

116. Unamortized discount and expense on long term debt.- This account shall include the discount on bonds and other evidences of indebtedness issued or assumed. This account shall also include the expense in connection with the issue and initial sale of evidences of debt, such as fees for drafting mortgages or deeds of trust, cost of printing bonds, certificates of indebtedness and other commercial paper having a life of more than one year; and fees paid trustees under mortgages or deeds of trust in connection with the issue of bonds or other forms of debt. (Fees paid for services

in connection with payment of interest or redemption of debt should be charged to operating expense account 658, "Miscellaneous general administrative expenses".)

Ledger accounts shall be provided to cover discount and expense for each class of debt, such as bonds, mortgages, notes, etc., and also for each issue of the same class, if the terms are in any way different. The total of the balances remaining shall be included in the balance sheet under this account.

Each month or year there shall be credited to this account and charged to income account 409, "Amortization of debt discount and expense", a proportion of each of the debit balances in these accounts, such proportion to be based upon the ratio which such accounting period bears to the remaining life of the respective security.

If the accounting company desires, it may write off the debit balance in this account more rapidly than herein stated.

117. Other deferred debits.- This account shall include all debits which are not provided for elsewhere, including all debit items, the final disposition of which has not been determined.

Note: The entries in this account shall be made in sufficient detail to permit an analysis in the reports to the Railroad Commission, and, where necessary, separate subaccounts shall be provided.

Liability accounts.

150. Capital stock.- This account shall include the total par value (or, in the case of stocks having no par value, the money value of the consideration received), of certificates or receipts issued to represent permanent interests in the company, or interests which, if terminable, are so only at the option of the company.

The amounts included in this account shall be divided so as to show the par value of (1) certificates issued and actually outstanding, being those not held by the company, its agents or trustees, or subject to its control; and (2) certificates held in the company's treasury, including both those reacquired after actual issue and those nominally but never actually issued.

In stating this account on the balance sheet, the par value of stock held by the company in its treasury shall be deducted.

Note. If the warehouseman is not incorporated, but is an individual, firm, copartnership or association, the amount paid into the business by the owners shall be included in account 153, "Proprietor's account."

151. Premium on capital stock.- This account shall include the excess of the actual money value (at the time of the issue of stock) of the consideration received, over the par value of capital stock issued. The entries in this account shall be carried therein until offset;

(1) By discount suffered on subsequent sales of the same class of stock.

(2) By a distribution of all or any portion of the premium on its capital stock, if such distribution is permissible.

152. Assessment on capital stock.- This account shall include the amount received on account of assessments levied on capital stock.

Entries in this account shall be carried therein until offset as set forth in account 115, "Discount on capital stock."

153. Proprietor's account.- This account shall be used instead of account 150, "Capital stock", where the business is conducted by an individual, firm, copartnership or under any style other than a corporation, and shall include the amount paid into the business by the party or parties interested in the concern. If separate accounts are maintained for each of the parties interested, the total of the balances in such accounts shall be shown in one figure in the balance sheet.

154. Long term debt.- This account shall include the total face value of all debt except indebtedness due affiliated companies (See account 155), which, by its terms, does not mature until more than one year after date of issue.

A separate account shall be kept for each class of debt and also for each issue of the same class, if the terms are in any way different. (For instructions relating to accounting for discount, expense and premium on debts, see general instructions, section 3, page 6).

For each class of long term debt the records shall show plainly (1) the par value of certificates or other evidences of debt issued and actually outstanding, being those not held by the warehouseman, his agents or trustees, or subject to his control, and (2) the par value of certificates or other evidences of debt, pledged or unpledged, held in the warehouseman's treasury, held by his agents or trustees, or otherwise subject to his control, including both those reacquired after actual issue and those nominally but never actually issued.

155. Indebtedness due affiliated companies.- This account shall include the par value of non-negotiable notes due to affiliated companies, credit balances in open accounts with such companies other than credit balances in current accounts classified as current liabilities, and interest accrued on notes and open accounts which are included in this account, when such interest is not subject to current settlement. Two companies are affiliated if either one controls the policy of the other, or if both are subject to the same control.

This account shall be divided as follows:

- (a) Notes, including both time and demand notes.
- (b) Open accounts, not subject to current settlement.
- (c) Interest accrued on amounts included in this account, when not subject to current settlement.

156. Notes payable.- This account shall include the balances outstanding obligations in the form of notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within a period of time not exceeding one year from date of issue.

157. Accounts payable.- This account shall include the amount of audited vouchers or accounts and audited payrolls unpaid on the date of the balance sheet; also balances representing unclaimed wages and outstanding pay and time or discharge checks issued in payment of wages, and open accounts with other warehousemen, except such as are included under account 155, "Indebtedness due affiliated companies", and similar items.

158. Accrued liabilities.- This account shall include all liabilities accrued at the date of the balance sheet but not due until after that date, such as interest, taxes, rents, etc.

The records should be kept in such manner as to permit of a ready analysis of this account, so that a statement can be produced, if required, showing the amount accrued in respect of each of the classes of liability included in this account.

159. Unamortized premium on long term debt.- Include under this caption the total of the ~~net~~ credit balances in the discount, expense and premium ledger accounts for the several classes of long term debt, including receiver's certificates.

160. Other deferred credits.- This account shall include all credit and unadjusted credit items not provided for elsewhere.

Note. The records shall be kept in such a manner as to permit of a ready analysis of this account, so that a statement showing the amount of the different items included therein can readily be produced, if required.

161. Reserve for accrued depreciation.-

a. Accrued depreciation on cold storage property and equipment.- Credit to this subaccount the amounts which are charged monthly or annually to operating expense account 656 "Depreciation" as explained under depreciation in section six on page 37 .

b. Accrued depreciation on other property and equipment.- Credit to this subaccount the amounts which are charged monthly or annually to income account 405 "Nonoperating expense."

The amounts to be charged to this account are explained under section five "Retirement of buildings and equipment," on page 17 .

162. Other reserves.- This account shall include all reserves other than the reserve for accrued depreciation.

Note. The records shall be kept in such a manner as to permit of a ready analysis of this account, so that a statement showing the amount of the different reserves included therein can be produced, if required.

