

shall be without prejudice to Commission action on the renewal application and any related sanctions. See also §26.14 (Criteria for Comparative Renewal Proceedings).

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## PART 32—UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

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AUTHORITY: 47 U.S.C. 154.

SOURCE: 51 FR 43499, Dec. 2, 1986, unless otherwise noted.

### Subpart A—Preface

#### §32.1 Background.

The revised Uniform System of Accounts (USOA) is a historical financial accounting system which reports the results of operational and financial events in a manner which enables both management and regulators to assess these results within a specified accounting period. The USOA also provides the financial community and others with financial performance results. In order for an accounting system to fulfill these purposes, it must exhibit consistency and stability in financial reporting (including the results published for regulatory purposes). Accordingly, the USOA has been designed to reflect stable, recurring financial data based to the extent regulatory considerations permit upon the consistency of the well established body of accounting theories and principles commonly referred to as generally accepted accounting principles.

#### §32.2 Basis of the accounts.

(a) The financial accounts of a company are used to record, in monetary terms, the basic transactions which

occur. Certain natural groupings of these transactions are called (in different contexts) transaction cycles, business processes, functions or activities. The concept, however, is the same in each case; i.e., the natural groupings represent what happens within the company on a consistent and continuing basis. This repetitive nature of the natural groupings, over long periods of time, lends an element of stability to the financial account structure.

(b) Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions *performed by* the assets. In addition, because of the anticipated effects of future innovations, the telecommunications plant accounts are intended to permit technological distinctions. Similarly, the primary bases of plant operations, customer operations and corporate operations expense accounts are the functions *performed by* individuals. The revenue accounts, on the other hand, reflect a market perspective of natural groupings based primarily upon the products and services *purchased by* customers.

(c) In the course of developing the bases for this account structure, several other alternatives were explored. It was, for example, determined that, because of the variety and continual changing of various cost allocation mechanisms, the financial accounts of a company should not reflect an *a priori* allocation of revenues, investments or expenses to products or services, jurisdictions or organizational structures. (Note also §32.14 (c) and (d) of Subpart B.) It was also determined that costs (in the case of assets) should not be recorded based solely upon physical attributes such as location, description or size.

(d) Care has been taken in this account structure to avoid confusing a function with an organizational responsibility, particularly as it relates to the expense accounts. Whereas in the past, specific organizations may

have performed specific functions, the future environment with its increasing mechanization and other changes will result in entirely new or restructured organizations. Thus, any relationships drawn between organizations and accounts would become increasingly meaningless with the passage of time.

(e) These accounts, then, are intended to reflect a functional and technological view of the telecommunications industry. This view will provide a stable and consistent foundation for the recording of financial data.

(f) The financial data contained in the accounts, together with the detailed information contained in the underlying financial and other subsidiary records required by this Commission, will provide the information necessary to support separations, cost of service and management reporting requirements. The basic account structure has been designed to remain stable as reporting requirements change.

#### § 32.3 Authority.

This Uniform System of Accounts has been prepared under the following authority: Section 4 of the Communications Act of 1934, as amended, 47 U.S.C. section 154 (1984); sections 219, 220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 219, 220, (1984).

#### § 32.4 Communications Act.

Attention is directed to the following extract from section 220 of the Communications Act of 1934, 47 U.S.C. 220 (1984):

(e) Any person who shall willfully make any false entry in the accounts of any book of accounts or in any record or memoranda kept by any such carrier, or who shall willfully destroy, mutilate, alter, or by any other means or device falsify any such account, record, or memoranda, or who shall willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the business of the carrier, shall be deemed guilty of a misdemeanor, and shall be subject, upon conviction, to a fine of not less than \$1,000 nor more than \$5,000 or imprisonment for a term of not less than one year nor more than three years, or both such fine and imprisonment: Provided, that the Commission may in its discretion issue orders specifying such operating, accounting or financial papers,

records, books, blanks, or documents which may, after a reasonable time, be destroyed, and prescribing the length of time such books, papers, or documents shall be preserved.

For regulations governing the periods for which records are to be retained, see Part 42, Preservation of Records of Communications Common Carriers, of this chapter which relates to preservation of records.

### Subpart B—General Instructions

#### § 32.11 Classification of companies.

(a) For accounting purposes, companies are divided into classes as follows:

(1) *Class A.* Companies having annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold.

(2) *Class B.* Companies having annual revenues from regulated telecommunications operations that are less than the indexed revenue threshold.

(b) Class A companies shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated as Class A accounts. These companies shall also keep Basic Property Records in compliance with the requirements of § 32.2000 (e) and (f) of Subpart C.

(c) Class B companies shall keep all accounts of this system of accounts which are applicable to their affairs and are designated as Class B accounts. These companies shall also keep Continuing Property Records in compliance with the requirements of §§ 32.2000(e)(7)(A) and 32.2000(f) of Subpart C.

(d) Class B companies that desire more detailed accounting may adopt the accounts prescribed for Class A companies upon the submission of a written notification to the Commission.

(e) The initial classification of a company shall be determined by its lowest annual operating revenues for the five immediately preceding years. Subsequent changes in classification shall be made when the annual operating revenues show a greater or lesser classification for five consecutive years. Companies becoming subject to the jurisdiction of the Commission and not having revenue data for the five

immediately preceding years shall estimate the amount of their annual revenues and adopt the scheme of accounts appropriate for the amount of such estimated revenues.

