

Decision No. 55708**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Investigation )  
 on the Commission's own motion into :  
 the matter of adopting and prescribing )  
 for Class C telephone utilities the :  
 Uniform System of Accounts for Class ) Case No. 4540  
 C telephone utilities prescribed by :  
 the Federal Communications Commission )  
 or adopt and prescribe the same with :  
 modifications. )  
 ----- :  
 ----- :

FIRST SUPPLEMENTAL ORDER

On November 12, 1940, after hearing, the Commission issued Decision No. 33659 by which it prescribed a uniform system of accounts for telephone companies subject to its jurisdiction having annual operating revenues of \$1,500 but not more than \$50,000.<sup>1/</sup> The uniform system of accounts thus prescribed was based on a Uniform System of Accounts for Class C Telephone Companies prescribed by the Federal Communications Commission effective January 1, 1939. This system of accounts incorporated, in condensed form, the accounting principles set forth in the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission effective January 1, 1937.

In August, 1948, effective January 1, 1949, this Commission by Decision No. 41981 adopted, with minor modifications the 1937 issue of the Uniform System of Accounts for Class A and B Telephone Companies prescribed by the Federal Communications Commission, as amended to January 1, 1948. In 1957 by Decision No. 55289, this Commission revised the uniform system of accounts it had adopted in 1948 for Class A and B Telephone Companies so as to give effect to the provisions contained in amendments adopted by the Federal Communications

<sup>1/</sup> Subsequently changed to not more than \$100,000 by Decision No. 41981, dated August 24, 1948.

Commission during the years 1948 to 1956, both inclusive. The revised Uniform System of Accounts for Class A and B Telephone Companies prescribed by this Commission in Decision No. 55289 will become effective January 1, 1958.

Due to the substantial nature of the revisions in the Uniform System of Accounts for Class A and B Telephone Companies, especially those pertaining to the accounting for station apparatus and station wiring, it appears that this Commission, in order to achieve a degree of uniformity in accounting among the various classes of telephone companies, should revise the Uniform System of Accounts it has prescribed for Class C Telephone Companies. The revised Uniform System of Accounts for Class C Telephone Companies should contain provisions which agree in principle with those contained in the Uniform System of Accounts prescribed for Class A and B Telephone Companies and, in addition, should give recognition to the changes in accounting theory and practice of recent years and should provide a ready means of developing the basic data upon which toll settlement studies are made.

A revised system of accounts for Class C telephone companies which gives effect to the changes heretofore mentioned has been prepared and is attached hereto as Exhibit A. This system of accounts has been reviewed informally with members of the telephone industry and with the Secretary of the California Independent Telephone Association and seems to meet the objectives for the class of telephone company involved. Under these conditions it appears desirable and in the public interest to amend the Uniform System of Accounts for Class C Telephone Companies heretofore adopted and prescribed by this Commission. In our opinion further hearings are not necessary; therefore,

IT IS HEREBY ORDERED as follows:

1. On and after January 1, 1958, telephone companies operating in California under this Commission's jurisdiction and having average annual operating revenues of \$1,500 but not more than \$100,000 be, and they are hereby, ordered and directed to keep their accounts in the manner prescribed in the system of accounts attached hereto as Exhibit A, which Exhibit A is made a part of this order.

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 average annual operating revenues of \$1,500 but not more than \$100,000, 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 C telephone utility operating in this state.

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

Dated at San Francisco, California, this 23rd day of October, 1957.

[Signature]  
 President

[Signature]

[Signature]

[Signature]

[Signature]  
 Commissioners

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Prescribed by the  
PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA

Effective January 1, 1958

D R A F T Copy  
NOT FOR GENERAL RELEASE

John Gibbons  
September 24, 1957

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

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UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Chart of Accounts

Balance Sheet Accounts

ASSETS

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Income Statement Accounts

OPERATING REVENUES

300 Operating Revenues (this is the control account for primary revenue accounts 500 through 530, inclusive)

Primary Operating Revenue Accounts

Local Service Revenue

500 Exchange Service Revenue  
505 Station Installation, Moves and Changes Revenue  
506 Other Local Service Revenue

Toll Service Revenue

510 Toll Service Revenue  
510.1 Gross Toll Revenue  
510.2 Toll Revenue due to Connecting Companies-Dr.

Miscellaneous Operating Revenue

~~503~~ Gross Directory Advertising Revenue  
526 Other Operating Revenue  
Uncollectible Operating Revenue-Dr.  
530 Uncollectible Operating Revenue-Dr.

OPERATING REVENUE DEDUCTIONS

301 Operating Expenses (this is the control account for primary operating expense accounts 602-L through 690, inclusive)

Primary Operating Expense Accounts

602-L Repairs of Outside Plant, Stations and Buildings - Labor  
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649 Directory Expense  
665 Office Salaries  
666 Office Supplies and Expense  
670 Utilities Expense  
671 Operating Rents  
672 Pensions  
673 Insurance Expense  
674 Outside Accounting Services  
675 Other Expenses  
680 Vehicle Expense  
690 Management Salaries and Expense

304 Depreciation Expense

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UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

General Instructions

1. Classification of Telephone Utilities

(a) For accounting purposes, telephone utilities are divided into the four classes listed below:

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

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

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

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

(b) The uniform system of accounts contained herein was prescribed for Class C telephone utilities, effective January 1, 1958, by California Public Utilities Commission, Decision No. , dated October , 1957. A separate uniform system of accounts for Class A and Class B telephone utilities, effective January 1, 1958, was prescribed by California Public Utilities Commission Decision No. 55289, dated July 22, 1957. No system of accounts has been prescribed by this Commission for Class D telephone utilities, but such utilities are expected to keep accurate records of telephone plant accounts, receipts and expenditures.