163. Capital surplus.- Credits or debits to this account may arise through the reacquisition of stock, the forgiveness of debt, the excess of historical cost of properties, as charged to property and equipment accounts over their purchase price and the excess of appraised value of property and other net assets and liabilities acquired over consideration received for capital stock or indebtedness issued or assumed in payment therefor.

Note. Permission to use this account must be secured from the Railroad Commission.

164. Earned surplus.- Under this head on the balance sheet shall be shown the balance in the earned surplus accounts. In case the earned surplus accounts show a debit balance, it shall be entered on the balance sheet in red ink.

COLD STORAGE WAREHOUSE PROPERTY AND EQUIPMENT

ACCOUNTS

- 200. Leaseholds.
- 201. Land.
- 202. Buildings and structures.
- 203. Engine room machinery and equipment.
- 204. Warehouse machinery and equipment.
- 205. Handling equipment.
- 206. Automotive equipment.
- 207. Furniture and fixtures.
- 208. Alterations and improvements to leased property.
- 209. Miscellaneous tangible fixed capital.
- 210. Property and equipment in service prior to January 1, 1933.

GENERAL INSTRUCTIONS AND DEFINITIONS.

Section 1. Purpose of property and equipment accounts. Property and equipment accounts are intended to show the cost of tangible property which is devoted to the warehouse business and which has an expectation of life in service of more than one year from the date of installation. Charges to specific accounts for tangible property cover direct labor and material costs up to and including the pay of the foreman or superintendent supervising the job; also assignable overhead costs.

Section 2. Cost of property and equipment.- The term "cost" as used throughout this system of accounts means the actual cost in money of property or equipment purchased or constructed; if the consideration given is other than money, such consideration shall be reduced to actual money value as of the date of purchase.

The cost of labor includes not only wages, salaries and fees to employees, but also personal expenses of such employees when borne by the warehouseman. The cost of materials and supplies used in construction is their cost at the place where they enter into construction and includes the cost of transportation and inspection.

Section 3. Property and equipment in service prior to January 1, 1933. The original cost or ledger value of the warehouseman's tangible property and equipment in service December 31, 1932, shall be transferred to account 210, "Property and equipment in service prior to January 1, 1933," and carried therein pending its segregation in accordance with the text of cold storage warehouse property and equipment accounts 200 to 209, inclusive. When such segregation is completed, account 210 shall be cleared by transfers to the appropriate property and equipment accounts.

In the case where it is not possible from records previously maintained to ascertain the original cost of the different units, the original cost may be estimated and the amount so ascertained distributed to the appropriate accounts as herein provided.

If the estimated cost is less than the amount at which such property is carried in account 210, the difference shall be charged to account 101, "Miscellaneous intangible capital". If the estimated cost is in excess of the amount at which the property is carried in account 210, such estimated cost must be approved by the Railroad Commission before it can be distributed to the several cold storage warehouse property and equipment accounts 200 to 209 inclusive.

Section 4. Improvements to leased property.- The cost of additions and betterments to leased property shall be charged to a subaccount under the appropriate fixed capital account and depreciation or retirement losses in connection therewith treated in the same manner as those on property owned. In case the full benefit of improvements shall not be obtained by the lessee, because of reversion to the lessor at the expiration of the lease, the cost of improvements may be charged to a suspense account and cleared by uniform charges to rent deductions within the period of the lease. Ordinary current repairs, including minor rearrangements and

changes in connection with leased buildings, should be charged to an appropriate maintenance account. Expenditures charged to lessors or for which lessors are required under leasehold agreements to reimburse the lessees prior to the termination of the lease should not be charged to the fixed capital accounts of the lessee.

Section 5. Retirement of buildings and equipment.- When any warehouse building or equipment is sold, destroyed, withdrawn or otherwise retired from service for any cause, the cost (estimated if not known) of such building or equipment retired shall be credited to the appropriate account or accounts in which it is carried and the amount concurrently charged to one or more of the following accounts as may be appropriate:

DEBIT-

To account 161(a), "Reserve for accrued depreciation", the amount (estimated if not known) of the accrued depreciation carried therein for the property retired.

To account 112, "Materials and supplies", the salvage value, if any, recovered from such property and taken into stores for future use or sale.

To account 108, "Cash", with the proceeds, if any, from the sale of material recovered from the property.

To account 303, "Miscellaneous credits to earned surplus," or account 313, "Miscellaneous debits to earned surplus," with the balance, if any.

The cost of public utility property, if any, installed in place of that retired shall be charged to cold storage warehouse property and equipment accounts 200 to 209 inclusive.

TEXT PERTAINING TO COLD STORAGE PROPERTY AND EQUIPMENT ACCOUNTS

Note. The cost of individual items of equipment such as tools and office equipment of small value (for example, costing \$10. or less) or short life shall be charged to the appropriate operating expense or clearing accounts according to the use of such items, and not to the following cold storage property and equipment accounts.

200. Leaseholds.- Charge to this account the cost of leases or expenses attached to the procuring of same, less amounts credited and charged to rent accounts prorated over the life of the lease.

201. Land.- Charge to this account the cost of land used in warehouse operations. Such cost includes the cost of registration of title, cost of examination of title, conveyancer and notary fees, taxes accrued to date of transfer of title and all liens upon the title acquired, the cost of obtaining consent and payments for abutting damages.

There shall also be charged to this account special assessments levied by public authorities on the basis of benefits for street and other public improvements such as new streets, sewers, new pavements, etc., but not any tax levied to provide for the maintenance of such improvements. The cost of buildings and other improvements should not be included in this account. If at date of acquisition of an interest in lands, it extends to buildings and other improvements thereon, which improvements are devoted to warehouse operations, and the contract does not determine the price of such improvements, their original cost less accrued depreciation (estimated if not known) should be charged to account 202, "Buildings and structures", and excluded from this account. If such improvements are not devoted to warehouse operations, the cost should be charged to account 104, "Other property and equipment".

202. Buildings and structures.- Charge to this account the cost of permanent buildings and structures to house, support or safeguard property of persons, with all appurtenant fixtures and improvements to land, and other structures erected on land owned by the warehouseman. The cost of buildings erected on leased land shall be charged to account 208, "Alterations and improvements to leased property."