[51 FR 43499, Dec. 2, 1986, as amended at 61 FR 50245, Sept. 25, 1996]

#### § 32.12 Records.

(a) The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.

(b) The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

(c) The Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, will be readily available. When this occurs, or where the full information is not otherwise recorded in the general books, the subsidiary records shall be maintained in sufficient detail to facilitate the reporting of the required specific information. The subsidiary records, in which the full details are shown, shall be sufficiently referenced to permit ready identification and examination by representatives of this Commission.

#### § 32.13 Accounts—General.

(a) As a general rule, all accounts kept by reporting companies shall conform in numbers and titles to those prescribed herein. However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are consistent with the title and content of accounts and subaccounts prescribed in this system.

(1) For Class A reporting companies, accounts which are clearly summaries of other accounts or subaccounts are to be used for reporting purposes and are not otherwise required to be maintained.

(2) A company may subdivide any of the accounts prescribed. The titles of

all such subaccounts shall refer by number or title to the controlling account.

(3) A company may establish temporary or experimental accounts provided that within 30 days of the opening of such accounts the company notifies the Commission of the nature and purpose thereof.

(b) Exercise of the preceding options shall be allowed only if the integrity of the prescribed accounts is not impaired.

(c) As of the date a company becomes subject to the system of accounts, the company is authorized to make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.

(d) Nothing contained in this Part shall prohibit or excuse any company, receiver, or operating trustee of any carrier from subdividing the accounts hereby prescribed for the purpose of:

(1) Complying with the requirements of the state commission(s) having jurisdiction; or

(2) Securing the information required in the prescribed reports to such commission(s).

(e) Where the use of subsidiary records is considered necessary in order to secure the information required in reports to any state commission, the company shall incorporate the following controls into their accounting system with respect to such subsidiary records:

(1) Subsidiary records shall be reconciled to the company's general ledger or books of original entry, as appropriate.

(2) The company shall adequately document the accounting procedures related to subsidiary records.

(3) The subsidiary records shall be maintained at an adequate level of detail to satisfy state regulators.

#### § 32.14 Regulated accounts.

(a) In the context of this part, the regulated accounts shall be interpreted to include the investments, revenues and expenses associated with those telecommunications products and services to which the tariff filing requirements contained in Title II of the Communications Act of 1934, as amended,

are applied, except as may be otherwise provided by the Commission. Regulated telecommunications products and services are thereby fully subject to the accounting requirements as specified in Title II of the Communications Act of 1934, as amended, and as detailed in Subparts A through F of this Part of the Commission's Rules and Regulations.

(b) In addition to those amounts considered to be regulated by the provisions of paragraph (a) of this section, those telecommunications products and services to which the tariff filing requirements of the several state jurisdictions are applied shall be accounted for as regulated, except where such treatment is proscribed or otherwise excluded from the requirements pertaining to regulated telecommunications products and services by this Commission.

(c) In the application of detailed accounting requirements contained in this part, when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, companies shall account for these activities within the accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets used and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment, as provided in § 32.4999(l), shall be recorded in Account 5280, Nonregulated operating revenue.

(d) Other income items which are incidental to the provision of regulated products and services shall be accounted for as regulated activities.

(e) All costs and revenues related to the offering of regulated products and services which result from arrangements for joint participation or apportionment between two or more tele-

phone companies (e.g., joint operating agreements, settlement agreements, cost-pooling agreements) shall be recorded within the detailed accounts. Under joint operating agreements, the creditor will initially charge the entire expenses 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 account initially charge. Any allowances for return on property used will be accounted for as provided in Account 5240, Rent Revenue.

(f) All items of nonregulated revenue, investment and expense that are not properly includible in the detailed, regulated accounts prescribed in Subparts A through F of this part, as determined by paragraphs (a) through (e) of this section shall be accounted for and included in reports to this Commission as specified in § 32.23 of this subpart.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6560, Mar. 4, 1987; 53 FR 49321, Dec. 7, 1988]

#### § 32.15 [Reserved]

#### § 32.16 Changes in accounting standards.

(a) The company's records and accounts shall be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard-setting groups, in a manner consistent with generally accepted accounting principles. Commission approval of a change in accounting standard will automatically take effect 90 days after the company informs this Commission of its intention to follow the new standard, unless the Commission notifies the company to the contrary. Concurrent with informing this Commission of its intent to adopt an accounting standards change, the company shall also file a revenue requirement study for the current year and a projection for three years into the future analyzing the effects of the accounting standards change. Furthermore, any change subsequently adopted shall be disclosed in annual reports to this Commission.

(b) The changes in accounting standards which this Commission approves will not necessarily be binding on the

ratemaking practices of the various state commissions.

**§ 32.17 Interpretation of accounts.**

To the end that uniform accounting shall be maintained within the prescribed system, questions involving matters of significant which are not clearly provided for shall be submitted to the Chief, Common Carrier Bureau, for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts will be maintained by the Common Carrier Bureau.

**§ 32.18 Waivers.**

A waiver from any provision of this system of accounts shall be made by the Federal Communications Commission upon its own initiative or upon the submission of written request therefor from any telecommunications company, or group of telecommunications companies, provided that such a waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique; a specifically defined alternative procedure or technique will result in a substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts; and the application of such alternative procedure will maintain or improve uniformity in substantive results as among telecommunications companies.