2. Definitions

When used in this system of accounts

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

(b) "Cost of removal" means <sup>the</sup> cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of telephone plant and recovering the salvage.

(c) "Depreciation," as applied to depreciable telephone plant, means the loss in service value not restored by current maintenance, caused by factors such as wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities.

(d) "Group plan," as applied to depreciation accounting, means the plan under which depreciation charges are accrued upon the basis of the original cost of all property included in each depreciable plant account, using the average service life thereof properly weighted. 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.

(e) "Net salvage value" means the salvage value of the property retired after deducting the cost of removal.

(f) "Original cost" or "Cost," as applied to telephone plant, means the actual money cost of property, or the current money value of any consideration other than money exchanged for property, at the time when it was first dedicated to public use, whether by the accounting utility or by predecessors.



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

(h) "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," or other appropriate account.

(i) "Service life" means the period between the time of installation of telephone plant and the time of its retirement.

(j) "Service value" means the difference between the original cost and the net salvage value of telephone plant.

(k) "Straight-line method," as applied to depreciation accounting, means the plan under which the service value of property is charged to operating expenses and to clearing accounts and credited to the depreciation reserve through equal annual charges, <sup>as nearly as may be,</sup> during its service life.

### 3. Accounting Instructions - General

(a) The books of account of all telephone utilities shall be kept by the double entry method, on an accrual basis. Each utility shall keep its accounts current and shall close its books at the end of each calendar year.

(b) All books of account, together with records and memoranda supporting the entries therein, shall be kept in such a manner as to support fully the facts pertaining to such entries. The books and records referred to herein include not only the accounting records in a limited technical sense, but also all other records, reports, correspondence, invoices, memoranda and information useful in determining the facts regarding a transaction.

(c) Utilities may further subdivide any of the accounts provided that such subdivisions do not impair the integrity of the accounts, or they may maintain such additional accounts as are included in the Uniform System of Accounts prescribed for Class A and Class B Telephone Utilities.

(d) Utilities having R.E.A. loans may maintain any additional subaccounts required by that agency. Some of the more frequently used REA subaccounts have been included in this system of accounts.

(e) Questions involving accounting matters not specifically covered should be referred to this Commission for interpretation and decision.

(f) In adopting and prescribing this system of accounts the Commission does not commit itself to approve or accept any item set out in any account for the purpose of fixing rates or determining other matters which may come before it. The system is designed to set out the facts in connection with the construction, operation and financing of telephone utilities and therefore the Commission will determine, when passing on matters before it, what consideration and weight shall be given to the various items in the several accounts.

### 4. Accounting Instructions - Telephone Plant Accounts

(a) All telephone plant shall be recorded at original cost. (See definition of original cost, paragraph 2(f), page 1.)

(b) Contributed Plant. Telephone plant accounts shall not include the cost or other value of telephone plant contributed to the utility. Contributions in the form of money or its equivalent toward the construction of telephone plant shall be credited to the accounts to which the cost of such construction was charged.

(c) Work Orders. Each utility shall use a work order system for recording plant additions and retirements. The work orders shall contain the description and location of each plant addition and retirement, together with an itemized record of materials, labor and other costs, and the utility plant accounts to be charged or credited.

## 5. Accounting Instructions - Depreciation

(a) Depreciation charges shall be computed by applying composite annual percentage rates to the original cost of depreciable telephone plant. These rates shall be computed using the straight-line or other method and shall reflect such factors as service values, service lives, accumulated depreciation and age of the utility plant. The rates shall be reviewed periodically and adjusted as required, so that the depreciation accrual will bear a reasonable relationship to the cost of plant in service and to the balance of depreciation already accumulated. An unanticipated early replacement of a manual switch board by a dial office, for example, might require an increase in the depreciation accrual, while substantial additions of long-lived plant might result in an over-all decrease in the composite accrual rate.

(b) When an item of telephone plant is retired, account 171, Depreciation Reserve - Utility Plant shall be charged and the appropriate plant accounts shall be credited with the entire original cost of plant retired regardless of the amount of depreciation which has been accumulated for this particular item of plant. Account 171, Depreciation Reserve - Utility Plant, also shall be charged with the costs of removal of retired plant, and shall be credited with the salvage value, sales price or other amounts recovered from plant retired.

(c) The utility may, if it desires, maintain separate subaccounts corresponding with the depreciable primary plant accounts, in which the depreciation reserve total is divided into its component parts. Such a segregation is desirable for separation cost study purposes.

