

ORIGINAL

Decision No. 55289

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation
on the Commission's Own Motion of
the Adoption of the Amendments to
the Uniform System of Accounts for
Telephone Companies, prescribed by
the Federal Communications Commission.

Case No. 4923

FIRST SUPPLEMENTAL ORDER

On August 24, 1948, after hearing, the Commission issued Decision No. 41981 by which it prescribed a uniform system of accounts for telephone companies subject to its jurisdiction having annual operating revenues of \$100,000 or more. The uniform system of accounts thus prescribed was based on the Uniform System of Accounts for Class A and Class B Telephone Companies prescribed by the Federal Communications Commission effective January 1, 1937, as amended to January 1, 1948, with certain modifications.

Since 1948, the Federal Communications Commission has amended its Uniform System of Accounts for Class A and Class B Telephone Companies in the following manner:

1. Effective January 1, 1952, it reclassified the telephone company groupings.
2. Effective January 1, 1952, it revised the instructions regarding the disposition of amounts carried in account 100.4 - Telephone plant acquisition adjustment.

3. Effective March 3, 1953, it revised the telephone plant instructions 31.2-24, Retirement units; 31.2-25, Telephone plant retired; 31.2-26, Continuing property record required; and substituted a new Appendix B relative to the installation and maintenance of continuing property records.
4. Effective June 2, 1953, it issued a list of corrections to certain of the cross references between accounts.
5. Effective January 1, 1955 (optional January 1, 1954), it revised the text of account 672 with respect to pension costs based on service rendered prior to the period for which the accruals are made.
6. Effective November 5, 1956, it amended Appendix A so as to substitute three new case questions and answers for a like number which were no longer applicable.
7. Effective November 14, 1956, it adopted revisions which are for the most part editorial in nature.
8. Effective January 1, 1957, it modified the accounting requirements with respect to plant additions under any one project amounting to less than \$10,000 and with respect to plant retirements under any one project amounting to less than \$5,000.
9. Effective January 1, 1958 (optional January 1, 1957), it adopted revisions which make station wiring depreciable plant and which provide for the use of the so-called cradle-to-grave accounting for station apparatus.

The amendments adopted by the Federal Communications Commission since 1948^{1/} tend to give effect to changes in accounting theory and practice in recent years and were made effective in most cases following the issuance of a Notice of Proposed Rule Making by the Federal Communications Commission and the receipt

^{1/} The January 1957 Edition of the Uniform System of Accounts for Class A and Class B Telephone Companies prescribed by the Federal Communications Commission contains all amendments adopted by that Commission up to and including December 31, 1956.

and review by that Commission of written statements or arguments filed by operating telephone companies, regulatory commissions and other interested parties.

In the general instructions contained in its currently prescribed system of accounts, the Federal Communications Commission, for accounting purposes, has divided the telephone companies into the following classes based on average annual gross operating revenues:

- Class A - Exceeding \$250,000
- Class B - Exceeding \$100,000 but not more than \$250,000
- Class C - Exceeding \$50,000 but not more than \$100,000
- Class D - Not exceeding \$50,000

The Federal Communications Commission has issued a separate uniform system of accounts for the Class C telephone companies, but has not prescribed a system of accounts for Class D telephone companies as those companies are classified by it.

The California Commission has classified as Class C those telephone companies whose average annual operating revenues are in excess of \$1,500 but not in excess of \$100,000 and has prescribed a separate uniform system of accounts for these companies. It has not prescribed a system of accounts for the Class D companies; that is, those companies having average annual gross operating revenues of \$1,500 or less. It is the intention of this Commission to retain its present classification

groupings for the Class C and Class D companies. It will give consideration, in a subsequent order, to the modification of its presently prescribed Uniform System of Accounts for Class C Telephone Companies in order to coordinate it with that now being prescribed for the Class A and Class B companies.

Some of the telephone companies in California operate under the jurisdiction of this Commission and also of the Federal Communications Commission, being engaged in both intrastate and interstate commerce. In order to simplify the accounting and reporting requirements imposed on these telephone companies, and in order to coordinate the accounting requirements prescribed by this Commission with those imposed by the Federal Communications Commission and to eliminate modifications no longer considered necessary, it appears desirable and in the public interest to amend the system of accounts heretofore adopted and prescribed by this Commission. In our opinion, further hearings are not necessary; therefore,

IT IS HEREBY ORDERED as follows:

1. The Uniform System of Accounts for Class A and Class B Telephone Companies, prescribed by the Federal Communications Commission, January 1957 Edition, subject to the modifications hereinafter set forth, which modifications are set forth in the Uniform System of Accounts attached hereto as Exhibit A, be, and it is hereby adopted and prescribed effective on and after January 1, 1958, by the Public Utilities Commission of the State of California, for all telephone companies

having average annual operating revenues of \$100,000 or more, operating in California under this Commission's jurisdiction. The modifications to the January 1957 Edition of the system of accounts prescribed by the Federal Communications Commission include the following:

- (a) Class C telephone companies shall include those telephone companies having annual operating revenues exceeding \$1,500 but not exceeding \$100,000;
- (b) Class D telephone companies shall include those telephone companies having annual operating revenues of not exceeding \$1,500;
- (c) Instruction 31.02-81, Depreciation charges, is modified so as to permit the computation of depreciation charges by applying the applicable percentage rate to the beginning of month balances in the primary accounts covering depreciable telephone plant;
- (d) Instruction 31.1-14 and accounts 134:1 and 181 are hereby modified so as to permit all or any part of any debit balance in account 134:1, Discount on capital stock to be charged at any time to account 181, Unappropriated earned surplus.

2. The Commission reserves the right to amend this order from time to time and does not bind itself to approve any item set out in any account, either as to amount or character for rate-fixing purposes or for the issuance of securities.

3. From and after January 1, 1958, telephone companies having annual operating revenues of \$100,000 or more, are relieved from keeping their accounts and records in accordance with the uniform system of accounts now in effect.

4. The Secretary of the Commission is directed to cause an adequate number of copies of this decision and of Exhibit A to be printed and to be served on each Class A and Class B telephone utility operating in this state.

5. This order will become effective 20 days after such service.

Dated at San Francisco, California, this 22 day of July, 1957.

Paul J. [unclear] President
Marshall [unclear]
[unclear]
[unclear] Commissioners

-A-

Uniform System of Accounts

for

Class A and Class B Telephone Companies



Prescribed by the
**PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Effective January 1, ¹⁹⁵²~~1949~~

For Sale by
PUBLIC UTILITIES COMMISSION
State Building, San Francisco

Price, ^{3.00}~~\$2.50~~ plus tax

EXHIBIT A

PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

PETER E. MITCHELL, *President*.....Commissioner
JUSTUS F. CRAEMER.....Commissioner
RAY E. UNTEREINER.....Commissioner
MATTHEW J. DOOLEY.....Commissioner
REX HARDY.....Commissioner
C. LYN FOX.....COMMISSIONER
RANDOLPH J. PAJALICH, *Secretary* ---
State Building, San Francisco

Uniform System of Accounts

for

Class A and Class B
Telephone Companies



Prescribed by the
**PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Effective January 1, ¹⁹⁵⁸1949

UNIFORM SYSTEM OF ACCOUNTS, CLASS A AND CLASS B TELEPHONE COMPANIES *†

LIST OF RETIREMENT UNITS, CLASS A AND CLASS B TELEPHONE COMPANIES

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* Proceeding under the authority conferred upon it by the Public Utilities Act, the Public Utilities Commission of the State of California, by Decision No. 41844, dated August 24, 1944, in Case No. 4521, prescribed this uniform system of accounts for class A and class B telephone companies.

Said decision contains the following:

"It should be understood that in prescribing the system of accounts mentioned herein, 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 for the issuance of securities."

† Cross references to accounts are made by citing the account numbers, e.g., account 323 instead of the corresponding section numbers (31.111).

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* §§ 31.609, 31.608 follow §§ 31.611 in order to permit the grouping together of all maintenance expense accounts without changing long-established account numbers.

GENERAL INSTRUCTIONS

§31.01-1 Classification of companies

(a) For the purpose of the Commission's system of accounts, telephone companies are classified as follows:

Class A. Companies having annual operating revenues exceeding \$250,000.

Class B. Companies having annual operating revenues exceeding \$100,000, but not more than \$250,000.

Class C. Companies having annual operating revenues exceeding \$1,500, but not more than \$100,000.

Class D. Companies having annual operating revenues not exceeding \$1,500.

(b) Class A companies shall keep all the accounts of this system of accounts, which are applicable to their affairs.

(c) Class B companies shall keep all the accounts of this system of accounts, which are applicable to their affairs, except that their accounts for operating revenues and operating expenses may be kept under the accounts of the condensed classification provided for herein. [See the tables preceding §§31.500, 31.602:1.]

(d) Class C companies shall keep their accounts in the manner prescribed by Decision No. 3369, dated November 12, 1940. As of January 1, 1941, the Commission has prescribed no system of accounts for Class D companies.

§31.01-2 Records

(a) The company's records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. Where the full information is not recorded in the general books the entries therein shall be supported by other records in which the full details shall be shown and the general book entries shall contain sufficient reference to the detail records to permit ready identification. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

(b) All charges to the accounts prescribed in this classification for telephone plant, income, operating revenues, and operating expenses shall be just and reasonable and any payments by the company in excess of such just and reasonable charges shall be included in account 323, "Miscellaneous income charges."

(c) Accounts which are clearly summaries of other accounts or subaccounts provided for herein are not required to be kept in the company's books. All accounts kept shall conform in numbers and titles to those prescribed herein, except that:

(1) Companies 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, and this Commission shall be notified of the nature and purpose of such subdivisions. When subaccounts are thus kept, it is not required that the main accounts of which they are subdivisions shall also be kept in the company's books.

(2) Clearing accounts, in addition to those prescribed herein, may be kept when necessary in making the proper distribution of items to the appropriate primary accounts, provided, that within 30 days of the opening of such accounts, this Commission shall be notified of the nature and purpose thereof.

(3) Temporary or experimental accounts may be kept in addition to the accounts prescribed herein, for the purpose of developing the efficiency of operations, provided such accounts do not impair the integrity of any accounts prescribed herein, and provided further that within 30 days of the opening of such accounts, this Commission shall be notified of the nature and purpose thereof.

(d) As of the effective date of this system of accounts, the several accounts prescribed herein shall be opened by transferring thereto the balances carried in the accounts previously maintained by the company. Copies of the journal entries recorded to effect these transfers shall be filed with this Commission. The company is authorized to make such subdivisions, reclassifications, or consolidations of such balances as are necessary to meet the requirements of this system of accounts.

(e) Nothing contained in these rules shall prohibit or excuse any carrier or receiver or operating trustee of any carrier from subdividing the accounts hereby prescribed in the manner ordered by any other commission having jurisdiction or to the extent necessary to secure the information required in the prescribed reports to such commission.

§31.01-3 Definitions

When used in this system of accounts:

(a) "Accounts" or "These accounts" means the accounts of this system of accounts.

(b) "Actually issued," as applied to securities issued or assumed by the company, means those which have been sold to bona fide purchasers for a valuable consideration (including those issued in exchange for other securities or other property) under the condition that the purchasers secured them free from all control by the issuing company, also securities issued as dividends on stock.

(c) "Actually outstanding," as applied to securities, means those which have been actually issued and are neither retired nor held by or for the company.

(d) "Affiliated companies" means companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the accounting company.

(e) "Book amount," as applied to capital stock, means the par value of stock having a par value, and the amount duly authorized for inclusion in account 150, "Capital stock," for stock having no par value.

(f) "Book cost" means the amount at which property is recorded in these accounts, without deduction of related reserves.

(g) "Book liability" means the amount at which securities issued or assumed by the company and other liability items are recorded in these accounts.

(ga) "Commission" means the Public Utilities Commission of the State of California.

(h) "Company" or "The Company," when not otherwise indicated in the context, means the accounting company. It includes every corporation or person, their lessees, trustees, receivers or trustees appointed by any court whatsoever owning, controlling, operating or managing any telephone line for compensation within the State of California. (See Section 2-t of Public Utilities Act.)

(i) "Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession, directly or indirectly of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

(j) "Cost," except as applied to telephone plant, franchises, patent rights, and right-of-way, means the amount of money actually paid (or the current money value of any consideration other than money exchanged) for property or services. (Note also paragraph (x) of this section.)

(k) "Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of telephone plant and recovering the salvage, including the cost of transportation and handling incident thereto.

(l) "Debt expense" means all expenses in connection with the issuance and sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen; fees and expenses of listing on exchanges, and other like costs. (Note also §31.1-13 (b).)

(m) "Depreciation," as applied to depreciable telephone plant, means the loss in service value (note paragraph (dd) of this section) not restored by current maintenance, incurred in connection with the consumption or prospective retirement of telephone plant in the course of service from causes which are known to be in current operation, against which the company is not protected by insurance, and the effect of which

can be forecast with a reasonable approach to accuracy. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

(n) "Discount," as applied to securities issued or assumed by the company, means the excess of the book or face amount (note paragraphs (e) and (o) of this section) of the securities plus interest or dividends accrued at the date of the sale over the current money value of the consideration received at their sale.

(o) "Face amount" means the amount or value of bonds, mortgages, and other evidences of debt set forth in the documents themselves.

(p) "Group plan," as applied to depreciation accounting, means the plan under which depreciation charges are accrued upon the basis of the original cost (note paragraph (x) of this section) of all property included in each depreciable plant account, using the average service life thereof properly weighted, and upon the retirement of any depreciable property its full service value is charged to the depreciation reserve whether or not the particular item has attained the average service life.

(q) "Investment advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and the debtor that they shall be settled by the issuance of capital stock or funded debt or shall not be subject to current cash settlement.

(r) "Minor items," as applied to depreciable telephone plant, means any part or element which is not designated as a retirement unit in §31.8.

(s) "Miscellaneous physical property" means all physical property owned by the company, other than telephone property the investment in which is includible in accounts 100:1, "Telephone plant in service," 100:2, "Telephone plant under construction," 100:3, "Property held for future telephone use," and 100:4, "Telephone plant acquisition adjustment."

(t) "Net salvage value" means the salvage value (note paragraph (bb) of this section) of the property retired after deducting the cost of removal.

(u) "Nominally issued," as applied to securities, means those which have been signed, certified, or otherwise executed and placed with the proper officer for sale, or pledged or otherwise placed in some special fund of the company, but which have not been sold.

(v) "Nominally outstanding," as applied to securities, means those which after being actually issued have been reacquired by or for the company under such circumstances as require them to be considered as held alive and not retired.

(w) "Nonaffiliated companies" means all companies other than those defined as affiliated in paragraph (d) of this section.

(x) "Original cost" or "Cost," as applied to telephone plant, franchises, patent rights, and right-of-way, means the actual money cost of

(or the current money value of any consideration other than money exchanged for) property at the time when it was first dedicated to the public use, whether by the accounting company or by predecessors.

NOTE: For the application of this definition to property acquired from predecessors see §312-21. (Note also paragraph (j) of this section.)

(y) "Plant retired" means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from telephone service.

(z) "Premium," as applied to securities issued or assumed by the company, means the excess of the current money value of the consideration received at their sale over the sum of their book or face amount (note paragraphs (e) and (o) of this section) and interest or dividends accrued at the date of the sale.

(aa) "Replacing" and "replacement," when not otherwise indicated in the context, mean the construction or installation of telephone plant in place of plant retired, together with the removal and recovery of the plant retired.

(bb) "Salvage value" means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to account 122, "Material and supplies."

(cc) "Service life" means the period between the time of installation (note paragraph (ii) of this section) of telephone plant and the time of its retirement.

(dd) "Service value" means the difference between the original cost and:

(1) The salvage value (note paragraph (bb) of this section) for station apparatus.

(2) The net salvage value (note paragraph (t) of this section) for other telephone plant.

(ee) "Stock expense," as applied to capital stock, means all expenses in connection with the issuance or sale of capital stock, such as fees and commissions (including the cash value of securities) paid to promoters, underwriters, brokers, and salesmen; fees for legal services; cost of soliciting subscriptions for capital stock, including fees, commissions, and advertising; cost of obtaining governmental authority and filing notices thereunder; fees and taxes for issuance of capital stock and listing on exchanges; cost of preparing, engraving, printing, issuing, and distributing prospectuses and stock certificates in connection with both original and additional capital stock issues. (Note also §31.1-13 (d-f).)

(ff) "Straight-line method," as applied to depreciation accounting, means the plan under which the service value (note paragraph (dd) of this section) of property is charged to operating expenses and to clearing accounts and credited to the depreciation reserve through equal annual charges as nearly as may be during its service life.

(gg) "Telephone operations" and "telephone service" means the service by common carriers of transmitting intelligence by wire or wireless primarily through the use of telephones, and services incidental or

auxiliary to such service, such as private line, teletypewriter, telegraph, and telephotograph services.

(hh) "Telephone plant" means physical property used in telephone service.

(ii) "Time of installation" means the date at which telephone plant is placed in telephone service.

(jj) "Time of retirement" means the date at which telephone plant is retired from telephone service.

§31.01-4 Unaudited items

When the amount of any known item affecting these accounts cannot be accurately determined in time for inclusion in the accounts of the calendar year in which the transaction occurs, the amount of the item shall be estimated and included in the proper accounts. When the item is audited, the necessary adjustments shall be made through the accounts in which the estimate was recorded. If during the interval between the date of inclusion of the item in the accounts and the date on which it is audited, a substantial difference from the initial estimate is determined, appropriate adjustments shall be made in the current accounts to cover such difference. The company is not required to anticipate minor items which would not appreciably affect these accounts.

§31.01-5 Delayed items

(a) The term "delayed items" means items relating to transactions which occurred before the current calendar year. It includes adjustments of errors in the income, operating revenue, and operating expense accounts of prior years.

(b) If the amount of any delayed item is relatively so large that its inclusion in the accounts for a single year would seriously distort those accounts, the company shall distribute to earned surplus so much of the amount as affects the operations of prior years. The company shall file with this Commission the full particulars concerning each such item, including the accounts and years which would have been affected had the item not been delayed.

§31.01-6 Spreading of income, revenue, and expense items

When the amount of any unusual item includible in an income, operating revenue, or operating expense account for a single month is relatively so large that its inclusion in the accounts for that month would seriously distort those accounts, it may be included in account 139, "Other deferred charges," or account 174, "Other deferred credits," as appropriate, and distributed in equal amounts to the accounts for the current and remaining months of the calendar year.

§31.01-7 Profits and losses from foreign exchange

(a) Profits and losses from premiums and discounts on foreign exchange shall be included, so far as practicable, in the accounts appropriate for the transactions in connection with which such items arise.

For example, profits realized and losses suffered due to the difference in rates of exchange between the date that money is borrowed or loaned and the date of payment or collection shall be included in account 402, "Miscellaneous credits to earned surplus," or account 413, "Miscellaneous debits to earned surplus," as may be appropriate.

(b) Minor amounts of profits and losses on foreign exchange arising in the course of the company's telephone operations and impracticable of allocation to each specific transaction involved shall be included in account 526, "Other operating revenues," or account 675, "Other expenses," as may be appropriate.

§31.01-8. Interpretation of item lists

Lists of "items" appearing in the texts of the several accounts are given for the purpose of clearly indicating the application of the prescribed accounting in specific cases. The lists are not to be considered as comprising all the items includible in the several accounts but merely as representative of them. On the other hand, the appearance of an item in a list warrants the inclusion of such item in the account concerned only when the text of the account also indicates inclusion, inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the accounts.

§31.01-9 Submission of questions

To the end that uniformity of accounting may be maintained, the company shall submit all questions of doubtful interpretation of the prescribed accounting to this Commission for consideration and decision.

§31.01-9A Sequence of accounts

The order in which the accounts are presented in this system of accounts is not to be considered as necessarily indicative of the order in which they will be scheduled at all times in reports to the Commission.

INSTRUCTIONS FOR DEPRECIATION ACCOUNTING

§31.02-80 Computation of depreciation rates

(a) Depreciation charges shall be computed by applying the composite annual percentage rates considered applicable to the original cost (note §31.01-3 (x)) of each class of depreciable telephone plant owned or used by the company. (Note also §31.02-81 (b).) These percentage rates shall be based upon the estimated service values and service lives (note 31.01-3 (dd), (ee)) developed by a study of the company's history and experience and such engineering and other information as may be available with respect to prospective future conditions. These percentage rates shall be computed in conformity with the group plan (note §31.01-3 (p)) of accounting for depreciation and shall be such that the loss in service value of the property, except for losses excluded under the definition of depreciation (note §31.01-3 (m)), may be distributed

under the straight-line or other method (note §31.01-3 (ff)) during the service life of the property. Such percentage rates shall not include any allowance for loss in service value of property expected to be installed in the future. The percentage rates shall, for each primary account comprised of more than one class of property, produce a charge to operating expenses for that account equal to the sum of the amounts that would otherwise be chargeable for each of the various classes of property included in the account.

(b) In the event any composite percentage rate becomes no longer applicable, revised composite percentage rates shall be computed in accordance with paragraph (a) of this section.

(c) The company shall keep such records of property and property retirements as will reflect the service life of property which has been retired, or will permit the determination of service-life indications by mortality, ^{For purposes of the records re-} ~~qualified to be kept under this paragraph~~ ^{ds, and also such records} as will reflect ^{no costs of removal or disconnection shall} ~~be associated with account 231, "Station~~ ^{or net salvage value, as} ~~appropriate~~ ^{class of depreciable tele-} ~~phone plant~~ ^{corded as applicable to account 232, "Sta-} ~~tion connections."~~

§31.02-81 Depreciation charges

(a) Charges for currently accruing depreciation shall be made monthly to account 608, "Depreciation," and to clearing accounts, as appropriate, and corresponding credits shall be made to account 171, "Depreciation reserve." In computing the current monthly charges, one-twelfth of the composite annual percentage rate applicable to the primary accounts covering depreciable telephone plant shall be applied to the average of the balances, as of the first and last of the current month, or may be applied to the balances of the first of the current month, in each such primary account.

(b) When the company is responsible under the terms of a lease for depreciation of property, used but not owned, for which the rent is chargeable to account 303, "Rent for lease of operating property," depreciation charges shall be made on the same basis as for owned depreciable property.

(c) A separate composite annual percentage rate for each account covering depreciable telephone plant shall be used in computing depreciation charges. Such composite rates shall be computed in accordance with §31.02-80.

§31.02-82 Classes of depreciable telephone plant

The classes of depreciable telephone plant and the accounts covering such plant are as follows:

- Right of way (account 207).
- Buildings (account 212).
- Central office equipment (account 221).
- Station apparatus (account 231).
- Private branch exchanges (account 231).
- Booths and special fittings (account 235).
- Pole lines (account 241).
- Station connections (account 232)

Aerial cable (account 242:1).
Underground cable (account 242:2).
Buried cable (account 242:3).
Submarine cable (account 242:4).
Aerial wire (account 243).
Underground conduit (account 244).
Furniture and office equipment (account 261).
Vehicles and other work equipment (account 264).

NOTE: When depreciable plant carried in account 276, "Telephone plant acquired," is distributed to the appropriate plant accounts, adjusting entries shall be made covering the depreciation charges applicable to such plant for the period during which it was carried in account 276.

§31.02-53 Plant retired for causes not factors in depreciation

The service value of depreciable telephone plant retired (note also §31.2-25) shall be charged in its entirety to account 171, "Depreciation reserve." If the cause of retirement is not a recognized factor in depreciation (note §31.01-3 (m)) and the loss is not covered by insurance, the company may, upon proof that the charge to the depreciation reserve will result in undue depletion thereof, and with the approval of this Commission, credit account 171, "Depreciation reserve," and charge account 138, "Extraordinary maintenance and retirements," with the unprovided-for loss in service value and distribute it from that account to account 609, "Extraordinary retirements," over such period as this Commission may approve.

INSTRUCTIONS FOR BALANCE SHEET ACCOUNTS

§31.1-10 Purpose of balance-sheet accounts

The balance-sheet accounts (100:1 to 181, inclusive) are designed to show the assets, liabilities, capital stock, and surplus or deficit of the company.

§31.1-11 Current assets

(a) In the group of accounts designated as current assets (accounts 113-123, inclusive) there shall not be included any item the book cost of which is not reasonably assured, except that items of current character but of doubtful value may be written down and for record purposes carried in these accounts at a nominal amount. If not thus written down, they shall be included in account 139, "Other deferred charges," at book cost or nominal amount, or written off, as may be appropriate, but they shall not be so included at book cost unless there is a reasonable prospect of future substantial value.

(b) The amount of any item written off shall be included in account 530, "Uncollectible operating revenues—Dr.," account 323, "Miscellaneous income charges," account 413, "Miscellaneous debits to earned surplus," or other appropriate account.

§31.1-12 Book cost of securities owned

(a) Securities issued by others shall be recorded in these accounts at the time of purchase at the current money value of the consideration

given therefor by the company. (Note also paragraph (d) of account 313 and paragraph (b) of account 314.)

(b) The company is allowed the option of writing down such book cost in recognition of decline in the value of the securities. It shall write down to a nominal amount or write off if there is no reasonable prospect of future substantial value. The amount of such adjustment shall be debited to account 413, "Miscellaneous debits to earned surplus." The company shall maintain a complete record of the facts on which it bases such adjustment.

§31.1-13 Company securities owned

(a) The book or face amount (note §31.01-3 (e), (o)) of nominally issued (note §31.01-3 (u)) and nominally outstanding (note §31.01-3 (v)) stocks and other securities issued or assumed by the company shall be shown in the short columns only of the balance-sheet statement of the company to this Commission. (Note also §31.1-16:7)

(b) The necessary adjustments for the difference between (1) the face amount of bonds and other evidences of debt that have been reacquired and (2) the amounts actually paid for them plus the amounts of expenses incurred in connection with their reacquisition shall be included, when a debit, in account 413, "Miscellaneous debits to earned surplus," and when a credit, in account 402, "Miscellaneous credits to earned surplus." In the case of refinancing, amounts that ordinarily would thus be charged or credited to earned surplus may be made subject to amortization upon approval by the Commission in the specific instance.

(c) The necessary adjustments for the difference between (1) the face amount of bonds and other evidences of debt that previously have been reacquired and are resold and (2) the amounts actually received for them less the amounts of expense incurred in connection with their resale shall be included when a debit in account 413, "Miscellaneous debits to earned surplus," and, when a credit, in account 402, "Miscellaneous credits to earned surplus."

(d) The necessary adjustments for the difference between (1) the book amount of capital stock that has been reacquired and (2) the amount actually paid for it plus the amounts of expense incurred in connection with its reacquisition shall be included in account 179, "Other capital surplus," except that the excess of a debit adjustment over the balance in account 179, applicable to capital stock of the same class, shall be charged to earned surplus and, provided, further, that a credit adjustment shall be included in earned surplus to the extent that any previous charges to earned surplus on account of transactions in the same class of stock have not been offset by previous credits to earned surplus on account of such transactions.

(e) The necessary adjustments for the difference between (1) the book amount of capital stock that previously has been reacquired and is resold, and (2) the amount actually received for it less the amounts of expense incurred in connection with its resale shall be included in account 179, "Other capital surplus," except that the excess of a debit

adjustment over the balance in account 179, applicable to capital stock of the same class, shall be charged to earned surplus, and provided further, that a credit adjustment shall be credited to earned surplus to the extent that any previous charges to earned surplus on account of transactions in capital stock of the same class have not been offset by previous credits to earned surplus on account of such transactions.

(f) The company's records shall be so maintained that in reports to the Commission there may be shown the extent to which the surplus accounts have been charged and credited in connection with transactions in each class of capital stock.

NOTE: The book amount for nonpar stock reacquired shall be obtained by first ascertaining the amount in account 150, "Capital stock," for the particular class of stock before the reacquirement. In this amount shall be included the proceeds realized at the sale, the amount of any assessments against stockholders, the amounts transferred to account 150 from surplus, less any amount which has been distributed from account 150 to the stockholders in liquidation. The amount thus ascertained shall be prorated to the shares reacquired on the basis of the proportion that the reacquired shares bear to the total number of shares actually outstanding immediately prior to their reacquirement. (Note also accounts 101, 105, 136, and 137.)

§31.1-11 Discount and premium on capital stock

(a) A separate discount and premium account shall be maintained to include both discounts suffered and premiums realized at the time of sale of each class and series of capital stock having a par value. (Note §31.01-3 (n), (z).)

(b) In stating the balance sheet, the total of debit balances in these accounts having debit balances shall be reported under account 134:1, "Discount on capital stock," and the total of credit balances in these accounts having credit balances shall be reported under account 152, "Premium on capital stock." Accounts with debit balances shall not be offset by accounts with credit balances.

(c) General levies or assessments against stockholders shall be credited to the discount and premium account for the particular class and series of capital stock so assessed.

(d) All or part of any debit balance in account 134:1, "Discount on capital stock," may be charged at any time to account 413, "Miscellaneous debits to earned surplus." Premiums and assessments on capital stock shall be retained in the premium account until the reacquirement of the stock to which they relate, or until otherwise disposed of lawfully.

(e) When capital stock which has been actually issued or assumed by the company is reacquired the proportion (based upon the relation of the amount of stock reacquired to the total amount of that particular class or series of stock outstanding before its reacquirement) of the balance in the discount and premium account with respect to the stock reacquired shall be cleared to account 179, "Other capital surplus," except that any excess of a debit amount over the balance in account 179, applicable to capital stock of the same class, shall be charged to earned surplus and, provided further, that a credit amount shall be credited to earned surplus to the extent that any previous charges to earned surplus

on account of transactions in capital stock of the same class have not been offset by previous credits to earned surplus on account of such transactions.

(f) No discount or premium on capital stock shall be included in any account as a part of the cost of acquiring any property or as a part of the cost of operation.

§31.1-15 Discount, premium and expense on long-term debt

(a) A separate discount, premium, and debt expense account shall be maintained to include both discounts suffered and premiums realized together with expenses incurred, in connection with the sale of each class and series of long-term debt (including receivers' certificates) issued or assumed by the company. (Note also §§31.01-3(l), (n), (z), 31.1-13 (b).)

(b) In stating the balance-sheet, the total of the debit balances remaining in these accounts having debit balances shall be reported under account 135, "Discount on long-term debt," and the total of credit balances remaining in these accounts having credit balances shall be reported under account 168, "Premium on long-term debt." Accounts with debit balances shall not be offset by accounts with credit balances.

(c) The company may extinguish at any time through charges to account 413, "Miscellaneous debits to earned surplus," all or any part of the debit balance remaining in any particular discount, premium, and debt expense account.

(d) Each month there shall be credited to each particular discount, premium and debt expense account in which there is a debit balance the proportion (based upon the ratio of the month to the life of the security remaining at the beginning of the month) of such debit balance as is applicable to the month. The amounts thus credited shall be concurrently charged to account 338, "Amortization of discount on long-term debt." (Note also §31.2-22 (b) (10) (ii).)

(e) Correspondingly each month there shall be charged to each particular discount, premium and debt expense account in which there is a credit balance the proportion of such credit balance as is applicable to the month. The amounts thus charged shall be concurrently credited to account 339, "Release of premium on long-term debt.—Cr." (Note also §31.2-22 (b) (10) (ii).)

(f) Except as provided in paragraphs (c), (d) and (e) of this section, the balance in each of these accounts shall be carried until the reacquirement of the securities to which it relates at which time the proportion (based upon the relation of the amount of long-term debt reacquired to the total amount of that particular class or series of long-term debt outstanding before its reacquirement) of the balance in the discount, premium and debt expense account with respect to the long-term debt reacquired shall be cleared to account 402, "Miscellaneous credits to earned surplus," or account 413, "Miscellaneous debits to earned surplus," as may be appropriate. In the case of refinancing, amounts that ordinarily would thus be charged or credited to earned

surplus may be made subject to amortization upon approval of the Commission in the specific instance. (Note also §31.1-13 (b).)

(g) No discount, premium, or expense on long-term debt shall be included in any account as a part of the cost of acquiring any property or as a part of the cost of operation except under the provisions of §31.2-22 (b) (10) (ii).

§31.1-16 Exchange of securities

Before recording journal entries which it is proposed to spread upon the company's books to record the reacquisition of capital stock or other securities issued or assumed by the company under a plan for the issuance in exchange therefor of the company's securities, a statement indicating the plan of accounting proposed by the company shall be presented to this Commission for consideration and approval. Such statement shall give complete information concerning the plan of exchange, the authority of the regulatory body with respect thereto, if any, and the basis upon which the amounts have been determined.

§31.1-16A Nonpar capital stock

Before recording journal entries which it is proposed to spread upon the company's books to record the issuance or assumption by the company of nonpar capital stock or appropriations of surplus for transfer to nonpar capital stock account, a statement indicating the plan of accounting shall be presented to this Commission for consideration and approval. Such statement shall give complete information with respect to the basis upon which the amounts to be recorded have been determined.

§31.1-17 Contingent assets and liabilities

Contingent assets represent a possible source of value to the company contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the company but which are neither direct nor assumed liabilities at the date of the balance-sheet. In the annual report to this Commission contingent assets and contingent liabilities shall not be included in the balance-sheet but contingent assets and liabilities shall be shown in detail in a supplementary statement accompanying it.

§31.1-18 Surplus

(a) The accounts designated as capital surplus accounts are designed to show (1) paid-in surplus (i.e., proprietary contributions in excess of the stated capital included in the capital-stock accounts), (2) donated surplus (including (i) surplus created by donations of stock or assets by proprietary interests, and (ii) contributions of assets or forgiveness of debt by others) when the intent of the donor or bondholder is to increase the company's invested capital, ~~(note §31.1-19)~~, (3) surplus arising from reacquisition or resale of, or otherwise trading in, the company's own capital stock, and (4) surplus arising from the reduction of the stated value of capital stock due to such occasions as retirement, reorganization, or recapitalization.

(b) The balance-sheet accounts designated as earned-surplus accounts are designed to show the accumulated undistributed surplus derived from the normal operations of the company and from all sources (including sales of fixed assets) other than those sources referred to in paragraph (a) of this section.