**§ 32.19 Address for reports and correspondence.**

Reports, statements, and correspondence submitted to the Federal Communications Commission in accordance with or relating to instructions and requirements contained herein shall be addressed to the Common Carrier Bureau, Federal Communications Commission, Washington, DC 20554.

**§ 32.20 Numbering convention.**

- (a) The number “32” (appearing to the left of the first decimal point) indicates the part number.
- (b) The numbers immediately following to the right of the decimal point in-

dicating, respectively, the section or account. *All Part 32 Account numbers contain 4 digits to-the-right-of the decimal point.*

(c) Cross references to accounts are made by citing the account numbers to the right of the decimal point; e.g., Account 2232 rather than the corresponding complete Part 32 reference number 32.2232.

**§ 32.21 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 this Commission.

**§ 32.22 Comprehensive interperiod tax allocation.**

(a) Companies shall apply interperiod tax allocation (tax normalization) to all book/tax temporary differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the temporary difference. The tax effects of book/tax temporary differences shall be normalized and the deferrals shall be included in the following accounts:

- 4100, Net Current Deferred Operating Income Taxes;
- 4110, Net Current Deferred Nonoperating Income Taxes;
- 4340, Net Noncurrent Deferred Operating Income Taxes;
- 4350, Net Noncurrent Deferred Nonoperating Income Taxes.

In lieu of the accounting prescribed herein, any company shall treat the increase or reduction in current income taxes payable resulting from the use of flow through accounting in prior years as an increase or reduction in current tax expense.

- (b) Supporting documentation shall be maintained so as to separately identify the amount of deferred taxes which arise from the use of an accelerated method of depreciation.



(c) Subsidiary records shall be used to reduce the deferred tax assets contained in the accounts specified in paragraph (a) of this section when it is likely that some portion or all of the deferred tax asset will not be realized. The amount recorded in the subsidiary record should be sufficient to reduce the deferred tax asset to the amount that is likely to be realized.

(d) The records supporting the activity in the deferred income tax accounts shall be maintained in sufficient detail to identify the nature of the specific temporary differences giving rise to both the debits and credits to the individual accounts.

(e) Any company that uses accelerated depreciation (or recognizes taxable income or losses upon the retirement of property) for income tax purposes shall normalize the tax differentials occasioned thereby as indicated in paragraphs (e)(1) and (e)(2) of this section.

(1) With respect to the retirement of property the book/tax difference between (i) the recognition of proceeds as income and the accrual for salvage value and (ii) the book and tax capital recovery, shall be normalized.

(2) Records shall be maintained so as to show the deferred tax amounts by vintage year separately for each class or subclass of eligible depreciable telephone plant for which an accelerated method of depreciation has been used for income tax purposes. When property is transferred to nonregulated activities, the associated deferred income taxes and unamortized investment tax credits shall also be identified and transferred to the appropriate nonregulated accounts.

(f) The tax differentials to be normalized as specified in this section shall also encompass the additional effect of state and local income tax changes on Federal income taxes produced by the provision for deferred state and local income taxes for book/tax temporary differences related to such income taxes.

(g) Companies that receive the tax benefits from the filing of a consolidated income tax return by the parent company, (pursuant to closing agreements with the Internal Revenue Service, effective January 1, 1966) rep-

resenting the deferred income taxes from the elimination of intercompany profits for income tax purposes on sales of regulated equipment, may credit such deferred taxes directly to the plant account which contains such intercompany profit rather than crediting such deferred taxes to the applicable accounts in paragraph (a) of this section. If the deferred income taxes are recorded as a reduction of the appropriate plant accounts, such reduction shall be treated as reducing the original cost of the plant and accounted for as such.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9418, Feb. 28, 1994]

#### § 32.23 Nonregulated activities.

(a) This section describes the accounting treatment of activities classified for accounting purposes as “nonregulated.” Preemptively deregulated activities and activities (other than incidental activities) never subject to regulation will be classified for accounting purposes as “nonregulated.” Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purposes as regulated activities until such time as this Commission decides otherwise. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.

(b) When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in §§ 32.1406 and 32.7990. Transfers of assets, and sales of products and services between the regulated activity and a nonregulated activity for which a separate set of books is maintained, shall be accounted for in

accordance with the rules presented in §32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in §§32.1406 and 32.7990.

(c) When a nonregulated activity does involve the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Carriers shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not provided for elsewhere in this system of accounts and not qualifying for incidental treatment as provided in §32.4999(1), shall be recorded in separate subsidiary record categories of Account 5280, Nonregulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to part 36 of this chapter.

[52 FR 6560, Mar. 4, 1987, as amended at 53 FR 49322, Dec. 7, 1988; 59 FR 46930, Sept. 13, 1994]

#### §32.24 Compensated absences.

(a) Companies shall record a liability and charge the appropriate expense accounts for compensated absences (vacations, sick leave, etc.) in the year in which these benefits are earned by employees.

(b) With respect to the liability that exists for compensated absences which is not yet recorded on the books as of the effective date of this part, the liability shall be recorded in Account 4120, Other Accrued Liabilities, with a corresponding entry to Account 1439, Deferred Charges. This deferred charge shall be amortized on a straight line basis over a period of ten years.

(c) Records shall be maintained so as to show that no more than ten percent of the deferred charge is being amortized each year.