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Balance Sheet Accounts

ASSETS

100.1 Telephone Plant in Service

- A. This account shall include the original cost of all telephone plant owned and used by the utility in rendering telephone service.  
B. This account is the control account for primary plant accounts 201 to 277, inclusive.

100.2 Telephone Plant Under Construction

A. ~~This account shall include the total cost of telephone plant in process of construction, but not ready for service at the date of the balance sheet.~~  
*... account shall include the total cost of telephone plant in process of construction, but not ready for service at the date of the balance sheet.*

B. The following subaccounts shall be maintained for plant being constructed with funds obtained from REA loans.

100.22 Telephone Plant Under Construction-Contract (REA).

This account shall be used for plant being constructed under contract, and not by the utility's own employees.

100.23 Telephone Plant Under Construction - Force Account (REA).

This account shall be used for plant being constructed by the utility's own employees.

C. The utility may, if it desires, maintain a separate subaccount of account 100.2, Telephone Plant Under Construction, to record the cost of plant in process of retirement. If such a subaccount is used it shall be titled,

100.2a, Retirement Work in Progress - Optional.

The following entries may be made in account 100.2a, Retirement Work in Progress - Optional:

a. The account may be charged with:

1. The original cost of plant removed from service during an accounting period (both completed and uncompleted Retirement work orders). Concurrent credits shall be made to account 100.1, Telephone Plant in Service.
2. Removal costs of plant retired. Concurrent credits shall be made to account 702, Vehicles and ~~Other Work-Equipment~~ - Clearing, and to account 708, Payroll - Clearing.

b. The account may be credited with:

1. The total cost of completed retirement work orders. Concurrent ~~credits~~ *credits*, representing the original cost of plant retired and costs of removal, shall be made to account 171, Depreciation Reserve - Utility Plant.

Note A: At the close of an accounting period the balance in account 100.2a, Retirement Work in Progress-Optional, will consist of the original cost of plant in process of removal on uncompleted work orders together with related removal costs.

B: Salvage ~~recovered~~ *representing removal material* need not be entered in account 100.2a, Retirement Work in Progress-Optional, but may be charged directly to account 122, Materials and Supplies, with a concurrent credit to account 171, Depreciation Reserve - Utility Plant.

100.4 Telephone Plant Acquisition Adjustment

A. This account shall include the difference between (a) the cost to the utility of telephone plant acquired as an operating unit or system by purchase, merger, or otherwise, and (b) the amounts distributed to the primary plant accounts, representing the original cost of such telephone plant, less the amount which may be credited to the depreciation reserve of the accounting utility at the time of acquisition with respect to such property.

B. No transfers shall be made from this account unless prior written authorization has been obtained from this Commission.

103 Miscellaneous Physical Property

A. This account shall include the cost of land, structures and equipment owned by the utility, but not used in utility service.

B. The account shall be appropriately subdivided.

113 Cash

A. This account shall include the amount of cash on hand or on deposit in banks.

B. The following subaccounts should be maintained:

113.1 Cash in Banks

113.2 Cash - REA Construction Fund, Trustee (for utilities having REA Loans)

113.3 Cash on hand

118 Accounts Receivable - Subscribers

This account shall include amounts due from subscribers for telephone services.

122 Materials and Supplies

A. This account shall include the cost of materials and supplies on hand, purchased for use in plant construction or repair work (other than station apparatus which will be charged directly to plant account 231, Station Apparatus, when purchased, and station apparatus repair materials which will be charged directly to operating expense account 602-M, Repairs of Outside Plant, Stations and Buildings - Materials, when purchased).

B. The cost shall include, when practicable, transportation charges, sales and use taxes and other directly assignable costs. Cash discounts shall be deducted from the costs.

C. Reusable materials which are retired from plant and returned to the materials and supplies inventory shall be charged to this account and credited to account 171, Depreciation Reserve - Utility Plant, in the following manner:

1. Reusable materials which when in service were units of property shall be included in this account at their original cost.

2. Reusable materials which when in service were minor items not comprising units of property shall be included in this account at current prices new. (Scrap and nonusable materials shall be charged to a subaccount at the net estimated amount realizable therefrom.)

D. Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into agreement with the actual inventories.

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Prepayments

- A. This account shall include the amount of rents, taxes, insurance and like expenses paid for in advance of the period to which they apply. As the periods covered by such prepayments expire, this account shall be credited and the proper operating expense or other accounts shall be charged with the amount applicable to the period.
- B. Separate subaccounts shall be kept for each kind of prepayment.

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Other Assets

- A. This account shall include all assets not chargeable to accounts 100 to 130, items in suspense, deferred charges and unusual or extraordinary costs not chargeable to operating expenses in the current period.
- B. Separate subaccounts shall be kept for each kind of item included herein.
- C. If any of the items are substantial in amount they may be set out as separate balance sheet accounts.

LIABILITIES

150.1 Common Stock

- A. This account shall be credited with the total par value or stated value of common stock outstanding.
- B. Premiums realized on the issue of common stock and assessments against shareholders shall be carried in separate subaccounts of account 153, Capital Surplus.

150.2 Preferred Stock

- A. This account shall be credited with the total par value or stated value of preferred stock outstanding.
- B. A separate subaccount shall be maintained for each class and series of preferred stock.
- C. Premiums realized on the issue of preferred stock shall be carried in a separate subaccount of account 153, Capital Surplus.