~~(c) Not later than April 1, 1949 (except as provided in note hereto), the company shall submit to the Commission a transcript of its capital-surplus account or accounts covering the entire period from inception to January 1, 1949, showing in detail the nature and amounts of charges and credits, respectively, and the balance that was or, if it had always been maintained, would have been in the account at the close of each year. The transcript shall be accompanied by a summary statement in which the charges and credits for the entire period covered by the transcript have been classified according to their nature and summarized to show the aggregate amount of each such classification as well as the aggregate amount of charges and credits, respectively, for the period and the resulting balance in the account or accounts at January 1, 1949.~~

~~NOTE: Where a segregation corresponding to account 179, "Other capital surplus," has not been maintained in the past and any credits which would have been made to that account are obviously exceeded by the charges which would have been made thereto, the company may file a certified statement, in lieu of the foregoing transcript and summary, specifying that as of December 31, 1948, the balance in account 181, "Unappropriated earned surplus," contained no capital surplus. For the purpose of this determination, write ups or write offs of valid intangible assets shall be considered to have been a charge against other capital surplus, except where conclusive evidence indicates that such action was intended to be made against earnings.~~

~~§31.1-19 Contributions of telephone plant~~

~~If account 175 is used (note §31.2-20 (b)), telephone plant contributed to the company or constructed by it through expenditures of contributions of money or its equivalent shall be charged to the telephone plant accounts at its original cost (estimated if not known) and there shall be credited to the depreciation reserve and amortization reserve accounts the estimated amounts of the reserve requirements, if any, applicable to the plant. The difference between the amounts so includible in the telephone plant and the reserve accounts shall be credited to account 175, "Contributions of telephone plant."~~

~~NOTE: Amounts received for construction which are ultimately to be repaid, wholly or in part, shall be credited to account 174; when final determination has been made as to the amount to be returned, any unrefunded amounts shall be credited to account 175.~~

BALANCE-SHEET ACCOUNTS

INVESTMENTS

§31.100:1 Telephone plant in service

This account shall include the original cost (note §31.01-3 (x)) of the company's property used in telephone service at the date of the balance sheet as classified under accounts 201 to 277, inclusive. (Note also §§31.01-3 (gg), 31.2-20, 31.2-21.)

§31.100:2 Telephone plant under construction

(a) This account shall include the original cost (note §31.01-3 (x)) of construction of telephone plant ^{OTHER THAN STATION APPARATUS} not completed ready for service ^{at the date of the balance sheet}. It shall include interest during construction, taxes during construction, and all other elements of cost of such construction work. (Note also §§31.2-20 to 31.2-22 and account 231)

(b) When any telephone plant, the cost of which has been included in this account, is completed ready for service, the cost thereof shall be credited to this account and charged to the appropriate telephone plant or other accounts.

~~NOTE: It is no work which will be installation of plant within a period of 1~~

NOTE: There may be charged directly to the appropriate plant accounts the cost of any construction project which is estimated to be completed ready for service within two months. There may also be charged directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$10,000.

~~part of construction period, such as the work completed.~~

§31.100:3 Property

(a) This account shall include the original cost (note §31.01-3 (x)) of property ^{OTHER THAN STATION APPARATUS} owned and held for imminent use in telephone service under a definite plan for such use.

(b) The property included in this account shall be classified according to the primary accounts for telephone plant in service. Separate subaccounts shall be provided for this purpose which accounts shall carry the same numbers as the plant accounts except that each account number shall be prefixed by (1). (Note also §§31.2-20, 31.2-21.)

§31.100:4 Telephone plant acquisition adjustment

(a) This account shall include amounts determined in accordance with §31.2-21 representing the difference between (1) the amount of money actually paid (or the current money value of any consideration other than money exchanged) for telephone plant acquired, plus preliminary expenses incurred in connection with the acquisition; and (2) the original cost (note §31.01-3 (x)) of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the actual original cost is not known, the entries in this account shall be based upon an estimate of such cost.

(b) This account shall be subdivided according to the character of the amounts contained therein. In addition to a copy of the journal entry recorded to open the account, the company shall file with this Commission statements showing the basis of the computation of amounts included therein. The detailed records supporting these statements shall be retained permanently by the company.

(c) The amounts recorded in this account with respect to each property acquisition shall be disposed of, written off, or provision shall be made for the amortization thereof, as follows:

(1) Debit amounts may be charged to earned surplus in whole or in part, or amortized over a reasonable period through charges to account 323, "Miscellaneous income charges," without further direction or approval by this Commission. Should a company desire the disposition

of debit amounts in any manner other than as herein provided, it shall request that the Commission (i) approve recommended disposition or (ii) direct appropriate disposition according to the circumstances involved in each transaction.

(2) Credit amounts shall be disposed of in such manner as this Commission may approve or direct.

Note: Disposition as herein provided is for accounting purposes only and shall not be construed as determining or controlling the amount of disposition of the items in a sale or other proceeding, nor shall anything contained in paragraph (c) of this section be construed as precluding the Commission from subsequently requiring disposition of such amounts through charges to earned surplus or from altering a previously determined amortization period.

§31.100:7 Telephone plant adjustment

(a) This account shall include the difference between the original cost (note instruction 31.01-3 (x)), estimated if not known, and the book cost of telephone plant, as at December 31, 1948, to the extent that such difference is not properly includible in account 100:4, "Telephone plant acquisition adjustment," and for which disposition has not previously been made.

(b) The amounts included in this account shall be so classified as to show the nature of each amount and shall be disposed of as the Commission may approve or direct.

Note: The provisions of this account shall not be construed as approving or authorizing the recording of appreciation of plant.

§31.101:1 Investments in affiliated companies

(a) This account shall include the book cost (note §31.1-12) of the company's investment in securities issued or assumed by affiliated companies (note §31.01-3 (d)) other than securities held in special funds (see also Note B to this account) or as temporary cash investments.

(b) This account shall be maintained so as to show separately the book cost of:

- (1) Common stocks.
- (2) Preferred stocks.
- (3) Long-term debt.

(c) The company's records shall be kept in such manner that in the annual reports to this Commission the securities pledged as collateral security for any of the company's long-term debt or short-term loans or to secure performance of contracts may be shown separately from securities unpledged.

Note A: The value of securities borrowed by the company shall not be included in this account.

Note B: The book cost of securities held in special funds shall be included in accounts 101, 120, or 131, as may be appropriate.

Note C: Working funds advanced to affiliated companies other than investment advances (note §31.01-3 (q)) shall be included in account 115.

§31.101:2 Advances to affiliated companies

This account shall include the amount of the investment advances (note §31.01-3 (q)) to affiliated companies.

NOTE: Amounts receivable from affiliated companies which are subject to current settlement shall be included in accounts 117:1 or 120:1, as appropriate.

§31.102 Other investments

(a) This account shall include the book cost (note §31.1-12) of the company's investment in securities issued or assumed by nonaffiliated companies (note §31.01-3 (w)) and individuals, other than securities held in special funds (see also Note C to this account) or as temporary cash investments; also its investment advances (note §31.01-3 (q)) to such parties and special deposits of cash for more than 1 year from date of deposit.

(b) This account shall be maintained so as to show separately the book cost of:

- (1) Stocks.
- (2) Long-term debt.
- (3) Investment advances.
- (4) Special deposits of cash for more than 1 year from date of deposit.

(c) The company's records shall be kept in such manner that in the annual reports to this Commission the securities pledged as collateral security for any of the company's long-term debt or short-term loans or to secure the performance of contracts may be shown separately from the securities unpledged.

NOTE A: Amounts receivable from nonaffiliated companies and individuals which are subject to current settlement shall be included in accounts 117:2 or 120:2, as appropriate.

NOTE B: The value of securities borrowed by the company shall not be included in this account.

NOTE C: The book cost of securities held in special funds shall be included in accounts 101, 135, or 137, as may be appropriate.

NOTE D: Working funds advanced to nonaffiliated companies and individuals other than investment advances (note §31.01-3 (q)) shall be included in account 115.

§31.103 Miscellaneous physical property

This account shall include the company's investment in physical property other than property the investment in which is includible in accounts 100:1, "Telephone plant in service," 100:2, "Telephone plant under construction," 100:3, "Property held for future telephone use," and 100:4, "Telephone plant acquisition adjustment." It shall include the company's investment in telephone property retired (note §31.01-3 (y)) and held for sale; also property such as lighting, water, power, and manufacturing plants, not held incident to the company's telephone operations, and assessments against miscellaneous physical property for the construction of public improvements.

§31.104 Sinking funds

(a) This account shall include the amount of cash, the book cost of securities issued by other companies, and the book or face amount (note §31.01-3 (e), (o)) of nominally issued and nominally outstanding (note §31.01-3 (u), (v)) securities issued or assumed by the company, and

other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose of redeeming outstanding obligations. (Note also §§31.1-12, 31.1-13, 31.3-31.)

(b) A separate account shall be kept for each sinking fund under a title which shall designate the obligation in support of which the fund was created.

§31.105 Company securities owned

(a) This account shall include the book or face amount (note §31.01-3 (e), (o)) of nominally issued and nominally outstanding (note §31.01-3 (u), (v)) securities issued or assumed by the company, other than such securities held in sinking or other special funds. (Note also §31.1-13.)

(b) This account shall be maintained so as to show:

(1) For stock:

(i) Par stock:

(a) Number of shares and total book amount of shares unpledged.

(b) Number of shares and total book amount of shares pledged.

(ii) Nonpar stock: (Note §31.1-16:h)

(a) Number of shares and book amount assigned to shares unpledged.

(b) Number of shares and book amount assigned to shares pledged.

(2) For long-term debt:

(i) Total face amount unpledged.

(ii) Total face amount pledged.

CURRENT ASSETS

§31.113 Cash

This account shall include the amount of current funds available for use on demand in the hands of financial officers and agents, or deposited in banks or with trust companies, also funds in transit for which agents have received credit. (Note also §31.1-11.)

NOTE: Working funds shall be included in account 113.

§31.114 Special cash deposits

This account shall include the amount of cash on special deposit, other than in sinking and other special funds provided for elsewhere, to pay dividends, interest, and other debts, when such payments are due 1 year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed within 1 year from date of the deposit; and other cash deposits of a special nature not provided for elsewhere. This account shall include the amount of cash deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced, and also cash realized from the sale of the company's securities and deposited with trustees to be held until invested in physical property of the company or for disbursement when the purposes for which the securities were sold are accomplished. (Note also §31.1-11.)

NOTE A: Cash on deposit in special accounts where the funds are available for the current requirements of the company shall be included in account 113.

NOTE B: This account shall not include any amounts representing securities owned.

NOTE C: Cash on special deposit to be held for more than 1 year from the date of deposit shall be included in account 102.

§31.115 Working funds

This account shall include amounts advanced to officers, employees, and others as working funds from which expenditures are to be made and accounted for. (Note also §31.1-11.)

§31.116 Temporary cash investments

This account shall include the book cost (note also §§31.1-11, 31.1-12) of securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, and other similar investments of a temporary character. Securities of affiliated companies included in this account shall be recorded in a subaccount hereunder.

§31.117:1 Notes receivable from affiliated companies

This account shall include the book cost (note §31.1-12) of demand or time notes, bills and drafts receivable, or other similar evidences (except interest coupons) of money receivable from affiliated companies on demand or within a time not exceeding 1 year from date of issue. (Note also §31.1-11.)

NOTE: Obligations of affiliated companies any part of which matures more than 1 year from date of issue and notes evidencing investment advances (note §31.01-3 (q)) shall be included in accounts 101:1, 101:2, 104, 116, 136, or 137, as appropriate.

§31.117:2 Other notes receivable

This account shall include the book cost (note §31.1-12) not includable elsewhere, of all collectible obligations from nonaffiliated companies and individuals in the form of notes receivable and other similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding 1 year from date of issue. (Note also §31.1-11.)

NOTE: Obligations any part of which matures more than 1 year from date of issue, notes evidencing investment advances (note §31.01-3 (q)) and notes issued by affiliated companies shall be included in accounts 101:1, 101:2, 102, 104, 116, 117:1, 136, or 137, as appropriate.

§31.118 Due from customers and agents

This account shall be subdivided as follows:

(a) Due from customers and agents

(1) This subaccount shall include amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. (Note also §31.1-11.) This subaccount shall be kept in such manner as will enable the company to make the following analysis:

(i) Amounts due from customers who are still receiving telephone service.

(ii) Amounts due from customers whose telephone service has been discontinued and whose accounts are in process of collection.

(2) Collections in excess of amounts charged to this subaccount may be credited to and carried in this account until applied against charges for services rendered or until refunded.

(3) The amount of notes held as security for customers' accounts may be carried in this account pending collection.

(b) Reserve for uncollectible accounts—Cr.

(1) This subaccount shall be credited with such amounts as may be charged to account 530, "Uncollectible operating revenues—Dr.," to provide for uncollectible accounts included in subaccount 118 (a). (Note also §31.5-51.) There shall also be credited to this subaccount amounts collected which previously have been written off through charges to this subaccount and credits to subaccount 118 (a).

(2) If this reserve for uncollectible accounts is maintained, there shall be charged to it any amounts covered thereby which have been found to be impracticable of collection. If such reserve is not maintained, amounts included in subaccount 118 (a) which have been found to be uncollectible shall be charged to account 530, "Uncollectible operating revenues—Dr."

§31.120:1 Accounts receivable from affiliated companies

(a) This account shall include amounts due from affiliated companies (note §31.01-3 (d)) on all transactions that are subject to current settlement, except for sales of telephone service at regular rates. There shall be included herein accounts receivable arising from division of toll revenues. (Note also §31.1-11.)

(b) In the balance-sheet statement there may be included in this account the net amount receivable from companies against each of which there is a net debit balance between this account and account 159:1, "Accounts payable to affiliated companies."

NOTE: If any items included in this account are not actually paid currently they shall be transferred to account 101:2.

§31.120:2 Other accounts receivable

(a) This account shall include all amounts currently due, other than those from affiliated companies, and not provided for in other accounts, such as those for traffic settlements, material and supplies, repairs to telephone plant, matured rents, and interest receivable under monthly settlements on short-term loans, advances, and open accounts. (Note also §31.1-11.)

(b) In the balance-sheet statement there may be included in this account the net amount receivable from companies against each of which there is a net debit balance between this account and account 159:2, "Other accounts payable."

§31.121 Interest and dividends receivable

This account shall include the amount of interest accrued to the date of the balance-sheet on bonds, notes, and other commercial paper

owned, on loans made, and the amount of dividends receivable on stocks owned. (Note also §31.1-11.)

NOTE A: These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking and other funds.

NOTE B: Interest receivable under monthly settlements on short-term loans, advances, and open accounts, shall be included in accounts 120:1 or 120:2, as appropriate.

§31.122 Material and supplies

(a) This account shall include the cost of unapplied material and supplies held in stock, including plant supplies, tools, fuel, stationery, directory paper stock, and other supplies; and material and articles of the company in process of manufacture for supply stock.

(b) Transportation charges, so far as practicable, shall be included as a part of the cost of the particular material to which they relate. When not so includible, they shall be charged to account 704, "Supply expense."

(c) So far as practicable, cash and other discounts on material shall be deducted in determining the cost of the particular material to which they relate or credited to the account to which the material is charged. When not so deductible, they shall be credited to account 704, "Supply expense."

(d) Material recovered in connection with construction, maintenance, or retirement of property shall be charged to this account as follows (note §31.01-3 (bb)):

(1) Reusable material comprising items that, when installed or in service, were units of property or principal components of assemblies that were units of property, shall be included in this account at original cost (note §31.01-3 (x)), estimated if not known. (Note also §31.2-25 (g).)

(2) Reusable material comprising minor items that, when installed or in service, were neither units of property nor principal components of assemblies that were units of property, shall be included in this account at current prices new. The cost of repairing reusable material shall be charged to the appropriate account in operating expenses.

(3) Scrap and nonusable material included in this account shall be carried at the estimated amount which will be received therefor. The difference between the amounts realized for scrap and nonusable material sold and the amounts at which it is carried in this account, so far as practicable, shall be adjusted in the accounts credited when the material was taken up in this account.

NOTE A: This account shall not include amounts representing the cost of material or articles, title to which is not vested in the company.

NOTE B: Interest paid on material bills, the payments of which are delayed, shall be charged to account 330.

NOTE C: Inventories of material and supplies shall be taken during each calendar year and the necessary adjustment to bring this account into harmony with the actual inventory shall be made. In effecting this adjustment, differences which may practically be assigned to important classes of material shall be equitably adjusted among the accounts to which the classes of material are ordinarily chargeable. Other differences shall be equitably apportioned among the primary accounts to which material has been charged since the last inventory or included in account 704. The company is

permitted to equalize over the period between inventories, through debits or credits to account 704 and concurrent credits or debits to account 122, the estimated amount, based on the company's past experience, of the overage or shortage which will occur at the subsequent inventory. Determined differences between the amount of the provision thus made and the actual inventory overage or shortage shall be cleared as provided for in the second and third sentences of this note.

NOTE D: If, for convenience in accounting and economy in handling material and supplies for nontelephone operations, their cost is included in this account, the company's records shall be maintained so that the cost of such material and supplies so carried can be determined.

NOTE E: This account shall not include items in stock which are includible in ac-

assets

include the amount of all current assets which are accounts 113 to 122, inclusive, such as unmatured rents (1.1-11.)

OTHER ASSETS

to capital stock

shall include the balance owing from subscribers' subscriptions to capital stock.

(b) The purchase price shall be debited to this account at the time the subscription is received. Concurrently there shall be credited to account 153:1, "Capital stock subscribed," the book amount (note §31.01-3 (e)) of the stock subscribed. The difference between these amounts shall be debited or credited, as appropriate, to account 134:1, "Discount on capital stock," or account 152, "Premium on capital stock." (Note also §31.01-3 (n), (z).)

(c) Payments received from subscribers shall be credited to this account.

NOTE: The records supporting the entries to this account shall be kept so that the company can furnish the name and address of each subscriber, the amount and kind of capital stock subscribed, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information that is necessary to make the history of the subscription complete.

§31.127 Subscriptions to funded debt

(a) This account shall include the balance owing from subscribers upon legally enforceable subscriptions to funded debt.

(b) The purchase price shall be debited to this account at the time the subscription is received. Concurrently there shall be credited to account 154:2, "Funded debt subscribed," the face amount (note §31.01-3 (o)) of the funded debt subscribed. The difference between these amounts shall be debited or credited, as appropriate, to account 135, "Discount on long-term debt," or account 168, "Premium on long-term debt." (Note also §31.01-3 (n), (z).)

(c) Payments received from subscribers shall be credited to this account.

NOTE: The records supporting the entries to this account shall be kept so that the company can furnish the name and address of each subscriber, the amount and kind of funded debt subscribed, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information that is necessary to make the history of the subscription complete.

PREPAID ACCOUNTS AND DEFERRED CHARGES

§31.129 Prepaid rents

This account shall include the amounts of rents paid in advance, except minor amounts which may be charged direct to the final accounts. As the term expires for which the rents are paid, this account shall be credited at monthly intervals and the appropriate account charged. (Note also §§31.2-22 (b), 31.2-23 (a), and accounts 303, 315, 671, and the clearing accounts.)

§31.130 Prepaid taxes

This account shall include the amounts of taxes paid in advance, except minor amounts which may be charged direct to the final accounts. As the term expires for which the taxes are paid, this account shall be credited at monthly intervals and the appropriate account charged. (Note also §31.2-22 (b) (8) and accounts 305 and 322.)

§31.131 Prepaid insurance

This account shall include the amount of insurance premiums paid in advance, except premiums chargeable to the telephone plant accounts and minor amounts which may be charged direct to the final accounts. As the term expires for which the premiums are paid, this account shall be credited at monthly intervals and the appropriate account charged.

§31.132 Prepaid directory expenses

This account shall include the cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged direct to account 649, "Directory expenses." Amounts carried in this account shall be cleared to account 649 by monthly charges of such amounts as represent the portion of the expense that is applicable to the respective months. (Note also account 649.)

§31.133 Other prepayments

This account shall include prepayments other than those includible in accounts 129 to 132, inclusive, except minor amounts which may be charged direct to the final accounts. As the term expires for which the payments apply, this account shall be credited at monthly intervals and the appropriate account charged.

§31.131:1 Discount on capital stock

This account shall include the total of debit balances in the discount and premium accounts, for all classes of capital stock having debit balances in these accounts. (Note §31.1-14.)

§31.131:2 Capital stock expense

(a) This account shall include all commissions and expenses incurred in connection with the issuance or sale, of capital stock, including additional capital stock of a certain class or series as well as first issues. (Note §§31.01-3 (ee), 31.1-13 (d-f).)

(b) When any issue of capital stock, or a portion thereof, is reacquired, there shall be credited to this account and charged to account 179, "Other capital surplus," the amount herein with respect to such stock, except that any excess of such amount over the balance in account 179 applicable to capital stock of the same class, shall be charged to earned surplus.

(c) The company may amortize or write off the balance carried in this account by credits hereto and concurrent charges to account 179, "Other capital surplus," or to earned surplus in case the amount exceeds the balance in account 179 applicable to the same class of stock.

(d) Separate subaccounts shall be provided hereunder for each class and series of capital stock.

§31.135 Discount on long-term debt

This account shall include the total of debit balances in the discount, premium, and debt expense accounts, for all classes of long-term debt having debit balances in these accounts. (Note §31.1-15.)

§31.136 Provident funds

This account shall include the amount of cash, the book cost of securities of other companies, and the book or face amount (note §31.01-3 (e), (o)) of nominally issued and nominally outstanding (note §31.01-3 (u), (v)) securities issued or assumed by the company, and other assets held by trustees or managers of employees' pension funds, savings funds, relief, hospital, and other association funds (whether contributed by the company, by employees, or by others), when such trustees or managers are acting for the company in the administration of such funds. (Note also §§31.1-12, 31.1-15, 31.3-31.)

NOTE: This account shall not include funds held by trustees when such funds are irrevocably devoted to pension purposes.

§31.137 Insurance and other funds

This account shall include the amount of cash, the book cost of securities of other companies, and the book or face amount (note §31.01-3 (e), (o)) of nominally issued and nominally outstanding (note §31.01-3 (u), (v)) securities issued or assumed by the company, and other assets held by trustees or managers (including workmen's compensation commissions) of insurance and other funds which have been specifically set aside or invested for specific purposes not provided for elsewhere. A separate account shall be kept for each fund under titles which will designate the obligation in support of which the fund is created. (Note also §§31.1-12, 31.1-13, 31.3-31.)

§31.138 Extraordinary maintenance and retirements

(a) This account shall include the unprovided-for loss in service value of telephone plant retired in accordance with provisions of §31.02-83. (Note also account 609.)

(b) This account shall include also the cost of extensive replacements of station apparatus, inside, drop and block wires, in accordance with the provisions of §31.6-64. (Note also account 605.)

(c) Charges provided in paragraphs (a) and (b) of this section shall be included in this account only after permission of this Commission has been obtained. The company's application to this Commission for such permission shall give full particulars concerning the property retired or of the extensive replacements of apparatus or wires, the amount chargeable to operating expenses, and the period over which in its judgment the amount of such charges should be distributed.

§31.139 Other deferred charges

This account shall include all deferred charges, not provided for elsewhere, such as unaudited amounts and other debit balances in suspense that cannot be cleared and disposed of until additional information is received; debit balances in clearing accounts; the amount, pending determination of loss, of funds on deposit with banks which have failed; assets of current character but of doubtful value (note also §31.1-11); revenue, expense, and income items held in suspense (note also §31.01-6); amounts paid for options pending final disposition; the cost of preliminary surveys, plans, and investigations, made for determining the feasibility of projects under contemplation. This account shall include also the cost of valuations, inventories, and appraisals taken in connection with the contemplated acquisition or sale of property. If the property is subsequently acquired, the preliminary costs shall be accounted for as a part of the cost of acquisition, or if it is sold, such cost shall be deducted from the sale price in accounting for the property sold. If contemplated projects are carried out, the preliminary costs shall be included in the cost of the projects; if the contemplated projects are abandoned, such costs (including options paid, if any) shall be charged to account 413, "Miscellaneous debits to earned surplus."

STOCK

§31.150 Capital stock

(a) This account shall include the book amount (note §31.01-3 (e)) of certificates which represent permanent interests in the company or interests which if terminable are so only at the option of the company. (Note also §31.1-16:R)

(b) This account shall be kept so as to show the book amount of: (1) nominally issued capital stock, (2) actually outstanding capital stock, and (3) nominally outstanding capital stock. (Note §§31.01-3 (c), (u), (v), 31.1-13 (d-f).)

(c) The amounts included herein shall be further divided so as to show the book amount of stocks with par value and stocks without par value, classified according to preferences in distribution of dividends or assets, difference in voting rights, and difference in conditions under which they may be retired.

(d) This account shall be charged with the book amount of any stock retired at the time of retirement.

NOTE A: When a general levy or assessment is made against holders of par stock requiring the payment of any sum in addition to the consideration agreed upon at the time of the sale, the amount collected upon such levy or assessment shall be

credited to the discount or premium account for the class of stock on which the assessment is made. If such a levy or assessment is made against the holders of nonpar stock, the amount collected shall be added to the book amount carried in this account for such stock.

NOTE B: No entries shall be made in this account for stock certificates before the certificates have been lawfully authorized and authenticated.

§31.151 Stock liability for conversion

This account shall include the company's liability under agreements to exchange its capital stock for the outstanding securities of other companies which have not been surrendered for exchange.

NOTE: When prior to their actual conversion the securities outstanding have been given all rights and privileges of capital stock of the company's own issue, such securities shall be included in account 150.

§31.152 Premium on capital stock

This account shall include the total of credit balances in the discount and premium accounts, for all classes of capital stock having credit balances in these accounts. (Note §31.1-14.)

§31.153:1 Capital stock subscribed

(a) This account shall include the book amount (note §31.01-3 (c)) of capital stock for which legally enforceable subscriptions have been received but for which, at the date of the balance-sheet, stock certificates have not been issued. A separate subaccount shall be maintained for each class of capital stock.

(b) This account shall be debited and account 150, "Capital stock," credited when a subscriber has paid his subscription in full and stock certificates are issued representing the shares subscribed.

(c) Accrued dividends, if any, on the stock certificates issued to subscribers shall be accounted for through the appropriate dividend account. (Note §31.01-3 (n), (z), also account 126.)

§31.153:2 Installments paid on capital stock

(a) This account shall include the amount of installments paid on capital stock on a partial or installment payment plan by subscribers against whom there is no legally enforceable subscription contract, and who are entitled to be reimbursed for the principal amount of their payments, with or without interest, in the event they fail to complete payments for the stock and receive certificates therefor.

(b) As the total amount of each subscription is received and stock certificates are issued this account shall be cleared; the book amount (note §31.01-3 (e)) of the certificates shall be included in account 150, "Capital stock," and any discount or premium (note §31.01-3 (n), (z)) involved shall be included in the appropriate discount or premium account.

NOTE: The records supporting the entries to this account shall be kept so that the company can furnish the name and address of each subscriber, the amount and kind of capital stock subscribed, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information that is necessary to make the history of the subscription complete.

LONG-TERM DEBT

§31.151:1 Funded debt

(a) This account shall include the total face amount (note §31.01-3 (o)) of unmatured debt, maturing more than 1 year from date of issue, issued by the company and not retired, and the total face amount of similar unmatured debt of other companies, the payment of which has been assumed by the company, including funded debt the maturity of which has been extended by specific agreement. (Note §§31.1-13, 31.1-15, also account 154:2.)

(b) This account shall be kept so as to show the face amount of: (1) nominally issued funded debt, (2) actually outstanding funded debt, and (3) nominally outstanding funded debt. (Note §31.01-3 (c), (u), (v).)

(c) The amounts included herein shall be further divided so as to show the amounts of each class of funded debt as follows:

(1) Mortgage bonds: Bonds secured by lien on physical property and not includible in the other subdivisions of this account.

(2) Collateral trust bonds: Bonds and notes secured by a lien on securities or other negotiable paper, and stock trust certificates that are similar in character to collateral trust bonds.

(3) Income bonds: Bonds which are a lien on a company's income alone, or bonds which, while being a lien on its property and franchises, can claim payment of interest only in case interest is earned.

(4) Miscellaneous obligations: All funded obligations not provided for by the other subdivisions of this account, including unsecured certificates of indebtedness, debenture bonds, plain bonds, and other similar obligations maturing more than 1 year from date of issue.

(d) Each of the above classes shall also be divided into subclasses according to differences in mortgage or other lien or security therefor, rate of interest, interest dates, or date of maturity.

NOTE A: Securities maturing 1 year or less from date of issue shall be included in accounts 155:1 or 155:2, as appropriate, except that where an issue of securities maturing serially over a period of more than 1 year contains short-term obligations, such obligations shall be included as funded debt.

NOTE B: Matured funded debt shall be included in account 163.

NOTE C: Investment advances, including those represented by notes (note §31.01-3 (q)), shall be included in account 156 or account 157, as may be appropriate.

§31.151:2 Funded debt subscribed

(a) This account shall include the face amount (note §31.01-3 (o)) of funded debt for which legally enforceable subscriptions have been received but for which, at the date of the balance-sheet, evidences of indebtedness have not been issued. A separate subaccount shall be maintained for each class of funded debt.

(b) This account shall be debited and account 154:1, "Funded debt," credited when the total amount of each subscription is received and evidences of indebtedness are issued.

(c) Accrued interest on the evidences of indebtedness issued to subscribers shall be accounted for through the appropriate interest account. (Note §31.01-3 (n), (z), also account 127.)

§31.155 Receivers' certificates

When any receiver acting under the orders of a court is in possession of the property of the company and under the orders of such court issues evidences of indebtedness chargeable upon such property, the face amount (note §31.01-3 (o)) of such evidences of indebtedness shall be credited to this account.

§31.156 Advances from affiliated companies

This account shall include the amount of investment advances (note §31.01-3 (q)) from affiliated companies (note §31.01-3 (d)).

NOTE: Amounts due affiliated companies which are subject to current settlement shall be included in accounts 158:1 or 159:1, as appropriate.

§31.157 Other long-term debt

This account shall include investment advances (note §31.01-3 (q)) from nonaffiliated companies (note §31.01-3 (w)) and individuals, and other long-term debt not provided for elsewhere.

NOTE: Amounts due nonaffiliated companies and individuals which are subject to current settlement shall be included in accounts 158:2 or 159:2, as appropriate.

CURRENT LIABILITIES

§31.158:1 Notes payable to affiliated companies

This account shall include the face amount (note §31.01-3 (o)) of notes, drafts, and other evidences of indebtedness to affiliated companies (note §31.01-3 (d)) issued or assumed by the company (except interest coupons) which are payable on demand or not more than 1 year from date of issue.

NOTE A: Exclude from this account notes that are within the definition of account 156.

NOTE B: The records supporting the entries to this account shall be kept so that the company can furnish complete details as to each note, when it is issued, the consideration received, and when it is payable.

§31.158:2 Other notes payable

This account shall include the face amount (note §31.01-3 (o)) of notes, drafts, and other evidences of indebtedness to nonaffiliated companies (note §31.01-3 (w)) and individuals issued or assumed by the company (except interest coupons) which are payable on demand or not more than 1 year from date of issue.

NOTE A: Obligations any part of which matures more than 1 year from date of issue, notes representing investment advances (note §31.01-3 (q)), and notes payable to affiliated companies shall be included in accounts 151:1, 156, 157, or 158:1, as appropriate.

NOTE B: All unmatured receivers' certificates, regardless of date of maturity, shall be included in account 155.

§31.159:1 Accounts payable to affiliated companies

(a) This account shall include amounts owed by the company to affiliated companies (note §31.01-3 (d)) on all transactions subject to current settlement. There shall be included herein accounts payable arising from divisions of toll revenues.

(b) In the balance-sheet statement there may be included in this account the net amount payable to companies in favor of each of which there is a net credit balance between this account and account 120:1, "Accounts receivable from affiliated companies."

NOTE: If items included in this account are not actually paid currently, they shall be transferred to account 150.

§31.159:2 Other accounts payable

(a) This account shall include amounts currently due to nonaffiliated companies (note §31.01-3 (w)) and individuals, and not provided for in other accounts, such as those for wages, traffic settlements, material and supplies, repairs to telephone plant, matured rents, and interest payable under monthly settlements on short-term loans, advances, and open accounts.

(b) In the balance-sheet statement there may be included in this account the net amount payable to companies in favor of each of which there is a net credit balance between this account and account 120:2, "Other accounts receivable."

§31.160 Customers' deposits

This account shall include the amount of cash deposited with the company by customers as security for the payment for telephone service.

NOTE: Advance payments made by prospective customers prior to the establishment of service shall be credited to account 161.

§31.162 Matured interest and dividends

This account shall include the amount of matured and unpaid interest on indebtedness of the company, and receivers' certificates, and the amount of dividends due and payable on capital stock but unpaid, uncalled for, or unclaimed at the date of the balance sheet.

NOTE: Interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in accounts 150:1 or 150:2, as appropriate.

§31.163 Matured long-term debt

This account shall include the amount (including any obligations for premiums) of long-term debt and receivers' certificates matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

§31.164 Advance billing and payments

This account shall include the amount of advance billing creditable to revenue accounts in future months; also advance payments made by

prospective customers prior to the establishment of service. Amounts included in this account shall be credited to the appropriate revenue accounts in the months in which the service is rendered or cleared from this account as refunds are made.

§31.165 Other current liabilities

This account shall include all liabilities of a current character which are not includible in accounts 158:1 to 164, inclusive.

ACCRUED LIABILITIES NOT DUE

§31.166 Taxes accrued

This account shall include the amount of unpaid taxes accrued. (Note also §31.2-22 (b) (8) and accounts 305 and 322.)

NOTE: Taxes paid in advance shall be included in account 150.

§31.167 Unmatured interest, dividends, and rents accrued

(a) This account shall include the amount of interest on indebtedness of the company and receivers' certificates, dividends on capital stock, and rents accrued to the date for which the balance-sheet is made, but not payable until after that date.

(b) This account shall be maintained so as to show separately the amount of interest, of dividends, and of rents accrued to the date of the balance-sheet.

NOTE A: Matured rents are includible in account 150:1 or 150:2, and matured dividends and interest in account 162.

NOTE B: Interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in account 159:1 or 159:2, as appropriate.

DEFERRED CREDITS AND RESERVES

§31.168 Premium on long-term debt

This account shall include the total of credit balances in the discount, premium, and debt expense accounts, for all classes of long-term debt having credit balances in these accounts. (Note §31.1-15.)

§31.169 Insurance reserve

(a) To this account shall be credited appropriations of income or earned surplus specifically made to cover self-carried risks for losses through accident, fire, flood, or other causes.

(b) In case the company elects to carry its own risks for losses through accident, fire, flood, or other causes and provides a reserve, other than provision made in the depreciation reserve, to equalize anticipated losses, the charges to account 668, "Insurance," and other appropriate accounts to cover such risks shall be credited to this account. Such charges and credits shall be upon the basis of rates which fairly cover the risks insured. These rates should be determined according to the company's experience and best estimate as to the hazard covered. A schedule of risks covered by this reserve shall be maintained giving a description of the property or the character of the risks covered.

(c) If the company reinsures with insurance companies risks initially covered in this account, the premiums for such reinsurance shall be charged hereto, and the amounts recovered under such commercial insurance shall be credited hereto.