#### §32.25 Unusual items and contingent liabilities.

Extraordinary items, prior period adjustments and contingent liabilities shall be submitted to this Commission for review before being recorded in the company's books of account. The materiality of corrections of errors in prior periods shall be measured in relation to the summary account level used for reporting purposes for Class A carriers, or in relation to total operating revenues or total operating expenses for Class B carriers. For Class A carriers, no correction in excess of one percent of the aggregate summary account dollars or one million dollars, whichever is higher, may be recorded in current operating accounts without prior approval. For Class B carriers, no correction which exceeds one percent of total operating revenues or one percent of total operating expenses, depending on the nature of the item, may be recorded in current operating accounts without prior approval.

[52 FR 43917, Nov. 17, 1987]

#### §32.26 Materiality.

Companies shall follow this system of accounts in recording all financial and statistical data irrespective of an individual item's materiality under GAAP, unless a waiver has been granted under the provisions of §32.18 of this subpart to do otherwise.

#### §32.27 Transactions with affiliates.

(a) Unless otherwise approved by the Chief, Common Carrier Bureau, transactions with affiliates involving asset transfers into or out of the regulated accounts shall be recorded by the carrier in its regulated accounts as provided in paragraphs (b) through (f) of this section.

(b) Charges for assets purchased by or transferred to the regulated telephone activity of a carrier from affiliates shall be recorded in the operating accounts of the regulated activity at the invoice price if that price is determined by a prevailing price held out to the general public in the normal course

of business. If a prevailing price for the assets received by the regulated activity is not available, the charges recorded by the regulated activity for such assets shall be the lower of their cost to the originating activity and the affiliated group less all applicable valuation reserves, or their fair market value.

(c) Assets sold or transferred from the regulated accounts to affiliates shall be recorded as operating revenues, incidental revenues or asset retirements according to the nature of the transaction involved. If such sales are reflected in tariffs on file with a regulatory commission or in a prevailing price held out to the general public, the associated revenues shall be recorded at the prices contained therein in the appropriate revenue accounts. If no tariff or prevailing price is applicable, the proceeds from such sales shall be determined at the higher of cost less all applicable valuation reserves, or estimated fair market value of the asset.

(d) Services provided to an affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Services provided by an affiliate to the regulated activity, when the same services are also provided by the affiliate to unaffiliated persons or entities, shall be recorded at the market rate. When a carrier provides substantially all of a service to or receives substantially all of a service from an affiliate which are not also provided to unaffiliated persons or entities, the services shall be recorded at cost which shall be determined in a manner that complies with the standards and procedures for the apportionment of joint and common costs between the regulated and nonregulated operations of the carrier entity.

(e) Income taxes shall be allocated among the regulated activities of the carrier, its nonregulated divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by the carrier and other members of the affiliated group, the income tax expense to be recorded by the carrier shall be the same as would result if determined for the carrier separately for

all time periods, except that the tax effect of carry-back and carry-forward operating losses, investment tax credits, or other tax credits generated by operations of the carrier shall be recorded by the carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of members, of the affiliated group.

(f) Companies that employ average schedules in lieu of actual costs are exempt from the provisions of this section. For other organizations, the principles set forth in this section shall apply equally to corporations, proprietorships, partnerships and other forms of business organizations.

[52 FR 6561, Mar. 4, 1987; 52 FR 39534, Oct. 22, 1987]

### Subpart C—Instructions for Balance Sheet Accounts

#### § 32.101 Structure of the balance sheet accounts.

The Balance Sheet accounts shall be maintained as follows:

Account 1120, Cash and Equivalents, through Account 1500, Other Jurisdictional Assets—Net, shall include assets other than regulated-fixed assets.

Account 2001, Telecommunications Plant in Service, through Account 2007, Goodwill, shall include the regulated fixed assets.

Account 3100, Accumulated Depreciation through Account 3600, Accumulated Amortization—Other, shall include the asset and deferred tax reserves.

Account 4010, Accounts Payable, through Account 4550, Retained Earnings, shall include all liabilities and stockholders equity.

#### § 32.102 Nonregulated investments.

Nonregulated investments shall include the investment in nonregulated activities that are conducted through the same legal entity as the telephone company operations, but do not involve the joint or common use of assets or resources in the provision of both regulated and nonregulated products and services. See §§ 32.14 and 32.23.

[52 FR 6561, Mar. 4, 1987]

**§ 32.103 Balance Sheet accounts for other than regulated-fixed assets to be maintained.**

BALANCE SHEET ACCOUNTS

Account title	Class A account	Class B account
Current Assets		
Cash and equivalents:		
Cash and equivalents .....		1120
Cash .....	1130	
Special cash deposits .....	1140	
Working cash advances .....	1150	
Temporary investments .....	1160	
Receivables and allowances for doubtful accounts:		
Telecommunications accounts receivable .....	1180	1180
Accounts receivable allowance—telecommunications .....	1181	1181
Other accounts receivable .....	1190	1190
Accounts receivable allowance—other .....	1191	1191
Notes receivable .....	1200	1200
Notes receivable allowance .....	1201	1201
Interest and dividends receivable .....	1210	1210
Supplies:		
Material and supplies .....	1220	1220
Prepayments:		
Prepayments .....		1280
Prepaid rents .....	1290	
Prepaid taxes .....	1300	
Prepaid insurance .....	1310	
Prepaid directory expenses .....	1320	
Other prepayments .....	1330	
Other current assets:		
Other current assets .....	1350	1350
Noncurrent Assets		
Investments:		
Investment in affiliated companies .....	1401	1401
Investments in nonaffiliated companies .....	1402	1402
Nonregulated investments .....	1406	1406
Unamortized debt issuance expense .....	1407	1407
Sinking funds .....	1408	1408
Other noncurrent assets .....	1410	1410
Deferred charges:		
Deferred tax regulatory asset .....	1437	1437
Deferred maintenance and retirements .....	1438	1438
Deferred charges .....	1439	1439
Other:		
Other jurisdictional assets—net .....	1500	1500

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9418, Feb. 28, 1994]

**§ 32.1120 Cash and equivalents.**

This account shall be used by Class B companies to record assets of the type required of Class A companies in Accounts 1130 through 1160.