151 Noncorporate Capital

- A. This account shall be credited with the investment of a sole proprietor, or partners, in an unincorporated telephone utility. A separate subaccount shall be maintained for each partner.
- Note: Amounts designated by any noncorporate owner or partner as "salary," representing fair and reasonable compensation for services performed, shall be charged to operating expense account 690, Management Salaries and Expenses, or to telephone plant accounts when appropriate. If clearing accounts are used the owners' or partners' salaries will initially be charged to account 708, Payroll - Clearing, pending distribution.
- B. At the end of each calendar year the net income or loss for the year shall be entered in this account.
- C. Accounting adjustments not properly attributable to the current period shall be charged or credited to this account.
- D. Credits arising from the revaluation of telephone plant or restatement of the reserve for depreciation may be entered in this account only upon prior written authorization from this Commission. Such revaluation credits shall be carried in a separate subaccount of this account.
- E. All withdrawals from the business by the owner or partners other than amounts designated by them as "salaries" shall be charged to subaccount 151.1, Noncorporate Drawings. At the end of each calendar year this subaccount shall be closed into account 151, Noncorporate Capital.

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Earned Surplus (for corporations only)

A. The balance of this account shall reflect the earnings retained in the business.

B. The account shall be charged with:

- a) net losses
- b) accounting adjustments not properly attributable to the period
- c) dividends

The account shall be credited with:

- a) net income
- b) accounting adjustments not properly attributable to the period

C. Telephone utilities having REA Loans outstanding shall, in the event that maintenance expense incurred is less than that specified in the mortgage or contract, establish subaccount 152.2, Earned Surplus Maintenance Reserve (REA), in accordance with the provisions of their mortgage or contractual arrangement.

153

Capital Surplus (for corporations only)

A. This account shall include all surplus not arising from earnings.

It shall include such items as premiums realized on the issue of capital stock, donations to the utility of its capital stock, surplus arising from the forgiveness of debt of the utility; surplus arising out of a reorganization of the corporation, or in connection with its recapitalization.

B. Surplus resulting from the revaluation of telephone plant or restatement of the depreciation reserve may be included in this account only upon receipt of prior written authorization from this Commission.

C. Premiums on capital stock shall be carried in separate subaccounts.

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Long-Term Notes Payable

A. This account shall include all notes, conditional sales contracts or other evidences of indebtedness payable more than one year from date of issue.

B. A separate subaccount shall be maintained for each obligation outstanding.

C. Utilities having REA Loans shall maintain the following additional subaccounts:

157.2 Other Long-Term Debt - REA Notes.

This subaccount shall be credited with the face amount of REA construction notes upon the execution of such notes. The contra entry shall be a debit to subaccount 157.26, Other Long-Term Debt-REA Notes-Unadvanced Loan Fund-Dr.

157.22 Other Long-Term Debt-REA Notes-Deferred Interest.

This subaccount shall be credited with the amount of interest accrued on REA construction notes where payment of such interest has been deferred in accordance with the terms of the mortgage notes or extension agreements. The contra entry shall be a debit to subaccount 336.2, Interest on Long-Term Debt-REA Notes.

157.26 Other Long-Term Debt-REA Notes-Unadvanced Loan Funds-Dr.

This subaccount shall be charged with the total amount of notes executed, but for which funds have not as yet been received from REA. The contra entry shall be a credit to subaccount 157.2, Other Long-Term Debt-REA Notes.

Note: Prior authorization from this Commission must be obtained before any long-term indebtedness may be incurred by the utility (Public Utilities Code, Section 818).

158 Short Term Notes Payable

A. This account shall include all demand notes, and notes and other evidences of indebtedness payable not more than one year from date of issue.

B. A separate subaccount shall be maintained for each obligation outstanding.

Note: Prior authorization from this Commission must be obtained before any short term note is renewed or extended if the combined term of the initial note and the renewal or extension period exceeds 12 months (Public Utilities Code, Section 823).

159.1 Toll Settlements Payable

This account shall be credited monthly and subaccount 510.2, Toll Revenue Due to Connecting Companies-Dr. shall be charged monthly with the portion of gross toll revenue payable to other telephone utilities.

159.2 Other Accounts Payable

This account shall include all amounts currently payable by the utility which are not provided for in other accounts.

160 Customers' Deposits

This account shall be credited with amounts deposited with the utility by subscribers as security for the payment of telephone bills. It shall be charged with amounts refunded to subscribers and with amounts applied to uncollectible bills.

166 Taxes Payable

A. This account shall include all taxes accrued or payable by the utility, including payroll taxes, property taxes, and federal excise taxes.

B. This account also shall include telephone excise taxes collected from subscribers, and payroll and withholding taxes deducted from wages of employees.

C. A separate subaccount shall be maintained for each kind of tax.

Note: Personal Income or Self-Employment taxes of owner or partners shall not be entered in the books of the utility.