(d) To the extent that losses and damages sustained are covered by this account, an amount equal thereto shall be charged to this account and credited to the accounts appropriate for the losses and damages sustained.

NOTE: All losses and damages sustained, including those covered by commercial insurance or by this account, shall be charged in the first instance to the depreciation reserve, construction, repair, accidents and damages, or other appropriate account according to the character of the loss. Insurance recoverable or chargeable to this account on account of losses and damages sustained shall be credited to the account to which the losses and damages are chargeable.

§31.170 Provident reserve

(a) This account shall include specific appropriations of income or earned surplus and the amounts contributed by employees or others (whether carried in special trust funds or in the general funds of the company) for pensions, accident and death benefits, savings, relief, hospital, and other provident purposes, when administered by trustees or managers acting for the company.

(b) This account shall include also the amount accrued for pensions through charges to account 672, "Relief and pensions." Amounts so credited shall, when actually paid to retired employees or paid into a trust fund irrevocably devoted to the payment of pensions, be charged hereto.

§31.171 Depreciation reserve

(a) This account shall be credited with amounts concurrently charged to account 608, "Depreciation," and to clearing accounts for currently accruing depreciation (note §31.01-3 (m)) of telephone plant. (Note also §§31.02-80 to 31.02-82.) It shall also be credited with any amounts which the company may elect to charge to account 413, "Miscellaneous debits to earned surplus," and transfer to this account with respect to past accrued depreciation not provided for. (Note also §§31.2-20 (b), 31.2-21.)

(b) At the time of retirement of depreciable telephone plant, this account shall be charged with the original cost of the property retired plus the cost of removal and shall be credited with the amount of salvage value and amounts chargeable to account 133. *(Handwritten note: telephone plant, this account shall be charged with the original cost of the property retired plus the cost of removal and shall be credited with the amount of salvage value and amounts chargeable to account 133. (Note §31.01-3 (x)) of the cost of removal of the salvage value and amounts chargeable to account 133. (Note §31.01-3 (x)) of the cost of removal of the salvage value and amounts chargeable to account 133.)*

(c) For corporate ledger and balance-sheet purposes this account shall be regarded and treated as a single composite reserve. However, for purposes of analysis, the company shall maintain subsidiary records in which the depreciation reserve is broken down into component parts corresponding to the primary telephone plant accounts which include

depreciable telephone plant (note also §31.02-S2); these subsidiary records shall show the current credits and debits to the reserve in complete detail by such primary plant accounts.

§31.172 Amortization reserve

(a) This account shall be credited with amounts concurrently charged to account 613, "Amortization of intangible property," for the amortization of leaseholds, franchises, and patent rights. (Note also ~~§31.2-25 (b)~~ accounts 615 and 174 for depreciation of miscellaneous physical property)

(b) This account shall be credited with any amounts concurrently charged to account 413, "Miscellaneous debits to earned surplus," to provide a reserve for the retirement of amounts carried in account 201, "Organization." It shall also be credited with any amounts which this Commission may authorize under a plan to amortize the balance in account 100-A, "Telephone plant acquisition adjustment."

(c) When any leasehold carried in account 211, "Land," or any franchise or patent expires, is relinquished, or otherwise retired from service, this account shall be charged with the amount previously credited hereto with respect to the property going out of service. The original cost (note §31.01-3 (x)) of the property so retired less the amount chargeable to this account and less the proceeds realized at retirement shall be included in the appropriate earned surplus account. (Note accounts 315 and 174 for depreciation of miscellaneous physical property.) *also § 31.2-25 (f)*

§31.173 Employment stabilization reserve

(a) This account shall be credited with amounts concurrently charged to account 611, "Employment stabilization." When maintenance work for which provision has been made in this account is performed, this account shall be charged with an amount equal to the cost of such work and concurrently account 611 shall be credited.

(b) This account shall also be credited with amounts concurrently charged to account 672, "Relief and pensions," under provisions of paragraph (f) of that account to provide a reserve for termination allowances of similar benefits to employees of the company when such employees are laid off because of lack of work, also to provide necessary and warranted relief to former employees. When disbursements are made for these purposes they shall be charged to this account.

§31.174 Other deferred credits

(a) This account shall include the amount of all deferred credits not includible in accounts 168 to 173, inclusive, such as credit balances in clearing accounts; estimated uninsured casualty liabilities charged to account 669, "Accidents and damages"; amounts awaiting adjustments between accounts; amounts accrued for depreciation of miscellaneous physical property; and revenue, expense, and income items in suspense. (Note also §31.01-6.)

(b) When miscellaneous physical property not previously used in telephone service is disposed of, this account shall be charged with the amount previously credited hereto with respect to such property and the book cost of the property so retired less the amount chargeable to this account and less the value of the salvage recovered or the proceeds from the sale of the property shall be included in the appropriate earned surplus account. In case the property had been used in telephone service previous to its inclusion in account 103, "Miscellaneous physical property," the amount accrued for depreciation thereon after its retirement from telephone service shall be charged to this account and credited to account 171, "Depreciation reserve," and the accounting for its retirement from account 103 shall be in accordance with that applicable to telephone plant retired. (Note also §31.2-25.)

§31.175—Contributions of telephone plant (Optional)

~~(a) If used (note §31.2-20 (b)), this account, in accordance with §31.1-19, shall include the amounts of money or its equivalent contributed directly or indirectly for or in connection with the construction or acquisition of telephone plant. The records shall be kept so that the amount and description of each contribution and from whom received will be readily available.~~

~~(b) When the service, in connection with which the contribution was made, is permanently discontinued by the company the amount in this account with respect to that service shall be debited hereto and credited to account 402, "Miscellaneous credits to earned surplus."~~

§31.179 Other capital surplus

Among the amounts includible in this account are credits arising from the reacquisition and resale, from the retirement and cancellation, from a reduction of a stated value, and from the donation by stockholders of the company's capital stock; surplus arising from the forgiveness of debt of the company; surplus recorded upon the reorganization or recapitalization of the company; and amounts that become the property of the company as a result of a forfeiture by others of deposits on subscriptions to capital stock and of installments paid on capital stock.

NOTE: When the circumstances under which debt is forgiven indicate that its forgiveness is an adjustment of earned surplus, it may be treated as such upon the approval by this Commission in the specific instance.

EARNED SURPLUS

§31.180 Earned surplus reserved

(a) This account shall include the amount of earned surplus reserved or otherwise set aside for any purpose not provided for elsewhere. (Note §31.3-31.)

(b) Separate subaccounts shall be maintained under such titles as will designate the purpose for which each reserve recorded hereunder was created.

§31.181 Unappropriated earned surplus

An account under this title shall be maintained in the general books of the company. It shall include the balance of all earned surplus accounts (400 to 416, inclusive).

INSTRUCTIONS FOR TELEPHONE PLANT ACCOUNTS**§31.2-20 Purpose of telephone plant accounts**

(a) The telephone plant accounts (201 to 277, inclusive) are designed to show the original cost (note §31.01-3 (x)) of the company's telephone plant (note §31.01-3 (hh)) which ordinarily has a service life of more than 1 year, including such plant whether used by the company or others in telephone service (note §31.01-3 (gg)); also the original cost of franchises, patents, right of way, leaseholds and other interests in land. It shall also include the general expenses of organization of the accounting company.

(b) ~~Unless account 175 is used (note §31.1-19),~~ The telephone plant accounts shall not include the cost or other value of telephone plant contributed to the company; contributions in the form of money or its equivalent toward the construction of telephone plant shall be credited to the accounts charged with the cost of such construction. Amounts of initial non-recurring charges based on the cost of plant or equipment furnished in rendering service to a customer, other than as provided in §31.5-50 (b) (2) shall be credited to the accounts charged with the cost of the plant or equipment. Amounts of initial charges based on the estimated cost of removal of such plant or equipment shall be credited to account 171, "Depreciation reserve," ~~or account 607,~~ "Station removals and changes," as appropriate.

NOTE A: ~~If account 175 is not used,~~ amounts received for construction which are ultimately to be repaid wholly or in part, shall be credited to account 171; when final determination has been made as to the amount to be returned, any unrefunded amounts shall be credited to the accounts charged with the cost of such construction. Amounts received for the construction of plant, the ownership of which rests with or will revert to others, shall be credited to the accounts charged with the cost of such construction.

NOTE B: ~~If a telephone company elects not to use account 175,~~ Contributions of telephone plant, amounts in account 175 as at the date of discontinuation of that account shall be disposed of consistently with the provisions of paragraph (b) and Note A of this section; provided, however, that amounts so substantial as to distort the accounts shall be disposed of as provided in §31.01-5.

(c) When telephone plant ordinarily having a service life of more than 1 year is installed for temporary use in telephone service, it shall be accounted for in the same manner as plant having a service life of more than 1 year. This includes temporary installations of station equipment, plant (such as poles, wire, and cable) installed to maintain service during the progress of highway reconstruction or during interruptions due to storms or other casualties, equipment used for the training of operators, equipment used to provide intercepting positions in central offices to handle traffic for a short period following cut-over to dial-system service, and similar installations of property for telephone service.

(d) 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, except that such accounting shall not be permitted when the investment in such property is relatively large and the correctness of the accounting therefor is verified by current inventories.

§31.2-21 Telephone plant acquired

(a) When property comprising a substantially complete telephone system, exchange, or toll line is acquired from predecessors, the amount of money actually paid (or the current money value of any consideration other than money exchanged) for the property (together with preliminary expenses incurred in connection with the acquisition) shall be charged to account 2765, "Telephone plant acquired." (Note also account 139.)

(b) The accounting for the acquisition of the plant shall then be completed as follows:

(1) The original cost, estimated if not known (note §31.01-3 (x)), of telephone plant, governmental franchises and other similar rights acquired shall be charged to the telephone plant accounts, account 100:2, "Telephone plant under construction," and account 100:3, "Property held for future telephone use," as appropriate, and credited to account 276. When the actual or original cost cannot be determined and estimates are used, the company shall be prepared to furnish this Commission with the particulars of such estimates.

(2) The amounts of the reserve requirements for depreciation and amortization of the plant acquired shall be credited to account 171, "Depreciation reserve," and account 172, "Amortization reserve," and debited to account 276.

(3) The amount remaining in account 276, "Telephone plant acquired," applicable to the plant acquired, shall, upon completion of the entries provided in subparagraphs (1) and (2) of this paragraph, be debited or credited, as appropriate, to account 100:4, "Telephone plant acquisition adjustment," except that when any amount thus chargeable to account 100:4 applies to duplicate or other telephone plant which will be retired by the vendee in the reconstruction of the acquired property and its consolidation with previously owned property, the accounting for the amount applicable to such plant shall be submitted to this Commission for consideration and approval.

(c) The accounting for property acquired from predecessors, not provided for in paragraphs (a) and (b) of this section, shall be on the basis of the amount of money actually paid (or the current money value of any consideration other than money exchanged) for such property.

(d) A memorandum and record shall be kept of the amount of contributions in aid of construction applicable to the property acquired as shown by the accounts of the previous owner.

(e) Except for telephone plant acquired by class A companies where the consideration paid is less than \$50,000 and by class B companies

where the consideration paid is less than \$25,000, copies of journal entries recording acquisitions of telephone plant covered by this instruction shall be submitted to this Commission for consideration and approval. The text of such entries shall give a complete description of the property acquired and the bases upon which the amounts of the entries have been determined.

§31.2-22 Cost of construction

(a) The cost of construction of property chargeable to the telephone plant accounts shall include the cost of labor, material and supplies, transportation, contract work, relief and pensions, protection, injuries and damages, privileges and permits, taxes, special machine services, interest during construction, insurance, construction services, and other analogous elements in connection with said work.

(b) The following is a description of the major items referred to in paragraph (a) of this section:

(1) "Cost of labor" includes the pay and expenses of employees directly engaged in or being trained for construction work, of foremen in direct charge thereof, and an equitable proportion of the cost of local plant administration, general plant supervision and engineering, and of the pay, office, and other expenses of general officers and general office employees devoting part of their time to supervisory, administrative, or clerical functions in connection with construction work.

(2) "Cost of material and supplies" includes the purchase price at the point of free delivery plus the costs of inspection, loading and transportation, and an equitable proportion of supply expense. In determining the cost of material used, proper allowance shall be made for unused material, for material recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of material.

(3) "Cost of transportation" includes the cost of transporting employees, material and supplies, tools, and other work equipment. It includes amounts paid therefor to other companies or individuals and the cost of the company's own motor vehicle or other transportation service.

(4) "Cost of contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, engineering and supervision applicable to such work, costs incident to the award of contracts, and the inspection of such work. The cost of construction work performed by affiliated companies (note §31.01-3 (d)) and other details relating thereto shall be available from the work in progress and supporting records.

(5) "Cost of protection" includes the cost of protecting the company's property from fire or other casualties and the cost of preventing damages to others or the property of others.

(6) "Cost of injuries and damages" includes expenditures or losses in connection with construction work on account of injuries to persons and damages to the property of others. (Note also accounts 669 and 672.)

(7) "Cost of privileges and permits" includes payments for and expenses incurred in securing privileges, permits, or rights in connection

with construction work, such as for use of private property, streets, or highways. The cost of such privileges and permits shall be included in the cost of the work for which the privileges or permits are secured, except for costs includible in account 202, "Franchises," and account 207, "Right of way."

(8) "Taxes" includes taxes on physical property during construction and before the facilities are completed ready for service, assessed separately from taxes on operating property or under conditions which permit separate identification or allocation of the amount chargeable to construction.

(9) "Special machine service" includes the cost of labor expended, materials and supplies consumed, and other expenses incurred in the maintenance, operation, and use of special machines, other than transportation equipment, such as steam shovels, pile drivers, and other labor saving machines; also expenditures for rental, maintenance, and operation of such machines owned by others. When a construction job requires the purchase of special machines, the cost thereof, less the appraised or salvage value at the time of release from the job, shall be included in the cost of the project.

(10) "Interest during construction" includes the amount of interest upon all moneys, including the company's own funds, used in the acquisition or construction of telephone property and shall be charged to the accounts appropriate for the cost of the property acquired or constructed as follows:

(i) Reasonable amounts for interest during the construction period (before the property is received or is completed ready for telephone service) on general funds expended for the acquisition or construction of telephone plant shall be charged to the telephone plant accounts and credited to account 313, "Interest income," *except however that such interest*

(ii) When funds, derived from the sale of bonds, notes, and other interest-bearing debt, are specifically acquired and separately held for use in the construction of telephone plant, the total interest, discount, or premium, and expense on such debt, less interest earned on such funds, applicable to the accounting period shall be included in the cost of telephone plant and credited to account 313, "Interest income," provided, however, that no interest charge for a longer period than 6 months prior to the commencement of construction work shall be made unless specifically authorized by this Commission.

(iii) During a period of suspension of a construction project no interest charge for a longer period than 6 months from the date of its suspension shall be included in these accounts unless specifically authorized by this Commission. No such interest charges shall be included in these accounts on expenditures for construction projects which have been definitely abandoned.

(11) "Insurance" includes premiums paid or amounts credited to account 169, "Insurance reserve," for the protection against loss and damages in connection with the construction of telephone plant due to fire or other casualty, injury to or death of employees or others, damages

shall be only on amounts in account 100:2, "Telephone plant under construction."

to property of others, defalcations of employees and agents, and the nonperformance of contractual obligations of others. (Note also account 668.)

(12) "Construction services" includes the cost of telephone, electricity, power, construction quarters, office space and equipment allocated to the construction project; also similar items furnished by the company through its regular operating facilities.

§31.2-22A Overhead construction costs

(a) All overhead construction costs, such as engineering, supervision, general office salaries and expenses, construction engineering and supervision by others than the accounting company, law expenses, insurance, injuries and damages, relief and pensions, taxes and interest, shall be charged to particular jobs or items on the basis of the amounts of such overheads applicable thereto, to the end that each job or item shall bear its equitable proportion of such costs and that the entire cost of the item, both direct and indirect, shall be deducted from the plant accounts at the time the item of plant is retired.

(b) The records supporting the entries for overhead construction costs shall be kept so as to show the nature of the expenditures, the individual jobs and accounts charged, and the bases of the distribution. The amounts charged to each plant account for overhead costs shall be available without detailed analysis.

(c) The instructions contained herein shall not be interpreted as permitting the addition to plant accounts of arbitrary percentages or amounts to cover assumed overhead costs, but as requiring the assignment to particular jobs and accounts of actual and necessary overhead expenditures as stated in paragraph (a) of this section.

§31.2-23 Improvements to leased telephone plant

(a) Except as provided in paragraph (b) of this section the cost of initial improvements (including repairs, rearrangements, additions, and betterments) to telephone plant leased from others made in the course of preparing the property for service and the cost of any subsequent additions and betterments of the leased telephone plant shall be charged to the telephone plant account appropriate for the class of property leased, unless the leasing arrangements provide that specific improvements shall be made to the leased property by the lessee and that such improvements shall revert to the lessor and constitute a part of the consideration paid for the use of the property. In the latter case, the cost of the improvements reverting to the lessor which represents payments for the use of the lessor's property shall be charged to account 129, "Prepaid rents," and cleared over the period of the lease to the appropriate accounts.

(b) When the improvements to leased telephone plant otherwise chargeable to the telephone plant accounts are of relatively minor cost or short life or the period of the lease is less than 1 year, the cost shall be charged to the account chargeable with the cost of repairs of such plant.

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other governmental agencies (exclusive of
franchise taxes), as consideration for a fran-
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phone operators, whether or not the right to
occupy city property, streets, and highways
is obtained thereunder, shall be accounted for

Not A: The cost of permits to erect poles
and to place conduct when the expected
period of occupancy under such permits does
not exceed the estimated life of the initial
plant installed, also the cost of other permits
plant installed, also the cost of other permits
not to place cable and wire on buildings and
fences, and the related pay and expenses of
employees and other costs incident to acquir-

ing such permits shall be included in the ac-
count appropriate for the cost of the prop-
erty constructed. (Note also 131.2-23 (b)
(1).)

Not B: Annual or more frequent pay-
ments for the use of right-of-way shall be
charged to account 611.

Not C: Payments to municipalities or
other governmental agencies (exclusive of
franchise taxes), as consideration for a fran-
chise or right to conduct the company's tele-
phone operators, whether or not the right to
occupy city property, streets, and highways
is obtained thereunder, shall be accounted for

§31 207 Right-of-way. This account
shall include the original cost of land,
and of leaseholds, easements, and similar
rights in land having a term of more than
1 year, acquired for the location of pole
line, cable, wire, and conduit plant, also
the cost of permits to erect poles and to
place conduct when the expected period
of occupancy under such permits exceeds
the estimated life of the initial plant in-
stalled. It shall include the related por-
tion of the pay and expenses of right-of-
way agents and other costs of acquiring
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ant-accounts (note §§31.2-20,
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ts in this classification to which
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(f) Depreciable telephone plant: For the purpose of avoiding
undue refinement in accounting for the replacement of small items of
property, the accounting for retirements and replacements of depreciable
telephone plant shall be as follows:

(1) Retirement units: This group includes major items of property,
a list of which is shown in §31.8. The original cost of any such item
retired shall be credited to the plant account and charged to account 171,
"Depreciation reserve," whether or not replaced. (Note also paragraph
(b) of account 171.) The original cost of property installed in place of
the property retired shall be charged to the appropriate telephone plant
account.

(2) Minor items: This group in-
cludes any part or element of plant,
other than station apparatus and sta-
tion connections, which is not desig-
nated as a retirement unit. The
original cost of any minor item of
property retired and not replaced shall
be credited to the plant account and
charged to account 171 (note also para-
graph (b) of the text of that account),
except that if the original cost of a minor
item of property is included in the spec-
ific or average cost for a retirement unit
of which the minor item is a part, no
separate credit to the telephone plant
account is required when such a minor
item is retired. If minor items of prop-
erty are replaced (apart from the retire-
ment unit of which they form a part or
with which they are associated) no ad-
justment shall be made in account 171.
The cost of the replacement shall be
charged to the account appropriate for
the cost of repairs of the property, except
that if the replacement effects a sub-
stantial betterment (the primary aim of
which is to make the property affected
more useful, of greater durability, of
greater capacity, or more economical in
operation) the excess cost of (i) such a
replacement over (ii) the estimated cost
at the then current prices of replacing
without betterment the minor items be-
ing retired, shall be charged to the Ap-
propriate telephone plant account.

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the cost of repairs of the property, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, of greater durability, of greater capacity, or more economical in operation) the excess cost of the replacement over the estimated cost of current prices of replacing without betterment the minor items retired shall be charged to the appropriate telephone plant account.

(b) Station installations, drop and block wires: When stations are removed from customers' premises, the original cost of the station installations carried in account 232, "Station installations," and of any drop and block wires carried in account 233, "Drop and block wires," thereby retired from service shall be credited to the plant accounts and charged to account 607, "Station removals and changes." The latter account shall be credited with the salvage value (note 31.01-3 (bb)) of such property recovered. The cost of the removal of the station apparatus, inside, drop and block wires shall be charged to account 607.

(c) Land: The original cost of land retired shall be credited to account 211, "Land." If the land is sold, the difference between such original cost and the sale price (less commissions and other expenses of making the sale) of the land shall be credited to account 401, "Credits for telephone plant sold," or debited to account 410, "Debits for telephone plants sold," as may be appropriate. If the land is retained by the company and held for sale, its cost shall be charged to account 103, "Miscellaneous physical property." The accounting for leaseholds retired shall be as provided for in the texts of account 172, "Amortization reserve," and account 613, "Amortization of intangible property."

(d) Determination of the cost of property to be retired: The cost of telephone plant retired shall be the amount at which such property is included in the telephone plant accounts. When it is impracticable to determine the cost of each item due to the relatively large number or small cost of such items, the average cost of all the items covered by an appropriate subdivision of the account shall be used in determining the cost of the items retired; provided, that the method used in determining average cost gives due regard to the quantity, size, and kind of items, the area in which they were installed and their classification in other respects, as called for by the rules of the Commission regarding continuing property records and by the system of continuing property records accepted by the Commission specifically for use of the accounting company. This method of average cost may be applied in retirement of such items as telephones, bell boxes, station connections, poles, cross-arms, wire, cable, cable terminals, conduit, and nonmultiple private branch exchange switchboards. Any company may use average cost of property installed in a year or band of years. It should be understood, however, that the use of average costs shall not relieve the company of the requirement for maintaining its continuing property records in such manner as to show, where practicable, dates of installation and removal so as to provide these data for purposes of mortality studies.

(e) The accounts for patent rights, as provided for in the texts of account 413, "Miscellaneous debit adjustment."

(f) When traffic associate property shall be credited to the

to be accounted to such items when
 and kind of items, they were installed and of average cost telephones, bell boxes, cable terminals, con- boards.
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 zation, franchises, as provided for in account 413, "Mis-
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 with the telephone property shall be estimated amounts

TELEPHONE PLANT ACCOUNTS

31201 Organization. This account shall include the cost of organizing and incorporating the company. (Note also 31.1-14 and 31.1-15.)

ITEMS

(Note 31.01-8)

Amounts paid for legal services.
 Amounts paid for privileges of incorpora-

carried with respect thereto in the depreciation and amortization reserve accounts shall be charged to such reserve accounts. The difference, if any, between (1) the net amount of such debit and credit items and (2) the consideration received (less commissions and other expenses of making the sale) for the property shall be included, if a debit, in account 410, "Debits for telephone plant sold," and if a credit, in account 401, "Credits for telephone plant sold." The accounting for depreciable telephone plant sold without the traffic associated therewith shall be in accordance with the accounting provided in paragraph (b) of account 171, "Depreciation reserve."

TELEPHONE PLANT ACCOUNTS

§31.201 Organization

This account shall include the cost of organizing the company. (Note also §§ 31.14, 31.15.)

Items

(Note §31.18)

- Amounts paid for legal services.
- Amounts paid for privileges of incorporation.
- Office expenses incident to organizing the company.
- Special counsel and other fees and expenses in reorganizations.

NOTE A: This account shall not include any discount. It shall include costs incident to negotiating loans, selling debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

NOTE B: Exclude from this account and include in account 001 the cost of preparing and filing papers in connection with the extension of the term of incorporation unless the first organization costs have been written off.

NOTE C: When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

§31.202 Franchises

This account shall include the original cost (note §31.01-3 (x)) of governmental franchises and similar rights running for more than 1 year which are necessary in the conduct of the company's telephone operations. It shall include amounts paid in cash and the cost of plant, material, supplies, and equipment given as the initial consideration for such franchises; cost of advertising, governmental election costs assumed by the company, and similar expenses incurred in procuring such franchises; also the original cost of franchises acquired by assignment. This account shall include amounts, other than those includible in account 201, "Organization," paid to municipalities or other governmental agencies as a condition precedent to engaging in business, whether or not the right to occupy city property, streets, and highways is obtained in connection therewith. (Note also §31.22 (b) (7).)

NOTE A: The cost of franchises running for 1 year or less after acquisition shall be charged to account 673, or, if such franchises extend beyond the current year, to account 133. Franchises acquired at small cost may be charged to account 673 irrespective of their term of life.

§312-26 (a) Continuing property record required. Not later than June 30 of the year following that in which a company becomes subject (note § 31.01-1) to this system of accounts, it shall file with the Commission three copies of a complete plan of the method to be used in the compilation of a continuing property record with respect to each class of property for which such records are hereinafter prescribed. The plan shall include a list of the property record units proposed for use under each plant account. A narrative statement shall accompany the list of proposed property-record units, describing in detail the content and method of maintenance of all forms and other records which are designed for use in compiling the continuing property record, to the end that a ready analysis

NOTE B: Franchise taxes (payable annually or more frequently) shall be charged to account 365.

NOTE C: This account shall not include the cost of plant, material and supplies, or equipment furnished to municipalities or other governmental authorities when given other than as initial consideration for franchises or similar rights. (Note also account 673.)

§31.203 Patent rights

This account shall include the original cost (note §31.01-3 (x)) of patent rights having a life of more than 1 year from date of acquisition for use in connection with the company's telephone operations.

NOTE: The cost of patents having an estimated service life of 1 year or less and patents acquired at small cost shall be charged to account 673.

§31.207 Right-of-way

This account shall include the original cost (note §31.01-3 (x)) of land, and of leaseholds, easements, and similar rights in land having a term of more than 1 year, acquired for the location of pole line, cable, wire, and conduit plant, also the cost of permits to erect poles and to place conduit when the expected period of occupancy under such permits exceeds the estimated life of the initial plant installed. It shall include the related portion of the pay and expenses of right-of-way agents and other costs of acquiring such land, rights, and permits.

NOTE A: The cost of permits to erect poles and to place conduit when the expected period of occupancy under such permits does not exceed the estimated life of the initial plant installed, also the cost of other permits not includible in this account, such as those to place cable and wire on buildings and fences, and the related pay and expenses of employees and other costs incident to acquiring such permits shall be included in the account appropriate for the cost of the property constructed. (Note also §31.2-22 (b) (7).)

NOTE B: Annual or more frequent payments for the use of right-of-way shall be charged to account 671.

NOTE C: Payments to municipalities or other governmental agencies (exclusive of franchise taxes) as consideration for a franchise or right to conduct the company's telephone operations, whether or not the right to occupy city property, streets, and highways is obtained thereunder, shall be accounted for as franchise payments. (Note also accounts 202 and 673.)

§31.211 Land

(a) This account shall include the original cost (note §31.01-3 (x)) of land and of leaseholds, easements, and similar rights in land having a term of more than one year used for general and central office buildings, garages, shops, and for storage and other telephone purposes other than right-of-way. It shall also include special assessments upon lands for the construction of public improvements. (Note also §31.2-25 (d).)

(b) When land, together with buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and the buildings and accounted for accordingly. If the plan of acquisition contemplates the removal of the buildings, the total cost of the land and buildings shall be accounted for as the cost of the land, and the salvage value of the buildings when disposed of shall be deducted from the cost of the land so determined. (See also Note B to this account.)

Items
[Note §31.01-S]

Assessments for the construction of public improvements. (See also Note D to this account.)

Clearing or defending title against claims relating to period prior to purchase.

Commissions and fees to brokers, agents, and others.

Condemnation proceedings, including court costs and special counsel fees.

Conveyancer and notarial fees.

Examination and registration of titles.

Grading of land not in connection with buildings.

Relocating property of others in acquisition of land.

Sidewalks on public streets abutting company's property.

Taxes assumed, accrued prior to date of acquisition.

Taxes on land during the period of construction. (Note also §31.2-22 (b) (S).)

Voiding leases to secure possession of land acquired.

NOTE A: Annual or more frequent payments for the use of land shall be charged to the account appropriate for rents.

NOTE B: When land is acquired for which there is not a definite plan for its use in telephone service, its cost shall be charged to account 103.

NOTE C: When land is acquired in excess of that required for telephone purposes, the cost of such excess land shall be included in account 103.

NOTE D: Installments of assessments for public improvements, including interest, if any, which are deferred without option to the company shall be included in this account only as they become due and payable. Interest on assessments which are not paid when due shall be included in account 336.

NOTE E: In case land is purchased for immediate use in a construction project, its cost shall be included in account 100:2 until such time as the project involved is completed ready for service.

§31.212 Buildings

(a) This account shall include the original cost (note §31.01-3 (x)) of buildings, and the cost of all permanent fixtures, machinery, appurtenances, and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title.

(b) When land, together with the buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and buildings, and the amount applicable to the buildings shall be included in this account; the amount applicable to the land shall be included in account 211. (Note also account 211.)

Items
[Note §31.01-S]

Awnings.

Boilers, furnaces, fixtures, and machinery for heating, lighting, ventilating, and plumbing.

Cable vaults and conduits constructed as part of the building.

Commissions and fees to brokers, agents, architects, and others.

Door checks and door stops.

Drainage and sewerage systems.

Electric wiring.

Elevators.

Fences and hedges.

Fire-extinguisher systems.

Garages, shops, and stables.

General and central office buildings.

Grading, excavating, and preparing grounds for buildings, including laying out of grounds after construction.

- Improvements to leased buildings. (Note also §31.2-23.)
- Linoleum and similar floor covering, excluding carpets and rugs.
- Motors and generators.
- Partitions, including movable.
- Piers and foundations for machinery constructed as a permanent part of a building.
- Platforms, storage or loading.
- Power boards.
- Refrigeration systems.
- Retaining walls.
- Screens, door and window.
- Sheds.
- Sidewalks, pavements, and driveways on building grounds.
- Sprinkling systems.
- Storm doors and windows.
- Voiding leases to secure possession of buildings acquired.
- Water, steam, and gas pipes.
- Water-supply systems.
- Window shades and ventilators.

NOTE A: This account shall not include the cost of any telephone equipment or wiring or apparatus for generating or controlling electricity for operation of the telephone system.

NOTE B: The cost of submarine cable terminal huts shall be included in account 242:4.

§31.221 Central office equipment

(a) This account shall include the original cost (note §31.01-3 (x)) of electrical instruments, apparatus, and equipment, other than station equipment, in central offices (including terminal and test rooms), repeater stations and test stations used in transmitting traffic and operating signals, and similar equipment in operators' schools and other centralized locations.

(b) This account shall also include the original cost of operators' chairs, wire chiefs' tools, desks and tables equipped with central office telephone equipment, and other furniture, fixtures, and equipment designed specifically for use in central offices, repeater stations, or installed as a part of the electrical equipment therein. (See also Note A to this account.)

Items [Note §31.01-8]

- Aisle-lighting equipment.
- Balconies for distributing frames.
- Banks—connector, selector.
- Batteries.
- Battery cabinets.
- Boards—fire alarm, power, test, service observing.
- Building alterations, minor, such as opening and closing holes in ceilings, partitions, walls, and floors to permit installations of equipment, power conduit, and wiring.
- Cables. (See also Note B to this account.)
- Calculagraphs.
- Call registers.
- Carrier-current equipment.
- Carrier line filters.
- Circuit breakers.
- Covers for transmission power apparatus.
- Desks and tables when equipped with central office telephone equipment. (See also Note A of this account.)
- Engines—generators* including special foundations not a part of buildings.
- Frames—alarm, connector, decoder, decoder connector, line finder, line switch, repeater, selector, sender, test.

Fuse boards.
 Fuse panels.
 Generators, including special foundations not a part of buildings.
 Jumper wires.
 Key indicator equipment.
 Line filters.
 Loading coils. (See also Note C to this account.)
 Loudspeaker equipment.
 Main and intermediate frames.
 Meters.
 Motors, including special foundations not a part of buildings.
 Multiplex apparatus.
 Operators' breastplate transmitters.
 Operators' chairs.
 Operators' head sets.
 Platforms, not part of buildings.
 Pole chargers.
 Power circuits for emergency use including payment for installation by others
 of circuits not owned.
 Power panels.
 Power plants.
 Protectors.
 Pulse machines and tone machines.
 Radio transmitting and receiving equipment.
 Rectifiers.
 Register cabinets.
 Relay racks and coil racks.
 Relays.
 Repeater sets.
 Rheostats.
 Ringing machines, including special foundations not a part of buildings.
 Rolling ladders.
 Switchboards and other electrical equipment used in operators' schools.
 Switchboards—subscribers' "A" and "B" trunk, toll, dial system.
 Switches—connector, line repeater, selector, repeater, test, distributor.
 Tarpaulins.
 Telegraph instruments and equipment.
 Telephotographic equipment.
 Teletypewriter switchboards and equipment.
 Test boards.
 Testing and routing central office equipment prior to assignment to service.
 Testing equipment and tools, central office. (See also Note D to this account.)
 Test tables.
 Ticket holders.
 Toll ticket carriers.
 Turrets.
 Water stills for battery service.

NOTE A: The cost of desks and tables not equipped with central office equipment and of kitchen and dining room equipment, chairs of the same types as used in other offices, typewriters, and portable electric fans, shall be charged to account 261.

NOTE B: The cost of cables leading from the main frame to outside plant shall be included in the plant account appropriate for the cost of cables with which they connect.

NOTE C: The cost of loading coils on circuits leading from the main frame to outside plant shall be included in the account charged with the cost of the circuit of which they are a part.

NOTE D: The cost of portable testing equipment and tools other than those regularly used in central offices shall be charged to account 261.

\$31.231 Station apparatus

This account shall include the original cost of station apparatus, including small private branch exchanges and booths, installed either for customers' or the company's use. This account shall also include the cost of materials in stock which are normally used as station appa-

rat cost. (note \$31.01-3-(x)) of
 customers' or the company's use,
 idle wires.

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ratus or additions thereto, as distinguished from items normally used for repair purposes. Items included in this account which are normally used as station apparatus shall remain herein until finally disposed of or until used in such manner as to be includible in other accounts.