Buildings include all fixtures attached to and forming a permanent part thereof, such as water pipes, steam pipes, heating and ventilating systems, gas pipes, electric wiring, elevators, cranes and the motive power for operating them, subways or areaways directly connected to and forming a part of the building. To this account shall also be charged the cost of excavating, brick or concrete chimneys and such piers and foundations for machinery and apparatus as are designed to be as permanent as the buildings and independent of their use, in connection with any particular units of machinery. Include also the cost of architect's plans and all supervision of construction.

Improvements to land include roadways, fences, sidewalks and sewer systems, water systems, yard lighting systems, grading and landscape gardening and any other permanent structures which are an improvement to the property.

Note A. This account should not include any charge for lighting, heating or other fixtures temporarily attached for purposes of display or illumination.

Note B. The cost of specially provided foundations not expected to outlast the machinery or apparatus mounted thereon should be charged to the same account as is the cost of machinery and apparatus for which they are provided.

203. Engine room machinery and equipment.- Charge to this account the cost installed of all machinery and equipment used in producing refrigeration energy, such as compressor and motor, condensers, receivers, water system in connection with condensers, and cooling tower.

204. Warehouse machinery and equipment.- Charge to this account the cost of warehouse machinery, such as storage room coils, bunker room coils, fans, motors, ozone equipment, tools, etc., used in the cold storage warehouse. (See note on page 18.)

205. Handling equipment.- Charge to this account the cost of hand trucks and conveyor equipment used in the handling of merchandise in and out of the warehouse.

206. Automotive equipment.- Charge to this account the actual cost to the warehouseman of all autos, trucks, tractors, trailers or other motor equipment used in warehouse operations. This cost shall include the invoice or contract price less discount, if any, plus freight, insurance and other expenses incurred in obtaining delivery of such autos, etc., upon the premises of the warehouseman and also the cost of any additions and betterments but not repairs to such autos, made after delivery.

207. Furniture and fixtures.- Charge to this account the cost of movable fixtures for general office and storeroom purposes, such as desks, tables, chairs, carpets, filing cabinets, movable partitions, railings and shelves, typewriters, addressographs, adding machines and other office devices; also safes, portable gas and electric fixtures, and other office fixtures, such as are not considered a part of the building.

208. Alterations and improvements to leased property.- Charge to this account the cost of alterations and improvements to leased property, the cost of buildings or other improvements erected upon such property, whether used for office, storage, or other purposes necessary for warehouse operation. The cost of such improvements shall be amortized over the period of the lease under which the property is held by charges to operating expense account 656, "Depreciation", and concurrently credited to account 161 (a), "Reserve for accrued depreciation."

209. Miscellaneous tangible fixed capital.- Charge to this account all items of tangible property not provided for in the foregoing accounts.

210. Property and equipment in service prior to January 1, 1933.- Transfer and charge to this account the total of all balances in the ledger accounts representing the cost of the warehouseman's tangible

property and equipment which was installed prior to January 1, 1933, and which is still in service on the date of the balance sheet. The amount charged to this account may be distributed to accounts 200 to 209, both inclusive, as indicated in section 3 on page 16.

EARNED SURPLUS ACCOUNTS (PROFIT AND LOSS)

- Section 1. Purpose of earned surplus accounts.
Section 2. Delayed income items.

EARNED SURPLUS ACCOUNTS.

I. Credits.

300. Credit balance at beginning of fiscal period.
301. Credit balance transferred from income account.
302. Delayed income credits.
303. Miscellaneous credits to earned surplus.

II. Debits.

310. Debit balance at beginning of fiscal period.
311. Debit balance transferred from income account.
312. Delayed income debits.
313. Miscellaneous debits to earned surplus.
314. Appropriations to reserves.
315. Dividend appropriations.
316. Withdrawals of surplus.

GENERAL INSTRUCTIONS AND DEFINITIONS.

Section 1. Purpose of earned surplus accounts.- The earned surplus accounts are designed to show the changes in the warehouseman's corporate surplus or deficit during a given fiscal period as affected, first, by the net result of all transactions reported in the income account; second, by appropriations of surplus for specific purposes made at the option of the warehouseman; and, third, by special and unusual transactions or adjustments applicable to the operations of prior years. The earned surplus accounts are the connecting link between the income accounts and balance sheet. A complete analysis of each of the earned surplus accounts may be required in annual reports to the Commission.

Section 2. Delayed income items. Delayed income items are those credits and debits for revenues earned, expenses incurred, or income accrued prior to the fiscal period covered by the income account, but which were not recorded currently. Such items should ordinarily be included in the appropriate operating revenue, operating expense or income account for the fiscal period in which the entries relating thereto are actually recorded. If, however, the amounts of such items are relatively so large that their inclusion in the operating revenue, operating expense or income account for a single year would result in a seriously abnormal statement of such account, and no provision has been made through accruals to reserves or suspense accounts covering such items, the warehouseman may with the consent of the Railroad Commission, include the amounts in account 302, "Delayed income credits," or account 312, "Delayed income debits," as may be appropriate.

TEXT PERTAINING TO EARNED SURPLUS ACCOUNTS (PROFIT AND LOSS.)

I. CREDITS.

300. Credit balance at beginning of fiscal period.- Include under this caption the net credit balance in earned surplus account at the beginning of the fiscal period.

301. Credit balance transferred from income account.- Include under this caption the net credit balance brought forward from the income account for the fiscal period.

302. Delayed income credits.- Include under this caption relatively large items pertaining to operating revenues, operating expenses and other income accounts of previous fiscal periods when, under the provisions of section 2 of general instructions, page 22, such credits may properly be made to earned surplus.

Note. All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts to which the credit would have been made had the item been accounted for during the previous fiscal period involved.

303. Miscellaneous credits to earned surplus.- Include under this account all credit items affecting the warehouseman's surplus which are not elsewhere provided for, such as-

(a) Credits due to cancellation of balance sheet accounts representing unclaimed wages and vouchered accounts written off because of inability to locate the creditor, or to the cancellation or adjustment of other balance sheet accounts when the credit is not properly includible in operating revenues, operating expenses or other income accounts or in account 302, "Delayed income credits."

(b) Profits arising from the sale of land.

(c) Profits derived from the sale of marketable securities carried in balance sheet account 106, "Miscellaneous investments," or any other property not mentioned elsewhere.