171 Depreciation Reserve - Utility Plant

A. The balance of this account shall reflect the total depreciation accumulated on telephone plant.

1. This account shall be credited with:

a. Amounts concurrently charged to accounts 304, and 680 or 702, representing currently accruing depreciation on telephone plant.

b. Salvage, sales price, insurance and other amounts recovered from plant retired.

c. Amounts representing accumulated depreciation on telephone plant acquired from others.

2. This account shall be charged with:

a. Original cost, installed, of depreciable telephone plant retired.

b. Costs of removal of plant retired.

c. Labor and other costs incurred in disconnecting and reconnecting phones which were ~~disconnected~~ for reasons other than a temporary denial of service for nonpayment of telephone bills.

171. Depreciation Reserve - Utility Plant (Continued)

B. The utility may, if it desires, maintain separate subaccounts corresponding with the depreciable primary plant accounts in which the depreciation reserve total is segregated into its component parts. Such a segregation is desirable for separation cost study purposes.

C. The utility is restricted in the use of this reserve to the purposes set forth above. It shall not transfer any portion of the reserve to surplus or to other accounts without prior written authorization from this Commission.

Note A: See account 122, Material and Supplies, paragraph C for more complete instructions on accounting for materials salvaged from retired plant.

Note B: See Section 5, page 3, Accounting Instructions - Depreciation, for information on plant retirement procedures.

174. Other Credits

A. This account shall be credited with all liabilities and reserves not provided for in accounts 150.1 to 171 and credit items held in suspense pending final accounting disposition. The account shall include:

a. Refundable advances for plant construction.

b. Accumulated depreciation on Miscellaneous Physical Property.

B. A separate subaccount shall be maintained for each kind of credit.



UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Primary Plant Accounts

201 Intangible Plant

A. This account shall include the cost of organizing and incorporating the utility, the amounts paid to the federal government, to a state, or to a political subdivision thereof, for franchises, consents, certificates or similar rights running for more than one year, together with the cost of patent rights, licenses, privileges, and other intangible property.

B. The account shall be maintained so as to show separately the cost of each item of intangible plant.

Note: Annual franchise payments shall be charged to account 305, Operating Taxes.

211 Land and Rights of Way

This account shall include the original cost of land and rights of way owned and used in connection with utility operations. This account shall be maintained so as to show separately the cost of each parcel of land and each right of way.

212 Buildings

This account shall include the original cost of structures and permanent improvements used in connection with telephone operations. This account shall be maintained so as to show separately the cost of each structure.

221 Central Office Equipment

This account shall include the original cost installed of dial <sup>switching</sup> equipment, switchboards and other equipment used in operating and terminal rooms.

Examples:

dial central office equipment  
local and toll switchboards  
main and intermediate frames  
relay racks  
interior wires and cables  
power equipment  
fixed station radio equipment

231 Station Apparatus

This account shall include the original cost of telephones and other station apparatus used in furnishing telephone service, together with items of station apparatus carried in stock but not yet installed.

Examples:

telephones	private branch exchanges (Note C)
extension bells	answering equipment
telephone booths	public telephone signs
teletypewriters	mobile telephone equipment

Note A: This account shall not include station apparatus repair parts ~~and materials~~. These items shall be charged directly to account 602-M, Repairs of Outside Plant, Stations and Buildings - Materials, at the time of purchase.

B: The cost of telephones shall be carried in a separate sub-account.

C: Large ~~Private Branch Exchanges~~ shall be charged to account 234, Large ~~Private Branch Exchanges~~.

232 Station Connections

This account shall include the cost of installing station apparatus, together with the cost of labor and materials used in the installation of inside, drop and block wires. Effective with the issuance of this system of accounts, balances in account 232 shall be classified as depreciable plant.

234 Large Private Branch Exchanges

This account shall include the original cost, including cost of installation, of multiple manual private branch exchanges, and of dial system private branch exchanges designed for more than two digit operation. (Types designed to accommodate normally 100 or more extensions.)

Note: Small private branch exchanges shall be charged to account 231, Station Apparatus.

241 Pole Lines

This account shall include the original cost of labor and materials used in the construction of pole lines.

Examples:

poles	towers
crossarms	guys
pole braces	brackets

242 Cable

A. This account shall include the original cost of labor and materials used in the installation of aerial cable, underground cable, buried cable and submarine cable, including loading coils, cable terminals, protectors and arresters, and messenger strands.

B. The following subaccounts shall be used to segregate the various kinds of cable:

242.1	Aerial cable
242.2	Underground cable
242.3	Buried cable
242.4	Submarine cable

243 Aerial Wire

This account shall include the original cost of labor and materials used in the construction of aerial plant.

Examples:

aerial wire	ground wire, clamps and rods
insulators and tie wires	protectors and arresters
repeating coils	transposition brackets

Note: Drop and block wires shall be included in account 232, Station Connections.

244 Conduit

This account shall include the original cost of tile, pipe and other conduit, manholes, etc., together with the cost of trenching, pavement cutting and similar costs incurred in the installation of conduit.

Note: The cost of pipes or other protective covering for underground drop and block wires or service connections shall be included in account 232, Station Connections.

261 Furniture and Office Equipment

This account shall include the original cost of furniture and office equipment in offices, storerooms, shops and other quarters.