(b) Each company shall prepare a list of items of station apparatus which shall be used as its list of disposition units for this account the cost of which when finally disposed of shall be credited to this account and charged to the depreciation reserve. Two copies of such list shall be submitted to the Commission not later than the date it is to be made effective for use by the company, together with the company's plan for determining disposition unit costs and the methods to be used to insure that an equitable portion of the cost of other items, supply expense, and other amounts included in this account will be credited hereto and charged to account 171, "Depreciation reserve," upon the ultimate disposal of any disposition unit. Revisions made during any year to the effective list of disposition units shall be submitted in duplicate to the Commission not later than March 1 of the following year.

ITEMS

(Note § 31.01-8)

Amplifying equipment.
Answering equipment.
Attendants' cabinets.
Attendants' desks.
Backboards.
Battery boxes.
Booths.
Code call units.
Code sending sets.
Coin collectors.
Desk sets, hand sets, wall sets, and combined sets, including those used at main, extension, private branch exchange, and private line stations, etc. This includes such sets used as operators' sets at large private branch exchanges and in central offices and operators' schools. (See also Note C to this account.)
Directory stands or shelves.
Distributing frames.
Extension bells.
Hand-set mountings.
Messenger, and similar signaling devices.
Mobile telephone equipment.
Operators' chairs.
Operators' head sets and breastplate transmitters. (See also Note C to this account.)
Order receiving tables.
Order turrets.
Power equipment.
Printer-telegraph equipment.
Private branch exchange equipment—non-multiple manual and cordless switchboards and dial equipment of types designed for not more than two digit operation.
Program supply equipment.
Public telephone signs.
Station switching and signaling devices, including apparatus cabinets, keys, key cabinets, and other devices used as parts of intercommunicating systems.
Subscriber sets.
Telegraph equipment.
Teletypewriter equipment, including switching equipment. (See also accounts 221 and 234.)

NOTE A: The cost of installation (including cabling, station protectors and wiring) shall be charged to account 232, "Station connections."

NOTE B: The cost of cross-connection boxes installed as a part of the house cable system,

including those used as distributing frames, shall be charged to account 242:1, "Aerial cable."

NOTE C: Operators' head sets and breastplate transmitters in central offices and at large private branch exchanges, and test sets such as those used by wire chiefs, linemen, and others, shall be included in account 221, "Central office equipment," account 234, "Large private branch exchanges," or account 244, "Vehicles and other work equipment," as appropriate.

NOTE D: Items of station apparatus in stock for which no further use in the ordinary conduct of the business is contemplated, but which as a precautionary measure, are held for possible future contingencies instead of being junked, shall be excluded from this account and included in account 122, "Material and supplies."

NOTE E: An annual inventory shall be taken of all telephones in stock that are included in this account. The number of such telephones as determined by this inventory, together with the number of all other telephones included in this account, shall be compared with the corresponding number of telephones as shown by the respective control records. The original cost of any unreconciled differences thereby disclosed shall be adjusted through account 171, "Depreciation reserve." Appropriate verifications shall also be made at suitable intervals and necessary adjustments between this account and account 171 shall be made for all other station apparatus included in this account.

§ 31.232 Station connections. (a)

This account shall include the original cost of installing or connecting items of station apparatus and the original cost of inside wiring and cabling and of drop and block wires. (See also account 605, "Repairs of station equipment.")

(b) When station apparatus is installed, the cost of installation shall be charged to this account. The original cost (actual or estimated average unit cost) of any portion of the station connections which is thereby returned to service shall also be charged to this account and credited to account 171, "Depreciation reserve."

(c) When a left-in station is reconnected, the cost of reconnection shall be charged to this account. The original cost (actual or estimated average unit cost) of the portion of the station connections associated with the left-in station which is retired as a result of the reconnection work shall be credited hereto and charged to account 171, "Depreciation reserve."

(d) When a station for other item of station apparatus with which station connections are associated in the company's retirement practices is physically removed, the original cost (actual or estimated average unit cost) of the associated station connections carried in this account shall be credited hereto and charged to account 171, "Depreciation reserve." In the event of the replacement of a small private branch exchange or booth, if the cost of installation of the replacement is charged to this account, an appropriate retirement shall be made from this account for the station connections associated with the plant replaced.

ITEMS

(Note § 31.01-8)

The wires (or small cables) from the station apparatus to the point of connection with the general overhead or underground

system over to the junction boxes where the house cable or other cable terminates. This includes circuits carried by means of wire or small cables, extending to the cable terminal in cases where connection is made with a general cable system, or to the point of connection with the aerial wire plant in cases where connection is made with a general wire system.

The wires (or small cables) used to connect station apparatus in the same building, such as main stations with extension stations, and stations of intercommunicating systems.

The wires (or small cables) used to connect private branch exchange switchboards or their controlling frames with terminal stations located in the same building.

The wires (or small cables) used to connect the various parts of a small private branch exchange, such as the cables or wires from distributing frames to switchboard.

The wires (or small cables) installed specifically to serve a trunk battery, or generator circuits from a small private branch exchange to the point of connection with the permanent house or outside cables or wires.

Connecting blocks, ground wires, ground rods, glass protectors, clamps, cleats, nails, screws and other material used in the installation of station apparatus and inside wiring and cabling.

Labor and other costs incurred in connection with station apparatus and station connections installations or additions thereto.

Baskets, wire rings, insulators, knobs, span clips, screws, sleeves, strand, tubes, and other material used in the installation of drop and block wires; trimming trees and other costs incurred in the installation of such wires; pipes of other protective covering for underground service connections; and permits and privileges for construction.

NOTE A: Cots chargeable to this account in connection with inside cabling are restricted to wall cables used in station installations instead of wires, such as those run from wall outlets or floor terminals to the station apparatus, and to cables used in installing small private branch exchanges. The cost of cables used in installing large private branch exchanges is chargeable to account 111, "Large private branch exchanges." The cost of other inside cables, including riser and distributing cables in buildings, which by their physical character, method of installation and permanence constitute house cables, is chargeable to account 242:1, "Accessible."

NOTE B: The cost of outside plant, such as poles, wires, and cables, whether or not on private property, used to connect a private branch exchange with its terminal stations shall be charged to the appropriate pole, wire and cable accounts.

NOTE C: The cost of disconnecting or removing trunk apparatus and station connections shall be charged to account 171, "Depreciation reserve." However, provisional denials of service to stations for nonpayment shall not be treated as stations disconnected unless the denials become final. Similarly, restoration of service to such stations subjected to provisional denials which have not become final shall not be treated as stations reconnected. The cost of disconnecting and reconnecting customers' lines at customers' premises to effect such provisional denials and restorations shall be charged to account 505, "Repairs of station equipment." If the disconnection and reconnection are made in central offices, the cost thereof shall be charged to account 604, "Repairs of central office equipment."

§ 3121 Large private branch exchanges. This account shall include the original cost, including cost of installa-

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distributing frames for private branch

tion, of multiple manual private branch exchanges, and of dial system private branch exchanges of types designed for more than two digit operation (types designed to accommodate normally 100 or more extensions) installed either for customers' or the company's use. (See also account 231.)

(Note §3101-8)

Cables or wires from distributing frame to switchboard.

Dial system private branch exchanges of types designed for more than two digit operation, including any nonmultiple manual switchboards used as attendants' positions in connection with such dial system exchanges.

Distributing frames.

Multiple manual switchboards.

Operators' chairs.

Operators' head sets and breastplate transmitters.

Power equipment, including special foundations.

Switching equipment at automatic switching centers of private line teletypewriter systems.

Wires (or small cables used instead of wires) installed specifically to serve as trunk, battery, or generator circuits from a large private branch exchange to the point of connection with the permanent house or outside cables or wires.

NOTE A: The cost of riser and distributing cables in buildings other than central offices, which by their physical characteristics, method of installation, and permanence constitute regular house cables shall be charged to account 242:1.

NOTE B: The cost of outside plant, such as poles, wires, and cables, whether or not on private property, used to connect a private branch exchange with its terminal stations shall be charged to the appropriate pole, wire, and cable accounts.

NOTE C: The cost of cross-connection boxes installed as a part of the house cable system, including those used as distributing frames, shall be charged to account 242:1.

§31.235—Booths and special fittings

This account shall include the original cost (note §31.01-3 (x)) of telephone booths and special fittings (exclusive of station apparatus) such as attendants' desks (including equipment or switchboards), counters, railings, chairs, fans, cash registers, directory tables, stands or shelves, and public telephone signs.

§31.241 Pole lines

This account shall include the original cost (note §31.01-3 (x)) of poles, crossarms, guys, and other material used in the construction of pole lines.

Items
[Note §31.01-8]

- Anchors.
- A and H fixtures.
- Bolts.
- Braces, pole and back.
- Bridge fixtures.
- Cable arms.
- Clearing routes and tree trimming except maintenance of previous clearings.
- (Note also account 602:1.)
- Crossarms.
- Extension arms.
- Guard arms.
- Guy clamps.
- Guy stubs.
- Guy wire or strand.
- Painting, treating, galing, roofing, shaving, and stenciling poles.
- Permits and privileges for construction. (Note also account 207 and §31.2-22)
- (b) (7.)
- Pins.
- Pole brackets, wooden.
- Poles.
- Pole steps.
- River crossing and long span fixtures.
- Strain insulators.
- Towers.

§31.242:1 Aerial cable

This account shall include the original cost (note §31.01-3 (x)) of aerial cable and other material used in the construction of such cable.

Items
[Note §31.01-8]

- Bonds and grounds.
- Cable—block, feeder, main, subsidiary.
- Cable—house, including riser and distributing cables extending to floor terminal boxes, and cross connection boxes at wall outlets, where connection is made with inside wires.
- Cable clamps.
- Cable rings.
- Cable terminals or boxes.
- Cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes.
- Floor terminal boxes and cross connection boxes at wall outlets.
- Fuse boxes.
- Loading coils, building-out condensers, carrier-line filters, and cases therefor.
- Main-frame-terminating cable extending to outside cable.
- Negative returns.

(Note §31.01-8)

Awings.
Boilers, furnaces, fixtures, and machinery for heating, lighting, ventilating, and plumbing.
Cable vaults and conduits constructed as part of the building.

Permits and privileges for construction. (Note also account 207.)

Pole seats and balconies.

Pressure contactor-terminals.

Protectors and arresters.

Safety straps.

Sleeves.

Strand, suspension.

Tree guards.

Trolley guards.

NOTE A: House cables are considered to be extensions of aerial cable plant. They do not include the inside wires extending from terminal boxes of house cables to subscribers' stations which are included in account 232, or the cables for subscribers' private branch exchange switchboards which are included in account 231. *232 or account 254.*

NOTE B: The company's records shall be kept so that the miles of wire in aerial cable may be shown in the annual reports to this Commission.

§31.242:2 Underground cable

This account shall include the original cost (note §31.01-3 (x)) of underground cable and other material used in the construction of such cable.

Items

[Note §31.01-8]

Bonds and grounds.

Cable—feeder, main, subsidiary.

Cable terminals or boxes.

Cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes.

Electrolysis surveys made in the course of installing cable.

Fuse boxes.

Loading coils, building-out condensers, carrier-line filters, and cases therefor.

Main-frame-terminating cable extending to outside cable.

Negative returns.

Permits and privileges for construction. (Note also account 207.)

Pressure contactor-terminals.

Protectors and arresters.

Pumping out and cleaning manholes and ducts in underground cable construction work. (See also Note A to this account.)

Sleeves.

Splicing boxes.

Strand, suspension.

NOTE A: The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with the maintenance or operation of telephone plant shall be charged to account 002:4 or 002:7, as appropriate.

NOTE B: The cost of small cables used in station installations, *or as drop wires* instead of wires, such as those run from wall outlets or ~~line~~ terminals to the station apparatus, shall be charged to account 232. The cost of small cables used as drop wires shall be included in account 233.

NOTE C: The cost of cable leading from central office main frames to other central office equipment shall be charged to account 221.

NOTE D: House cables are considered to be extensions of aerial cable plant. They do not include the inside wires extending from terminal boxes of house cables to subscribers' stations which are included in account 232, or the cables for subscribers' private branch exchange switchboards which are included in account 231. *231 or account 254, as appropriate*

NOTE E: The company's records shall be kept so that the miles of wire in underground cable may be shown in the annual reports to this Commission.

§31.242:3 Buried cable

This account shall include the original cost (note §31.01-3 (x)) of buried cable and other material used in the construction of such cable.

Items
[Note §31.01-S]

- Cable—feeder, main.
 - Cable terminals or boxes.
 - Cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes.
 - Loading coils, building out condensers, carrier-line filters, and cases therefor.
 - Main-frame terminating cable extending to outside cable.
 - Negative returns.
 - Permits and privileges for construction. (Note also account 297.)
 - Pressure contactor terminals.
 - Protective covering for buried cable, i.e., cable not run in regular conduit, such as fiber or other material (except when constructed so as to be reusable in place for other cable) and the cost of manholes, designed specifically for use in such construction.
 - Protectors and arresters.
 - Pumping out and cleaning manholes in buried cable construction work. (See also Note A to this account.)
 - Sleeves.
 - Splicing boxes.
 - Trenching for and burying cable not run in regular conduit.
- NOTE A: The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with the maintenance or operation of telephone plant shall be charged to account 602:4 or 602:7, as appropriate.
- NOTE B: The company's records shall be kept so that the miles of wire in buried cable may be shown in the annual reports to this Commission.

§31.242:4 Submarine cable

This account shall include the original cost (note §31.01-3 (x)) of submarine cable and other material used in the construction of such cable.

Items
[Note §31.01-S]

- Cable—feeder, main.
 - Cable terminals or boxes.
 - Loading coils, building out condensers, carrier-line filters, and cases therefor.
 - Permits and privileges for construction. (Note also account 297.)
 - Pressure contactor terminals.
 - Protectors and arresters.
 - Sleeves.
 - Submarine cable terminal huts.
- NOTE: The company's records shall be kept so that the miles of wire in submarine cable may be shown in the annual reports to this Commission.

§31.243 Aerial wire

This account shall include the original cost (note §31.01-3 (x)) of aerial wire other than drop and block wires, including insulators, tie wires, and other material used in the construction of aerial wire plant. The company shall exercise such precautions as are necessary to prevent credits to this account for drop and block wires removed.

Items
[Note §31.01-S]

- Brite rings.
- Brite wire.
- Ground wire, clamps, and rods.
- Insulators and thimbles.
- Loading coils, building out condensers, carrier-line filters, and cases therefor.
- Permits and privileges for construction. (Note also account 297.)
- Protectors and arresters.
- Repeating coils.

Tie wires.

Transposition brackets.

Transposition of the circuits in initial construction work and any additions or betterments resulting from transposing or retransposing existing circuits.

NOTE: The cost of drop and block wires shall be included in account 238.

§31.244 Underground conduit

This account shall include the original cost (note §31.01-3 (x)) of tile, pipe, and other conduit, whether underground, in tunnels or on bridges, and of manholes, handholes, and service boxes, including cable racks and other furnishings thereof, and the cost of riser pipe. It shall include the cost of opening trench and repaving in the construction of such plant and the cost of permits and privileges for construction. (Note also account 207.)

NOTE A: The cost of protective covering for buried cable, i.e., cable not run in regular conduit, such as fibre or other material (except when constructed so as to be reusable in place for other cable) and the cost of trenching and manholes, designed specifically for use in such construction shall be charged to account 242-3.

NOTE B: The cost of pipes or other protective covering for underground drop and block wires or service connections shall be included in account 238.

§31.261 Furniture and office equipment

This account shall include the original cost (note §31.01-3 (x)) not provided for in other accounts, of furniture and equipment in offices, storerooms, shops, and other quarters. (Note also accounts 221, 231, and 235 and §31.2-20 (d).)

Items

[Note §31.01-S1]

Beds, cots, and couches.
 Bins, counters, and shelves.
 Breechcases.
 Cabinets and filing cases.
 Cages, cashiers'.
 Chairs, carpets, and rugs.
 Clocks.
 Davenport.
 Desks.
 Equipment in rest, dining, recreation, and medical rooms.
 Fans, electric, portable.
 Fire extinguisher equipment, portable.
 Floor-scrubbing and polishing machines.
 Gas and electric fixtures, portable.
 Lockers and wardrobes, portable.
 Mirrors, portable.
 Motion picture equipment.
 Office devices, including addressing, billing, blueprinting, computing, dating, duplicating, mailing, photostat and recording machines, cash registers, check writers, postage meter machines, and typewriters.
 Pianos and phonographs.
 Radio sets.
 Racks—magazine, newspaper, umbrella, and clothing.
 Refrigerators, portable.
 Safes.
 Sewing machines.
 Stoves.
 Switchboards, special type public demonstration.
 Tables.
 Vacuum sweepers.

Vending machines.

Water coolers.

NOTE: The cost of fixtures attached to and constituting a part of buildings shall be charged to account 212.

§31.264 Vehicles and other work equipment

This account shall include the original cost (note §31.01-3 (x)) of vehicles, tools, garage and shop machinery and equipment, and miscellaneous work equipment not provided for in other accounts. (Note also §31.2-20 (d).)

Items,

(Note §31.01-8)

Air compressors.

Automobiles, motor trucks and tractors, including those equipped with earth-boring machines, pumps, and winches.

Blowers, power.

Carts, cable splicers'.

Camp wagons, cars and mounted kitchens.

Compressed air tools.

Concrete mixers and breakers.

Derricks.

Draft animals.

Drills and hammers, power.

Earth-boring machines.

Forges.

Gasoline and oil pumps, portable.

Hand tools.

Hand trucks.

Harness.

Lathes.

Loaders, power.

Motorboats and barges.

Motorcycles and bicycles.

Motors and generators.

Planers.

Pole-treating apparatus, chemical.

Pumps.

Tamping and back filling machines.

Tents, cable splicers'.

Testing equipment, portable. (See also Note B to this account.)

Torches.

Trailers.

Trenching machines.

Wagons.

Winches, power.

Wire-measuring machines.

NOTE A: The cost of chairs, desks, and tables, in garages and shops shall be charged to account 261.

NOTE B: The cost of testing equipment and tools regularly used in central offices shall be charged to account 221.

§31.276 Telephone plant acquired

This account shall be charged temporarily with the cost of acquisition (i. e., amount of money actually paid or the current money value of any consideration other than money exchanged for telephone plant, together with the preliminary expenses incurred in connection with the acquisition) of telephone plant pending distribution to the primary telephone plant accounts and to other accounts. (Note also §§31.2-21, 31.02-82.)

§31.277 Telephone plant sold

This account shall be credited temporarily with the original cost (note §31.01-3 (x)) at the time of retirement of telephone plant sold pending determination of the amounts to be credited to the primary telephone plant accounts. (Note also §31.2-25 (X).) 8

NOTE: In connection with completing the accounting for telephone plant sold, appropriate adjustments shall be made with respect to any related depreciation accruals.

INSTRUCTIONS FOR INCOME ACCOUNTS**§31.3-30 Purpose of income accounts**

The income accounts (300 to 343, inclusive) are designed to show as nearly as practicable for each calendar year the total operating revenues and operating expenses of the company; the returns accrued upon securities owned and from property not used in the company's operations; the amounts accrued for taxes, use of moneys, and use of operating properties of others; and reservations and appropriations of income. (Note also §§31.01-4 to 31.01-6.)

§31.3-31 Income from sinking and other funds

When interest and other income arising from funds carried in account 104, "Sinking funds," account 136, "Provident funds," or account 137, "Insurance and other funds," (note also account 314) are required by the mortgage or other provisions to be held in the funds, they shall be charged to those accounts. If such funds are represented by a reserve established through reservations of income or earned surplus, amounts so set aside shall be charged to account 312, "Contractual reservations of income," account 313, "Miscellaneous reservations of income," account 414, "Contractual reservations of earned surplus," or account 415, "Miscellaneous reservations of earned surplus," and credited to account 169, "Insurance reserve," account 170, "Provident reserve," account 173, "Employment stabilization reserve," or account 180, "Earned surplus reserve," as may be appropriate.

INCOME ACCOUNTS**TELEPHONE OPERATING INCOME****§31.300 Operating revenues**

This account shall include the total revenues for the accounting period which are provided for in the operating revenue accounts 500 to 530, inclusive. (Note also §31.01-2 (c).)

§31.301 Operating expenses

This account shall include the total expenses for the accounting period which are provided for in the operating expense accounts 602:1 to 677, inclusive. (Note also §31.01-2 (c).)

§31.302 Rent from lease of operating property

(a) This account shall include rents from the exclusive use of telephone operating property held as a whole and operated by others, such as a complete telephone plant, a complete exchange, or a complete toll system.

(b) Rents are creditable to this account whether receivable in cash or disbursed by the lessee in behalf of the company as taxes on the rented property, interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE: The rent from property the cost of which is includible in account 193 shall be included in account 315.

§31.303 Rent for lease of operating property

(a) This account shall include rents for the exclusive use of telephone operating property held as a whole and operated by the company, such as a complete telephone plant, a complete exchange, or a complete toll system.

(b) This account shall include also taxes borne by the lessee of property, the rent for which is chargeable to this account.

(c) Rents are chargeable to this account whether payable in cash or disbursed by the lessee in behalf of the lessor as taxes on the rented property, interest on funded debt, guaranteed dividends on stock, or otherwise.

NOTE A: If leased telephone plant the rent for which is chargeable to this account is sublet to others, the rent receivable therefrom shall be credited to the account appropriate for rent from owned property of the same class.

NOTE B: Rents payable for property used by the company for other than telephone operations shall be included in account 315.

NOTE C: Charges for depreciation of telephone operating property leased as a whole and operated by the company shall be included in account 008 or clearing accounts, as appropriate, on the same basis as for owned property (note also §31.02-81) when the company is responsible for depreciation under the terms of the lease.

§31.305 Operating taxes

(a) This account shall include all Federal, State, county, municipal, and other taxing-district taxes, including franchise taxes payable annually or more frequently, relating to telephone plant, operations, and privileges for the period for which the income account is stated. Taxes accrued through this account prior to their payment shall be credited to account 166, "Taxes accrued." (Note also §31.2-22 (b) (8).)

(b) Taxes on leased telephone plant shall be included in this account by the owner. Any taxes on rented telephone plant which are borne by the lessee shall be appropriately credited by the owner to account 524, "Rent revenues," or account 302, "Rent from lease of operating property," and charged by the lessee to account 671, "Operating rents," or account 303, "Rent for lease of operating property."

NOTE A: Taxes other than those on telephone plant, operations, and privileges shall be charged to account 522.

NOTE B: Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.

NOTE C: Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

NOTE D: Interest on tax assessments which are not paid when due shall be included in account 329.

NOTE E: The accounting for taxes on physical property during construction and before the facilities are completed ready for service shall be in accordance with §31.2-22 (b) (5).

NOTE F: Taxes paid by the company under tax-free covenants on indebtedness shall be charged to account 310.

NOTE G: Sales and use taxes shall be accounted for, so far as practicable, as a part of the cost of the items to which the taxes relate.

OTHER INCOME

§31.312 Dividend income

(a) This account shall include dividends on stock, the income from which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds, see Note B to this account), or controlled through lease, or otherwise.

(b) Dividends shall not be credited to this account before actual collection, unless their payment is reasonably assured by past experience, guaranty, anticipated provisions, or otherwise.

NOTE A: These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

NOTE B: Dividends on stocks of other companies held in sinking or other funds shall be credited to account 311.

§31.313 Interest income

(a) This account shall include interest on securities, including notes and other evidences of indebtedness, the income from which is the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds, see Note B to this account), or controlled through lease, or otherwise. It shall include also interest on bank balances, certificates of deposits, open accounts, and other analogous items.

(b) Interest shall not be credited to this account before actual collection, unless its payment is reasonably assured by past experience, guaranty, anticipated provisions, or otherwise.

(c) This account shall be credited with such amounts as are charged to the telephone plant accounts for interest on funds expended for construction purposes, as provided in §31.2-22 (b) (10).

(d) There may be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned, the income from which is includible in this account. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such difference remaining unextinguished at the sale or upon the maturity and satisfaction of such securities shall be cleared to account 413, "Miscellaneous debits to earned surplus," or account 402, "Miscellaneous credits to earned surplus."

NOTE A: These accounts shall not include interest or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

NOTE B: Interest on cash and on securities issued by others shall be included in account 314 when such assets are held in sinking or other funds.

NOTE C: Cash discounts on bills for material purchased shall not be included in this account. (Note also account 122.)

§31.314 Income from sinking and other funds

(a) This account shall include the income accrued on cash, securities issued by other companies, and other assets (not including securities issued or assumed by the company) held in sinking and other funds.

(b) There may be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the difference between the purchase price and the par value of securities held in sinking or other funds. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried. Any such difference remaining unextinguished upon the maturity and satisfaction of such securities shall be cleared to account 413, "Miscellaneous debits to earned surplus," or account 402, "Miscellaneous credits to earned surplus."

NOTE: Income from sinking and other funds required to be held in such funds and credits to reserve accounts representing income from funds shall be accounted for as provided in §31.331.

§31.315 Income from miscellaneous physical property

This account shall include the net balance of the revenues from and the expenses (including depreciation and insurance) of physical property the cost of which is includible in account 103, "Miscellaneous physical property," and also of physical property of others leased and used by the company for other than telephone operations. The rent for leased property which is used by the company for other than telephone operations, assessments when borne by the company for maintenance of public improvements against property the cost of which is includible in account 103, and directly assignable administration expenses incident to operation of miscellaneous physical property, shall be included in this account.

NOTE A: Net credit balances shall be shown in the income statement of the report to this Commission in black and net debit balances in red.

NOTE B: Taxes on miscellaneous physical property shall be included in account 322.

§31.316 Miscellaneous income

This account shall include all items, not provided for elsewhere, properly creditable to income.

Items to Be Credited

[Note §31.01-S]

Fees collected in connection with the exchange of coupon bonds for registered bonds.

Profits from the telephone operations of other companies realized by the company under contracts.

Profits realized from custom work performed for others not incident to the company's telephone operations.

MISCELLANEOUS DEDUCTIONS FROM INCOME

§31.322 Miscellaneous taxes

This account shall include all taxes not provided for elsewhere, such as taxes on miscellaneous physical property. (Note also §31.2-22 (b) (8).) Taxes accrued through this account prior to their payment shall be credited to account 166, "Taxes accrued."

NOTE A: Special assessments for street and other improvements and special benefit taxes such as water taxes and the like shall be included in the operating expense accounts or investment accounts as may be appropriate.

NOTE B: Discounts allowed for the prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

NOTE C: Interest on tax assessments which are not paid when due shall be included in account 336.

§31.323 Miscellaneous income charges

This account shall include all items not provided for elsewhere properly chargeable to income.

Items to Be Charged

[Note §31.01-S]

Contributions for charitable or social or community welfare purposes.

Current expenses of trustees in maintaining and administering trusts incident to outstanding debt of the company.

Uncollectible amounts previously credited to accounts 312 to 316, inclusive. (See also §31.1-11 and note to account 590.)

FIXED CHARGES**§31.335 Interest on funded debt**

(a) This account shall include the current accruals of interest on all classes of debt the principal of which is includible in account 151:1, "Funded debt," and account 155, "Receivers' certificates," except interest provided for in account 311, "Contingent interest on funded debt." (Note also §31.2-22 (b) (10).) It shall also include the interest on funded debt the maturity of which has been extended by specific agreement.

(b) This account shall be kept so that the interest on each class of funded debt and on receivers' certificates may be shown separately in the annual reports to this Commission.

NOTE A: These accounts shall not include charges for interest on funded debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other funds.

NOTE B: Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to account 133 and cleared to this account as the term expires to which the interest applies.

§31.336 Other interest deductions

(a) This account shall include all interest deductions not provided for elsewhere. Discount, premium, and expense on notes maturing 1 year or less from date of issue shall be included in this account in equal monthly installments throughout the term of the notes or included herein at the time such notes are issued. (Note also §31.2-22 (b) (10).)

(b) A list of representative items of indebtedness follows, the interest on which is chargeable to this account (note §31.01-8):

Advances from affiliated companies. (Note also account 156.)
Advances from nonaffiliated companies and other liabilities included in account 157.

Assessments for public improvements past due.

Bond coupons, matured and unpaid.

Capital-stock and funded-debt subscriptions, receipts for installments on.

Claims and judgments.

Customers' deposits.

Funded debt matured, with respect to which a definite agreement as to extension has not been made.

Notes payable on demand or maturing 1 year or less from date of issue.

Open accounts.

Tax assessments, past due.

NOTE: Interest payable on notes or other evidences of indebtedness maturing serially shall be charged to account 335 if any portion of the obligation matures more than 1 year from date of issue.

§31.338 Amortization of discount on long-term debt

This account shall include during each month such proportion of the unamortized debit balance in each particular discount, premium, and debt expense account for actually outstanding long-term debt as is applicable to that period. This proportion shall be determined in accordance with §31.1-15.

§31.339 Release of premium on long-term debt—Cr.

This account shall include during each month such proportion of the unextinguished credit balance in each particular discount, premium, and debt expense account for actually outstanding long-term debt as is applicable to that period. This proportion shall be determined in accordance with §31.1-15.

§31.340 Other fixed charges

This account shall include all items of fixed charges not provided for elsewhere properly chargeable to income of the accounting period, such as taxes paid by the company under tax-free covenants on indebtedness.

CONTINGENT INTEREST

§31.341 Contingent interest on funded debt

This account shall include accrued interest payable on funded debt, when a claim against income after fixed charges and prior to the interests of stockholders in the earnings of the company, such as interest on income bonds.

DISPOSITION OF NET INCOME

§31.342 Contractual reservations of income

This account shall include reservations chargeable to income, when specifically required under the terms of mortgages, deeds of trust, orders of courts, contracts, or other agreements. (Note also §31.3-31.)

NOTE A: Reservations of income resting in the discretion of the company (i.e., not required by mortgages and contracts) shall be charged to account 343.

NOTE B: Amounts charged to this account shall be concurrently credited to the appropriate reserve accounts.

§31.343 Miscellaneous reservations of income

This account shall include reservations of income for purposes not provided for elsewhere and not specifically required under terms of mortgages and contracts. It shall include appropriations for investment in telephone plant, and income reserved at the company's discretion on account of rate litigations. (Note also §31.3-31.)

NOTE: Amounts charged to this account shall be concurrently credited to the appropriate reserve accounts.

INSTRUCTIONS FOR EARNED SURPLUS ACCOUNTS**§31.4-40 Purpose of earned surplus accounts**

The earned surplus accounts (400 to 416, inclusive) are designed to show the changes in the company's earned surplus or deficit during each calendar year resulting from (a) the operations and other transactions during that period reflected in income accounts, (b) appropriations or other reservations of earned surplus for specific purposes, (c) accounting adjustments not properly attributable to the period (note also §31.01-5), and (d) miscellaneous losses and gains not provided for elsewhere. The balance of the earned surplus accounts (400 to 416, inclusive) shall be closed into account 181, "Unappropriated earned surplus," at the end of each calendar year.

EARNED SURPLUS ACCOUNTS**§31.400 Income balance**

An account, under this designation, shall be maintained in the general books of the company. The balance of all income primary accounts (300 to 313, inclusive) shall be closed into this account at the end of each calendar year.

§31.401 Credits for telephone plant sold

This account shall include amounts creditable to earned surplus in accordance with §§31.2-25 (X), 31.2-25 (Y), in connection with the sale of telephone plant.

§31.402 Miscellaneous credits to earned surplus

This account shall include amounts creditable to earned surplus not provided for elsewhere. Among the items which shall be credited to this account are (note §31.01-8):

Amount of adjustments arising from transactions in the company's own capital stock which are not includible in account 179. (Note §31.1-13 (d), (e), (f).)

Amounts of the credit balance at the time of its reacquisition in the discount, premium, and debt expense account relating to long-term debt reacquired. (Note §31.1-15.)

Amounts received for abrogation of contracts.

Credits for amounts previously written off through charges to earned surplus.

Credits from adjustments in connection with the reacquisition of bonds and other evidences of debt. (Note also §31.1-13 (b).)

Delayed credits to income, operating revenue, and operating expense accounts as provided in §31.01-5.

Forfeitures of amounts deposited with the company under options for the sale or lease of property.

Profits arising from foreign exchange. (Note §31.01-7.)

Profits derived from the resale of company securities owned other than capital stock.

Profits derived from the sale of securities of other companies.

Profits derived from the sale of unexpired leases.

Profits from the sale of land carried in account 103 and of depreciable property in account 103 not previously used in telephone service. (Note also account 174.)

Unclaimed dividends.

Unclaimed wages and vouchered accounts written off.

NOTE: An analysis of this account will be required in the annual reports of the company to this Commission.

§31.410 Debits for telephone plant sold

This account shall include amounts chargeable to earned surplus in accordance with §31.2-25 (a), (b), in connection with the sale of telephone plant.

§31.413 Miscellaneous debits to earned surplus

This account shall include amounts chargeable to earned surplus not provided for elsewhere. Among the items which shall be charged to this account are (note §31.01-8):

Amortization, at the company's option, of the balance in account 201.

Amortization not provided for elsewhere.

Amount of adjustments arising from transactions in the company's own capital stock which are not includible in account 179. (Note §31.1-13 (d), (e), (f).)

Amounts charged to earned surplus to cover past accrued depreciation not provided for. (Note also account 171.)

Amounts charged to earned surplus to extinguish, at the company's option, all or any part of the debit balance remaining in any particular discount, premium, and debt expense account for long-term debt actually outstanding. (Note §31.1-15.)

Amounts charged to earned surplus in recognition of the decline in value of current assets and securities owned. (Note §§31.1-11, 31.1-12.)

Amounts of capital stock expense written off which are not includible in account 179. (Note account 134:2.)

Amounts of the debit balance at the time of its reacquisition in the discount, premium, and debt expense account relating to long-term debt reacquired. (Note §31.1-15.)

Amounts paid for abrogation of contracts. §1.1-16A

Appropriations to nonpar stock accounts. (Note §31.1-16(b))

Debits resulting from adjustments required in connection with the reacquisition of bonds and other evidences of debt. (Note §31.1-13.)

Delayed debits to income, operating revenue, and operating expense accounts as provided in §31.01-5.

Forfeiture of amounts deposited by the company under options for the purchase or lease of property.

Inventory, appraisal, and other costs incident to the contemplated acquisition, sale or lease of property when the projects are abandoned.

Losses arising from foreign exchange. (Note §31.01-7.)

Losses of funds due to bank failures.

Losses resulting from the resale of company securities owned other than capital stock.

Losses resulting from the sale of land carried in account 103 and losses resulting from the sale, destruction, or retirement of depreciable property carried in account 103 not previously used in telephone service. (Note account 174.)

Losses resulting from the sale of securities of other companies.

Payments of amounts previously written off through credits to earned surplus.

Penalties and fines paid on account of violations of statutes pertaining to regulation.