(d) Amount of the credit balance in discount, premium and expense account relating to long term debt at the time of its reacquirement; also the amount of the credit balance in the discount and premium account relating to capital stock reacquired at the time of its reacquirement, in the event it is not practical to make the adjustment through capital surplus.

Note. All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts affected.

II. DEBITS.

310. Debit balance at beginning of fiscal period. - Include under this caption the net debit balance in the earned surplus account at the beginning of the fiscal period.

311. Debit balance transferred from income account. - Include under this caption the net debit balance brought forward from the income account for the fiscal period.

312. Delayed income debits. - Include in this account relatively large debit items pertaining to operating revenues, operating expenses and other income accounts for previous fiscal periods when, under the provisions of section 2 of general instructions, page 22, such debits may properly be made to earned surplus.

Note. - All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts to which the debit would have been made had the item been accounted for during the previous fiscal period involved.

313. Miscellaneous debits to earned surplus. - Include in this account all debit items affecting the warehouseman's surplus which are not elsewhere provided for, such as -

(a) Debits due to the cancellation or adjustment of balance sheet accounts when the debit is not properly includible in operating revenues, operating expenses or other income account, or in account 312, "Delayed income debits."

(b) Losses resulting from the retirement of land through abandonment, sale or otherwise.

(c) Losses resulting from the sale of marketable securities carried in account 106, "Miscellaneous investments," or from the sale of any other property not mentioned elsewhere.

(d) Amount of the debit balance in the discount, premium and expense account relating to long term debt reacquired at the time of its reacquirement; also the amount of the debit balance in the discount and premium account relating to capital reacquired at the time of its acquirement, in the event it is not practical to make the adjustment through capital surplus.

Note A. - All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts affected.

Note B. - If old accounts are collected which have been previously written off as uncollectible, the amount received shall be credited to the account which was originally charged when the amount in question was written off and not to this account. Care should also be exercised in connection with the cancellation or adjustment of balance sheet accounts involving operating revenues, operating expenses or other income accounts to see that proper credit is given to the operating accounts affected, or to account 312, "Delayed income debits."

(e) Donations to charitable institutions and organizations for promoting social welfare.

(f) Penalties and fines for violations of law.

(g) Other losses or payments not properly chargeable to income or operating expense accounts.

Note. - All items included in this account shall be sufficiently described in the entry relating thereto to identify them with the account or accounts affected.

314. Appropriations to reserves. - Include in this account appropriations from surplus for sinking fund and other reserves, allotments of surplus, or payment of definite amounts from surplus, into sinking fund and other reserves under the terms of mortgages, deeds of trust, or other contracts and such other appropriations of surplus as the warehouseman may make.

315. Dividend appropriations. - Include in this account amounts declared payable as dividends on outstanding capital stock issued or assumed by the corporation.

This account shall be divided so as to show separately the dividends on the various classes of capital stocks.

If a dividend is not payable in cash, the asset distributed or the manner and form of payment shall be described in the entry with sufficient particularity to identify it.

This account shall not include charges for dividends on reacquired or treasury stock carried in account 114, "Treasury and reacquired securities," whether pledged as collateral or held free for sale, but may include dividends on stock issued or assumed by the warehouseman held in sinking fund or other special funds.

316. Withdrawals of surplus. - Include in this account all withdrawals of surplus by an individual or others if the business is not conducted under a corporate form of organization.

INCOME ACCOUNTS

- Section 1. Purpose of income accounts.
- Section 2. Delayed income items.
- Section 3. Taxes.
- Section 4. Rent.

I. Warehouse operating income.

- 400. Operating revenues.
- 401. Operating expenses
 - Net operating revenue.
- 402. Uncollectible accounts.
- 403. Taxes assignable to warehouse operations.
 - Operating income.

II. Non-utility operating income.

- 404. Non-utility operating revenues.
- 405. Non-utility operating expenses.
 - Net income from non-utility properties.
 - Gross corporate income.

III. Deductions from gross corporate income.

- 406. Rent for public utility warehouse property and equipment.
- 407. Interest on long term debt.
- 408. Other interest.
- 409. Amortization of debt discount and expense.
- 410. Amortization of premium on debt. (Cr.)
- 411. Miscellaneous deductions from income.
 - Net income.

GENERAL INSTRUCTIONS AND DEFINITIONS

Section 1. Purpose of income accounts. - The income accounts are designed to show as nearly as practicable, for each fiscal period, the total amount of money that a warehouseman becomes entitled to receive from his operations, the returns accrued upon investments, the accrued costs paid or payable for his operations, the amounts accrued for taxes, for use of moneys and for use of properties of others, the appropriations made from income during the period and the gains or losses sustained by it. Any change in the items shown on a balance sheet at the end of such a period as compared with a balance sheet at the beginning of the period, which is not merely a transfer from one balance sheet account to another, that is to say, any transaction which affects the earned surplus balance must be explained by the income accounts or by the earned surplus accounts.

Income accounts whose title and definition plainly indicate that they are summaries of other accounts are not required to be set up as special ledger accounts, though it may often be a matter of bookkeeping convenience to do so.

Section 2. Delayed income items. - The entries to the income accounts prescribed herein should, so far as practicable, be made upon an accrual basis. In case, however, an income debit or credit item is not recorded in the accounts for the fiscal period for which the income account is stated it should be included in the income account for the period in which the entry relating thereto is recorded, unless the amount of such delayed items is relatively so large that its inclusion in the income account for a single year would result in a seriously abnormal income statement, in which case such delayed item may be included in the earned surplus account. (See section 2, page 22.)

Section 3. Taxes. -

(a) The taxes to be accounted for in the income accounts herein prescribed include state, county, township, city, school, road, annual franchise, and other similar taxes; also all income taxes and other taxes required to be paid under the provisions of state or federal tax laws. Miscellaneous taxes, such as stamp taxes on bonds, notes, stock certificates, etc., should be included in other appropriate accounts. Generally speaking, such taxes should be included in the account chargeable with the expenditure in connection with which the taxes are paid. Stamp taxes imposed in connection with the original issue of certificates of stock should be included in balance sheet account 100, "Organization;" the cost of revenue stamps affixed to bonds or other form of long-term debt or to the indenture securing such debt should be considered as debt expense and accounted for accordingly; and the cost of revenue stamps for notes, etc., includible in balance sheet account 156, "Notes payable," should be charged to operating expense account 658, "Miscellaneous general administrative expenses."