Examples:

desks, chairs, tables  
typewriters  
billing machines  
record photographing equipment

safes  
portable fans  
addressing machines  
cash registers  
adding machines

264 Vehicles and Other Work Equipment

This account shall include the original cost of vehicles, tools, garage and shop equipment, and miscellaneous work equipment.

Examples:

automobiles  
earth-boring machines  
power winches  
portable generators  
trucks  
trailers  
pole dollies

Note: Small tools costing \$25 or less shall be charged to operating expense account 602-0, Repairs of Outside Plant, Stations and Buildings - Other.

276 Telephone Plant Acquired

A. This account shall be charged temporarily with the cost of utility plant acquired as an operating unit or system by purchase, merger, or otherwise, pending the distribution thereof to the primary telephone plant accounts and to account 100.4, Telephone Plant Acquisition Adjustment, when applicable.

B. Within six months from the date of acquisition of property recorded herein, there shall be filed with this Commission the proposed journal entries to clear this account.

277 Telephone Plant Sold

A. This account shall be credited temporarily with the selling price of substantially complete operating units or systems pending determination of the amounts to be credited to the appropriate telephone plant accounts and to other accounts.

B. Within six months from the date of sale or transfer of the property there shall be filed with this Commission the proposed journal entries to clear this account.

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Income Statement Accounts

300 Operating Revenues

This is the revenue control account in which is summarized the total of amounts credited to primary revenue accounts 500 to 530, inclusive.

Operating Revenue Deductions

Operating Revenue Deductions is a general title under which is grouped the following accounts:

- a) 301 Operating Expenses
- b) 304 Depreciation Expense
- c) 305 Operating Taxes

Operating Revenue Deductions are subtracted from Operating Revenues to obtain the balance of Utility Operating Income.

301 Operating Expenses

This is the operating expense control account in which is entered the total of amounts charged to primary operating expense accounts 602-L through 690, inclusive.

304 Depreciation Expense

This account is charged, and account 171, Depreciation Reserve-Utility Plant is credited, with the depreciation accrual for all classes of depreciable telephone plant except vehicles, which is charged to account 680, Vehicle Expense, or to account 702, Vehicles and Other Work Equipment-Clearing, if that account is used.

Note: Depreciation on property not used in telephone operations is charged to account 323, Miscellaneous Income Charges, and is credited to Account 174, Other Credits.

305 Operating Taxes

This account shall include all federal, state, county, municipal and other taxes arising from telephone operations, including property taxes, employer's portion of state and federal payroll taxes, and telephone franchise taxes.

Incorporated utilities only shall include in this account federal corporation income tax and state corporation franchise tax. Personal income taxes or self-employment tax of owners or partners shall not be entered on the books of the utility.

Note: The following taxes shall NOT be entered in this account but shall be charged or credited to accounts as follows:

1. Account 680, Vehicle Expense or account 702, Vehicles and Other Work Equipment-Clearing, if that account is used, shall be charged with the cost of vehicle license fees.
2. Account 211, Land and Rights of Way, shall be charged with the cost of special assessments for streets, sewers and similar improvements.
3. Account 166, Taxes Payable, shall be credited with:
  - a. Employees' federal income tax withheld
  - b. Employees' portion of Federal Insurance Contributions Act (Social Security) tax.
  - c. Employees' portion of State Unemployment Insurance tax.
  - d. Federal excise tax on telephone bills collected from subscribers.

## Utility Operating Income

Utility Operating Income is the term applied to the difference between operating revenues and operating revenue deductions, before inclusion of Miscellaneous Income, Miscellaneous Income Charges and Interest Expense.

### 316 Miscellaneous Income

1. To this account is credited all income not creditable to operating revenue accounts 500 to 530, inclusive.

Examples:

Interest income

Dividend income

Gross income from non-telephone utility operations

Gross income from rental of miscellaneous physical property

2. This account shall be maintained so that the various sources of miscellaneous income may be readily identified.

### 323 Miscellaneous Income Charges

To this account shall be charged all expenses not includable in operating expense accounts 602-L through 690, account 304, Depreciation Expense, account 305, Operating Taxes, or account 336, Interest Expense.

Examples:

1. Contributions for charitable or community welfare purposes.

2. Expenses, including depreciation and taxes on non-telephone utility operations.

3. Expenses, including depreciation and taxes on miscellaneous physical property.

### 336 Interest Expense

To this account shall be charged all interest expense of the utility.

Note: Interest on REA Notes shall be carried in a separate sub-account titled,

336.2 Interest on Long-Term Debt - REA Notes.

## Net Income

Net income is the term applied to the net earnings (or loss) for an accounting period which is transferred to account 151, Noncorporate Capital or to account 152, Earned Surplus. Net income is derived by subtracting from operating revenues plus miscellaneous income the total of operating revenue deductions, miscellaneous income charges and interest expense.

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Operating Revenue Accounts

Local Service Revenue

- 500 Exchange Service Revenue  
This account shall include revenue from telephone service within the exchange area.
- 505 Station Installations, Moves and Changes Revenue  
This account shall include revenue from the installation, relocation or change of station apparatus.
- 506 Other Local Service Revenue  
This account shall include revenue from line extension charges, teletypewriter line revenues and all other local service revenues not provided for elsewhere.