Uncollectible receivables, or provisions therefor, not chargeable to other accounts.

STATE OF CALIFORNIA
DEPARTMENT OF CORRECTIONS
PRISON INDUSTRY AUTHORITY

Certificate of Individual Microfilm or
Other Photographic Reproduction

Section 14756, Government Code

I, the undersigned, hereby certify to the following in connection with the accompanying microfilm (photographic reproduction):

That I, Thomas Coupe', Industrial Supervisor, P.I.A. Micrographics or B-80311 an employee in the charge of Mr. Coupe', have been provided with access to the records, documents, instruments, plans, books or papers (hereinafter referred to as "records") of C.P.U.C. at C.M.F. Vacaville, Ca., for the purpose of microfilming; that such access was provided with the consent of said person or entity; that such records are reproduced in the accompanying microfilm; and that each Department of Corrections P.I.A. of the State of California reproduction includes the following identifying symbol, roll number Vol-572

That pursuant to delegation of the Department of Corrections P.I.A., I am authorized to direct and control the reproduction of documents and records of the Department or of other persons and entities in the manner authorized by Section 14756 of the Government Code, and Section 1551 of the Evidence Code; to execute certificates as required by Section 1531 and 1551 of the Evidence Code; and to certify under the official seal of the Department.

That this microfilm of the above described records was taken under my direction and control on the date hereof and that it is a complete, true and correct copy thereof;

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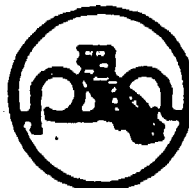
That this certificate was made at the time of the taking of this microfilm.

WITNESS my hand and the seal of the Department of Corrections Prison Industry Authority

25, day of Oct, 1985

Thomas R. Coupe'
(name)

california



prison
industry
authority

STATE OF CALIFORNIA
DEPARTMENT OF CORRECTIONS
PRISON INDUSTRY AUTHORITY

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That the microfilming or other photographic processes were accomplished in a manner and on film which meet with the standard specification of the United States National Bureau of Standards and A.N.S.I.

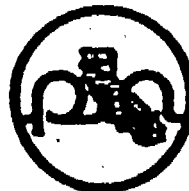
That this certificate was made at the time of the taking of this microfilm.

WITNESS my hand and the seal of the Department of Corrections Prison Industry Authority

25 day of Oct, 19 85

Thomas R. Coupe'
(name)

california



prison
industry
authority

Amounts charged to earned surplus to extinguish, at the company's option, all or any part of the debit balance in account 131:1, "Discount on capital stock." (Note §31.1-14 (d).)

NOTE: An analysis of this account will be required in the annual reports of the company to this Commission.

§31.414 Contractual reservations of earned surplus

This account shall include reservations chargeable to earned surplus when specifically required under the terms of mortgages, deeds of trust, orders of courts, contracts, or other agreements. (Note also §31.3-31.)

NOTE A: Reservations of earned surplus resting in the discretion of the company (i.e., not required by mortgages and contracts) shall be charged to account 415.

NOTE B: Amounts charged to this account shall be concurrently credited to the appropriate reserve accounts.

§31.415 Miscellaneous reservations of earned surplus

This account shall include reservations of earned surplus for purposes not provided for elsewhere and not specifically required under terms of mortgages and contracts. It shall include appropriations for investment in telephone plant and earned surplus reserved at the company's discretion on account of rate litigations. (Note also §31.3-31.)

NOTE: Amounts charged to this account shall be concurrently credited to the appropriate reserve accounts.

§31.416 Dividend appropriations

(a) This account shall include dividends on capital stock actually outstanding.

(b) If a dividend is not payable in cash the consideration shall be described in the entry with sufficient particularity to identify it.

(c) This account shall be kept so that the dividends on each class of capital stock may be shown separately in the annual reports to this Commission.

NOTE: These accounts shall not include charges for dividends on capital stock issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

INSTRUCTIONS FOR OPERATING REVENUE ACCOUNTS

§31.5-50 Purpose of operating revenue accounts

(a) The operating revenue accounts (500 to 530, inclusive) are designed to show the amounts of money which the company becomes lawfully entitled to receive, less uncollectible revenues, from the furnishing of telephone service (including operations incidental thereto). Credits to the various revenue accounts shall be based upon the actual amounts chargeable for services rendered by the company. It is not required that undetermined amounts of revenue at pay stations, lost through fire, theft, or collection of slugs or coins having no legal tender value shall be included in the operating revenue accounts. (Note also §§31.01-4 to 31.01-6, and account 650.)

(b) In addition to monthly service charges, the operating revenue accounts appropriate for the class of service involved shall be credited with:

(1) Amounts charged for connection, restoration and termination of service, and for inside moves, outside moves, instrument changes, and similar service requirements.

(2) Amounts of initial nonrecurring charges for plant or equipment, furnished in rendering service to a customer, includible in accounts 231, 232, ~~233~~ 234, and ~~235~~, except initial charges based on the cost of specially assembled private branch exchanges, order receiving tables, and order turrets includible in account 234. (Note §31.2-20 (b) and Note A thereto.)

(3) Amounts of service charges for supplemental or auxiliary equipment furnished in rendering service to a customer—for example, extension stations, auxiliary receivers, auxiliary signals, code calling and conference equipment.

(c) The classification of operating revenues provides separate accounts for local revenue and for toll revenue. In case it is necessary to apportion the revenue between these accounts, the company shall be prepared when so required by this Commission to furnish the basis used in making such apportionment.

§31.5-51 Deductions from revenues

Discounts allowed customers for prompt payment, corrections of overcharges, authorized refunds of overcollections theretofore credited, authorized refunds and adjustments on account of failure in service, and other corrections shall be charged to the revenue account previously credited with the amounts involved.

§31.5-52 Commissions

(a) Commissions paid to employees or others in place of salaries or other compensation for services rendered, such as public telephone commissions, shall be charged to the appropriate expense accounts and not to the revenue accounts.

(b) Originating and other commissions representing divisions of operating revenues between telephone companies shall be accounted for through the appropriate operating revenue accounts.

OPERATING REVENUE ACCOUNTS

[Note particularly §§31.01-1 (c), 31.01-4, 31.01-5, and 31.01-6]

ACCOUNTS FOR CLASS A COMPANIES

Local Service Revenues

Account No.	
500	Subscribers' station revenues.
501	Public telephone revenues.
502	Service stations.
503	Local private line services.
505	Other local service revenues.

ACCOUNTS FOR CLASS B COMPANIES

Local Service Revenues

Account No.	
500	Local service revenues.

ACCOUNTS FOR CLASS A COMPANIES—Continued		ACCOUNTS FOR CLASS B COMPANIES—Continued	
Toll Service Revenues		Toll Service Revenues	
Account No.		Account No.	
510	Message tolls.	510	Toll service revenues.
512	Toll private line services.		
516	Other toll service revenues.		
	Miscellaneous Revenues		Miscellaneous Revenues
521	Telegraph commissions.	520	Miscellaneous operating revenues.
523	Directory advertising and sales.		
524	Rent revenues.		
525	Revenues from general services and licenses.		
526	Other operating revenues.		
	Uncollectible Revenues		Uncollectible Revenues
530	Uncollectible operating revenues— Dr.	530	Uncollectible operating revenues— Dr.

LOCAL SERVICE REVENUES

§31.500 Subscribers' station revenues

This account shall include local service revenues from business and residence subscribers' service and from semipublic service, including such revenues from main stations, private branch exchange systems, order turrets, and other subscribers' stations, whether the charge is based upon a flat rate or a measured rate. It shall include local service revenues from mileage charges and auxiliary equipment in connection with such subscribers' service. This account shall include also revenues from directory listings for such subscribers' service requirements, such as listings of extra names and alternate call numbers in the alphabetical sections of directories.

NOTE A: Local service revenues from public telephones and from service stations shall be credited to accounts 501 and 503, respectively.

NOTE B: Revenues from advertising in directories (i.e., other than listings for service requirements) shall be credited to account 523.

§31.501 Public telephone revenues

This account shall include local service revenues from public telephone service.

NOTE A: Local service revenues from semipublic service shall be credited to account 500.

NOTE B: Public telephone commissions shall be charged to account 618.

§31.503 Service stations

This account shall include local service revenues from stations the lines or equipment of which are provided wholly or in part by others and to which the company furnishes local service, switching service, or both.

§31.504 Local private line services

This account shall include local service revenues from private line services and facilities furnished between points in the same local service area under contracts providing exclusive service, either continuously or

during stated periods (i.e., service not requiring central office switching operations). It shall include local private line service revenues from lines furnished for such purposes as telephone, telegraph, teletypewriter, public address, radio program transmission, and remote control. It shall include also charges for toll terminals and local loops furnished either continuously or during stated periods in connection with toll services (including those furnished for use in connection with lines of other companies); and charges for instruments and equipment, when furnished in connection with such lines and loops.

§31.506 Other local service revenues

This account shall include all local service revenues not provided for elsewhere.

TOLL SERVICE REVENUES

§31.510 Message tolls

(a) This account shall include toll service revenues from the transmission of messages, including such revenues from messages transmitted entirely over the company's own lines, and amounts representing divisions of toll service revenues received (1) from messages transmitted partly over the company's lines and partly over lines of other companies, (2) as compensation for originating or terminating toll messages of other companies, and (3) as compensation for switching toll messages between lines of other companies.

(b) This account shall include revenues from guarantees at toll stations and from messenger service in notifying persons of toll calls.

§31.512 Toll private line services

This account shall include toll service revenues from private line services and facilities furnished between different local service areas under contracts providing exclusive service either continuously or during stated periods, including (a) revenues from services involving only the use of the company's own lines, and (b) amounts representing divisions of toll private line service revenues when such service involves the use of lines of other companies. It shall include toll private line service revenues from lines furnished for such purposes as telephone, telegraph, teletypewriter, public address, radio program transmission, and remote control.

NOTE A: Charges for local loops furnished either continuously or during stated periods and the instruments used in connection therewith (including those furnished for use in connection with lines of other companies) shall be credited to account 501.

NOTE B: Toll service revenues from the transmission of messages charged for on a per-message basis shall be included in account 610.

§31.516 Other toll service revenues

This account shall include all toll service revenues not provided for elsewhere.

MISCELLANEOUS REVENUES

§31.521 Telegraph commissions

This account shall include commissions receivable for the billing or collection of telegraph, cable, or wireless tolls on messages transmitted by others.

§31.523 Directory advertising and sales

This account shall include revenues from advertising in directories and from the sale or furnishing of new directories either of the company's own issue or directories purchased from others. It shall include all revenues from the classified sections and from bold-face listings, marginal displays, inserts, cover, and other advertisements in alphabetical sections of directories.

NOTE A: Revenues from directory listings for service requirements, such as listings of extra names and alternate call numbers in the alphabetical sections of directories shall be credited to account 600.

NOTE B: Revenues from advertising other than in directories shall be credited to account 525.

NOTE C: Amounts received as salvage on old directories shall be credited to account 619.

§31.524 Rent revenues

This account shall include revenues (including taxes when borne by the lessee) from the rental or subrental to others of telephone plant constituting a part of the property used by the company in its telephone operations, such as instruments, equipment, and lines furnished apart from telephone service (note §31.01-3 (gg)) rendered by the company; space in conduits; pole line space for attachments; space in buildings; and carrying charges on property used in joint operations: (Note also §31.6-62, and Note B to this account.)

NOTE A: The expense of maintaining and operating the rented property, including depreciation and insurance, shall be included in the appropriate operating expense accounts. Taxes applicable to the rented property shall be included by the owner of the rented property in account 303.

NOTE B: Rents from the exclusive use of telephone operating property held as a whole and operated by others, such as a complete telephone plant, a complete exchange, or a complete toll system, shall be included in account 302.

§31.525 Revenues from general services and licenses

This account shall include amounts accruing for services rendered other companies under a license agreement, general service contract, or other arrangement providing for the furnishing of general accounting, engineering, financial, legal, patent, and other general services.

§31.526 Other operating revenues

This account shall include all miscellaneous operating revenues not provided for elsewhere, such as amounts charged for private branch exchange operating services performed by operators regularly employed by the telephone company; flat amounts (not divisions of revenue or reimbursements of costs) charged other telephone companies for operating services on toll lines of such companies terminat-

ing in the switchboard of the accounting company; revenues from advertising other than in directories; unclaimed refunds or overcharges on telephone service; and profits realized from custom work performed for others incident to the company's telephone operations.

UNCOLLECTIBLE REVENUES

§31.530 Uncollectible operating revenues—Dr.

(a) This account shall include amounts credited to the operating revenue accounts which have proved impracticable of collection. (Note also §31.1-11 and subaccount 118(b).)

(b) This account may include monthly charges based on estimates, to provide a reserve for uncollectible accounts due from customers and agents. Amounts thus charged to this account shall be credited to subaccount (b), "Reserve for uncollectible accounts—Cr.," under account 118, "Due from customers and agents."

(c) When revenue which has been written off through this account is collected, the amount of the collection shall be credited to this account.

(d) This account shall include, in a separate subdivision thereof, credits arising from charges to accounts 160, "Customers' deposits," and 164, "Advance billing and payments," that may lawfully be written off as unrefundable because of failure to locate the rightful owner or for some similar reason.

NOTE: Uncollectible amounts which have not been treated as operating revenues shall be charged to account 323, account 413, or other appropriate account.

INSTRUCTIONS FOR OPERATING EXPENSE ACCOUNTS

§31.6-60 Purpose of operating expense accounts

The operating expense accounts (602:1 to 677, inclusive) are designed to show the expenses of furnishing telephone service (note §31.01-3 (gg), including expense of maintaining the plant used in such service. (Note also §§31.01-4 to 31.01-6.)

§31.6-61 Cost of repairs

(a) The cost of repairs chargeable to the various operating expense and clearing accounts includes: inspecting, testing, and reporting on the condition of telephone plant to determine the need for repairs, replacements, rearrangements, and changes; testing for, locating and clearing trouble; routine work (note also paragraph (b) of this section) to prevent trouble, such as pulling up slack, tightening guys and raking guy stubs, trimming trees, straightening poles and crossarms, and cleaning and adjusting equipment; replacing minor items of telephone plant (note also §31.2-25); rearranging and changing the location of property not retired; repairing material for reuse; restoring the condition of property damaged by storms, floods, fire, or other casualties (note also paragraph (b) of this section); training employees for maintenance work; inspecting and testing after repairs have been

made; and an equitable proportion of the cost of local plant administration, general plant supervision and engineering.

(b) The cost of repairs does not include the cost of replacing items of property designated as "retirement units," except as provided in account 605, "Repairs of station equipment," for labor and incidental costs in the replacement of station apparatus. (Note also §31.2-25.)

§31.6-62 Joint operating expenses

(a) In accounting for operating expenses incurred under arrangements for joint participation or apportionment between telephone companies, the creditor company shall charge initially the entire expense to the appropriate primary accounts. The proportion of such expenses borne by the debtor shall be credited by the creditor and charged by the debtor to the accounts initially charged, except that by agreement between the participating companies the proportion of traffic expenses borne by the debtor may be credited by the creditor to account 635, "Joint traffic expenses—Cr." and charged by the debtor to account 634, "Joint traffic expenses—Dr."

(b) Any allowances for return on the property used under the arrangement shall be credited by the creditor to the appropriate rent revenue account and charged by the debtor to the appropriate rent expense account.

(c) The creditor company shall inform the debtor company of the distribution of charges made by it.

§31.6-63 Distribution of pay and expenses of employees

(a) Charges to the telephone plant, operating expense, and other accounts for services and expenses of employees engaged in activities chargeable to various accounts shall be based upon the actual time engaged in the respective classes of work except that the pay and expenses of an employee who performs the same class of work from day to day may be distributed upon the basis of a study of the time actually engaged during a representative period.

(b) The pay and expenses of employees of one department who perform for another department incidental services involving only small expense shall be included in the expenses of the department in which the employees are regularly employed.

§31.6-64 Extensive replacements

When it becomes necessary to replace the majority of either station apparatus, inside ^{wires} drop, or block wires, in any given central office district, together with any number of such items in contiguous districts, the cost of the replacements chargeable to account 605, "Repairs of station equipment," if so authorized by this Commission upon application to it, shall be charged to account 138, "Extraordinary maintenance and retirements," and cleared to account 605 over the period specified in the authority.

OPERATING EXPENSE ACCOUNTS

[Note particularly §§31.01-1 (c), 31.01-4, 31.01-5, 31.01-6 and 31.2-25]

ACCOUNTS FOR CLASS A
COMPANIES

Maintenance Expenses

Account No.	
602:1	Repairs of pole lines.
602:2	Repairs of aerial cable.
602:3	Repairs of underground cable.
602:4	Repairs of buried cable.
602:5	Repairs of submarine cable.
602:6	Repairs of aerial wire.
602:7	Repairs of underground conduit.
602:8	Stop repairs and salvage adjustments.
602:9	General supervision, engineering, and tool expenses.
603	Test desk work.
604	Repairs of central office equipment.
605	Repairs of station equipment.
606	Repairs of buildings and grounds.
607	Station removals and changes.
610	Maintaining transmission power.
611	Employment stabilization.
612	Other maintenance expenses.

Depreciation and Amortization
Expenses

608	Depreciation.
609	Extraordinary retirements.
613	Amortization of intangible property.
614	Amortization of telephone plant acquisition adjustment.

Traffic Expenses

621	General traffic supervision.
622	Service inspection and customer instruction.
624	Operators' wages.
625	Rest and lunchrooms.
627	Operators' employment and training.
629	Central office stationery and printing.
629	Central office house service.
631	Miscellaneous central office expenses.
632	Public telephone expenses.
633	Other traffic expenses.
634	Joint traffic expenses—Dr.
635	Joint traffic expenses—Cr.

Commercial Expenses

640	General commercial administration.
642	Advertising.
643	Sales expense.
644	Connecting company relations.
645	Local commercial operations.
645	Public telephone commissions.
649	Directory expenses.
650	Other commercial expenses.

ACCOUNTS FOR CLASS B
COMPANIES

Maintenance Expenses

Account No.	
602	Repairs of outside plant.
603	Test desk work.
604	Repairs of central office equipment.
605	Repairs of station equipment.
606	Repairs of buildings and grounds.
607	Station removals and changes.
610	Maintaining transmission power.
611	Employment stabilization.
612	Other maintenance expenses.

Depreciation and Amortization
Expenses

608	Depreciation.
609	Extraordinary retirements.
613	Amortization of intangible property.
614	Amortization of telephone plant acquisition adjustment.

Traffic Expenses

624	Operators' wages.
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633	Other traffic expenses.
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Commercial Expenses

640	Commercial expenses.
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ACCOUNTS FOR CLASS A COMPANIES—Continued	ACCOUNTS FOR CLASS B COMPANIES—Continued
General Office Salaries and Expenses Account No.	General Office Salaries and Expenses Account No.
661 Executive department.	
662 Accounting department.	
663 Treasury department.	
664 Law department.	
665 Other general office salaries and expenses.	665 General office salaries and expenses.
Other Operating Expenses	Other Operating Expenses
668 Insurance.	
669 Accidents and damages.	
671 Operating rents.	
672 Relief and pensions.	
673 Telephone franchise requirements.	
674 General services and licenses.	
675 Other expenses.	675 Other operating expenses.
676 Telephone franchise requirements —Cr.	
677 Expenses charged construction—Cr.	

MAINTENANCE EXPENSES

§31.602:1 Repairs of pole lines

This account shall include the cost of repairing pole lines and the cost of maintaining right of way therefor.

Items

[Note §31.01-8]

Inspecting, testing, and reporting on the condition of pole lines to determine the need for repairs or replacements.

Moving poles in connection with road and street changes. (Note also §31.2-25.)

Painting and treating poles and pole butts subsequent to their installation.

Permits and privileges for maintenance work.

Replacing minor items of pole lines, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Respacing poles and crossarms.

Restoring condition of pole lines damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Right of way adjustments, cost of, when no additional rights are acquired.

Straightening poles and crossarms.

Tightening guys and raking guy stubs.

Transferring crossarms and guys in connection with replacements of poles and crossarms.

Trenching poles.

Trimming trees, cutting underbrush, and other work to maintain previous clearance of right of way.

Work on the property of others in connection with the maintenance of the pole lines of the company. (See also note A to this account.)

NOTE A: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing the property of others in the course of such work) shall be charged to account 669.

NOTE B: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to pole lines, shall be charged to accounts 602:5 or 602:9, as appropriate.

§31.602:2 Repairs of aerial cable

This account shall include the cost of repairing the aerial cable plant.

Items

[Note §31.01-S]

Clearing defective cable pairs.

Inspecting, testing, and reporting on the condition of aerial cable plant to determine the need for repairs or replacements. (Note also account 603.)

Installing, transferring, replacing, and removing cross connection wires and fuses in cable terminals or boxes. (See also note A to this account.)

Moving aerial cable in connection with road and street changes.

Opening, testing, splicing, and other work of transferring pairs in cable and transferring cable from one cable or stub to another cable or stub.

Permits and privileges for maintenance work.

Replacing minor items of aerial cable plant, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Restoring condition of aerial cable plant damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Testing for, locating, and clearing trouble. (Note also account 603.)

Tightening suspension strand and cutting out cable slack.

Transferring cable, cable boxes, and other aerial cable plant in connection with replacements of poles and crossarms.

Work on the property of others in connection with the maintenance of the aerial cable plant of the company. (See also note B to this account.)

NOTE A: The cost of cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes for aerial cable shall be charged to account 242:1.

NOTE B: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing the property of others in the course of such work) shall be charged to account 602.

NOTE C: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to aerial cable plant, shall be charged to account 602:8 or 602:9, as appropriate.

§31.602:3 Repairs of underground cable

This account shall include the cost of repairing the underground cable plant.

Items

[Note §31.01-S]

Clearing defective cable pairs.

Inspecting, testing, and reporting on the condition of the underground cable plant to determine the need for repairs or replacements. (Note also account 603.)

Installing, transferring, replacing, and removing cross connection wires and fuses in cable terminals or boxes. (See also note A to this account.)

Moving underground cable in connection with road and street changes. (Note also §31.2-25.)

Opening, testing, splicing, and other work of transferring pairs in cable and transferring cable from one cable or stub to another cable or stub.

Permits and privileges for maintenance work.

Replacing minor items of underground cable plant, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Reracking cables.

Restoring condition of underground cable plant damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Testing for, locating, and clearing trouble. (Note also account 603.)

Tests and surveys of existing plant to detect presence of electrolysis. (See note A to this account, also account 603.)

Work on the property of others in connection with the maintenance of the underground cable plant of the company. (See also note B to this account.)

NOTE A: The cost of cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes, and the cost of tests for electrolysis made in connection with construction of underground cable shall be charged to account 242:2.

NOTE B: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing the property of others in the course of such work) shall be charged to account 603.

NOTE C: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to underground cable plant, shall be charged to account 602:8 or 602:9, as appropriate.

§31.602:4 Repairs of buried cable

This account shall include the cost of repairing the buried cable plant and the cost of maintaining right of way therefor.

Items

[Note §31.01-S]

Clearing defective cable pairs.

Inspecting, testing, and reporting on the condition of the buried cable plant to determine the need for repairs or replacements. (Note also account 603.)

Installing, transferring, replacing, and removing cross connection wires and fuses in cable terminals or boxes. (See also note A to this account.)

Moving buried cable in connection with road and street changes. (Note also §31.2-25.)

Opening, testing, splicing, and other work of transferring pairs in cable and transferring cable from one cable or stub to another cable or stub.

Permits and privileges for maintenance work.

Replacing minor items of buried cable plant, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Restoring condition of buried cable plant damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Right of way adjustments, cost of, when no additional rights are acquired.

Testing for, locating, and clearing trouble. (Note also account 603.)

Work on the property of others in connection with the maintenance of the buried cable plant of the company. (See also note B to this account.)

NOTE A: The cost of cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes for buried cable shall be charged to account 242:3.

NOTE B: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing the property of others in the course of such work) shall be charged to account 603.

NOTE C: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to buried cable plant, shall be charged to account 602:8 or 602:9, as appropriate.

§31.602:5 Repairs of submarine cable

This account shall include the cost of repairing the submarine cable plant and the cost of maintaining right of way therefor.

Items

[Note §31.01-S]

Clearing defective cable pairs.

Inspecting, testing, and reporting on the condition of submarine cable plant to determine the need for repairs or replacements. (Note also account 603.)

Installing, transferring, replacing, and removing cross connection wires and fuses in cable terminals or boxes. (See also note A to this account.)

Opening, testing, splicing, and other work of transferring pairs in cable and transferring cable from one cable or stub to another cable or stub.

Permits and privileges for maintenance work.

Replacing minor items of submarine cable plant, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Restoring condition of submarine cable plant damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Right of way adjustments, cost of, when no additional rights are acquired.

Testing for, locating, and clearing trouble. (Note also account 603.)

Work on the property of others in connection with the maintenance of the submarine cable plant of the company. (See also note B to this account.)

NOTE A: The cost of cross connection wires and fuses installed in the first equipment for service of cable terminals or boxes for submarine cable shall be charged to account 242:4.

NOTE B: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing property of others in the course of such work) shall be charged to account 609.

NOTE C: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to submarine cable plant, shall be charged to account 602:8 or 602:9, as appropriate.

§31.602:6 Repairs of aerial wire

This account shall include the cost of repairing the aerial wire plant.

Items

[Note §31.01:8]

Cutting out or cutting in slack in aerial wire.

Inspecting, testing, and reporting on the condition of aerial wire plant to determine the need for repairs or replacements. (Note also account 603.)

Moving aerial wire in connection with road and street changes. (Note also §31.2-25.)

Permits and privileges for maintenance work.

Rearranging wires on pins.

Replacing minor items of aerial wire plant, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Restoring condition of aerial wire plant damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Testing for, locating, and clearing trouble. (Note also account 603.)

Transferring aerial wire in connection with replacements of poles and crossarms.

Transposing or retransposing existing aerial wire, including such work for the removal of electric interference and for the creation of phantom and carrier circuits subsequent to the original installation of wires. (See also note A to this account.)

Work on the property of others in connection with the maintenance of the aerial wire plant of the company. (See also note B to this account.)

NOTE A: The cost of any betterments and plant added resulting from such work shall be included in account 243.

NOTE B: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing the property of others in the course of such work) shall be charged to account 609.

NOTE C: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to aerial wire plant, shall be charged to account 602:8 or 602:9, as appropriate.

§31.602:7 Repairs of underground conduit

This account shall include the cost of repairing the underground conduit plant and the cost of maintaining right of way therefor.

Items
(Note §31.01-5)

Cleaning manholes and ducts. (See also note A to this account.)
Moring underground conduit in connection with road and street changes. (Note also §31.2-25.)

Opening pavement and repaving in connection with repairs of underground cable and conduit.

Permits and privileges for maintenance work.

Replacing minor items of underground conduit plant, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Restoring condition of underground conduit plant damaged by storms, fires, or other casualties. (Note also §31.2-25.)

Right of way adjustments, cost of, when no additional rights are acquired.

Work on the property of others in connection with the maintenance of the underground conduit plant of the company. (See also note B to this account.)

NOTE A: The cost of cleaning manholes and ducts in connection with construction work and not necessary in the maintenance or operation of the plant shall be included in the account chargeable with the cost of the construction work.

NOTE B: Expenses on account of property of others damaged in connection with maintenance work (except for the cost of incidentally repairing property of others in the course of such work) shall be charged to account 602.

NOTE C: The cost of shop repairs and salvage adjustments, general supervision, engineering, and tool expenses, applicable to underground conduit, shall be charged to account 602:8 or 602:9, as appropriate.

§31.602 :8 Shop repairs and salvage adjustments

This account shall include the cost of repairs and conversions of pole line, cable, aerial wire, and underground conduit material which has been removed from plant and returned to shops for repairs. It shall also include salvage adjustments with respect to such material which cannot be practicably allocated to accounts 602:1 to 602:7, inclusive.

§31.602 :9 General supervision, engineering, and tool expenses

This account shall include the cost of engineering and plant supervision expense applicable to work charged to accounts 602:1 to 602:8, inclusive. It shall also include amounts cleared from account 702, "Vehicle and other work equipment expense," for expense of small tools applicable to repairs of outside plant.

§31.603 Test desk work

(a) This account shall include the costs incurred by forces located in central offices and engaged in the work of receiving and recording reports of trouble from subscribers and others; testing from test desks to determine the nature and location of trouble; dispatching repairmen from test desks; testing from test desks with repairmen during the course of their work or upon its completion and making other tests from test desks to determine the condition of the plant; and testing from test desks in the course of station reconnections, reinstallation, inside moves and rearrangements of station equipment, including service records.

(b) This account shall include also the cost of cable fault location work performed at specially equipped test desks; the cost of putting up and taking down leased toll circuits; monitoring, testing and adjusting

leased toll circuits to maintain such circuits in proper adjustment; and similar work in connection with toll message circuits.

§31.604 Repairs of central office equipment

(a) This account shall include the cost of repairing central office equipment.

(b) This account shall include also the pay and expenses of plant department forces engaged in maintaining and operating equipment for producing electricity for transmitting traffic and operating signals.

Items

[Note §31.01-S]

Adding acid and water to batteries and reading specific gravity, current drain, and voltage of batteries.

Cleaning equipment.

Disconnecting and reconnecting customers' lines in central offices for temporary periods of nonuse or for nonpayment of bills.

Disconnecting customers' lines in central offices due to termination of service.

House service. (Note also account 707.)

Lubrication, adjustment, and cleaning of power equipment, including the lubrication and cleaning of drive motors and driving mechanism in panel offices.

Operating prime movers, generators, and motors.

Rearranging and replacing frame cross-connection wires. (See also note A to this account.)

Removing sediment from storage batteries and the cost of repairing storage batteries, including replacement of minor items.

Repairing used central office equipment for reuse.

Replacement of central office dry cell batteries.

Replacing minor items of central office equipment, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also §31.2-25.)

Starting, stopping, and watching operation of power equipment.

Supplies, such as acid, caustic soda, cheesecloth, commutator paste, dry cells, electrolyte, kerosene, oil, and waste.

Tools and other individual central office equipment—items of small value or short life, cost and repairs of. (Note also §31.2-20 (d).)

Training employees for central office repair work.

Underlining switchboard jacks, renewing switchboard markings, and placing and changing number plates and designation strips, not incident to construction. (See also note C to this account.)

NOTE A: The cost of work on central office frames incident to routine station and line turnover and growth, including the placing, removing, or rearrangement of cross connections (including the cost, less salvage, of the cross connection wire, heat coils, and protector blocks, and the opening and closing of lines on the frame, may be currently charged direct to this account and, before the close of the calendar year, adjustment made between this account and account 221 for the net increase in central office investment or between account 221 and account 171 for the net decrease in such investment, due to increase or decrease in lines.

NOTE B: The pay and expenses of test-board men and other employees in central offices engaged in testing circuits in connection with the maintenance of plant, such as testing with station repairmen and cablemen, shall be charged to account 603. Similar costs in connection with construction projects shall be included in the telephone plant accounts appropriate for the class of plant tested.

NOTE C: The pay of clerks of the traffic department when engaged in such work shall be charged to account 624. The cost of placing number plates, designation strips, making switchboard markings, and similar work in connection with central office construction shall be included in account 221. (Note also §31.6-63.)

NOTE D: The cost of power produced for house service purposes shall be charged to account 707 or other account, as may be appropriate.

NOTE E: The cost of electricity purchased and the cost of coal, gas, gasoline, oil, and other fuel used in the generation, conversion, and storage of current for transmitting traffic and operating signals shall be included in account 610.

§31.605 Repairs of station equipment

(1 (a) This account shall include the cost of repairing station apparatus, station connections and large private branch exchanges. It shall also include the cost of replacing station apparatus (excluding the cost of material other than repair parts) and the cost of replacing station connections where service discontinuance is not involved.

(b) This account shall include also amortization of costs of extensive replacements of station apparatus, inside wires, and drop and block wires, which, under conditions provided in § 31.6-81, have been included in account 138, "Extraordinary maintenance and retirements."

ITEMS

(Note § 31.01-8)

- Changing type of telephone, such as from desk set to hand set, wall set to desk set, magneto to common battery, or nondial to dial.
- Changing inside and drop and block wires.
- Cleaning station apparatus and large private branch exchange equipment.
- Disconnecting and reconnecting customers' lines at customers' premises to deny service provisionally for nonpayment and to restore service in cases of provisional denials which have not become final. (See also Note C to account 232.)
- Inside moves (moves or relocations on the same premises or at the same address) of items of station apparatus. (See also Note A to this account.)
- Inspecting, testing, and reporting on condition of equipment to determine the need for repairs or replacements. (See also account 603.)
- Materials normally used as repair parts for station apparatus.
- Number plate changes not incident to station connections.
- Removing sediment from and cleaning batteries.
- Repainting and other repairs of booths, including those owned by others.
- Repairing used station equipment for reuse.
- Replacing dry-cell batteries.
- Replacing minor items of large private branch exchanges, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (Note also § 31.2-25.)
- Replacing one small private branch exchange by another of the same capacity and type. (See paragraph (d) of account 232.)

the cost of repairing station apparatus (inside wires), drop and block wires and special fittings. It shall also include the cost of extensive replacements of station apparatus, inside wires, and drop and block wires, which, under conditions provided in § 31.6-81, have been carried in account 138, "Extraordinary maintenance and retirements."

§ 31.01-8)

such as from desk set to hand set, wall set to desk set, magneto to common battery, or nondial to dial. (See also note A to this account.)

the same premises or at the same address) of items of station apparatus. (See also Note A to this account.)

Routine work to prevent trouble, such as trimming trees to protect existing drop and block wires. Supply expense applicable to station apparatus being reused. Testing for, locating and clearing trouble in station apparatus and large private branch exchanges. (See also account 603.)

NOTE A: The accounting for station connections in cases of customers' moves to different premises or to a different address shall be on the basis of a retirement or a disconnection at the old location and an installation or a reconnection at the new location.

NOTE B: Amounts charged customers for moves and changes of station apparatus and large private branch exchanges shall be credited to account 600 or to other revenue accounts appropriate for the class of service involved.

(less salvage recovered) of drop and block wires and special fittings, such as the replacement of drop and block wires, and the replacement of station equipment. (Note also account 231.)

(the cost of the material retired; the latter shall be charged to account 171.)

branch exchanges and booths and special fittings at the new location. (Note also

NOTE C: Amounts charged customers for moves, and changes of station equipment shall be credited to account 300 or to other revenue accounts appropriate for the class of service involved.

§31.606 Repairs of buildings and grounds

This account shall include the cost of repairing buildings and grounds, their fixtures and appurtenances, except as provided in the texts of the clearing accounts with respect to rented quarters.