(b) Special assessments levied by public authorities on the basis of benefits for streets and other public improvements, such as new roads, bridges, sewers, pavements, curbing, etc., should not be classed as

taxes, but should be included as a part of the cost of the property benefited.

(c) Taxes applicable to the construction period should be charged to the appropriate fixed capital account.

Section 4. Rents. - In this system of accounts all rents paid for properties used by the warehouseman in the conduct of his cold storage operations are charged to income account 406, "Rent for public utility warehouse property and equipment." Rentals applicable to non-utility operations are charged to income account 405, "Non-utility operating expenses."

TEXT PERTAINING TO INCOME ACCOUNTS

400. Operating revenues. - Under this caption shall be shown the total revenues of the warehouseman for the accounting period which are provided for in the operating revenue accounts 500 to 503, inclusive.

401. Operating expenses. - Under this caption shall be shown the total expenses of the warehouseman for the accounting period which are provided for in the operating expense accounts 600 to 658, inclusive.

402. Uncollectible accounts. - Charge to this account the amount of uncollectible bills or accounts lawfully due from customers for services rendered properly includible in warehouse operating revenues which, after a reasonably diligent effort to collect, have proven impracticable of collection. If bills or accounts which have been written off are afterwards collected, the amount received should be credited to this account.

Note. - Charges to this account may be made on the basis of an estimated average loss due to uncollectible accounts. If this is done, the concurrent credit shall be to a special subaccount under the balance sheet account 162, "Other reserves." To the reserve thus established shall be charged such amounts as are determined to be uncollectible. When charges for uncollectible accounts are thus made by estimate, the estimate shall be adjusted at the end of the fiscal year to conform to the experience of the warehouseman as determined by an analysis of its accounts receivable.

403. Taxes assignable to warehouse operations. - Include in this account all taxes assignable to warehouse operations, such as state, city, county, school, road and federal taxes.

Note. - Special assessments levied by public authorities on the basis of benefits for streets and other public improvements, such as new roads, bridges, sewers, pavements, curbing, etc., should not be classed as taxes, but should be included as a part of the cost of the property benefited.

Taxes applicable to the construction period should be charged to the appropriate fixed capital account. Miscellaneous taxes, such as stamp taxes on bonds, notes or stock certificates, should not be charged to this account. Generally speaking, such taxes should be included in the accounts chargeable with the expenditure in connection with which the taxes are paid. Stamp taxes imposed in connection with the original issue of certificates of stock should be included in balance sheet account 100, "Organization." The cost of revenue stamps affixed to bonds or other form of indebtedness should be considered as debt expense and accounted for accordingly, while the cost of revenue stamps for notes, etc., included in balance sheet account 156, "Notes payable," should be charged to operating expense account 658, "Miscellaneous general administrative expenses."

404. Non-utility operating revenues. - Credit to this account operating revenues from the conduct of non-utility business; rent from land, buildings and equipment; interest accruing upon securities owned, or from other sources; dividends from stocks owned; and sinking fund and other reserve fund accretions. (Operating revenues applicable to public utility warehouse operations should be included in operating revenue accounts 500 to 503 and not to this account.)

405. Non-utility operating expenses. - Charge to this account the expenses incurred in the conduct of the non-utility business; the cost of repairs to property and equipment not used in public utility warehouse operation; the estimated depreciation on depreciable property and amortization of improvements to leased property not used in warehouse operations; insurance, taxes, rent and uncollectible accounts not applicable to public utility warehouse operations. (Operating expenses applicable to public utility warehouse operations should be charged to operating expense accounts 600 to 658 and not to this account.)

406. rent for public utility^{warehouse} property and equipment. - Charge to this account all rentals paid or accrued on public utility warehouse property.

This account is intended to cover rents paid for use of warehouse or other units of property, as well as minor operating rents, such as rent paid for office space and mechanical equipment.

407. Interest on long term debt. - Charge to this account monthly all interest accrued on long term debt as the same is defined in account 154, "Long term debt." This account does not include interest on securities held by the warehouseman in his treasury or pledged as collateral.

Note. - The amount charged to this account shall be concurrently credited to account 158, "Accrued liabilities," to which account shall be debited payments made on account of interest.

408. Other interest. - Charge to this account monthly all interest accrued on other than long term debt.

409. Amortization of debt discount and expense. - Charge to this account at or before the close of any fiscal period that portion of any unamortized discount and expense on outstanding debt which is applicable to the period. This proportion shall be determined according to a rule, the uniform application of which during the interval between the issue and the maturity of any debt will completely amortize or wipe out the discount at which such debt was issued, and the debt expense connected therewith. Such amortization may, at the option of the warehouseman, be earlier reflected by charging all or any part of such discount and debt expense to account 313, "Miscellaneous debits to earned surplus," immediately upon or after the issue of the debt.

410. Amortization of premium on debt (Cr.). - Credit to this account at or after the close of any fiscal period the proportion of the premium at which the outstanding debt was issued which is applicable to the period. This proportion shall be determined according to a rule, the uniform application of which, during the interval between the issue and maturity of any debt, will completely amortize or wipe out the premium at which such debt was issued.

If the accounting company desires, it may write off the credit balance in this account more rapidly than herein stated.

411. Miscellaneous deductions from income. - Charge to this account miscellaneous deductions from income not otherwise provided for.

OPERATING REVENUE ACCOUNTS

- Section 1. Purpose of operating revenue accounts.
- Section 2. Basis of credits to operating revenue accounts.
- Section 3. Delayed operating revenues.

Operating revenue accounts

<u>Accounts for Class A Warehousemen</u>	:	<u>Accounts for Class B Warehousemen</u>
500. Cold storage revenues.	:	500. Cold storage revenues.
501. Labor revenues.	:	
(a) Handling in and out.	:	
(b) Loading or unloading cars or vehicles.	:	
(c) Weighing.	:	501. Labor revenues.
(d) Reconditioning.	:	
(e) Other labor revenue.	:	
502. Miscellaneous operating revenues.	:	502. Miscellaneous operating revenues.
503. Operating revenue deductions.	:	503. Operating revenue deductions.