Toll Service Revenue

- 510 Toll Service Revenue  
This account shall include revenue from toll telephone service. The following subaccounts shall be maintained:
- 510.1 Gross Toll Revenue  
This subaccount shall be credited monthly with the gross amount billed to subscribers and collected from pay stations for furnishing toll telephone service.
- 510.2 Toll Revenue due to Connecting Companies-Dr.  
This subaccount shall be debited monthly (and contra account 159.1, Toll Settlements Payable, shall be credited monthly) with the portion of gross toll revenue payable to connecting telephone utilities.

Miscellaneous Operating Revenue

- 523 Gross Directory Advertising Revenue  
This account shall be credited with the gross revenue from telephone directory advertising.  
Note: The portion of the gross directory advertising revenue payable to others for soliciting advertising, printing and distributing the directories, etc., shall be charged to operating expense account 649, Directory Expenses.
- 526 Other Miscellaneous Operating Revenue  
This account shall include operating revenue not provided for elsewhere, such as telegraph commissions, pole contacts, and space rental.
- 530 Uncollectible Operating Revenue-Dr.  
This account shall be charged and account 118, Accounts Receivable-Subscribers, shall be credited with amounts which are determined to be uncollectible. Amounts written off in this manner which subsequently are collected shall be credited to this account.

UNIFORM SYSTEMS OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Operating Expense Accounts

- 602-L Repairs of Outside Plant, Stations and Buildings-Labor  
This account shall include the wages of all employees (other than the manager, owner, principal stockholders or spouses) whose time is devoted to the repair and maintenance of all telephone plant other than central office equipment and vehicles.  
Note A. See also account 708, Payroll Labor Clearing.  
B. The cost of labor utilized in disconnecting and reconnecting phones which were temporarily disconnected for reasons other than nonpayment of telephone bills shall be charged to account 171, Depreciation Reserve-Utility Plant.
- 602-M Repairs of Outside Plant, Stations and Buildings-Materials  
This account shall include the cost of materials and supplies used in the repair and maintenance of all telephone plant other than central office equipment and vehicles.  
Note: Station apparatus repair <sup>parts</sup> materials will be charged directly to account 602-M when purchased, and will not at any time be carried as a part of the material and supplies inventory.
- 602-O Repairs of Outside Plant, Stations and Buildings-Other  
This account shall include all maintenance costs of plant, other than central office equipment and vehicles not chargeable to accounts 602-L or 602-M, such as contract work which cannot be segregated as to labor and materials, costs of permits for maintenance work, and small tools having a cost of \$25 or less.
- 604-L Repairs of Central Office Equipment - Labor  
This account shall include the portion of the wages of employees (other than the owner, manager, principal stockholders or spouses) whose time is devoted to the repair and maintenance of central office equipment.  
Note: Central Office Equipment maintenance labor has been segregated from other maintenance labor for separations study cost purposes. Entries to this account shall be supported by time sheets, work orders or by some form of record maintained in the utility's central office that will show:  
a. employee's name  
b. dates and hours worked  
c. total labor cost  
Charges to this account shall not be based on estimated prorations of payroll amounts.
- 604-M Repairs of Central Office Equipment - Materials  
This account shall include the cost of materials and supplies used in the repair and maintenance of central office equipment.
- 604-O Repairs of Central Office Equipment - Other  
This account shall include the maintenance costs of central office equipment not chargeable to accounts 604-L or 604-M, such as contract work which cannot be segregated as to labor and materials.

- 624 Operators' Wages  
This account shall include the wages of all telephone operators (other than the manager, owner, principal stockholders or spouses).  
Note: If a portion of an operator's time is devoted to sorting time tickets, billing, collecting or other office work, an equitable portion of her salary shall be charged to account 665, Office Salaries.
- 649 Directory Expenses  
This account shall include the portion of gross directory advertising revenue payable to others for soliciting advertising, printing and distributing directories, etc.
- 665 Office Salaries  
This account shall include the salaries of all employees (other than the manager, owner, principal stockholders or spouses) whose time is devoted to billing, collecting, record keeping or other office work.  
Note A: If a portion of an office employee's time is spent as a telephone operator, an equitable portion of her salary shall be charged to account 624, Operators' Wages.  
Note B: Amounts paid to independent accountants shall be charged to account 674, Outside Accounting Services.
- 666 Office Supplies and Expenses  
This account shall include the cost of office supplies and expenses including postage, printing, stationery, subscriber billing forms, and the repair and maintenance of office equipment.
- 670 Utilities Expense  
This account shall include the cost of electricity, gas, water, refuse and trash disposal and telephone and telegraph services.
- 671 Operating Rents  
This account shall include all rental expenses not charged to clearing accounts, including the rental of -  
buildings, such as general offices, central offices and garages;  
storage yards;  
office equipment, such as postal meter machines and record photographing equipment;  
vehicles;  
pole contact charges.  
Note: This account shall be maintained so as to segregate the various kinds of rents, and so as to segregate payments to affiliated interests.
- 672 Pensions  
This account shall include the utility's portion of pension costs paid to insurance companies, trust funds or similar bodies.
- 673 Insurance Expense  
This account shall include all insurance costs applicable to the accounting period, other than insurance on vehicles, which shall be charged to account 680, Vehicle Expense, or to account 702, Vehicles and Other Work Equipment-Clearing, if that account is used. Each type of insurance shall be carried in a separate subaccount.