Items

[Note §31.61-8]

Changing location of partitions. (See also note A to this account.)

Maintaining public improvements, including assessments covering such work.

Maintaining yards and grounds, including their fences, shrubbery, sidewalks, and sewers.

Minor improvements to leased buildings, quarters, and grounds. (Note also §31.2-23.)

Repainting and repapering buildings, including redecorating interiors of buildings.

Repairing building machinery, fixtures, appurtenances, and appliances, such as elevators, plumbing, and equipment for heating, lighting, and ventilating.

Repairing rented buildings, quarters, and grounds, except when the rented property is used in operations the expense of which is chargeable to the clearing accounts.

Replacing and repairing awnings, screens, window shades and ventilators, storm doors, storm windows, movable partitions, and similar movable minor items of buildings. (See also note B to this account.)

Replacing minor items of buildings, including labor and material used and the removal and recovery of the items retired less salvage recovered, except when such items are replaced through the replacement of retirement units. (See also §31.2-25, and note C to this account.)

Restoring condition of buildings or grounds damaged in the course of repairs, replacements, additions or betterments. (See also note C to this account.)

NOTE A: The cost of any substantial increase or decrease in partitions resulting from such changes shall be charged or credited, as appropriate, to account 212.

NOTE B: When partitions of a movable type (for example, steel and glass, or wood and glass) are replaced by partitions of a permanent type (for example, terra cotta) or vice versa, the costs involved shall be accounted for through the telephone plant and depreciation reserve accounts.

NOTE C: The cost of minor building alterations incident to the installation of central office equipment, such as opening and closing holes in ceilings, partitions, walls, and floors to permit installation of equipment, power conduit and wiring, shall be charged to account 221.

NOTE D: The cost of initial improvements (including repairs, rearrangements, plant added, and betterments) in the preparation for service of either rented or purchased buildings or grounds shall be charged to account 211 or account 212, as appropriate, except that when the improvements to leased property are of relatively minor cost or short life or the period of the lease is less than 1 year, the cost shall be charged to the account chargeable with the cost of repairs of such property. (Note also §31.2-23.)

NOTE E: The cost of repairs to buildings and grounds classable under account 100 shall be charged to account 315.

§31.607—Station removals and changes—

This account shall include the expense of removing stations due to the termination of service together with the resultant loss of investment in station installations, drop and block wires, and the expense of station disconnections, reconnections, and reinstallations, as follows:

(a) When stations are removed from subscribers' premises, the original cost (actual or estimated average unit cost) of the station instal-

lations (including inside wires) carried in account 232, "Station installations," and of any drop and block wires thereby retired from service, shall be credited to the appropriate telephone plant accounts and charged to this account, which shall be credited with the value of any salvage recovered therefrom. The cost of removing the station apparatus and inside, drop, and block wires, including transportation costs incurred in the recovery of the material, shall be charged to this account.

(b) When stations are disconnected (either for nonpayment or other discontinuance of service) but left on premises, this account shall be charged with the cost of disconnecting the station equipment; and when reconnected, the cost of reconnecting shall also be charged here.

(c) When stations are reinstalled on premises from which the station apparatus had previously been removed, if inside wire or ground wire left from a previous installation is reused, wholly or in part, the cost of installing the station apparatus (not including the cost of the apparatus which shall be charged to account 231) and of placing the inside wire again in service shall be charged to this account, and this account shall be credited and account 232, "Station installations," charged with the average cost of a station installation (including inside wire) in place; if drop or block wire left from a previous installation is reused, wholly or in part, the cost of placing such wire again in service shall be charged to this account, and this account shall be credited and account 233, "Drop and block wire," charged with the average cost of a drop or block wire in place.

NOTE A: The cost of disconnecting and reconnecting subscribers' lines in central offices shall be charged to account 604. The cost of test desk work in connection with station removals and changes shall be charged to account 603.

NOTE B: Amounts charged subscribers for restoration of service shall be credited to account 500 or to other revenue accounts appropriate for the class of service involved.

§31.610 Maintaining transmission power

This account shall include the cost of power for transmitting traffic and operating signals. It shall include the cost of electricity purchased and the cost of coal, gas, gasoline, oil, and other fuel used in the generation, conversion, and storage of current for operating dial system, repeater, and carrier equipment, ringing machines, ticket-distributor systems, battery-charging machines, coin-collection equipment, and for other transmission power requirements of central office equipment, private branch exchanges, and other station equipment.

NOTE A: Payments for the installation in central offices of permanent power circuits for emergency use shall be charged to the appropriate plant account. Payments to others made with a provision for reimbursement as power is used shall be treated as a prepayment and cleared by charges to this account or other appropriate account.

NOTE B: The cost of power produced for house service purposes shall be charged to account 707 or other account, as may be appropriate.

NOTE C: The pay and expenses of central office forces engaged in the generation, conversion, and regulation of transmission power shall be charged to account 604.

(§31.603, 31.609 follow §31.612 in order to maintain the keying of section numbers to account numbers.)

§31.611 Employment stabilization

(a) This account shall include amounts systematically accrued with respect to maintenance work to be performed in accordance with an employment stabilization program designed to spread the total volume of maintenance work more evenly from year to year. Charges to this account shall be made only after approval by this Commission of the company's employment stabilization program, the plan of administration of the program, the character of the work to which sums accrued may subsequently be applied, and the amount of the monthly or annual accruals for stabilization purposes.

(b) Amounts charged to this account shall concurrently be credited to account 173, "Employment stabilization reserve."

(c) When maintenance work for which provision has been made through this account is performed, the cost of such work shall be charged to the appropriate maintenance expense accounts. Concurrently, this account shall be credited and account 173, "Employment stabilization reserve," shall be charged with an amount equal to the cost of such work.

§31.612 Other maintenance expenses

This account shall include all maintenance expenses not properly chargeable to other accounts.

DEPRECIATION AND AMORTIZATION EXPENSES**§31.608~~4~~ Depreciation**

This account shall include the amount of depreciation charges applicable to the accounting period for all classes of depreciable telephone plant, except amounts chargeable to clearing accounts. The depreciation charges shall be made in accordance with §§31.2-23 (c), 31.02-80 to 31.02-82. (Note accounts 315 and 174 for depreciation of miscellaneous physical property.)

§31.609~~0~~ Extraordinary retirements

This account shall include the proportion of the service value of telephone plant retired, carried in account 133, "Extraordinary maintenance and retirements," which by specific authority of this Commission shall be charged to operating expenses for the period. (Note also §31.02-83, and account 138.)

§31.613 Amortization of intangible property

This account shall be charged each month with the amount necessary to cover such portions of the lives of limited term franchises, patents, leaseholds, and similar intangible property included in the telephone plant accounts, as have expired during the month. Amounts so charged shall be credited to account 172, "Amortization reserve."

~~§31.613-01-02 follow §31.612 in order to maintain the keying of section numbers to account numbers.~~

§31.614 Amortization of telephone plant acquisition adjustment

This account shall be charged or credited each month with such amounts as may be authorized by the Commission to be included in operating expenses under a plan to amortize amounts in account 100:4 "Telephone plant acquisition adjustment." Amounts so entered shall be charged or credited, as appropriate, to account 172, "Amortization reserve." *This account may also be charged with amounts described in §31.100:4(3)*

TRAFFIC EXPENSES**§31.621 General traffic supervision**

This account shall include the pay, office, traveling, and other expenses of officers directly in charge of the general supervision of traffic, either for the company as a whole or a territorial subdivision; also the pay and expenses of their assistants and office forces.

Items

[Note §31.01-S]

House service. (Note also account 107.)

Medical examiners and their assistants, welfare supervisors, and nurses engaged in the traffic department, pay and expenses of. (See also note A to this account.)

Office supplies.

Postage, printing, and stationery.

Preparing tariff and route data, traffic department's expense of. (See also note B to this account.)

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Traffic superintendents, managers, chiefs, supervisors, and engineers, pay and expenses of. (See also note C to this account.)

Traveling expenses.

NOTE A: The pay and expenses of physicians and nurses engaged in work such as conducting physical examinations of employees for all departments, giving general health advice, providing first-aid treatment, supervising and investigating sickness cases, and in other general relief activities shall be charged to account 612. The pay of nurses assigned to operators' quarters shall be charged to account 626.

NOTE B: The traffic department's proportion of the expense of printing and distributing tariff and route data shall be charged to account 620.

NOTE C: The cost of traffic engineering applicable to construction shall be credited to this account.

§31.622 Service inspection and customer instruction

(a) This account shall include the pay, office, traveling, and other expenses of service observation forces. It shall include also the expense of inspecting and directly supervising private branch exchange service.

(b) This account shall also be charged with the expense of instructing customers in methods of placing calls, including instruction in the use of dial equipment. (See also note A to this account.)

Items

[Note §31.01-S]

Card notices and other literature for instruction of customers in use of dial equipment.

Employment and training of private branch exchange operators apart from the regular employment and training of operators.

House service. (Note also account 107.)

Investigation and adjustment of traffic service complaints. (See also note B to this account.)

Making test calls.

Observation of handling of traffic by operators. (See also note C to this account.)
 Observation of accuracy of measured service charges.

Office supplies.

Postage, printing, and stationery.

Private branch exchange service supervisors, pay and expense of.

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Stop watches, repairs of.

Summarization of service observation data.

Traveling expenses.

NOTE A: The expense of instructing customers in the use of station equipment in the course of station installation activities shall be included in the accounts charged with the cost of such activities.

NOTE B: The recording and adjustment of traffic service complaints performed by operating forces in the course of completing calls shall be included in account 624.

NOTE C: The pay of operators, supervisors, and other employees in central office operating rooms engaged in listening-in work in connection with coaching operators shall be charged to account 624.

§31.624 Operators' wages

(a) This account shall include the pay of chief operators, assistant chief operators, monitors, supervisors, ticket distributors, switchboard operators, information operators, directory operators, private branch exchange operators, telegraph operators, teletypewriter operators, operators employed in quoting toll rates and charges, listening-in work in connection with coaching operators, helping subscribers to place and complete calls together with the incidental recording of subscribers' complaints, operating telephotographic equipment, and all other operators employed in the operation of central office and private branch exchange equipment.

(b) This account shall include also the pay of clerks, stenographers, and messengers engaged in line assignments, peg counts, message register readings, plug counts, preparing time or attendance records, pay rolls, intercepting records, panel and jack records, line and station reports, delivering messages or notifying persons of calls, and similar traffic work performed in central offices or centralized outside of central offices. It shall include the pay of such employees while engaged in underlining switchboard jacks and placing and changing number plates and designation strips.

NOTE A: The pay of operators at public telephone stations shall be charged to account 632.

NOTE B: Commissions or agency contract allowances paid to exchange agents or managers in lieu of salary, operating expenses, shall be equitably apportioned to construction, maintenance, traffic, commercial, or other accounts affected.

NOTE C: The pay and expenses of operators, supervisors, and chief operators while attending supplemental training or post-graduate operating schools shall be charged to account 627.

§31.626 Rest and lunch rooms

This account shall include the cost of operating rest and lunch rooms for central office employees, including the cost of meals provided for such employees. This includes the cost of operating such facilities as rest rooms, quiet rooms, reading rooms, medical rooms, locker rooms, check rooms, sleeping rooms, and dormitories. Credit to this account amounts received for meals served.

Items
[Note §31.01-S]

Bedding.
Dishes.
Electric power for cooking, refrigeration, or operating kitchen equipment.
Food supplies.
Fuel for cooking.
Handling orders and bills for supplies.
House service. (Note also account 707.)
Ice for refrigeration.
Laundry.
Linen.
Lunch-room managers, cooks, cashiers, waiters, and kitchen helpers, pay and expenses of.
Medical supplies, including first-aid materials, used in operators' quarters.
Newspapers, magazines, and phonograph records.
Nurses, matrons, and attendants for operators' quarters, pay and expenses of.
Postage, printing, and stationery.
Repairs of furniture and equipment, and cost and repairs of individual items of small value or short life.
Silverware.
Uniforms.

NOTE: The net cost of operating central office rest and lunch rooms used, except incidentally, by other than employees of the traffic department shall be apportioned on an equitable basis to the departments benefited.

§31.627 Operators' employment and training

This account shall include expenses incurred in the employment and training of operators whether or not a school is maintained.

Items
[Note §31.01-S]

Advertising for operators, cost of.
Amounts paid employees for securing new operators.
Pay and expenses of employees engaged in the employment of operators and in interviewing applicants.
Pay and expenses of instructors, messengers, and personnel supervisors in schools.
Pay of operators, supervisors, and chief operators, and attending supplemental training or post-graduate courses.
Pay of student operators rendering no service.
Postage, printing, and stationery.
Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
Supplies for employment and school work.
Traveling expenses.

NOTE: The cost of house service for operators' schools shall be charged to account 630. (Note also account 707.)

§31.629 Central office stationery and printing

This account shall include the cost of postage, printing, and stationery for use in central offices except as provided for elsewhere.

Items
[Note §31.01-S]

Office supplies.
Postage on toll tickets forwarded by connecting companies.
Postage on toll tickets from central offices to accounting offices.
Printing and distributing tariff and route data, traffic department's proportion of cost of. (See also note A to this account.)
Printing directories of telephone numbers by street addresses, traffic department's expense of. (See also note B to this account.)

Tickets and other central office stationery and supplies furnished connecting companies.

Toll tickets.

NOTE A: The expense of preparing tariff and route data incurred by the traffic department shall be charged to account 621.

NOTE B: The cost of such directories prepared by the directory department shall be charged to account 619.

§31.630 Central office house service

This account shall include the cost of light, heat, janitor service, and other care of central office traffic quarters except as provided in account 626, "Rest and lunch rooms." (Note also account 707.)

Items

[Note §31.01-S]

Electricity for elevators, fans, lights, and ventilators. (See also note A to this account.)

Fuel, ice, towels, water, toilet, and other supplies.

NOTE A: The cost of electricity used in connection with central office equipment installation shall be charged to account 221.

NOTE B: The cost of house service for central office plant quarters shall be charged to account 601 or to an appropriate clearing account.

§31.631 Miscellaneous central office expenses

This account shall include the cost of operating central offices not chargeable to other accounts.

Items

[Note §31.01-S]

Board and lodging for operators.

Clothing furnished operators in emergencies.

Films for message register readings.

Laundry of equipment used by operators.

Messenger service. (See also note A to this account.)

Paint brushes, paint, and other articles used by traffic employees in switchboard markings.

Photographic supplies for telephotographic work.

Rent of typewriters for central offices.

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life used in central office operating quarters. (See also note B to this account.)

Time service furnished the company by others.

Transportation for divided tour operators.

Traveling expenses of employees whose pay is chargeable to account 624.

NOTE A: The pay of company employees engaged in central office messenger service shall be charged to account 624.

NOTE B: Repairs of furniture and office equipment and the cost and repairs of individual items of small value or short life used in central office plant quarters shall be charged to account 604 or to an appropriate clearing account. Such costs for items used in rest and lunch room quarters shall be charged to account 626, and those for items used in operators' employment and school quarters shall be charged to account 627.

§31.632 Public telephone expenses

This account shall include all traffic expenses, except central office operating expenses, incurred in connection with the operation of public telephones.

STATE OF CALIFORNIA
DEPARTMENT OF CORRECTIONS
PRISON INDUSTRY AUTHORITY

Certificate of Individual Microfilm or
Other Photographic Reproduction

Section 14755, Government Code

I, the undersigned, hereby certify to the following in connection with the accompanying microfilm (photographic reproduction):

That I, Thomas Coupe', Industrial Supervisor, P.I.A. Micrographics or B-80311 an employee in the charge of Mr. Coupe', have been provided with access to the records, documents, instruments, plans, books or papers (hereinafter referred to as "records") of C.P.U.C. at C.M.F., Vacaville, Ca., for the purpose of microfilming; that such access was provided with the consent of said person or entity; that such records are reproduced in the accompanying microfilm; and that each Department of Corrections P.I.A. of the State of California reproduction includes the following identifying symbol, roll number Vol-572

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That this microfilm of the above described records was taken under my direction and control on the date hereof and that it is a complete, true and correct copy thereof;

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That this certificate was made at the time of the taking of this microfilm.

WITNESS my hand and the seal of the Department of Corrections Prison Industry Authority

25, day of Oct, 1985

Thomas R. Coupe'
(name)

california



prison
industry
authority

STATE OF CALIFORNIA
DEPARTMENT OF CORRECTIONS
PRISON INDUSTRY AUTHORITY

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employee in the charge of Mr. Coupe', have been provided with access to the records, documents, instruments, plans, books or papers (hereinafter referred to as "records")

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WITNESS my hand and the seal of the Department of Corrections Prison Industry Authority

25 day of Oct, 1985

Thomas R. Coupe'
(name)

california



prison
industry
authority

Items
(Note §31.01-S)

Attendants, clerks, messengers, and operators at public telephones, pay and expenses of.

Employees engaged in direct supervision of the operation of public telephone service, pay and expenses of.

House service. (Note also account 707.)

Instruction cards for booths.

Postage, printing, and stationery.

Traveling expenses.

Uniforms.

Repairs of furniture and office equipment used at public telephone locations and cost and repairs of individual items of small value or short life. (Note also §31.2-20 (d).)

NOTE: Commissions, percentages of receipts, and flat sums paid for occupancy privileges for public telephones shall be charged to account 618.

§31.633 Other traffic expenses

This account shall include all traffic expenses not properly chargeable to other accounts.

NOTE A: Rent paid for central offices shall be charged to account 671.

NOTE B: Traffic expenses incurred in the operation of special-type equipment, such as public-address systems, telephotographic, radio broadcasting and receiving, motion-picture and public-demonstration equipment, shall be charged, so far as practicable, to the traffic expense accounts provided for the expenses of regular telephone operations.

§31.634 Joint traffic expenses—Dr.

This account may include amounts payable to other telephone companies for joint expenses, as provided in §31.6-62.

§31.635 Joint traffic expenses—Cr.

This account may include amounts receivable from other telephone companies for joint traffic expenses, as provided in §31.6-62.

COMMERCIAL EXPENSES

§31.640 General commercial administration

This account shall include the pay, office, traveling, and other expenses of officers directly in charge of the general administration of the commercial department either for the company as a whole or a territorial subdivision; also the pay and expenses of their assistants and office forces.

Items
(Note §31.01-S)

Commercial surveys, forecasts, rate plan studies, and development studies. (See also note B to this account.)

General, division, and district commercial managers, supervisors, superintendents, and engineers, pay and expenses of. (See also notes A and B to this account.)

House service. (Note also account 707.)

Office supplies.

Postage, printing, and stationery.

Preparing, printing, and distributing tariff and route data, commercial department's expense of.

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Traveling expenses.

NOTE A: The pay and expenses of an employee engaged in direct supervision of commercial activities, the cost of which is provided for in specific accounts, such as a manager in direct charge of local commercial operations, an advertising manager, a

supervisor in direct charge of a group of salesmen, a directory manager, or a representative in charge of connecting company relations, shall be charged to the account or accounts provided for such costs.

NOTE B: The cost of commercial engineering applicable to construction shall be credited to this account.

§31.612 Advertising

This account shall include expenses incurred in commercial advertising activities, including expenses incurred in giving public demonstrations of telephones and switchboards.

Items

[Note §31.01-S]

- Announcements of rate changes. (See also note A to this account.)
- Commercial advertisements in newspapers and magazines. (See also note A to this account.)
- Commercial advertising matter such as posters, bulletins, booklets, and related items. (See also note A to this account.)
- Electric current consumed in illuminating public telephone signs.
- Exhibits in connection with industrial expositions, expenses of. (See also note B to this account.)
- House service. (Note also account 707.)
- Lecture and demonstration tours for promotion purposes. (See also note B to this account.)
- Managers and their office forces in charge of advertising and publicity, pay and expenses of.
- Motion pictures.
- Office supplies.
- Postage, printing, and stationery.
- Promotional advertising in the company's directories, such as colored page inserts, when additional printing and binding costs are incurred.
- Radio programs.
- Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
- Traveling expenses.
- Window displays.

NOTE A: The cost of newspaper advertisements and literature, other than for commercial advertising purposes, such as advertisements of stock and bond issues, advertising for operators, notices of dividends declared, and advertisements for sale of directory advertising, or to popularize and increase use of classified sections of directories, shall be charged to the accounts appropriate for such cost.

NOTE B: The pay and expenses of employees performing incidental services in connection with industrial exhibits and public demonstrations of telephones and switchboards, shall be included in the accounts chargeable with the pay and expenses of the employees' regular activities. (Note also §31.613.)

NOTE C: The cost of flags, bunting, and similar expenses of decorating buildings shall be charged to account 707 or to the appropriate expense account of the department concerned.

§31.613 Sales expense

This account shall include expenses incurred in canvassing for new business or for changing or renewing existing service, also in interviewing customers for promoting the further use of service.

Items

[Note §31.01-S]

- Canvassers and salesmen, pay and expenses of. (See also note to this account.)
- Canvassing for purpose of regrading service or for sale of additional service.
- Commercial service studies of subscribers' service.
- House service. (Note also account 707.)
- Office supplies.

Postage, printing, and stationery.
Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
Traveling expenses.

NOTE: The pay and expenses of employees engaged in securing advertisements for directories shall be charged to account 132 or account 649, as may be appropriate.

§31.614 Connecting company relations

This account shall include expenses incurred in developing the interchange of business and other promotion of relations with connecting companies. This includes the pay and expenses of commercial representatives and their office forces engaged in the negotiation or revision of traffic agreements, assisting connecting companies in the development of toll business and similar promotion of relations with connecting companies.

Items [Note §31.01-S]

Connecting company agents or representatives and their office forces, pay and expenses of.

House service. (Note also account 707.)

Office supplies.

Postage, printing, and stationery.

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Traveling expenses.

§31.615 Local commercial operations

This account shall include the pay, office, traveling, and other expenses of employees engaged in local commercial operations other than promotion or directory. This includes employees of business and collection offices engaged in preparing, changing, and handling contract or service orders, collecting revenues, and handling miscellaneous commercial relations with customers.

Items [Note §31.01-S]

Badges.

Business office signs on windows and doors.

Coin-box collectors, guards and supervisors of coin-box collections, pay and expenses of.

Customers' accounts, cost of keeping and billing, when performed in the course of local commercial operations. (See also note C to this account.)

Fees paid banks or others for collection of customers' bills. (For law expenses see account 661.)

House service. (Note also account 707.)

Managers in charge of local commercial operations, supervisors, countermen, bookkeepers, cashiers, clerks, and collectors, pay and expenses of. (See also note C to this account.)

Office supplies.

Postage, printing, and stationery.

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Traveling expenses.

NOTE A: This account shall include the entire pay and expenses of employees in business offices who are only incidentally engaged in promotion or directory work. If such employees are assigned all or a part of their time to promotion or directory work, equitable portions of their pay and expenses shall be charged to the accounts provided for such expenses. (Note also §31.663.)

NOTE B: The cost of duplicating, recording, and handling contract or service orders after preparation by the commercial department shall be charged to the accounts of the department incurring the expense.

NOTE C: When customers' accounts are kept and bills rendered by the accounting department, the expense involved, including pay and expenses of bookkeepers and clerks, shall be charged to account 692.

§31.618 Public telephone commissions

This account shall include amounts paid, either in the form of percentages of receipts, flat amounts deducted from receipts or other specified sums, to the owners or tenants of premises upon which attended and nonattended public and semipublic telephone stations are located, as general compensation for occupancy privileges, light, heat, attendance, and all services rendered incident to the furnishing of service from such stations.

NOTE: The pay of operators and other attendants employed by the company at public telephone stations shall be charged to account 632.

§31.619 Directory expenses

This account shall include expenses incurred in preparing copy, printing, binding, and distributing directories, and the cost of securing advertisements for directories. It shall include also the cost of directories of other companies purchased for the use of the company or for distribution or sale to its customers. This account shall be credited with amounts received as salvage on old directories. (Note also account 132.)

Items

(Note §31.01-8)

- Advertisements for promotion of directory advertising.
- Commissions paid employees or agents for securing directory advertisements.
- Directory covers.
- Directory managers, clerks, advertising salesmen, and other employees of the directory department, pay and expenses of.
- House service. (Note also account 707.)
- Maintaining directory delivery records.
- Office supplies.
- Official branch exchange directories prepared by directory department, cost of.
- Postage, printing, and stationery.
- Preparing and printing special editions of directories, including addenda thereto, by the directory department for use of traffic department. (See also note C to this account.)
- Preparing and printing street address, toll and other special directories, including addenda thereto, by directory department. (See also note C to this account.)
- Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
- Transportation and distribution of directories, cost of.
- Traveling expenses.

NOTE A: All directory expenses may be initially charged to account 132, but shall be cleared to account 619 during the months to which such expenses apply.

NOTE B: Receipts from the sale or furnishing of new directories, either of a company's own issue or directories purchased from others, shall be credited to account 523.

NOTE C: When such directories are prepared and issued by the traffic department, the costs involved shall be included in the appropriate traffic expense accounts.

NOTE D: Any additional printing and binding costs incurred on account of the company's promotional advertising in its directories, such as colored page inserts, shall be charged to account 612.

§31.650 Other commercial expenses

This account shall include all commercial expenses not properly chargeable to other accounts. It shall include any definitely known amounts of losses of revenue collections due to fire or theft, (a) at customers' coin-box stations, (b) at public or semipublic telephone stations, (c) in the possession of collectors en route to collection offices, (d) on hand at collection offices, and (e) between collection offices and banks.

NOTE A: Rent paid for commercial offices shall be charged to account 671.

NOTE B: Commercial expenses incurred in connection with public demonstrations and such services as public address and telephotograph operations shall be charged, so far as practicable, to the commercial expense accounts provided for the expenses of regular telephone operations.

GENERAL OFFICE SALARIES AND EXPENSES**§31.661 Executive department**

This account shall include the pay, office, traveling, and other expenses of officers who are engaged in the general administration or management of the company, or its affairs in a territorial subdivision; also the pay and expenses of their assistants and office forces.

This account shall be charged also with salaries, fees, and expenses other than law expenses, of receivers.

Officers and Employees

[Note §31.01-S]

Chairman of the board of directors.

Managers—general and division.

President.

Receiver.

Secretary.

Vice president.

Assistants authorized to act for officers of executive department.

Office and staff forces (e.g., staff assistants, secretaries, stenographers, clerks, messengers, and office boys) of officers and employees of executive department.

Expenses and Supplies

[Note §31.01-S]

Automobile service, including charges through clearing account 702.

Books and periodicals for office use.

House service. (Note also account 707.)

Meals, including payments therefor on account of overtime work.

Membership fees and dues of officers and employees in trade, technical, and professional associations.

Office supplies.

Postage.

Printing.

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Stationery supplies.

Telephone and telegraph service, amounts paid others for.

Traveling expenses.

§31.662 Accounting department

This account shall include the pay, office, traveling, and other expenses of officers, their assistants, and office forces, of the accounting department.

UNIFORM SYSTEM OF ACCOUNTS

Officers and Employees
{Note §31.01-S}

Accountants. (See also note to this account.)
 Addressograph clerks.
 Auditor of disbursements.
 Auditor of receipts.
 Auditors—general and division.
 Billing clerks.
 Bookkeepers.
 Chief accountant.
 Chief statistician.
 Chief traveling auditor.
 Clerks.
 Comptroller.
 Division auditor of disbursements.
 Division auditor of receipts.
 General accountants.
 Office managers. (See also note to this account.)
 Plant accountants.
 Revenue accountants.
 Statisticians.
 Supervisors of methods, bookkeeping, vouchers, pay rolls, and estimates.
 Tax accountants.
 Traveling auditors.
 Vice president in charge of accounting department.
 Assistants authorized to act for officers of accounting department.
 Office and staff forces (e.g., staff assistants, secretaries, stenographers, messengers, and office boys) of officers and employees of accounting department.

Expenses and Supplies
{Note §31.01-S}

Automobile service, including charges through clearing account 702.
 Books and periodicals for office use.
 House service. (Note also account 707.)
 Meals including payments therefor on account of overtime work.
 Membership fees and dues of officers and employees in trade, technical and professional associations.
 Office supplies.
 Postage, including that used in mailing bills to customers by accounting department and in forwarding toll tickets to local collection offices.
 Printing.
 Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
 Stationery supplies.
 Telephone and telegraph service, amounts paid others for.
 Traveling expenses.

NOTE: The expense of accounting performed by employees of operating departments shall be charged to the appropriate accounts of those departments (e.g., the pay and expense of employees of local business offices engaged in keeping and billing customers' accounts shall be charged to account 645). (Note also §31.663.)

§31.663 Treasury department

This account shall include the pay, office, traveling, and other expenses of officers, their assistants and office forces, of the Treasury department.

Officers and Employees
{Note §31.01-S}

Cashiers. (See also note A to this account.)
 Clerks.
 Office managers.
 Paymasters. (See also note A to this account.)

Supervisors of methods, stock and bond records and interest payments.
 Stock and bond ledger clerks.
 Treasurer.
 Vice president in charge of treasury department.
 Assistants authorized to act for officers of treasury department.
 Office and staff forces (e. g., staff assistant, secretaries, stenographers, messengers, and office boys) of officers and employees of treasury department.

Expenses and Supplies

[Note §31.01-S]

Automobile service, including charges through clearing account 702.
 Books and periodicals for office use.
 House service. (Note also account 707.)
 Meals, including payments therefor on account of overtime work.
 Membership fees and dues of officers and employees in trade, technical and professional associations.
 Office supplies.
 Postage.
 Printing, including stock and bond certificates for transfer purposes. (See also note B to this account.)
 Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
 Stationery supplies.
 Telephone and telegraph service, amounts paid others for.
 Traveling expenses.

NOTE A: The pay and expenses of cashiers and paymasters employed by operating departments shall be charged to the appropriate accounts of those departments.

NOTE B: The cost of printing stock certificates in connection with original and additional capital stock issues shall be charged to account 134:2, and the cost of printing bonds in connection with new or additional issues of long-term debt shall be accounted for as provided in §31.1-15.

§31.664 Law department

This account shall include, when not provided for elsewhere, the pay, office, and other expenses of officers, their assistants and office forces, and other employees of the law department, the cost of suits and other law costs, including law expenses connected with damages.

Officers and Employees

[Note §31.01-S]

Attorneys.
 Claim agents, investigators, and adjusters. (See also note A to this account.)
 Clerks.
 Counsel.
 General attorney.
 General counsel.
 General solicitor.
 Law agents.
 Law clerks.
 Librarians.
 Patent attorneys.
 Solicitors.
 Special counsel.
 Tax attorneys.
 Vice president in charge of law department.
 Assistants authorized to act for officers of the law department.
 Office and staff forces (e. g., staff assistants, secretaries, stenographers, messengers, and office boys) of officers and employees of law department.

UNIFORM SYSTEM OF ACCOUNTS

Expenses and Supplies

[Note §31.01-S]

- Automobile service, including charges through clearing account 702.
- Agreements, briefs, contracts, legal forms and reports, cost of preparing and printing.
- Collecting revenue and other accounts, law expenses in connection with.
- Court expenses.
- Depositions, cost of taking.
- Examination of titles and other expenses incurred in suit to test validity of bond issue. (See also note B to this account.)
- Fees and retainers of attorneys not regular employees.
- Filing tax reports, passing tax claims and making returns to tax assessors, cost of when handled by law department.
- House service. (Note also account 707.)
- Law books and periodicals.
- Law expenses in connection with rate cases or filing or adjustment of rate schedules.
- Law expenses of receivers.
- Meals, including payments therefor on account of overtime work.
- Membership fees and dues of officers and employees in trade, technical, and professional associations.
- Office supplies.
- Postage.
- Premiums on surety bonds.
- Printing.
- Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
- Special fees.
- Stationery supplies.
- Telephone and telegraph service, amounts paid others for.
- Testimony, cost of printing and transcripts of.
- Traveling expenses.
- Witness fees.

NOTE A: The pay and expenses of claim agents, investigators, and adjusters employed by departments other than the law department shall be charged to the accounts of the department by which they are employed.

NOTE B: Special law expenses incurred incident to the construction of telephone plant shall be charged to the appropriate telephone plant accounts; special law expenses incident to the issuance of capital stock and long-term debt shall be accounted for as provided in §31.1-15 and account 131:2.

§31.665 Other general office salaries and expenses

This account shall include the pay, office, traveling, and other expenses of officers, their assistants, and office forces of general offices not properly chargeable to other accounts, such as those engaged in editing magazines or periodicals published in behalf of all departments and employees engaged in detective or protective services for the company's interest as a whole.

Expenses and Supplies

[Note §31.01-S]

- House service. (Note also account 707.)
- Meals, including payments therefor on account of overtime work.
- Membership fees and dues of officers and employees in trade, technical and professional associations.
- Office supplies.
- Postage.
- Printing, including cost of printing magazines or periodicals published in behalf of all departments.
- Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

Stationery.

Traveling expenses.

NOTE: The expenses of miscellaneous general activities when incidentally performed by employees of operating departments shall be included in the accounts of those departments. (Note also §31.663.)

OTHER OPERATING EXPENSES

§31.668 Insurance

(a) This account shall include the cost, not provided for elsewhere, of commercial insurance to protect the company against losses and damages in its telephone operations. (Note also account 131.)

To this account shall be charged:

(1) The amount of insurance premiums paid to insurance companies.

(2) Special costs incurred in procuring insurance, such as brokerage fees, notarial fees, and insurance inspection service, and the pay, traveling, and office expenses of officers, clerks, and other employees of an insurance department.

(b) This account shall include also amounts credited to account 169, "Insurance reserve," for self-carried risks as provided in paragraph (b) of that account.

(c) This account shall include also the amount of insurance premiums covering blanket policies for which there is not available an equitable basis for allocation to the several accounts which may be involved.

(d) A list of representative losses and damages follows, the insurance premiums for protection against which are chargeable to this account when incurred in connection with the company's telephone operations.

Losses and Damages

(Note §31.01-S)

Burglaries, lollups, check alterations, and forgeries.

Damages to the property of others.

Defalcations of employees and agents.

Fire and other casualties to telephone plant.

Fire and other casualties to telephone plant rented to others, the rents from which are includible in account 524.

Injury to or death of employees.

Injury to or death of persons other than employees.

Loss due to business interruption (i. e., use and occupancy insurance.)

Loss of service of employees through death, sickness, injury, or other cause.

Loss of unmailed toll tickets.

Nonperformance of contractual obligations of others.

NOTE: All losses and damages sustained, including those covered by commercial insurance or reserves carried in account 169, shall be charged to the depreciation reserve, construction, repair, accident and damages, or other appropriate account, according to the character of the losses. Insurance recoverable or chargeable to account 169 on account of losses and damages sustained shall be credited to the account to which the losses and damages are chargeable.