**§ 32.1130 Cash.**

(a) This account shall include the amount of current funds available for use on demand in the hands of financial officers and agents, deposited in banks

or other financial institutions and also funds in transit for which agents have received credit.

(b) Working cash advances shall be included in Account 1150, Working Cash Advances.

**§ 32.1140 Special cash deposits.**

(a) 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 one year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed within one 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.

(b) Cash on deposit in special accounts where the funds are available for the current requirements of the company shall be included in Account 1130, Cash.

(c) Cash on special deposit to be held for more than one year from the date of deposit shall be included in Account 1410, Other Noncurrent Assets.

**§ 32.1150 Working cash advances.**

This account shall include the amount of cash advanced to officers, agents, employees, and others as petty cash or working funds from which expenditures are to be made and accounted for.

**§ 32.1160 Temporary investments.**

(a) This account shall include the cost of current 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.

(b) Accumulated changes in the net unrealized losses of current marketable equity securities shall be included in the determination of net income in the period in which they occur in Account 7360, Other Nonoperating Income.

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.1180 Telecommunications accounts receivable.**

(a) This account shall include all amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. This account shall also include all amounts due from customers or agents for products sold. This account shall be kept in such manner as will enable the company to make the following analysis:

(1) Amounts due from customers who are receiving telecommunications service.

(2) Amounts due from customers who are not receiving service and whose accounts are in process of collection.

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

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.1181 Accounts receivable allowance—telecommunications.**

(a) This account shall be credited with amounts charged to Account 5301, Uncollectible Revenue—Telecommunications, to provide for uncollectible amounts included in Account 1180, Telecommunications Accounts Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and

credits to Account 1180. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5301, Uncollectible Revenue—Telecommunications.

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.1190 Other accounts receivable.**

(a) This account shall include all amounts currently due, and not provided for in other accounts, such as those for traffic settlements, divisions of revenue, material and supplies, matured rents, and interest receivable under monthly settlements on short-term loans, advances, and open accounts.

(b) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(c) Amounts included in this account pertaining to affiliates shall not include amounts receivable from sales of telecommunications service provided at tariffed rates. Such amounts shall be included in Account 1180, Telecommunications Accounts Receivable.

(d) If any items included in this account are not to be paid currently they shall be transferred to Account 1410, Other Noncurrent Assets, or 1401, Investments in Affiliated Companies, as appropriate.

**§ 32.1191 Accounts receivable allowance—other.**

(a) This account shall be credited with amounts charged to Account 5302, Uncollectible Revenue—Other to provide for uncollectible amounts included in Account 1190, Other Accounts Receivable. There shall also be credited to this account amounts collected

which previously had been written off through charges to this account and credits to Account 1190. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5302, Uncollectible Revenue—Other.

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.1200 Notes receivable.**

(a) This account shall include the cost of demand or time notes, bills and drafts receivable, or other similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding one year from date of issue.

(b) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.1201 Notes receivable allowance.**

(a) This account shall be credited with amounts charged Account 6790, Provision for Uncollectible Notes Receivable to provide for uncollectible amounts included in Account 1200, Notes Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1200. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 6790, Provision for Uncollectible Notes Receivable.

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts

contained herein that relate to affiliates and nonaffiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.1210 Interest and dividends receivable.**

(a) 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.

(b) This account 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.

(c) Interest receivable under monthly settlements on short-term loans, advances, and open accounts, shall be included in Account 1180, Telecommunications Accounts Receivable or Account 1190, Other Accounts Receivable, as appropriate.

(d) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investment.

**§ 32.1220 Inventories.**

(a) This account shall include the cost of materials and supplies held in stock and inventories of goods held for resale or lease. The investment in inventories shall be maintained in the following subaccounts:

1220.1 Material and supplies

1220.2 Property held for sale or lease

(b) These subaccounts shall not include items which are related to a nonregulated activity unless that activity involves joint or common use of assets and resources in the provision of regulated and nonregulated products and services.

(c) 1220.1 Material and supplies. This subaccount shall include cost of material and supplies held in stock including plant supplies, motor vehicles supplies, tools, fuel, other supplies and material and articles of the company in process of manufacture for supply

stock. (Note also §32.2000(c)(2)(iii) of this subpart.)

(d) Transportation charges and sales and use taxes, so far as practicable, shall be included as a part of the cost of the particular material to which they relate. Transportation and sales and use taxes which are not included as part of the cost of particular material shall be equitably apportioned among the detail accounts to which material is charged.