GENERAL INSTRUCTIONS AND DEFINITIONS

Section 1. Purpose of operating revenue accounts. - Operating revenue accounts are designed to show the amounts of money which the warehouseman becomes lawfully entitled to receive from the operation of public utility properties.

Section 2. Basis of credits to operating revenue accounts. - Credits to the various revenue accounts shall be made upon the basis of bills rendered. Discounts for prompt payment, correction of overcharges, overcollections theretofore credited and afterwards corrected, authorized abatements and allowances and other corrections and deductions shall be charged to the revenue account to which they relate.

Section 3. Delayed operating revenues. - The entries in the operating revenue accounts prescribed herein should, for a particular period or year, include so far as practicable, all of the revenues earned during such period or year. In case, however, a revenue item is not recorded in the accounts for the fiscal period to which it applies, it should be included in the revenue accounts for the period in which the entry relating thereto is recorded, unless the amount of such delayed item is relatively so large that its inclusion in the revenue accounts for a single year would result in a seriously abnormal statement of operating revenues, in which case such delayed item may be included in the earned surplus account. (See section 2 of general instructions relating to earned surplus accounts, page 22.)

TEXT PERTAINING TO OPERATING REVENUE ACCOUNTS

500. Cold storage revenues. - Credit to this account all revenues from the storage of merchandise.

501. Labor revenues.-

(a) Handling in and out. - Credit to this subaccount all revenues derived from the handling of merchandise in transit from warehouse door or warehouse platform into the warehouse to place of storage and delivery of same from place of storage to the warehouse door or platform.

(b) Loading or unloading cars or vehicles. - Credit to this subaccount all revenues received from loading or unloading merchandise from cars or vehicles to warehouse door or platform and from warehouse door or platform into cars or vehicles.

(c) weighing. - Credit to this subaccount all revenues received from weighing merchandise either into or out of warehouse.

(d) Reconditioning. - Credit to this subaccount all revenues derived from the reconditioning of damaged packages. This does not include the reconditioning of commodities contained in packages.

(e) Other labor revenue. - Credit to this subaccount all other labor revenue (public utility) not otherwise provided for.

502. Miscellaneous operating revenues. - Credit to this account all revenues arising from the rental of space in properties which are ordinarily used for public utility purposes, from precooling and other revenue arising from the operation of public utility properties not provided for in the preceding accounts.

503. Operating revenue deductions (red). - Charge to this account all rate absorbtions and special allowances, such as freight and cartage in and out of warehouse.

OPERATING EXPENSE ACCOUNTS

- Section 1. Purpose of operating expense accounts.
- Section 2. Definition of certain terms used in connection with operating expense accounts.
- Section 3. Unaudited bills and vouchers.
- Section 4. Delayed operating expense items.
- Section 5. Salvage and insurance.
- Section 6. Depreciation.
- Section 7. Clearing accounts.

Operating expense accounts

<u>Accounts for Class A Warehousemen</u>	:	<u>Accounts for Class B Warehousemen</u>
I. <u>Warehouse operations.</u>	:	I. <u>Warehouse operations.</u>
600. Plant office salaries.	:	600. Labor at warehouse. (Include
601. Plant office supplies and expenses.	:	items chargeable to accounts
602. Superintendents' and foremen's salaries and expenses.	:	600 to 609 inclusive.)
603. Labor handling in and out.	:	
604. Labor loading or unloading cars or vehicles.	:	
605. Weighing.	:	
606. Reconditioning.	:	
607. Labor charged customers.	:	
608. Rehandling and cleaning up.	:	
609. Temperature and watchman.	:	
610. Power, light and water.	:	610. Other warehouse operations. (In-
611. Workmen's compensation insurance. (Cold storage warehouse only.)	:	clude items chargeable to ac-
612. Automobile expense.	:	counts 610 to 612 inclusive.)
II. <u>Refrigeration expenses.</u>	:	II. <u>Refrigeration expenses.</u>
620. Engine room labor.	:	620. Refrigeration expenses. (Include
621. Power, light and water.	:	items chargeable to accounts
622. Ammonia.	:	620 to 624 inclusive.)
623. Machine repairs and maintenance.	:	
624. Miscellaneous refrigeration expenses.	:	
III. <u>Repair expenses.</u>	:	III. <u>Repair expenses.</u>
630. Repairs to buildings and structures.	:	630. Repair expenses. (Include items
631. Repairs to warehouse machinery and equipment.	:	chargeable to accounts 630 to
632. Repairs to handling equipment.	:	633 inclusive.)
633. Other repairs.	:	
IV. <u>Soliciting expenses.</u>	:	IV. <u>Soliciting expenses.</u>
640. Solicitation.	:	640. Solicitation expenses. (Include
641. Advertising.	:	items chargeable to accounts
642. Miscellaneous soliciting expenses.	:	640 to 642 inclusive.)

Operating expense accounts (continued)

<u>Accounts for Class A Warehousemen</u>	:	<u>Accounts for Class B Warehousemen</u>
V. <u>General administrative expenses.</u>	:	V. <u>General administrative expenses.</u>
650. General officers' salaries and expenses.	:	650. General office expenses. (Include items chargeable to accounts 650 to 653 inclusive.)
651. Management fees.	:	
652. General office employees' salaries and expenses.	:	
653. General office supplies and expenses.	:	
654. Loss and damage claims.	:	654. Loss and damage claims.
655. Insurance.	:	655. Insurance.
656. Depreciation.	:	656. Depreciation.
657. Dues and subscriptions.	:	
658. Miscellaneous general administrative expenses.	:	658. Miscellaneous general administrative expenses. (Include items chargeable to accounts 657 and 658 inclusive.)

GENERAL INSTRUCTIONS AND DEFINITIONS

Section 1. Purpose of operating expense accounts. - The operating expense accounts are designed to show the expense of conducting the cold storage warehouse business, including expense of maintaining the plant used in such business. Expenses incident to non-public utility business should be charged to income account 405, "Non-utility operating expenses."

Section 2. Definition of certain terms used in connection with operating expense accounts. - Except where some other meaning is clearly apparent from the text of the accounts, the following words *wherever used* have the meaning stated below:

(a) "Cost" means cash or money cost, and not price based on a term of credit.

(b) "Labor" means human services of whatever character.

(c) "Cost of labor" includes wages, salaries and fees paid to persons for their services.