§31.669 Accidents and damages

(a) This account shall include expenses, not provided for elsewhere, on account of persons killed or injured and property of others damaged in connection with the company's telephone operations.

(b) When an admitted liability arises because of an accident or damage, any portion of such liability, estimated if not known, chargeable to this account (i. e., the amount in excess of the liability insured) shall be charged hereto and credited to account 174, "Other deferred credits." When an estimated liability has been so charged to this account, appropriate adjustments between this account and account 174 shall be made when the extent of the liability has been definitely ascertained. (Note also account 174 and §31.01-4.)

(c) This account shall be credited and the appropriate property account charged with the amount of such accidents and damages due to construction work. (Note also §31.2-22 (b) (6).)

(d) Accident and damage payments provided for by commercial insurance or by a reserve for self-carried risks shall be credited to this account and charged to the insurer or to the reserve carried in account 169, "Insurance reserve," as appropriate.

Items**[Note §31.01-S]**

Amounts paid in settlement of personal injury or damage claims.

Damage payments resulting from errors in directory listings, directory advertising errors, and traffic service errors. (See also note A to this account.)

Damage to property of others, cost of. (See also note B to this account.)

Fees and expenses of surgeons, doctors, coroners, and undertakers.

Nursing, hospital attendance, and medical and surgical supplies, cost of. (See also note C to this account.)

NOTE A: Refunds of revenue overcharges in connection with such errors shall be charged to the revenue accounts originally credited.

NOTE B: The cost of incidentally repairing property of others damaged in the course of maintenance or construction work shall be included in the cost of the work.

NOTE C: Payments to or on behalf of employees, including accident and death benefits, salary, hospital attendance and medical supplies; also salaries, fees and expenses of surgeons, doctors, and nurses shall be charged to account 672 when coming within the scope of a company's general provision for employees' benefits.

NOTE D: The pay and expenses of employees performing services in the investigation and adjustment of accident and damage claims shall be included in the accounts of the department by which such employees are employed.

§31.671 Operating rents

(a) This account shall include rents payable for the use of space in buildings occupied by the company, space in conduits, pole line space for attachments, instruments, equipment, and other telephone plant, the rent for which is not provided for elsewhere.

(b) This account shall include also taxes borne by the lessee of property, the rent for which is chargeable to this account.

Items**[Note §31.01-S]**

Rents for location of poles, conduits, or cables.

Rents for use of general offices and central and branch telephone offices except rents chargeable to the clearing accounts.

Rents for use of ducts, conduits, and ~~subways~~.
 Rents for use of poles and buildings ~~and~~ supports for telephone circuits.
 Rents for telephone instruments and ~~equipment~~.
 Rents for use of circuits.

NOTE A: Expenses incurred by the company in maintaining and operating property, the rent for which is includible in this account, shall be charged to the operating expense account appropriate for each property.

NOTE B: This account shall not include rents provided for in the clearing accounts and in §31.2-22 (b).

NOTE C: Rents for the exclusive use of telephone operating property held as a whole and operated by the company, such as a complete telephone plant, a complete exchange, or a complete toll system, shall be included in account 303.

NOTE D: The accounting for amortization of leaseholds and similar intangible telephone property carried in account 211 shall still be provided in account 613.

§31.672 Relief and pensions

(a) This account shall include pensions or other benefits paid to active and retired employees, their representatives or beneficiaries, and salaries and expenses incurred in conducting relief, benefit, and general medical departments. It shall include payments to or on behalf of employees on account of injuries or accidental death when such payments come within the scope of a company's general provision for employees' benefits.

~~(b) If the company has definitely undertaken by contract to pay pensions to employees when regularly retired for superannuation or disability and has established a fund to be held in trust for such pension purposes, the company shall charge to this account monthly amounts determined through the application of equitable actuarial factors to the current pay rolls, which, together with interest accruals on the trust funds, will as nearly as may be, provide for the payment of such pensions, or for the purchase of annuities corresponding thereto. The amounts so charged shall be concurrently credited to a separate subaccount under account 170, "Provident reserve." The amounts accrued in each year shall correspond to the aggregate of the amounts expended directly by the company for pensions or annuities during the year and amounts paid into the trust fund. The company shall maintain a complete record of the actuarial computations through which the actuarial each month of its pension liabilities is established.~~

~~(c) Upon the adoption of the accrual plan of accounting, pension payments to employees retired before the adoption of such plan shall be charged to an existing pension reserve or to account 413, "Miscellaneous debits to earned surplus." If a company pays into its pension trust fund the amount of its existing pension reserve, any such amounts in excess of provisions for pensions granted prior to the adoption of the accrual plan may be applied in whole or in part to the adjustment of future accrual charges.~~

(d) Before adopting the accrual plan of accounting for pensions the company shall inform this Commission of the details of its pension plan giving full statement of the facts which in its judgment establish a contractual obligation for pension payments together with the actuarial formula under which it proposes to create its pension trust fund, and

also a copy of the declaration of trust under which the fund is established. Each company that has adopted the accrual plan of accounting for pensions shall make no change in the accounting therefor or in the method of computing the amounts of the accruals recorded in the accounts under the plan without first submitting full particulars of the proposed changes and a detailed statement of the reasons therefor to this Commission for its consideration and approval.

(e) No charges to this account shall be made in anticipation of discretionary pension payments in the future.

(f) This account shall include also, under a separate subaccount, amounts accrued to provide for the payment of termination allowances or similar benefits to employees of the company when such employees are laid off because of lack of work, and to provide necessary and warranted relief to former employees. Charges to this subaccount shall be made only after approval by this Commission of the company's plan for administering payments for these purposes and of the amount of the accruals. Amounts charged to this subaccount shall be concurrently credited to account 173, "Employment stabilization reserve."

(g) There shall be credited to this account that portion of each class of relief and pensions assigned to construction and custom work labor.

Items

[Note §31.01-S]

Accident, sickness, death, and other disability benefits to employees, their representatives or beneficiaries. *Cost of providing workmen's compensation*
 Employees of relief, benefit, and general medical departments, pay and expenses of.

Expenses in connection with employees' disability cases, such as hospital, nursing, and medical attendance.

Fees and retainers for medical and similar services incurred by relief, benefit, and general medical departments.

House service. (Note also account 707.)

Medical supplies.

Office supplies.

Postage, printing, and stationery.

Premiums paid for group insurance for the benefit of employees or their beneficiaries.

Repairs of furniture and equipment, and cost and repairs of individual items of small value or short life.

Traveling expenses.

§31.673 Telephone franchise requirements

(a) This account shall include the cost not provided for in account 202, "Franchises," of all services, plant, material and supplies, and similar items, including standard rates for telephone services, furnished to municipalities or other governmental authorities in compliance with franchises, ordinances, or similar requirements and for which no reimbursement or payment is received by the company. (See also note A to this account.) It shall include the cost of paying and of premiums on bonds required under the general terms of a franchise or ordinance and not in connection with specific construction or maintenance work.

(b) This account shall include also amounts paid for franchises running for 1 year or less after acquisition and may include direct charges for franchises acquired at small cost.

(c) Amounts charged to this account involving no direct money outlay, such as standard rates for telephone service rendered without charge, shall be credited to account 676, "Telephone franchise requirements—Cr."

NOTE A: The cost of plant and supplies, given as an initial consideration for a franchise running for more than 1 year shall be charged to account 202.

NOTE B: Franchise taxes paid annually or more frequently shall be charged to account 206.

NOTE C: The cost of plant used by a municipality without charge, or used by the company in rendering services to a municipality without charge, shall be included in the appropriate telephone plant accounts; maintenance expenses incurred in connection with such plant shall be charged to the appropriate maintenance accounts.

NOTE D: The cost of reconstructing or changing the location of plant to conform with municipal requirements including such work required under the provisions of a franchise or ordinance, shall be charged to the maintenance, telephone plant, and depreciation reserve accounts appropriate for the work performed.

NOTE E: The accounting for amortization of limited term franchises carried in account 202 shall be as provided in account 613.

§31.674 General services and licenses

This account shall include amounts payable for services received under a license agreement, a general service contract, or other arrangement providing for the furnishing of general accounting, engineering, financial, legal, patent, and other general services.

§31.675 Other expenses

This account shall include all operating expenses not properly chargeable to other accounts.

Items (Note §31.01-8)

Amounts paid for patents having an estimated service life of 1 year or less and patents acquired at small cost.

Association dues.

Commissions paid agents for leasing space to others in buildings partly occupied by the company in connection with its telephone operations.

Cost of publishing reports to stockholders, notices of stockholders' meetings, election of directors, conversion of bonds, and dividends declared.

Cost of valuations, inventories, and appraisals of telephone plant made for rate case purposes, and those taken in compliance with orders of Federal, State, or other regulatory authorities. (See also notes B and C to this account.)

Fees and expenses of directors.

Fees of agents for registrations and transfers of outstanding capital stock.

Franks for use of officers and employees, cost of printing.

General audit of company's books by audit company, cost of.

House service furnished for space leased to others when not specifically reimbursed.

Losses from foreign exchange. (Note also §31.01-7.)

NOTE A: The accounting for amortization of patents carried in account 203 shall be as provided in account 613.

NOTE B: The cost of valuations, inventories, and appraisals taken in connection with the contemplated purchase or sale of property shall be charged to account 130 pending further disposition.

NOTE C: The pay and expenses of officers and employees performing incidental services in valuations, inventories, and appraisals shall be included in the accounts ordinarily charged with their pay and expenses. (Note also §31.6-53.)

§31.676 Telephone franchise requirements—Cr.

This account shall be credited with amounts charged to account 673, "Telephone franchise requirements," for which there is no direct money outlay, such as standard rates for telephone service furnished without charge to municipalities in accordance with franchise requirements.

§31.677 Expenses charged construction—Cr.

This account shall be credited and the appropriate construction accounts charged with amounts, not provided for elsewhere, representing the portion of operating expenses applicable to construction work. (Note also §31.222 (b).)

INSTRUCTIONS FOR CLEARING ACCOUNTS**§31.7-70 Purpose of clearing accounts**

The clearing accounts (702 to 707, inclusive) are provided as a medium for the distribution of certain items which affect more than one primary account and which cannot be appropriately allocated as they are incurred. (Note also §31.01-2 (c).)

CLEARING ACCOUNTS**§31.702 Vehicle and other work equipment expense**

(a) This account shall include the expense of operating vehicles and other work equipment, including expenses of garages, shops, toolrooms, and stables and the amount of depreciation charges applicable to the accounting period for plant classified in account 264, "Vehicles and other work equipment," except equipment of storerooms.

(b) This account shall be cleared by adding to the cost of work performed such amounts as will distribute the total expense equitably. (Note also account 602:9.)

Items
[Note §31.01-8]

- Books and periodicals.
- Depreciation of vehicles and other work equipment, except equipment of storerooms.
- House service. (Note also account 707.)
- Insurance (see also note to account 668), including that against losses and damages to or by vehicles and other work equipment.
- License fees for vehicles and for drivers.
- Office supplies.
- Overages and shortages in material and supplies for vehicles and other work equipment.
- Postage, printing, and stationery.
- Rent paid for and repairs of rented vehicles and other work equipment, garages, shops, toolrooms, stables, and other quarters. (Note also §31.223.)
- Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
- Repairs of vehicles and other work equipment, and cost and repairs of individual items of small value or short life.

Supplies, such as feed, fuel, gasoline, oil, tires, tubes, tire chains, soap, waste, sponges, measures, funnels, and electric power, used in the operation of vehicles and other work equipment, garages, shops, toolrooms, and stables.

Supervising officers and their office and field forces, including inspectors, testers, garagemen, and other employees, pay and expenses of.

§31.701 Supply expense

(a) This account shall include the expenses incurred in connection with the purchase, storage, handling, and distribution of material and supplies which are not allocated to other accounts as incurred; and the amount of depreciation charges applicable to the accounting period for equipment of storerooms.

(b) This account shall be cleared by adding to the cost of material equitably distributed the total expense on the basis of material and supplies and items of station apparatus which will distribute the total

Items (Note §31.01-S)

- Books and periodicals.
- Depreciation of equipment of storerooms.
- Discounts on material, cash and other. (See also note A to this account.)
- House service. (Note also account 707.)
- Overages and shortages in material and supplies which cannot be assigned to specific accounts. (Note also accounts 122 and 702.)
- Insurance (see also note to account 668), including that against losses and damages to material and supply stock.
- Losses due to depreciation, breakage, leakage, evaporation, and fire and other casualties to supply stock not assigned to specific accounts nor distributed through the pricing of materials and supplies disbursed.
- Office supplies.
- Postage, printing, and stationery.
- Purchasing agents, superintendents, and supervisors of supplies, managers of stores, storekeepers, clerks, and laborers, pay and expenses of.
- Rent paid for and repairs of rented storehouses, storerooms, storage yards, and other quarters. (Note also §31.2-23.)
- Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
- Transportation charges, undistributed. (See also note B to this account.)
- Traveling expenses.

NOTE A: So far as practicable, cash and other discounts on material shall be deducted in determining the cost of the particular material to which they relate or credited to the account to which the material is charged.

NOTE B: Transportation charges on material purchased shall be, so far as practicable, included as a part of the cost of the particular material to which they relate. Transportation charges on material recovered from plant shall be charged to the account to which the cost of removal is charged.

§31.705 Engineering expense

(a) This account shall include the expenses of the general engineering department.

(b) This account shall be cleared by apportioning the total expenses to the appropriate accounts on the basis of service rendered, as determined by the time devoted to particular jobs. (Note also account 602:9.)

Items (Note §31.01-S)

- Books and periodicals.
- Engineering officials and employees, pay and expenses of.
- House service. (Note also account 707.)

- Office supplies.
 - Postage, printing, and stationery.
 - Rent paid for and repairs of rented offices. (Note also §31.2-23.)
 - Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
 - Tools and instruments of small value or short life.
 - Traveling expenses.
- Note: Expenses included in this account, incurred in connection with projects which are abandoned, shall be cleared to account 413. (Note also account 139.)

§31.706 Plant supervision expense

(a) This account shall include the expense of general supervision of the maintenance and construction of the plant where a department of the company's organization is charged with both maintenance and construction.

(b) This account shall be cleared on the basis of labor supervised except that charges for plant engineering shall be cleared by charges to the appropriate accounts on the basis of the time devoted to particular jobs. (Note also account 602:9.)

Items

[Note §31.01-S]

- Books and periodicals.
 - House service. (Note also account 707.)
 - Office supplies.
 - Plant supervising officers and their staffs, including engineers, office and field forces charged with planning for and superintending the work of maintenance and plant construction, pay and expenses of. (See also note to this account.)
 - Postage, printing, and stationery.
 - Rent paid for and repairs of rented offices. (Note also §31.2-23.)
 - Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.
 - Traveling expenses.
- Note: The pay and expenses of foremen in direct charge of jobs, general foremen and other supervisory employees not engaged in the general supervision of maintenance, construction, and plant removals, such as local plant administrative employees whose duties are limited as to functions or areas shall be included in the cost of the work supervised and not charged to this account.

§31.707 House service expense

(a) This account shall include the expenses of operating offices and buildings, whether owned or rented, when such expenses are not allocated, as they are incurred, to the operating expense and other accounts.

(b) This account shall be cleared by apportioning the entire expense to the operating expense and other accounts on the basis of the use made of such property.

Items

[Note §31.01-S]

- Building superintendents and others engaged in supervising house service operations, pay and expenses of.
- Cleaning supplies.
- Elevator service.
- Fuel.
- Heat.
- Janitor service.
- Light.
- Office supplies.

Postage, printing, and stationery.

Power. (Note also accounts 601 and 610.)

Refrigeration.

Rent paid for and repairs of rented quarters ~~used~~ in the supervision of general house service operations, other than space used by janitors and similar employees in furnishing house service for a particular building. (Note also §31.223.)

Repairs of furniture and office equipment, and cost and repairs of individual items of small value or short life.

LIST OF RETIREMENT UNITS: CLASS A AND CLASS B TELEPHONE COMPANIES

§31.8 List of retirement units

The following list of retirement units shall be used in connection with the accounting provided in §§31.2-24, 31.2-25, but shall not be considered as determining the classification of the telephone plant involved.

212. Buildings:

A complete building.

An entire roof with or without supporting members.

NOTE A: A building of irregular shape having more than one roof level may have several isolated roofs, each of which shall be considered an entire roof. In the case of buildings to which lateral extensions have been made, even though having but one roof level, that part of the roof covering an entire section built at one time shall be considered an entire roof.

A complete fire escape.

A complete metal window (i.e., box, frame, and sash).

A boiler, furnace, hot-water heater, or automatic stoker.

A coal or ash conveying system.

An elevator complete with operating mechanism.

A gas burner system.

A house-lighting or power board.

An oil burner system.

An oil tank.

The floor covering for one room.

A motor, generator, engine, turbine, pump, compressor, ventilating fan, air washer, elevator drum, or similar item of equipment, with or without associated wiring or control equipment.

NOTE B: In addition to the above retirement units, material (i.e., portions of buildings, equipment or fixtures) installed and retired, and the labor and incidental costs involved in connection with work of the following character, shall be handled through the telephone plant and depreciation reserve accounts:

(1) Changes in the type of operation of elevator systems, e.g., a change from manual to signal control of cars, from manual to power operation of doors, from low speed to high speed, from direct to alternating current, from hydraulic to electric operation, from one type of signaling or dispatching system to another.

(2) Relocations of toilet rooms, battery rooms, kitchens, terminal rooms, machine rooms, or transformer vaults.

(3) Structural changes such as: (a) Reinforcements of floors, roofs, bearing walls, footings, and foundations; (b) additions or relocations of elevator shafts, stairways, fire exits, and vaults, but excluding switchboard cable holes and slots; and (c) building alterations required for fire protection and other safety measures.

(4) Changes in the type of electric current supply, or of ventilating, air conditioning, or similar systems.

(5) Building enlargements.

(6) Replacements of the following character—

(a) Replacements of plumbing or heating pipes (with or without associated valves) except when necessitated by minor repairs or minor relocations of fixtures.

(b) Replacements of all or substantially all of the lighting fixtures (with or without associated wiring and conduit) in one operating or equipment room or, in the case of office space, on one floor of a building.

(c) General replacements (throughout a building or throughout an entire portion erected at one time) of items such as supply, return, or air valves in heating systems; hot or cold water valves or faucets; plumbing, heating, or drainage traps.

221. Central office equipment

Switchboards, desks, and testboards—

Switchboards (i.e., local, toll, dial system "A", cordless "B", call distributing "H", observing or teletypewriter)—A complete section or lower unit.

Desks (i.e., operating, observing or testing)—A complete section.

Testboards, or test and control boards (board type)—A complete section.

Testboards, or test and control boards (rack type)—

All the equipment in one bay.

A complete upper unit.

A complete lower unit.

A complete installation of rack framework for one board.

Test panels—A complete panel.

Test cabinets—A cabinet complete with equipment.

Distributing frames—

Main distributing frames (including wall type)—A complete installation for one central office (in multi-unit offices, for one operating unit).

Intermediate distributing frames—A complete installation for one central office (in multi-unit offices, for one operating unit).

Mezzanine balconies—A complete installation for one frame.

Racks—

Relay rack equipment—

A panel or unit complete with equipment.

All the equipment in one bay, exclusive of any panels or units.

Coil rack equipment—All the equipment on one shelf.

Message and traffic register rack equipment—All the equipment in one bay.

Iron framework—A complete line of rack with or without enclosing cabinet or case.

Cable—

All of the cables in one run used for the same purpose, such as between—

(1) Main frame and intermediate frame for subscribers' lines.

(2) Main frame and intermediate frame for outgoing trunk multiple.

(3) Intermediate frame and connector frame or final frame for subscribers' lines.

(4) Intermediate frame and answering jacks.

(5) Intermediate frame and switchboard for outgoing trunk multiple jacks.

(6) Intermediate frame and switchboard for subscribers' multiple jacks.

Iron framework—A complete installation of rack for one cable run.

Power equipment—

Frame or rack-mounted equipment—

A panel or shelf complete with equipment, such as fuses, meters or control equipment.

Iron framework—A complete line of frame or rack for one fuse board or one power switchboard.

A generator, motor, motor generator set, gas engine, rectifier, ringing machine, harmonic converter, pole changer, interrupter, power filter, or choke coil.

Storage batteries:

A complete battery with or without rack, cabinet, or counter electric motive force cells.

All positive or all negative plates in an entire battery, i.e., in all cells of a 24-volt battery or in all cells of a Morse battery.

All tanks or all jars of an entire battery.

A complete battery rack or cabinet, storage or dry.

A complete group of bus bars, cable, or wiring (with or without conduit) such as between—

Battery and fuse panel.

Power switchboard and machines.

Telephone register equipment (including testing equipment)—

A complete floor mounted rack type set.

Relay rack mounted equipment—

A panel or unit complete with equipment.

All the equipment in one bay, exclusive of any panels or units.

Coil rack mounted equipment—All the equipment on one shelf.

Iron framework—A complete line of rack.

Carrier equipment (telephone, telegraph, repeater, and testing equipment)—

A complete floor mounted rack type set.

Relay rack mounted equipment—

A panel or unit complete with equipment.

All the equipment in one bay, exclusive of any panels or units.

A line filter.

A complete test table.

Iron framework—A complete line of rack.

- Telegraph equipment (printer and manual)*—
 Telegraph testboards—A complete section or bay.
 Duplex, single line telegraph, and polar repeaters—A table or bay complete with equipment.
 Metallic telegraph repeaters—
 A complete floor mounted rack type set.
 A panel or unit complete with equipment.
 Voice frequency carrier equipment—A panel or unit complete with equipment.
 Voice frequency carrier battery supply apparatus—
 A complete bay of equipment.
 A complete test table.
 Iron framework—A complete line of rack.
Telephotograph equipment—
 Table-mounted sending or receiving equipment—
 A table complete with equipment.
 A complete optical system.
 A complete mechanical system.
 A complete lock box.
 A complete amplifier-modulator box.
 Rack-mounted sending or receiving equipment—
 A panel complete with equipment.
 All the equipment in one bay.
 Iron framework—A complete line of rack.
 Power equipment—
 A complete power board.
 A complete storage battery.
 Photographic equipment—
 A copying camera or a copying, enlarging, and reducing camera, each with or without associated stands, illuminators, and copy boards.
 A print machine.
 A drying cabinet.
 A developing, fixing, and washing tank.
Radio equipment—
 complete transmitter.
Miscellaneous equipment—
 A calculagraph, a master clock, or a secondary clock.
 Electrically driven calculagraph and clock systems—A complete installation.
 Mechanical or pneumatic tube ticket distributing system—A complete installation.
 Each complete tool or portable test set the original cost of which was charged to the telephone plant account, such as a plug remover and attachment, cam aligning fixture, multiple bank resetting gage, or shaft straightening tool, a relay adjusting set, line-finder set, or wagon-type set.
 Each complete item of furniture or other miscellaneous equipment, the original cost of which was charged to the telephone plant account, such as a desk or table equipped with central office equipment, an operator's chair, a complete switchboard platform, an operator's telephone set cabinet, a rotary file or directory cabinet, a ticket cabinet or rack, a tarpaulin with or without cabinet, a portable service observing cabinet, or a holding-time recorder.
 Loud speaker equipment—A complete installation.
 Aisle-lighting equipment—A complete installation on one floor.
 Rolling ladders—A complete installation for one side of one frame or rack.
 Message and traffic register cabinets—A cabinet complete with equipment.
 Teletypewriter sets—Units specified under account 231.
Panel dial system equipment—
 A complete equipment frame such as line-finder frame, line-switch frame, selector frame, link frame, routine test frame, decoder frame, reader frame, or floor alarm board.
 Pulse-machine equipment—A complete pulse machine.
 Pulse-machine control apparatus—A complete installation controlling a set of tube machines.
Step-by-step dial system equipment—
 A complete equipment frame, such as a line-finder frame, line-switch frame, selector frame, connector frame, or repeater frame.

Key-indicator equipment or key-pulsing equipment—

A complete equipment frame, such as a link or sender frame.

NOTE: When work of the following character is performed as a special job in a central office or at a multiple or dial private branch exchange for the purpose of improving or changing the type of the equipment, the material installed and retired and the labor and incidental costs involved shall be handled through the telephone plant and depreciation reserve accounts.

(1) Conversions of one or more switchboard positions, or dial-system frames, from one type to another, such as from subscribers' to toll, subscribers' to rural, inward toll to combined line and recording, manual B to call indicator B, or from panel B switchboard incoming frame to interoffice incoming frame.

(2) Conversions of circuits from one type to another, such as conversions of cord circuits from two-party ringing to four-party selective ringing, semi-selective ringing to selective ringing, or from manual recall to flashing recall, and conversions of panel-sender circuits from coin-in to coin-out and from two digit to three digit.

(3) Replacements of items of one type with items of a different type for such reasons as improving signaling or transmission characteristics, changing operating methods or increasing capacity of the office, e.g.:

(a) Replacements of all the relays or repeating coils of one type in a central office with relays or coils of an improved type for the purpose of improving the signaling or transmission characteristics.

(b) Replacements of items of equipment in dial offices because of a change in the method of operation to multiple registration.

(c) Replacements of items of power equipment because of a change in power purchased from direct current to alternating current.

(d) Modifications of the trunk and cord circuits of multiple manual private branch exchange boards necessitated by a cut-over of a central office district to dial operation.

(e) Replacements of protectors of one size with protectors of a smaller size on a main distributing frame so that more protectors may be installed in the same space.

(f) Replacements of 20 pair terminal strips on a main distributing frame with 50 pair strips to increase the capacity of the frame.

(g) Replacement of jack strips having 10 jacks per strip with strips having 20 jacks per strip to increase the capacity of a switchboard.

(h) Replacement of keys of one type with keys of a different type to permit more keys to be placed in the same position.

231. Station apparatus

A complete station. **NOTE:** Each company shall maintain its own list of station apparatus disposition units for account 231 in accordance with the provisions of that account.

receiver, or dial handle).

A bell box or other subscriber set, such as extension bell, or signal bell.

A coin collector, with or without transmitter, receiver, or dial.

A complete apparatus cabinet.

A complete key cabinet or key box.

An intercommunicating system key.

NOTE: The original cost less salvage of the following items of station apparatus not designated retirement units shall be charged to the depreciation reserve account when lost, destroyed, junked, or otherwise disposed of:

A hand-set handle.

A transmitter.

A receiver.

A dial.

A dial mounting.

A switching key (individually mounted type).

Teletypewriter equipment—

A complete station.

A printer or teletypewriter.

A printer or teletypewriter table or stand.

A base (printer or reperforator).

A core (printer or reperforator).

A printer unit or typing unit.

A keyboard unit.

A distributor unit.

A transmitter unit.

A reperforator unit.

A reperforator unit.

A relay box with equipment.

A motor or motor unit (excluding the motor of a motor generator set).

A motor generator set.

A rectifier unit.

A loop with lead.

A station signaling set.

- Manual telegraph equipment—*
- A complete station.
 - A loop switchboard.
- Program supply and public address equipment—*
- A microphone transmitter.
 - A microphone transmitter mounting.
 - An amplifier.
 - A loud speaking receiver.
 - A horn.
 - An observer's telephone set.
 - A complete dynamotor, motor generator, rectifier, or storage battery.
 - A complete control cabinet, resistor cabinet, or junction box.
 - A battery cabinet.
- Rack mounted equipment—*
- All the equipment in one bay.
 - A panel complete with equipment.
 - Iron framework—*a complete line of rack.*
- Portable equipment—A complete item of portable equipment, with or without the carrying case (e.g., an amplifier, a transmitter mixing panel, an oscillator, or an equalizer).*
- Radio receiving sets and equipment associated therewith—A complete installation.*
232. Station installations—(Note §31.2.25 (b) ^{connections} and accounts 232 and 205)
233. Drop and block wires—(Note §31.2.25 (b) and account 005)
234. ^{LAGS} Private branch exchanges
- Units specified under section 231 Central office equipment of this section*
- A complete cabinet or nonmultiple switchboard, with or without local storage batteries or cables classified as P. B. X. equipment.
 - An apparatus cabinet as used with certain nonmultiple boards.
 - A complete section of an order-receiving table.
 - An order turret (not including the turrets forming part of an order-receiving table).
 - An attendant's cabinet complete with equipment.
 - A code sending set or code call unit.
 - A complete teletype switchboard.
 - An operator's chair.
- Multiple private branch exchange equipment and private dial system equipment (except as provided below)—Units specified under account 221, "Central office equipment."*
- An equipment cabinet complete with batteries and switching equipment mounted therein, as generally used with a dial system installation of small capacity.
 - Local storage battery plants of the type used to serve several nonmultiple boards or of the type used with certain small multiple P. B. X. installations—An entire battery with or without cabinet or control apparatus.
 - Local automatic power plants of the type used to serve a small dial or a small multiple P. B. X.—
 - A control cabinet, with or without charging or ringing equipment.
 - An entire battery, with or without cabinet or counter E. M. F. cells.
235. Booths and special fittings—(See §31.2.35.)—
- A booth compartment, with or without special fittings or associated furniture and fixtures such as chairs, directory racks, directory tables, and counters.
 - An attendant's desk including equipment or a switchboard.
241. Pole lines—(See §31.2.11.)
- A pole (i.e., line pole, brace pole, guy stub, or pole forming part of A or H fixture), a pole stub, or a pole butt, with or without associated fittings, anchors, guys, or steps.
 - A crossarm (i.e., a wooden crossarm, guard arm, or cable crossarm, including extension arms), with or without associated braces and other hardware.
 - A special fixture (i.e., a bridge fixture, a tower or other special river crossing or long span fixture), with or without associated anchors or guys.
- 242:1. Aerial cable—(See §31.2.12:1.)

242-2. Underground cable—(See §31.242:2.)

242-3. Buried cable—(See §31.242:3.)

242-4. Submarine cable—(See §31.242:4.)

A span of cable, with or without associated suspension strand, clamps or rings. (The term "a span" shall include a length of cable from a Y splice not located at a pole to a pole or building.)

A section or run of cable, with or without associated elements and parts, as follows:

(1) Between a manhole, handhole, or service box and a pole, building, office, wall, or the junction with house cable.

(2) Between manholes, handholes, or service boxes; or between an office cable vault and an office manhole.

(3) Between a cable vault or an office manhole and the junction with the main frame terminating cables.

(4) A section of buried cable 300 feet or more in length, or a section of buried cable between manholes, splicing boxes, or pedestals.

(5) All of a continuous run of one size of house cable. ("All of a continuous run of one size" means a section between splices other than straight splices.)

(6) All of a continuous run of one size of block cable, i.e., cable attached to buildings, walls, or fences. ("All of a continuous run of one size" means a section between splices other than straight splices.)

(7) All of a submarine cable for one crossing; or a section of submarine cable 300 feet or more in length.

(8) A section of underground dip cable between poles and/or buildings, or of the appropriate units listed above.

Any length of cable which is a continuation of a unit of cable and is replaced with such unit.

Any length of cable connected with but not a part of a terminal, or a case of equipment such as loading coils when replaced with the terminal or case of equipment.

Main frame terminating cables (generally silk and cotton insulated)—All the cables including formers used for terminating one outside cable.

A complete cable terminal, protected or unprotected, with or without associated balcony, pole seat, or pedestal.

A pressure contact terminal, with or without contactor.

A house cable terminating frame.

A submarine cable hut or house.

A submarine cable anchorage.

A submarine cable terminating frame.

A fuse pot.

A case of equipment such as loading coils, building-out condensers, carrier line filters, or auto transformers.

243. Aerial wire—(See §31.243.)

Two continuous spans or more of one wire, with or without associated insulators, or transposition brackets.

A case of equipment such as loading coils, building-out condensers, carrier line filters, or auto transformers.

An antenna, complete with or without supports.

244. Underground conduit—(See §31.244.)

A section of conduit—

(1) Between two manholes, handholes, or service boxes.

(2) Between a manhole, handhole, or service box and a pole or building.

(3) Between a central office cable vault and an office manhole.

(4) Underground clips—between two poles; between a pole and a building; between two buildings; or units (1) and (2) above.

A manhole, handhole, or service box.

NOTE: When a manhole is reconstructed, i.e., enlarged or changed in design, the investment representing portions of the manhole removed, whether or not replaced, should be written off to the depreciation reserve account.

261. Furniture and office equipment—(See §31.261.)

Each complete item of furniture or equipment, the original cost of which was charged to the telephone plant account, such as—

A desk, chair, table, piano, davenport, typewriter, computing machine; a section of bookcase, filing cabinet, shelving, bins, or counter; a rug, a carpet, or other floor covering for one room.

264. Vehicles and other work equipment—(See §31.264.)

Each complete item of equipment, the original cost of which was charged to the telephone plant account, such as—

A passenger automobile or truck with or without body; a tractor; a pole jack, splicer's tent or extension ladder; a pole derrick, power winch, earth boring machine, or trailer; a portable test set; a wire measuring machine.

(b) A line of conduit, without cable or any other class of associated plant.

(c) A run of cable, without conduits, poles, or any other class of associated plant.

(d) A run of one or more open wires, without poles, crossarms, or any other class of associated plant.

(e) An extensive section of right-of-way, without poles, conduit, wire, cable, or any other class of associated plant.

(f) A general office building, other principal buildings, or group of such buildings, without other classes of associated plant.

(g) Extensive parcels of unimproved land or land upon which buildings such as indicated in paragraph (f) above are situated.

(h) All the central office equipment, station apparatus, station connections, large private branch exchanges, furniture and office equipment, or vehicles and other work equipment situated in or utilized in a single exchange area, central office area, or other extensive area, without additional classes of associated plant.

(i) All that portion of any of the foregoing items which constitutes toll facilities as distinguished from exchange facilities, or vice versa, or which constitutes long-lines toll facilities as distinguished from more localized toll facilities or vice versa.

Case 7

JULY 19, 1939.

Question: Shall the acquisition of (a) an undivided or other type of interest in, or (b) an entire interest in a portion of, any part of a telephone plant be accounted for as "a substantially complete telephone system, exchange, or toll line" when such part, if entirely owned or acquired by the accounting company, would be so considered?

Answer: Yes.

Case 8

The Commission on April 24, 1945, deleted case 8, effective January 1, 1945.

Case 8-R-1

FEBRUARY 1, 1940.

Question: The use, especially in rural sections, of two or more conductor rubber insulated wire buried in the ground with or without conduit or other protection instead of overhead wires and also its use for underground dips under railroads, etc., either with or without conduit pipes, raises a question as to the appropriate accounting therefor to conform with provisions of the effective uniform system of accounts for telephone companies. It is necessary when this rubber covered wire is buried in the ground that a separate ground wire be buried with it or that the rubber insulated wire itself be covered with a metallic braid to serve the purpose of the ground wire. To what account should the cost of such plant be charged?