(e) So far as practicable, cash and other discount on material shall be deducted in determining cost of the particular material to which they relate or credited to the account to which the material is charged. When such deduction is not practicable, discounts shall be equitably apportioned among the detail accounts to which material is charged.

(f) Material recovered in connection with construction, maintenance or retirement of property shall be charged to this account as follows:

(1) Reusable items that, when installed or in service, were retirement units shall be included in this account at the original cost, estimated if not known. (Note also §32.2000(d)(3) of this subpart.)

(2) Reusable minor items that, when installed or in service, were not retirement units shall be included in this account at current prices new.

(3) The cost of repairing reusable material shall be charged to the appropriate account in the Plant Specific Operations Expense accounts.

(4) 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.

(g) Interest paid on material bills, the payments of which are delayed, shall be charged to Account 7540, Other interest deductions.

(h) Inventories of material and supplies shall be taken during each calendar year and the adjustments to this

account shall be charged or credited to Account 6512, Provisioning expense.

(i) 1220.2 Property held for sale or lease. This subaccount shall include the cost of all items purchased for resale or lease. The cost shall include applicable transportation charges, sales and use taxes, and cash and other purchase discounts. Inventory shortage and overage shall be charged and credited, respectively, to Account 5280, Nonregulated operating revenue.

[52 FR 39534, Oct. 22, 1987, as amended at 53 FR 49322, Dec. 7, 1988]

#### **§ 32.1280 Prepayments.**

This account shall be used by Class B companies to record assets of the type required of Class A companies in Accounts 1290 through 1330.

#### **§ 32.1290 Prepaid rents.**

This account shall include the amounts of rents paid in advance of the period in which they are chargeable to income, except amounts chargeable to telecommunications plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the rents are paid, this account shall be credited monthly and the appropriate account charged.

#### **§ 32.1300 Prepaid taxes.**

This account shall include the balance of all taxes, other than amounts chargeable to telecommunication plant under construction and minor amounts which may be charged to the final accounts, paid in advance and which are chargeable to income within one year. As the term expires for which the taxes are paid, this account shall be credited monthly and the appropriate account charged.

#### **§ 32.1310 Prepaid insurance.**

This account shall include the amount of insurance premiums paid in advance of the period in which they are chargeable to income, except premiums chargeable to telecommunications plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the premiums are paid, this account shall be credited

monthly and the appropriate account charged.

**§ 32.1320 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 directly to Account 6622, Number Services. Amounts in this account shall be cleared to Account 6622 by monthly charges representing that portion of the expenses applicable to each month.

**§ 32.1330 Other prepayments.**

This account shall include prepayments, other than those includable in Accounts 1290 through 1320, except minor amounts which may be charged directly to the final accounts. As the term expires for which the payments apply, this account shall be credited monthly and the appropriate account charged.

**§ 32.1350 Other current assets.**

This account shall include the amount of all current assets which are not includable in Accounts 1120 through 1330.

**§ 32.1401 Investments in affiliated companies.**

(a) This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, other than securities held in special funds which shall be charged to Account 1408, Sinking Funds. The carrying value of the investment (securities) accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable of the affiliated company from the date of acquisition. (Note also Account 1210, Interest and Dividends Receivable, and Account 7310, Dividend Income.)

(b) Declines in value of investments accounted for under the cost method shall be charged to Account 4540, Other Capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) A subsidiary record shall be kept identifying separately common stocks, preferred stocks, advances to affiliates, and long-term debt. Further, the company's records shall identify the securities pledged as collateral for any of the company's long-term debt or short-term loans or to secure performance of contracts.

(d) This account shall also include advances represented by book accounts only with respect to which it is carried or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(e) Amounts due from affiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Accounts Receivable, Account 1190, Other Accounts Receivable, or Account 1200, Notes Receivable, as appropriate.

(f) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to the equity method and the cost method. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

**§ 32.1402 Investments in nonaffiliated companies.**

(a) This account shall include the acquisition cost of the Company's investment in securities issued or assumed by nonaffiliated companies and individuals, other than securities held in special funds which shall be charged to Account 1408, Sinking Funds, and also its investment advances to such parties and special deposits of cash for more than one year from date of deposit.

(b) Declines in value of investments shall be charged to Account 4540, Other Capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) A subsidiary record shall be kept identifying separately common stocks,



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preferred stocks, long-term debt, investment advances and special deposits of cash for more than one year from the date of deposit. Further, the company's record shall identify the securities pledged as collateral for any of the company's long-term debt or short-term loans or to secure performance of contracts.

(e) Amounts due from nonaffiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Accounts Receivable, Account 1190, Other Accounts Receivable, or Account 1200, Notes Receivable, as appropriate.

**§ 32.1406 Nonregulated investments.**

(a) This account shall include the carrier's investment in nonregulated activities accounted for in a separate set of books as provided in § 32.23(b).

(b) This account shall be subdivided as follows:

- 1406.1 Permanent investment.
- 1406.2 Receivable/payable.
- 1406.3 Current net income or loss.

[52 FR 6561, Mar. 4, 1987; 52 FR 39535, Oct. 22, 1987]

**§ 32.1407 Unamortized debt issuance expense.**

(a) This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Amounts included in this account shall be amortized monthly and charged to account 7530, Amortization of Debt Issuance Expense.

(b) Debt Issuance expense includes all expenses in connection with the issuance and sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; costs 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.

(c) A subsidiary record shall be kept of each issue outstanding.