(d) "Cost of materials and supplies" includes all specifically assignable transportation charges incurred in obtaining the delivery of such materials and supplies on the premises of the warehouseman, such as packing, drayage, freight and express charges, excise taxes on articles purchased, insurance, custom duties, commission, etc. There may also be included a suitable proportion of store expenses in the event such a clearing account is used.

(e) "Cost of repairs" includes the wages, salaries and fees paid to employees directly engaged in the work of repairs, the personal expenses of the employees when borne by the warehouseman, the cost (including transportation) of materials and supplies used, and the expense of facilities employed in making repairs.

(f) "Repairs." The items chargeable to repair accounts 630 to 633 should be confined to labor and material expended in repairs to buildings, machinery, equipment and furniture and fixtures. The items includible in the repair accounts should be for the purpose of keeping the tangible property in serviceable condition. Charges on account of depreciation should not be included in cost of repairs.

Section 3. Unaudited bills and vouchers. - When bills covering operating expense items are not received in time for audit, and when vouchers are not made in time for inclusion in the operating accounts for the months in which the transactions occur, the items may be estimated and in such form charged and credited to operating accounts, and credited or charged to appropriate suspense accounts, the necessary adjustments being made later when they are taken into the accounts.

Section 4. Delayed operating expense items. - The entries in the operating expense accounts described herein should, for a particular period or year, include, insofar as practicable, all of the expenses incurred during such period or year. In case, however, an expense item is not recorded in the accounts for the fiscal period to which it applies, it

should be included in the expense accounts for the period in which the entry relating thereto is recorded, unless the amount of such delayed item is relatively so large that its inclusion in the expense accounts for a single year would result in a seriously abnormal statement of operating expenses, in which case such delayed item may be included in earned surplus account. (See section 2 of general instructions relating to earned surplus account, page 22, and section 2 of general instructions relating to income accounts, page 27.)

Section 5. Salvage and insurance. - Salvage and insurance recovered in connection with maintenance jobs not involving deductions from fixed capital shall be credited to the appropriate repair account. If the insurance for damaged property is relatively large and is received before the repairs have been completed, a disproportionate credit to operating expenses may be avoided by crediting the amount of insurance recovered to an expense account to which the cost of repair shall then be charged to the extent that it is covered by insurance. Insurance recovered in connection with personal injuries shall be credited to account 611, "Workmen's compensation insurance." Dividends distributed by mutual insurance companies shall be credited to the account to which the insurance premiums are charged. Recoveries under fidelity bonds shall be credited to the account charged with the loss.

Section 6. Depreciation. - There is a certain wear and tear taking place in the property during operation which can not be covered by current repairs, and, in addition, the property is liable to become obsolete or inadequate, and for that reason will probably at some future date be discarded or replaced.

In order to provide for the expense when property is taken out of service or replaced, charges should be made to the appropriate income or operating expense account to provide a reserve for such purposes. Such charges shall be based on a rule whereby the original sum, less salvage to be provided, shall be evenly distributed over the life of the property. The Commission does not in this system of accounts prescribe the rate of depreciation.

The amount of the monthly or annual charges to cover depreciation shall be charged to income account 405, "Non-utility operating expenses," or operating expense account 656, "Depreciation," and credited to balance sheet account 161, "Reserve for accrued depreciation." Against the latter account should be charged (to the extent that such charges are covered by the reserve) the expense of reconstruction or the cost or ledger value of property when retired.

Section 7. Clearing accounts. - There are certain items of expenditure which usually affect several classes of operation which it is desirable to charge to a clearing account prior to the distribution thereof to a specific operating expense, fixed capital or other appropriate account. Among the more important of such items are stores department and transportation department expenses. Other similar clearing accounts may be established when necessary or desirable.

The clearing accounts, if maintained, shall be cleared annually, but if at the end of the year a debit balance remains in these accounts, which is properly chargeable to current operating expenses and which is

impracticable of distribution to a specific operating expense account, such undistributed balance may be included in operating expense account 658, "Miscellaneous general administrative expenses." That part of the expenses properly chargeable to fixed capital should be charged to the appropriate fixed capital account or accounts. Any remaining debit balance which may be applicable to a future period or is otherwise not properly chargeable to current operating expenses, fixed capital accounts or other appropriate specific account shall be included in balance sheet account 117, "Other deferred debits."

TEXT PERTAINING TO OPERATING EXPENSE ACCOUNTS

Note. - The amounts charged to the respective operating expense accounts shall be only such as are applicable to the operation of public utility properties. All other expenses shall be treated as income account deductions.

I. WAREHOUSE OPERATIONS

600. Plant office salaries. - Charge to this account the salaries of office clerks, stenographers, bookkeepers, etc., employed in the office at the warehouse.

Note. - This account shall be kept only by such warehousemen who maintain more than one warehouse with an office force separate and distinct from its general or executive office. Warehousemen who maintain only one office force should use the accounts appearing under "General administrative expenses."

601. Plant office supplies and expenses. - Charge to this account the cost of stationery, telephone, postage, books and periodicals, light, heat and other office supplies used in the plant office. (See note appearing under account 600.)

602. Superintendents' and foremen's salaries and expenses. - Charge to this account the pay and traveling expenses of the warehouse superintendent, his assistants and clerks, and of day and night foremen; also such portion of the pay and traveling expenses of the general superintendent, his assistants and clerks as may be properly assigned to warehouse operations.

603. Labor handling in and out. - Charge to this account all labor used in the handling of merchandise from warehouse platform to pile, piling and redelivery to warehouse platform, including elevator labor.

604. Labor loading or unloading cars or vehicles. - Charge to this account the cost of all labor used in the loading or unloading of merchandise out of cars or from vehicles (at warehouse) onto warehouse platform and from warehouse platform into cars or vehicles.

605. Weighing. - Charge to this account the cost of all labor used at warehouse scales in the weighing of commodities.

606. Reconditioning. - Charge to this account the cost of all labor and materials used in the reconditioning of damaged packages.

607. Labor charged customers. - Charge to this account the cost of all special labor services rendered for the customers and for which they are to be charged.

608. Rehandling and cleaning up. - Charge to this account the cost of all labor used in rehandling merchandise for warehouseman's own convenience, such as transferring merchandise in storage for purpose of making additional storage space. Also charge the cost of all labor and materials used in cleaning storage rooms, platforms, etc.