Answer: With respect to both the basic structure and the conductor serving as a ground (except when, constituting underground dips, which may be viewed as a virtual part of the adjoining conductor structure), the cost shall be included in account 242-3, "Buried cable," unless protected by a structure reusable in place for other cable, in which event the cost of these wires shall be included in account 242-2, "Underground cable," and the cost of the protective structure shall be included in account 244, "Underground conduit" (see account 244, note A). (The foregoing does not apply to drop wires, even if buried, extending from the point of connection with the general overhead or underground system to the subscribers' premises—see account 232, "Station connections.")

Case 10

AUGUST 18, 1939.

STATEMENT OF FACTS

Amounts included in account 100-4, "Telephone plant acquisition adjustment" sub-

divided as provided in the text of the account, may include the following:

(a) Debit amounts with respect to one or more transactions which in the opinion of the carrier should be charged to surplus.

(b) Credit amounts with respect to other transactions than those reflected in the debit amounts mentioned in the preceding subparagraph, or of a different character, which have not been submitted to the Commission for its consideration.

Question: May all or any of such credit amounts be netted with all or any of such debit amounts and the resulting debit amount charged to surplus or amortized, without further direction or approval, as provided in subparagraph (1) of paragraph (c) in account 100-4?

Answer: No. Only amounts mentioned in subparagraph (a), aforementioned, may be treated as provided in subparagraph (1) of § 31.100-4 (c). Amounts of the character referred to in subparagraph (b) of the "statement of facts" shall be submitted to the Commission as required by subparagraph (1) of § 31.100-4 (c).

Case 11

AUGUST 16, 1939.

STATEMENT OF FACTS

The A Company has under consideration (in 1939) the taking over of the physical properties of the B Company and the O Company (wholly owned subsidiaries), and operating them directly as a part of its own property. The A Company in 1939 acquired substantially all of the outstanding common capital stock of the B Company, which company then held more than 99 percent of the common stock of the O Company. In 1938 the B Company's holdings of the O Company's common stock were sold to the A Company for the amount this stock cost the B Company. Both subsidiaries for some time have been operated as a part of the A group, having common officers. Their accounts have also been under close supervision of the A Company.

Although the A Company acquired only the B Company's capital stock in 1939, and in 1938 acquired only the O Company's capital stock, the year 1939 is, for accounting purposes, taken as the date when the B Company, as well as the O Company, became part of the A group of properties.

Based upon these facts, and if the accounting procedure hereinafter outlined is satisfactory?

Question (a): May the cost to the merging company (A), at the time of the merger, of the total net assets taken over be determined by adding to the amount which the A Company paid for the B and O Companies' common stocks the amount of the new outstanding investment advances made by it to these subsidiaries, and deducting from this total the decrease in surplus suffered by Companies B and C since 1939?

Answer (a): Yes, for B Company, O Company's surplus should be adjusted to reflect its surplus at date of acquisition of O Company by B Company.

Question (b): Should the decrease in surplus of the two subsidiary companies since the respective dates of acquisition be charged directly against the surplus account of the A Company?

Answer (b): Yes.

Question (c): May the cost of telephone plant acquired from the subsidiaries be determined by deducting from the adjusted cost (computed as indicated in question (a)) of the total net assets of the subsidiaries the amounts representing the cost of net assets acquired other than telephone plant or by adding to such adjusted cost the amount representing the net liabilities assumed, exclusive of telephone plant, as appropriate?

Answer (c): Yes, provided that full explanation is furnished together with com-

plete details concerning any estimates or allocations of amounts representing cost of net assets acquired or amount of net liabilities assumed.

Question (d): May the cost of telephone plant taken over, determined in conformity with the procedure outlined in question (c), be charged to account 278, "Telephone plant acquired"?

Answer (d): Yes.

Question (e): May the amounts carried in the depreciation reserve accounts of the B and O Companies be considered for the purposes of these mergers as the "reserves requirements" referred to in § 31-31 (b) (2) of the effective system of accounts, and charged and credited, respectively, to account 276 and account 171, "Depreciation reserve," of A Company?

Answer (e): Yes, subject to the proviso that responsibility for the accuracy of the amounts rests with the accounting company, and that if subsequently by further investigation and analysis, or otherwise, different amounts are determined as the correct "reserve requirement" applicable to the plant acquired, appropriate adjustment shall be made.

Question (f): Should the "original cost" of the telephone plant be credited to account 276 and charged to the appropriate plant accounts (100-1, "Telephone plant in service," 100-2, "Telephone plant under construction," and 100-3, "Property held for future telephone use"), and the amount then remaining in account 276 cleared to account 100-6, "Telephone plant acquisition adjustment," of the A Company?

Answer (f): Yes.

Case 12

FEBRUARY 10, 1941.

STATEMENT OF FACTS

A company formerly had outstanding 3,700 shares of 7 percent cumulative preferred stock (par value, \$50 per share), which was callable at a premium of \$2.50 per share. The company issued 3,700 shares of 6 percent cumulative preferred stock (par value, \$50 per share), callable at a premium of \$2.50 per share.

The greater portion of the new stock was issued in exchange for the old stock on a share-for-share basis. The remainder of the new stock was sold for cash at \$52.50 per share, and the cash proceeds were devoted to reacquisition of the remainder of the old stock at \$52.50 per share.

Question (a): Should the new stock which was issued in exchange for the old stock on a share-for-share basis be accounted for as though there had been no premium paid on the old stock and no premium received from the sale of the new stock, or should premiums in both instances be accounted for?

Answer (a): To the extent that the new stock was exchanged on a share-for-share basis for the old stock the appropriate amount included in one subaccount of account 150, "Capital stock" (7 percent preferred), should be transferred to another subaccount of account 150, "Capital stock" (6 percent preferred), for the reason that no call premium was paid on the shares of 7 percent preferred stock exchanged and no premium was received on the shares of 6 percent preferred stock issued in exchange therefor.

Question (b): Would it be proper, under the existing circumstances, to offset the premium paid on the old stock reacquired for cash against the premium received on the new stock sold for cash?

Answer (b): No. The premium of \$2.50 per share received on the new stock sold for cash should be credited to account 152, "Premium on capital stock." The call premium paid on those shares of 7 percent preferred stock that were redeemed should be accounted for as provided in § 31-14 (c).

tent or extension ladder; a pole derrick, power winch, earth-boring machine, be-trailer; a portable test set; a wire measuring machine.

APPENDIX A

INTERPRETATIONS OF THE ACCOUNTING REQUIREMENTS CONTAINED IN THIS SYSTEM OF ACCOUNTS

Case 1

DECEMBER 31, 1935.

Question: What will be the status, after December 31, 1935, of the accounting regulations relating to the break-down of the depreciation reserve account into component parts corresponding to the primary telephone plant accounts?

Answer: All provisions of the uniform system of accounts for telephone companies promulgated under Telephone Division Order No. 7-C, of June 19, 1935, including those relating to the break-down of the depreciation account, will become effective on January 1, 1936. (Telephone Division Order No. 7-D, of January 6, 1937, extended the effective date to January 1, 1937.) Particular attention is directed to the pertinent provisions of paragraph (c) of account 171, "Depreciation reserve."

Carriers shall break down the balance of their respective depreciation reserves (account 171, "Depreciation reserve") in such manner as to show the amounts embraced therein in accordance with the historical development of such reserves with respect to each depreciable plant account, and shall report such break-down in the appropriate schedules of the annual reports to the Commission.

Case 2

OCTOBER 14, 1936.

Question: What is the appropriate accounting with respect to taxes imposed under the Social Security Act and similar State statutes?

Answer: Amounts of such taxes, or accruals prior to payment, may represent taxes for which the company is liable on its own behalf as an employer or amounts for which it is liable on behalf of its employees.

The amounts of accruals for which the company is liable on its own behalf should

be charged to account 305, "Operating taxes," to the telephone plant accounts (§ 312-22 (b) (8)), and to account 322, "Miscellaneous taxes," as appropriate, so as to apportion the total tax equitably among the costs of rendering public utility service, of construction of telephone plant, and of other operations of the company. The amounts charged to the foregoing accounts should be credited to account 166, "Taxes accrued." The amounts of payments to the United States Treasury or other governmental agency should be charged to account 166.

The amounts deducted from the pay of employees for which the company is liable on behalf of its employees should be segregated in appropriate accounts classified under account 159:2, "Other accounts payable." The amounts of payments to the United States Treasury or other governmental agency should be charged to account 159:2.

Nothing contained in this accounting ruling shall be construed as committal of the future action or policy of the Commission with respect to accounting or other treatment of accruals, payments, and funds under voluntary or private plans for provident relief or pensions.

Case 3

(Applicable only to Class C companies.)

Case 4

MARCH 19, 1939.

Question: What account shall be credited with amounts of interest which have accrued on advances from affiliated companies when such advances are classified as long-term debt?

Answer: Amounts of such interest are includible in account 167, "Unmatured interest, dividends, and rents accrued," until the interest becomes payable, at which time such amounts are includible in account 159:1, "Accounts payable to affiliated companies," except that the amount of such interest payable as is not subject to current settlement shall be included in account 159, "Advances from affiliated companies."

Case 5

(Applicable only to Class C companies.)

Case 6-R-2 (Cancels Case 6-R-1)

JUNE 13, 1951.

Question: What is the correct interpretation of § 312-21 and its related regulations in Part 31 (Uniform System of Accounts for Class A and Class B Telephone Companies) of the Commission's Rules and Regulations concerning the acquisition of "a substantially complete telephone system, exchange, or toll line"?

Answer: Paragraphs (a) and (b) of § 312-21 of the effective system of accounts for telephone companies (the former of which paragraphs includes the expression, "a substantially complete telephone system, exchange, or toll line") shall be interpreted to mean that acquisitions of telephone plant of the types set forth in subparagraphs (a) to (l), inclusive, of the second paragraph of this answer, shall be accounted for in accordance with the provisions of aforementioned paragraphs (a) and (b) of § 312-21; *Provided, however*, that telephone plant acquired from a nonaffiliate at a cost not exceeding \$25,000 in the case of Class A companies, and \$5,000 in the case of Class B companies may be accounted for on the basis of acquisition cost in accordance with the provisions of paragraph (c) of § 312-21.

Such acquisitions as the following (subject to the exceptions noted in the paragraph next above) shall be accounted for as "a substantially complete telephone system, exchange, or toll line":

(a) A line of poles, with or without cross-arms or other attachments and without wire, cable, or any other class of associated plant.

mission or other authority for registration and permission to issue and sell an authorized amount of capital stock. This latter type of fee is chargeable to account 134:2, "Capital stock expense."

Question (a): What is the proper account to be charged with charter or bonus fees similar to those described above?

Answer (a): Such charter or bonus fees should be charged to account 201, "Organization." Attention is directed, however, to the above comments concerning fees paid by a carrier for registration and permission to issue and sell an authorized amount of capital stock, to which this interpretation does not apply.

Question (b): On the merger or consolidation of two or more companies where charter or bonus fees previously paid by the merged companies are permitted to be offset against the fees otherwise payable on the authorized capital stock of the continuing corporation, is it permissible to carry forward to the organization account of the continuing corporation the charter or bonus fees included in the merged corporations' organization accounts?

Answer (b): Under the circumstances described in the question it is permissible for a continuing corporation of a merger or consolidation to record in account 201, "Organization," so much of the charter or bonus fees previously paid by the merged corporations as is available for credit against the fees otherwise payable on the authorized capital stock of the continuing corporation or creditable against fees for future increases in the authorized capital stock.

Case 24-R-1 (Cancels Case 24)

NOVEMBER 28, 1952.

STATEMENT OF FACTS

Part 31 (Uniform System of Accounts for Class A and Class B Telephone Companies) of the Commission's rules and regulations includes the following instruction in § 31.61-5, *Delayed Items*:

(b) If the amount of any delayed item is relatively so large that its inclusion in the accounts for a single year would seriously distort those accounts, the company shall distribute to earned surplus so much of the amount as affects the operations of prior years. The company shall file with this Commission the full particulars concerning each such item, including the accounts and years which would have been affected had the item not been delayed.

Question: What is the intent as to the time and manner of filing the required information concerning delayed items?

Answer: Full particulars concerning each delayed item should be shown in the appropriate schedule of Annual Report Form 31 in the manner prescribed therein.

Case 25

OCTOBER 18, 1958.

STATEMENT OF FACTS

Two telephone companies operate adjoining exchanges. An agreement between the companies is reached whereby the subscribers in an area which includes one or more exchanges of each company are given extended area service whereby all subscribers in the area have a service which permits local calls to any other subscriber of either company in that area. Each company bills its own customers in accordance with its own tariff. In certain situations, the expenses incurred by one of the companies in rendering the extended area service may be disproportionate due to differences in the amount of facilities furnished or operating functions performed in connection with the service. In such cases, payments to the one company by the other may be agreed upon as an adjustment therefor. The amount of such payments may be determined in various ways but is usually based on the relative facilities furnished by

each company, the labor and other services performed by each, the number of customers in the exchange of each company, or a combination of those bases. However, in some cases the payments are intended to cover a variety of costs, e. g. operating service, maintenance on plant, supervision, related social security taxes, relief and pensions, depreciation, house service, return on investment, etc.

Question: What is the proper accounting for the amounts billed to its customers by each company and for the payments by one company to another under arrangements for rendering extended area service?

Answer: The amounts billed by each company to its customers shall be credited by it to account 500, "Subscribers' station revenues," (account 3010, "Local service revenues," for Class C companies). The company receiving the payments from another company shall credit the amounts received to account 506, "Other local service revenues," (account 3010, "Local service revenues," for Class C companies). The company making the payment shall charge the amount of the payments to account 675, "Other expenses," (account 4190, "Other operation expenses," for Class C companies). However, where the agreement between the companies specifically provides for a division of revenues, the accounting shall be on that basis.

APPENDIX B

STANDARD PRACTICES FOR THE ESTABLISHMENT AND MAINTENANCE OF CONTINUING PROPERTY RECORDS BY TELEPHONE COMPANIES HAVING INVESTMENT IN ACCOUNT 100:1, "TELEPHONE PLANT IN SERVICE," IN EXCESS OF \$8,000,000

1. *Accounting areas.* (a) The continuing property record, as related to each primary plant account, shall be established and maintained by subaccounts for each accounting area. An accounting area is the smallest territory of the company for which accounting records of investment are maintained for all plant accounts within the area. Areas already established for administrative, accounting, valuation, or other purposes may be adopted for this purpose when appropriate. In no case shall the boundaries of accounting areas cross State lines. In determining the limit of each area, consideration shall be given to the quantities of property, construction conditions, operating districts, county and township lines, taxing district boundaries, city limits, and other political or geographical limits. In order that the areas adopted may have a maximum adaptability, within the confines of practicability, for both the company's purposes and those of Federal, State, and municipal authorities.

(b) Not later than June 30, following the year in which a company's investment in account 100:1, "Telephone plant in service," exceeded \$8,000,000, there shall be filed with the Commission three copies of a list of accounting areas, to be accompanied by descriptions of the boundaries of each area. Description of proposed major changes in accounting areas, such as consolidation, subdivision, addition or elimination of areas shall be submitted in triplicate to the Commission thirty days in advance of the proposed effective dates of such changes.

2. *Property-record units.* (a) In each of the established accounting areas, the "property-record units" (in terms of which the continuing property record is to be maintained) shall be set forth separately, classified by size and type and with the amount of original cost (or other appropriate book cost) associated with such units. When a list of property-record units has been accepted by the Commission, the property-record units set forth therein shall become the property-record units referred to in this statement of standard practices. When it is found necessary to revise this list because of the addition of units used in providing new types of service, or new units resulting from

improvements in the art, or because of the grouping or elimination of units which no longer merit separate recognition as property-record units, three copies of such changes shall be submitted to the Commission.

(b) With respect to land in fee classifiable in account 207, "Right of way," and land classifiable in account 211, "Land," the property-record unit to be set forth in the continuing property record shall be a parcel of land. A land parcel means one continuous plot within an accounting area. Each land parcel shall be identified as to functions and location. In the continuing property record or in records supplemental thereto there shall be shown with respect to each land parcel the area, identity of vendors, grantors, or other conveyors of title, identification of deeds, or other instruments, and original cost.

(c) The continuing property record shall reveal the location, the essential details of construction, and the cost of each building. In cases where the underlying records of construction costs of buildings are available, such costs shall be so analyzed and the analyses so maintained that, upon any retirement of one or more retirement units or of minor items (without replacement), a reasonably accurate estimate of the cost of the plant retired can be made. In cases where no construction cost details are available and a retirement of a portion of such a building is made, the cost of the plant retired shall be determined on an estimated basis by allocating to such plant retired an equitable portion of the estimated cost of the contract or trade (e. g., masonry, plumbing, etc.) in which the specific retirement is being made. Allocations shall be made in such a manner as to insure that the unit being retired will carry its ratable share of architectural and engineering fees and other similar indirect costs.

(d) The continuing property record shall reveal the location, the essential details of construction, and the cost of each type of central office (manual, step-by-step, etc.) in each building, and of each large private branch exchange. Because of the small number of interim retirements and the comparatively small amounts involved therein, unless such annual retirements become at least 25% of the balance at the beginning of the year with respect to any central office, the cost of each central office need not be broken down into the individual retirement units of which it is composed. The underlying records of construction cost shall be so maintained that, upon any retirement of one or more retirement units or of minor items (without replacement), a reasonably accurate estimate of the cost of the plant retired can be made.

(e) The continuing property record shall show the number and nature of items included in account 261, "Furniture and office equipment," and account 264, "Vehicles and other work equipment," whether such items are retired on an average cost basis or otherwise.

3. *Method of determining original cost of property-record units.* Original cost of the property-record units shall be determined by analyses of the construction costs incurred as shown by completion reports, or other data, covering the respective construction work orders or authorizations, provided that in those cases where the actual original cost of property cannot be ascertained, such original cost shall be estimated. Such estimated original cost shall be consistent with the accounting practices in effect at the time of construction of the property. Costs shall be allocated to and associated with the property-record units in such manner as to assure accurate accounting for retirements.

4. *Average costs.* (a) In the development of average costs for plant consisting of a large number of similar units, such as telephones, bell boxes, station connections, poles, cross-

Case 13

FEBRUARY 10, 1941.

Question: Several companies which have refunded bond issues have had substantial tax savings in the year in which the refunding occurred, because the unamortized debt discount and expense and the call premium associated with the refunded securities are permitted as income tax deductions during the year in which the securities are redeemed. Instead of showing in the tax account only the actual taxes paid or accrued, the companies in question have also included therein the amount of the tax savings due to the refunding operation, with an offsetting credit, usually to account 135, "Discount on long-term debt." Is this permissible?

Answer: No. Account 305, "Operating taxes," should include provision for actual taxes only, and the account should not be increased by the amount which would have been paid had the refunding transaction not occurred. In other words, there was an actual saving in taxes, and this saving should be reflected in the income statement because it is a fact.

Case 14

FEBRUARY 10, 1941.

Question: What should be the accounting by a telephone company to record the transactions under an agreement whereby an electric utility conveys to the telephone company title to a pole line, agrees thereafter to pay one-half of the cost of any poles installed therein as replacements, and receives as consideration the right to use the poles in this line?

Answer: The telephone company should debit to account 241, "Pole lines," the original cost (estimated if not known) of the poles acquired from the electric utility, with concurrent credits to account 171, "Depreciation reserve," for the accrued depreciation, and to account 174, "Other deferred credits," for the difference. The latter credit should be spread over the estimated remaining service life of the pole line by debits to account 174 and concurrent credits to account 524, "Rent revenues."

Subsequent amounts received from the electric utility in part payment for the poles installed in replacement should be credited to account 524 as received.

Case 15

FEBRUARY 10, 1941.

Question: What is the proper accounting for the pay of employees of telephone companies that is continued while the employees are in the military service or in other governmental service originating through the national emergency?

Answer: The pay of employees of telephone companies that is continued while the employees are in the military service or in other governmental service originating through the national emergency shall be charged to a separate subaccount under account 672, "Relief and pensions."

Case 16

The Commission on April 24, 1945, deleted Case 16, effective January 1, 1945.

Case 17

JANUARY 2, 1943.

Question: What is the proper accounting under the Uniform System of Accounts for golf club dues, social club dues, service club dues (Rotary, Kiwanis, etc.), "house charges," entertainment of employees and of members of employees' families and others, and items of a similar nature?

Answer: Such expenditures are chargeable to account 523, "Miscellaneous income charges." They are not to be charged to operating expenses of the company. This interpretation applies whether the expendi-

tures are made directly by the operating company, indirectly through payments to an associated company, or are in the form of reimbursements to officers or other employees, or by any other direct or indirect means.

Note A: Membership fees and dues in bona fide trade, technical, and professional associations are chargeable to the account appropriate for expenses incurred for the direct benefit of a particular department, or to account 675, "Other expenses," if the benefit is of a general character.

Note B: Only the reasonable expenses of bona fide educational and recreational activities conducted for the benefit of employees of the company are chargeable to the accounts appropriate for expenses incurred for the direct benefit of these several departments of the company, or to account 675 if of a general character.

Case 18-R-1 (Cancels Case 18)

FEBRUARY 1-4, 1952.

Question: Under arrangements with another party, sometimes the United States Government, a telephone company agrees, or is obliged, to remove, relocate, re-arrange, reroute, or otherwise make changes in telephone property, other than for the purpose of rendering telephone service to the other party, for which the company is reimbursed for all or a portion of the costs incurred. What is the proper accounting for such property changes and the reimbursements received from the other parties?

Answer: The cost of plant relocations should be accounted for in accordance with the rules applicable thereto. The cost of new plant should be included in the appropriate plant accounts at actual cost of construction. The reimbursement received shall be accounted for (a) by crediting operation and maintenance expenses to the extent of actual expenses occasioned by the plant changes and (b) by crediting the remainder to the reserve for depreciation, unless contractual terms definitely characterize the residual or specific amounts as applicable to the cost of replacement. In the latter event, appropriate credits should be entered in the plant accounts.

Case 19

JULY 1-4, 1944.

Question: What accounts should be charged with duplicate interest in refunding transactions?

Answer: Duplicate interest should be charged to the appropriate interest account as a deduction from current income unless permission to defer the amount is obtained from the Commission.

Case 20

AUGUST 1-6, 1944.

Question: Company A owns a section of outside plant for which it has no further use (e. g., because of rerouting the line or because of substitution of underground construction) and which becomes available for use of Company B. Company B has use for only a portion of the full capacity of the line or in case of jointly owned plant for only a portion of the full capacity of Company A's interest. Company B agrees to purchase the portion of A's interest of which it has use. Any of the remaining portion of the plant not removed by Company A is abandoned and the title thereto goes to Company B without cost. What should be the accounting by Company B?

Answer: Company B shall record the total units so acquired in its continuing property record and account for the proportionate interest actually purchased on the basis of the original cost of that interest and reserve requirements applicable thereto in accordance with section 312-21 of the system of accounts.

Case 21

JULY 17, 1946.

Question: When capital stock is sold at a premium, is it permissible to credit account 153, "Premium on capital stock," with the net premium, that is, the premium realized from purchasers of the stock minus expenses otherwise includible in account 134.2, "Capital stock expense"?

Answer: Account 153, "Premium on capital stock," account 134.1, "Discount on capital stock," and the respective capital stock accounts are intended to include the amounts received from purchasers of capital stock, but not expenses of issuing and selling the stock. For each class and series of capital stock there should be recorded separately in the prescribed accounts the par or stated value of the stock, discount or premium, and the expenses incurred in connection with the issuance and sale of the stock. Should a carrier desire to write off or amortize amounts recorded in account 134.2, "Capital stock expense," the charge is required to be made to account 413, "Miscellaneous debits to earned surplus."

Case 22

JULY 17, 1946.

Question: What is the proper account to be charged with non-promotional advertising of the type sometimes referred to as institutional advertising or as goodwill advertising, the purpose of which is to foster and maintain public goodwill rather than for any immediate and direct promotion of sales of service to subscribers?

Answer: Such advertising should be charged to account 642, "Advertising"; however, account 323, "Miscellaneous income charges," should be charged with the cost of any advertising for the purpose of influencing public opinion as to the election of public officers, referenda, proposed legislation, proposed ordinances, repeal of existing laws or ordinances, approval or revocation of franchises; for the purpose of influencing decisions of public officers; or having any direct or indirect relationship to political matters.

Case 23

JULY 17, 1946.

STATEMENT OF FACTS

In probably all jurisdictions, upon the organization of a corporation, specified fees must be paid. These fees are measured in different ways, the method pertinent to the present inquiry being the amount of authorized stock. In this particular jurisdiction, if several corporations merge or consolidate, then the amount of the fees payable by the resulting corporation is the difference between that calculated on the entire authorized stock of the resulting corporation after the merger and that which was paid previously by the parties to the merger or consolidation. If additional stock is authorized at any subsequent date, a fee must be paid thereon. In the state in question, the minimum authorized capital stock is \$5,000.

An additional characteristic of the fees is that they relate to the total stock authorized and not to respective classes of stock. Thus, no additional fee would be payable if one class of preferred stock is retired and replaced by another class, provided there is no increase in the amount authorized to be issued, or if preferred stock is replaced by common stock with no increase in the authorized amount. In the case of no par stock, the aggregate stated value of the shares authorized is the basis for the fees. Where no par stock has no stated value, the basis for the fees is the capital paid in attributable to such shares.

The charter or bonus fees herein considered are not to be confused with fees paid by a carrier to a public service com-

arms, wire, cable, cable terminals, conduit, and nonmultiple private branch exchange switchboards, units of similar size and type within each specified accounting area and plant account may be grouped without regard to year of construction. Each such average cost shall be set forth in the continuing property record or in records supplemental thereto and in support thereof.

(b) The averaging of costs permitted under the provisions of the foregoing paragraph is restricted to the averaging of costs incurred within an accounting area as defined in paragraph 1 (a). The provisions of paragraph 4 (a) shall not be interpreted as permitting the inclusion within such average cost of the cost of units involved in any unusual or special types of construction. The units involved in such unusual or special types of construction shall be recorded at actual cost by locations.

(c) When classes of plant are subdivided between exchange and toll, the bases of the average costs shall be confined to items priced in the respective subdivisions.

5. *Identification of property-record units.* There shall be shown in the continuing property record or in records supplemental thereto and in support thereof, a complete description of the property-record units in such detail as to identify plainly such units. The description (except for classes of plant for which it is impracticable, such as station apparatus and station connections) shall include the identification of the work order

under which constructed, the year of installation (unless not determinable at reasonable expense with respect to past acquisitions or installations), the specific location of the property within each accounting area in such manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings.

6. *Reinstalled units.* When units with respect to which average costs are not applied under the practices herein prescribed are removed or retired and subsequently reinstalled, the date when the unit was first charged to the appropriate plant account shall, when required for adequate service life studies and reasonably accurate retirement accounting, be shown in addition to the date of reinstallation.

7. *Age of property.* The continuing property record or records supplemental thereto and in support thereof shall be so maintained as to disclose the age of existing property and the service life of property retired. Exceptions from this requirement for any property-record units shall be submitted as part of the company's plan of continuing property records.

8. *Reference to sources of information.* There shall be shown by appropriate reference the source of all entries. All drawings,

computations, and other detailed records which support either the quantities of the costs included in the continuing property record shall be retained as a part of or in support of the continuing property record.

9. *Jointly owned property.* (a) With respect to jointly owned property, there shall be shown in the continuing property record or records supplemental thereto:

(1) The identity of all joint owners.

(2) The percentage of ownership of the physical units vested in the accounting company.

Note: When plant is constructed under arrangements for joint ownership, the amount received by the constructing company from the other joint owner or owners shall be credited as a reduction of the gross cost of the plant in place. When a sale of a part interest in plant is made, the fractional interest sold shall be treated as a retirement and the amount received shall be treated as salvage. The continuing property record or records supplemental thereto shall be so maintained as to identify retirements of this nature separately from physical retirements of jointly owned plant.

(b) If jointly owned property is substantial in relation to the total of the same kind of property owned wholly by the company, such jointly owned property shall be appropriately segregated in the continuing property record.

Provided, That the method used in determining average cost gives due regard to the quantity, size, and kind of items, and their classification in other respects, as called for by the rules of the Commission regarding continuing property records and by the system of continuing property records accepted by the Commission specifically for use of the average cost may be applied in retirement of such items as telephones, bell boxes, station connections, poles, cross-arms, wire, cable, cable terminals, conduit, and nonmultiple private branch exchange switchboards. Any company may use average cost of property installed in a year or band of years. It should be understood, however, that the use of average costs shall not relieve the company of the requirement for maintaining its continuing property records in such manner as to show, where practicable, dates of installation and removal so as to provide these data for purposes of mortality studies.

(f) The accounting for the retirement of organization, franchises, patent rights, and other intangible property, shall be as provided for in the texts of account 172, "Amortization reserve," account 413, "Miscellaneous debits to earned surplus," account 613, "Amortization of intangible property," and account 100.4, "Telephone plant acquisition adjustment."

(g) When telephone plant is sold together with the telephone traffic associated therewith, the original cost of the property shall be credited to the appropriate plant accounts and the estimated amounts carried with respect thereto in the depreciation and amortization reserve accounts shall be charged to such debit and credit items and (2) the consideration received (less commissions and other expenses of making the sale) for the property shall be included, if a telephone plant sold, in account 410, "Debits for telephone plant sold," and if a credit, in account 401, "Credits for telephone plant sold." The accounting for depreciable telephone plant sold without the traffic associated therewith shall be in accordance with the accounting provided in paragraph (b) of account 71, "Depreciation reserve."

§ 312-26 Continuing property record required. (a) Not later than June 30 of the year following that in which a company becomes subject (note § 31.01-1) to this system of accounts, it shall file with the Commission three copies of a complete plan of a continuing property record which respect to each class of property for which such records are hereinafter prescribed. The plan shall include a list of the property-record units proposed for use under each plant account. A narrative statement shall accompany the list proposing property-record units, describing in detail the content and methods of maintenance of all forms and other records which are designed for use in compiling the continuing property records to the end that a ready analysis

The record or records supplemental thereto shall accordingly reveal clearly, in relation to designated accounting areas, detailed and systematically summarized information as to the kind, character, size, quantity, location, year of placement, and retirement, where practicable, ownership, and actual or proportioned original cost (or other appropriate book cost) of the telephone plant and other property-record units aggregately represented by the concurrent balances in accounts by the telephone plant in service," 100.3, "Telephone held for future telephone use," and 103, "Miscellaneous physical property." In order that there may be on hand at the time of retirement a maximum of pertinent cost data, every effort shall be made at the time plant is constructed and/or installed to obtain all such available cost data by subcontracts, trades, and if practicable, by retirement units.

Note: See Appendix B, Standard Practices for the Establishment and Maintenance of Continuing Property Records by Telephone Companies Having Investment in Accounts 100.1, "Telephone Plant in Service," in Excess of \$8,000,000.

Account 231, "Station apparatus." Materials in stock that are normally used for station apparatus repair purposes shall be included in account 605, "Repairs of station equipment," if company-held, and in this account if in stocks held by others.

Appendix A: Interpretations of the Accounting Requirements Contained in this System of Accounts. In this Appendix B: Standard Practices for the Establishment and Maintenance of Continuing Property Records by Telephone Companies Having Investment in Accounts 100.1, "Telephone Plant in Service," in Excess of \$8,000,000.

CORRECTION

CORRECTION

THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY

Provided, That the method used in determining average cost gives due regard to the quantity, size, and kind of items, the area in which they were installed and their classification in other respects, as called for by the rules of the Commission regarding continuing property records and by the system of continuing property records accepted by the Commission specifically for use of the accounting company. This method of average cost may be applied in retirement of such items as telephones, bell boxes, station connections, poles, cross-arms, wire, cable, cable terminals, conduit, and nonmultiple private branch exchange switchboards. Any company may use average cost of property installed in a year or band of years. It should be understood, however, that the use of average costs shall not relieve the company of the requirement for maintaining its continuing property records in such manner as to show, where practicable, dates of installation and removal so as to provide these data for purposes of mortality studies.

(f) The accounting for the retirement of organization, franchises, patent rights, and other intangible property, shall be as provided for in the texts of account 172, "Amortization reserve," account 413, "Miscellaneous debits to earned surplus," account 613, "Amortization of intangible property," and account 100:4, "Telephone plant acquisition adjustment."

(g) When telephone plant is sold together with the telephone traffic associated therewith, the original cost of the property shall be credited to the appropriate plant accounts and the estimated amounts carried with respect thereto in the depreciation and amortization reserve accounts shall be charged to such reserve accounts. The difference, if any, between (1) the net amount of such debit and credit items and (2) the consideration received (less commissions and other expenses of making the sale) for the property shall be included, if a debit, in account 410, "Debits for telephone plant sold," and if a credit, in account 401, "Credits for telephone plant sold." The accounting for depreciable telephone plant sold without the traffic associated therewith shall be in accordance with the accounting provided in paragraph (b) of account 311, "Depreciation reserve."

§ 312-26 *Continuing property record required.* (a) Not later than June 30 of the year following that in which a company becomes subject (note § 31.01-1) to this system of accounts, it shall file with the Commission three copies of a complete plan of the method to be used in the compilation of a continuing property record with respect to each class of property for which such records are hereinafter prescribed. The plan shall include a list of the property-record units proposed for use under each plant account. A narrative statement shall accompany the list of proposed property-record units, describing in detail the content and method of maintenance of all forms and other records which are designed for use in compiling the continuing property record, to the end that a ready analysis

The record or records supplemental thereto shall accordingly reveal clearly, in relation to designated accounting areas, detailed and systematically summarized information as to the kind, character, size, quantity, location, year of placement and retirement where practicable, ownership, and actual or apportioned original cost (or other appropriate book cost) of the telephone plant and other property-record units aggregately represented by the concurrent balances in accounts 100:1, "Telephone plant in service," 100:3, "Property held for future telephone use," and 103, "Miscellaneous physical property." In order that there may be on hand at the time of retirement a maximum of pertinent cost data, every effort shall be made at the time plant is constructed and/or installed to obtain all such available cost data by subcontracts, trades, and if practicable, by retirement units.

Note: See Appendix B, Standard Practices for the Establishment and Maintenance of Continuing Property Records by Telephone Companies Having Investment in Account 100:1, "Telephone Plant in Service," in Excess of \$8,000,000.

account 231, "Station apparatus." Materials in stock that are normally used for station apparatus repair purposes shall be included in account 605, "Repairs of station equipment," if company-held, and in this account if in stocks held by others.

Appendix A: Interpretations of the Accounting Requirements Contained in this System of Accounts.

Appendix B: Standard Practices for the Establishment and Maintenance of Continuing Property Records by Telephone Companies Having Investment in Account 100:1, "Telephone Plant in Service," in Excess of \$8,000,000.