**§ 32.1408 Sinking funds.**

(a) This account shall include the amount of cash 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.

(b) Interest or other income arising from funds carried in this account shall generally be charged to this account.

(c) A subsidiary record shall be kept for each sinking fund which shall designate the obligation in support of which the fund was created.

**§ 32.1410 Other noncurrent assets.**

This account shall include the amount of all noncurrent assets which are not includable in Accounts 1401 through 1408.

**§ 32.1437 Deferred tax regulatory asset.**

(a) This account shall include amounts of probable future revenue for the recovery of future increases in taxes payable. As reversals occur, amounts recorded in this account shall be reduced with a credit entry and a debit entry to Account 4341, Net Deferred Tax Liability Adjustments.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduce the account to a net credit balance, such balance shall be reclassified to Account 4361.

[59 FR 9418, Feb. 28, 1994]

**§ 32.1438 Deferred maintenance and retirements.**

(a) This account shall include such items as the unprovided-for loss in service value of telecommunications plant for extraordinary nonrecurring retirement not considered in depreciation and the cost of extensive replacements of plant normally chargeable to the current period Plant Specific Operations Expense accounts.

(b) Charges provided for in paragraph (a) of this section shall be included in this account only upon direction or approval from this Commission. However,

the company's application to this Commission for such approval shall give full particulars concerning the property retired, the extensive replacements, the amount chargeable to operating expenses and the period over which in its judgment the amount of such charges should be distributed.

**§ 32.1439 Deferred charges.**

(a) This account shall include all deferred charges not provided for in Accounts 1438, Deferred Maintenance and Retirements, and 1500, Other Jurisdictional Assets—Net. Such charges include unaudited amounts and other debit balances in suspense that cannot be cleared and disposed of until additional information is received; the amount, pending determination of loss, of funds on deposit with banks which have failed; revenue, expense, and income items held in suspense; amounts paid for options pending final disposition.

(b) This account shall include the cost of preliminary surveys, plans, investigation, etc., made for construction projects under contemplation. If the projects are carried out, the preliminary costs shall be included in the cost of the plant constructed. If the projects are abandoned, the preliminary costs shall be charged to Account 7370, Special Charges.

(c) This account shall include also the cost of evaluations, inventories, and appraisals taken in connection with the 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 costs shall be deducted from the sale price in accounting for the property sold. If purchases or sales are abandoned, the preliminary costs included herein (including options paid, if any) shall be charged to Account 7370.

**§ 32.1500 Other jurisdictional assets—net.**

This account shall include the cumulative impact on assets of jurisdictional ratemaking practices which vary from those of this Commission. All entries recorded in this account shall be recorded net of any applicable income tax effects and shall be sup-

ported by subsidiary records where necessary as provided for in § 32.13(e) of subpart B.

**§ 32.2000 Instructions for telecommunications plant accounts.**

(a) *Purpose of telecommunications plant accounts.* (1) The telecommunications plant accounts (2001 to 2007 inclusive) are designed to show the investment in the company's tangible and intangible telecommunications plant which ordinarily has a service life of more than one year, including such plant whether used by the company or others in providing telecommunications service.

(2) The telecommunications plant accounts shall not include the cost or other value of telecommunications plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of telecommunications plant shall be credited to the accounts charged with the cost of such construction. Amounts of non-recurring reimbursements based on the cost of plant or equipment furnished in rendering service to a customer shall be credited to the accounts charged with the cost of the plant or equipment. Amounts received for construction which are ultimately to be repaid wholly or in part, shall be credited to Account 4360, Other Deferred Credits; 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 also Account 7110, Income from Custom Work.)

(3) When telecommunications plant ordinarily having a service life of more than one year is installed for temporary use in providing telecommunications service, it shall be accounted for in the same manner as plant having a service life of more than one year. This includes temporary installations of 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 extensive system changes and similar installations of property used to provide telecommunications service.

(4) The cost of individual items of equipment, classifiable to Accounts 2112, Motor Vehicles; 2113, Aircraft; 2114, Special Purpose Vehicles; 2115, Garage Work Equipment; 2116, Other Work Equipment; 2122, Furniture; 2123, Office Equipment; and 2124, General Purpose Computers, costing \$500 or less or having a life less than one year shall be charged to the applicable Plant Specific Operations Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable material and supplies account until items are used.

(b) *Telecommunications plant acquired.*

(1) Property, plant and equipment acquired from an entity, whether or not affiliated with the accounting company, shall be accounted for at original cost, except that property, plant and equipment acquired from a nonaffiliated entity shall be accounted for at acquisition cost if the purchase price is less than \$100,000 for Class A companies or \$25,000 for Class B companies.

(2) The accounting for property, plant and equipment to be recorded at original cost shall be as follows:

(i) The amount of money paid (or 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 1439, Deferred Charges.

(ii) The original cost, estimated if not known, of telecommunications plant, governmental franchises and other similar rights acquired shall be charged to the applicable telecommunications plant accounts, Telecommunications Plant Under Construction, and Property Held For Future Telecommunications Use, as appropriate, and credited to Account 1439. When the actual original cost cannot be determined and estimates are used, the company shall be prepared to furnish the Commission with the particulars of such estimates.