609. Temperature and watchmen. - Charge to this account the cost of all labor taking temperatures and the cost of watchmen, whether own labor or special night watchman service.

610. Power, light and water. - Charge to this account the cost of all power used exclusively in the operation of the cold storage plant.

If the lighting circuit is metered separately, the cost should also be charged to this account. If lights and power are on the same circuit, no segregation between power and light is necessary.

In dual plants where the power and light is on the same circuit and is used both in the manufacture of ice and cold storage refrigeration, the energy charges shall be apportioned between the two departments on some equitable basis.

611. Workmen's compensation insurance (cold storage warehouse only). - This account shall include the cost of workmen's compensation insurance on labor charged to warehouse operations (not office), crediting this account with any rebates thereon. If the insurance is carried by the reporting warehouseman, charge to this account or to a reserve, if such reserve has been created through charges to this account, all expenditures on account of persons killed or injured and property damage, other than property in storage damaged; compensation paid employees injured while in performance of their duties, salaries and expenses of claim agents, adjusters and others engaged in the investigation of accidents and adjustment of claims, salaries, fees and expenses of surgeons and doctors, medical and surgical supplies, nursing and hospital attendance, fees and expenses of coroners and undertakers, fees of witnesses and others.

612. Automobile expense. - Charge to this account the cost of gas, oil, tires, tubes, etc., and all repairs on automobile equipment used in connection with operating the warehouse, such as superintendents' and assistants' automobiles, and general utility truck. (Do not charge to this account any automobile expense used in soliciting business or automobile expense properly includible under general administrative expense.)

II. REFRIGERATION EXPENSES

620. Engine room labor. - Charge to this account the salary or wages of engineers, assistant engineers and operating personnel of engine room.

621. Power, light and water. - Charge to this account the cost of power, light and water applicable to the engine room.

622. Ammonia. - Charge to this account the cost of ammonia used in recharging system.

623. Machine repairs and maintenance. - Charge to this account the cost of all labor and material used in repairing and maintaining machinery used in producing refrigerating energy. By refrigerating machinery is meant, compressor and motor, condensers, receivers and water system in connection with condensers and cooling tower.

Note. - If the refrigerating machinery is also used in non-utility operations, the costs of repairing and maintaining the same should be apportioned on some equitable basis between utility and non-utility operations.

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624. Miscellaneous refrigeration expenses. - Charge to this account the cost of compensation insurance on labor used in the engine room; the cost of small tools and other articles not properly chargeable to warehouse property and equipment accounts under the note on page 18; and the cost of all labor and supplies used in the engine room not properly chargeable to other accounts.

III. REPAIR EXPENSES

630. Repairs to buildings and structures. - This account shall include the cost of labor and material used in repairing warehouses, garages, general offices, and other buildings and structures used in warehouse operations.

Note. - For definition of "Buildings and Structures" see text of account 202, "Buildings and structures," on pages 18 and 19.

631. Repairs to warehouse machinery and equipment. - Charge to this account the cost of repairing machinery, elevators, storage room coils, bunker room coils, fans, motors, ozone equipment, tools, etc., used in warehouse operations.

632. Repairs to handling equipment. - Charge to this account the cost of repairing hand trucks, conveyor equipment and other equipment used in the handling of merchandise in and out of the warehouse.

633. Other repairs. - Charge to this account the cost of all repairs not covered by the foregoing accounts. (Do not charge to this account repairs on office furniture and fixtures. See account 653, page 42.)

IV. SOLICITING EXPENSES

640. Solicitation. - Charge to this account the salaries and expenses of employees engaged in soliciting business. In cases where employees are engaged part time in soliciting business and part time in some other department, their salaries and expenses shall be apportioned on some equitable basis.

641. Advertising. - Charge to this account the salaries and expenses of advertising agents, cost of printing and distributing advertising matter, advertising in newspapers and periodicals for the purpose of securing business; cost of bill posting, postage and express charges on advertising matter and the like.

642. Miscellaneous soliciting expenses. - Charge to this account all expenses incurred to secure additional business not properly chargeable to account 640 or 641, such as automobile expense in connection with solicitation and compensation insurance as a result of solicitation expense.

V. GENERAL ADMINISTRATIVE EXPENSES

650. General officers' salaries and expenses. - Charge to this account the salaries and expenses of general officers, such as president, vice president, treasurer, secretary, controller, general auditor, general manager, assistant general manager, chief engineer, general superintendent, purchasing agent, etc., whose jurisdiction extends to the entire system and whose pay and expenses may not properly be charged to any one warehouse (where more than one warehouse is operated by the company).

651. Management fees. - Include in this account the charges of engineering and management corporations for supervising and managing the operations of the warehouseman.

652. General office employees' salaries and expenses. - Charge to this account the salaries and expenses of auditors, bookkeepers, cashiers, paymasters, stenographers and clerks employed in the general office.

653. General office supplies and expenses. - Charge to this account the cost of supplies and expenses in connection with the operations of the general office, such as telephone and telegraph, legal services, stationery and printing, postage, books and periodicals, heat, light, water, janitor supplies, repairs to furniture and fixtures, and other similar expenses of the general office.

654. Loss and damage claims. - Charge to this account all losses due to damage of goods in storage. Also charge to this account all legal expenses of defending law suits arising through loss and damage claims.

655. Insurance. - Charge to this account all insurance premiums paid, other than workmen's compensation insurance. Warehousemen insuring with mutual companies shall charge to expense that part of the premium paid which applies to the current year. Any credits allowed on account of distribution of prior years' savings should be credited to earned surplus account.

656. Depreciation. - Charge to this account the amount of depreciation charges applicable to the accounting period for all depreciable property used in public utility cold storage operations.

657. Dues and subscriptions. - Charge to this account the cost of all dues and charges of business associations and clubs organized for the purpose of promoting the warehouse business, provided that no charges or moneys paid directly or indirectly to promote or defeat legislation of any kind whatsoever, or to elect or defeat a candidate for public office may be charged to this or any other operating expense account.

658. Miscellaneous general administrative expenses. - Charge to this account all general administrative expenses not provided for elsewhere, such as trustees' fees in connection with the payment of interest on or redemption of funded debt, the cost of revenue stamps for short term notes, directors' fees, etc.