674 Outside Accounting Services

This account shall include the cost of services of independent accountants for work such as auditing, preparation of financial statements and monthly accounting services.

675 Other Expenses

This account shall include all expenses not includable in other operating expense accounts, such as -

legal expense	subscriptions
advertising	other traffic expense
telephone association dues	

The account shall be kept in a manner so as to permit ready identification of the items therein.

680 Vehicle Expense

This account shall include all truck, automobile and other vehicle expense.

Examples:

depreciation	insurance	license fees
batteries	tires	repairs
fuel	oil	lubrication

Note: See also account 702, Vehicle and Other Work Equipment - Clearing.

690 Management Salaries and Expenses

This account shall include the salaries of the manager, owner, partners or principal stockholders of a utility, or their spouses. Management expenses shall be carried in a separate subaccount.

Note A: Drawings by partners or owners of noncorporate utilities in addition to amounts designated by them as "salaries" for operating the utility shall be charged to sub-account 151.1, Noncorporate Drawings.

B: See also account 708, Payroll-Clearing.

UNIFORM SYSTEM OF ACCOUNTS  
FOR  
CLASS C TELEPHONE UTILITIES

Clearing Accounts

Clearing Accounts - General

A. The purpose of a clearing account is to accumulate temporarily in one account costs of a specific type which affect more than a single account, and which subsequently will be apportioned among utility plant accounts, operating expense accounts and other appropriate accounts.

B. The use of clearing accounts is optional. In addition to those listed below a utility may use such additional clearing accounts as it finds useful.

702 Vehicles and Other Work Equipment - Clearing

A. If this account is used it shall be charged with the cost of repairs, maintenance, fuel, oil, tires, batteries, depreciation, insurance, ~~annual fees~~, license fees, and similar expenses incurred in the operation of vehicles.

B. This account shall be cleared by crediting it, and charging utility plant and operating expense accounts in the manner described below:

- a. Account 100.2, Telephone Plant under Construction shall be charged with the portion of vehicle expenses assignable to telephone plant construction.
- b. Account 100.2a, Retirement Work in Progress - Optional (if that account is used) shall be charged with the portion of vehicle expenses assignable to telephone plant retirements.
- c. Account 680, Vehicle Expense shall be charged with the balance in the account not assignable to telephone plant construction or telephone plant retirements.

708 Payroll - Clearing

A. If this account is used it shall be charged with the gross wages earned by all employees.  
(Unincorporated utilities also shall charge to this account the amounts withdrawn by the owner or partners representing the value assigned to their services in operating the utility. Other amounts withdrawn by owners or partners of unincorporated utilities in addition to amounts designated as "salaries" for operating the utility shall be charged to subaccount 151.1, Noncorporate Drawings.)

B. This account shall be cleared by crediting it and charging the accounts indicated below:

- a. Telephone operators' wages shall be charged to account 624, Operators' Wages.
- b. Office employees' salaries shall be charged to account 665, Office Salaries.
- c. Wages of all employees, whose time is utilized in telephone plant construction or in telephone plant maintenance and repair, shall be segregated in the following manner:
  1. Account 100.2, Telephone Plant Under Construction, shall be charged with the cost of labor assignable to utility plant construction.

708 Payroll - Clearing (Continued)

2. Account 100.2a, Retirement Work in Progress - Optional, shall be charged with the cost of labor used in removal of plant retired. (If account 100.2a is not used, such labor cost shall be charged directly to account 171, Depreciation Reserve - Utility Plant.)
  3. Account 171, Depreciation Reserve-Utility Plant, shall be charged with the cost of labor utilized in disconnecting and reconnecting phones which had been disconnected for reasons other than temporary denial of service for nonpayment of telephone bills.
  4. Account 604-L, Repairs of Central Office Equipment-Labor shall be charged with the cost of labor used in the repair and maintenance of central office equipment. Entries in this account shall be based on actual records and not on an arbitrary distribution of labor cost.
  5. The balance of employees' wages not assignable to any of the accounts described above shall be charged to account 602-L, Repairs of Outside Plant, Stations and Buildings-Labor.
- d. Salaries of owners, partners, managers and spouses shall be segregated in the following manner:
1. Account 100.2, Telephone Plant Under Construction, shall be charged with the cost of labor assignable to utility plant construction.
  2. Account 100.2a, Retirement Work in Progress-Optional, shall be charged with the cost of labor used in removal of plant retired. (If account 100.2a is not used, such labor cost shall be charged directly to account 171, Depreciation Reserve-Utility Plant.)
  3. Account 171, Depreciation Reserve-Utility Plant, shall be charged with the cost of labor utilized in disconnecting and reconnecting phones which had been disconnected for reasons other than temporary denial of service for nonpayment of telephone bills.
  4. The balance of salaries of owners, partners, managers and spouses not assignable to any of the accounts described above shall be charged to account 690, Management Salaries and Expenses.