(iii) Depreciation and amortization of plant acquired shall be credited to Account 3100, Accumulated Depreciation, or Account 3200, Accumulated Depreciation—Held for Future Telecommunications Use, 3400, Accumulated Amortization—Tangible, 3410, Accumulated Amortization—Capitalized Leases, 3420, Accumulated Amortization—Leasehold Improvements, 3500, Accumulated Amortization—Intangibles, and 3600, Accumulated Amortization—Other, and debited to Account 1439.

(iv) Any amount remaining in Account 1439, applicable to the plant acquired, shall, upon completion of the entries provided in paragraphs (b)(2)(i), (ii) and (iii) of this section, be debited or credited, as applicable, to Account 2007, Goodwill, or to Account 2005, Telecommunications Plant Adjustment, as appropriate.

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

(4) Companies shall submit to the Commission for consideration and approval copies of journal entries recording acquisition of telecommunications plant covered by this instruction when the consideration paid is \$1,000,000 or greater (Class A companies) and \$250,000 or greater (Class B companies). The text of such entries shall give a complete description of the property acquired and the basis upon which the amounts of the entries have been determined.

(c) *Cost of construction.* (1) Telecommunications plant represents an economic resource which will be used to provide future services, the cost of which will be allocated in a rational and systematic manner to the future periods in which it provides benefits. In accounting for construction costs, the utility shall charge to the telecommunications plant accounts, where applicable, all direct and indirect costs.

(2) Direct and indirect costs shall include, but not be limited to:

(i) "Labor" includes the wages and expenses of employees directly engaged in or in direct charge of construction work. It includes expenses directly related to an employee's wages, such as

worker's compensation insurance, payroll taxes, benefits and other similar items of expense.

(ii) "Engineering" includes the portion of the wages and expenses of engineers, draftsmen, inspectors, and their direct supervision applicable to construction work. It includes expenses directly related to an employee's wages, such as worker's compensation insurance, payroll taxes, benefits and other similar items of expense.

(iii) "Material and supplies" includes the purchase price of material used at the point of free delivery plus the costs of inspection, loading and transportation, and an equitable portion of provisioning 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. This item does not include construction material that is stolen or rendered unusable due to vandalism. Such material should be charged to the applicable plant specific operations expense accounts.

(iv) "Transportation" includes the cost of transporting employees, material and supplies, tools and other work equipment to and from the physical construction location. It includes amounts paid therefor to other companies or individuals and the cost of using the company's own motor vehicles or other transportation equipment.

(v) "Contract work" includes amounts paid for work performed under contract or other agreement by other companies, firms or individuals; engineering and supervision applicable to such work; cost incident to the award of contracts; and the inspection of such work. The cost of construction work performed by affiliated companies and other details relating thereto shall be available from the work in progress and supporting records.

(vi) "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.

(vii) "Privileges, Permits, and Rights of way" includes such costs incurred in

obtaining these privileges, permits, or rights of way 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 obtained, except for costs includable in Account 2111, Land, and Account 2690, Intangibles.

(viii) "Taxes" includes taxes properly includable in construction costs before the facilities are completed for service, which taxes are assessed separately from taxes on operating property or under conditions that permit separate identification of the amount chargeable to construction.

(ix) "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 and other labor saving machines (other than transportation equipment (such as trenching equipment, cable plows and pole setting trucks. Also included are 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 construction.

(x) Allowance for funds used during construction ("AFUDC") provides for the cost of financing the construction of telecommunications plant. AFUDC shall be charged to Account 2003, Telecommunications Plant Under Construction, and credited to Account 7340. The rate for calculating AFUDC shall be determined as follows: If financing plans associate a specific new borrowing with an asset, the rate on that borrowing may be used for the asset; if no specific new borrowing is associated with an asset or if the average accumulated expenditures for the asset exceed the amounts of specific new borrowing associated with it, the capitalization rate to be applied to such excess shall be weighted average of the rates applicable to other borrowing of the enterprise. The amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest

cost incurred by the company in that period.

(xi) "Insurance" includes premiums paid specifically for protection against loss and damage in connection with the construction of telecommunications plant due to fire or other casualty, injury to or death of employees or others, damages to property of others, defalcations of employees and agents and the non-performance of contractual obligations of others.

(xii) "Construction services" include the cost of telephone, electricity, power, construction quarters, office space and equipment directly related to the construction project.

(xiii) "Indirect construction costs" shall include indirect costs such as general engineering, supervision and support. Such costs, in addition to direct supervision, shall include indirect plant operations and engineering supervision up to, but not including, supervision by executive officers whose pay and expenses are chargeable to Account 6711, Executive. The records supporting the entries for indirect 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 indirect costs shall be readily determinable. The instructions contained herein shall not be interpreted as permitting the addition to plant of amounts to cover indirect costs based on arbitrary allocations.

(xiv) The cost of construction shall not include any amounts classifiable as Corporate Operations Expense.

(d) *Telecommunications plant retired.*

(1) Telecommunications plant accounts shall at all times disclose the original cost of all property in service. When any item of property subject to plant retirement accounting is worn out, lost, sold, destroyed, abandoned, surrendered upon lapse of title, becomes permanently unserviceable, is withdrawn or for any other reason is retired from service, the plant accounts applicable to that item shall be credited with the original cost of the plant retired whether replaced or not (except as provided for minor items in paragraph (d)(2)(ii) of this section). Normally, these retirement credits with

respect to such plant as entire buildings, entire central offices, all plant abandoned and any large sections of plant withdrawn from service, shall be entered in the accounts for the month in which use of the property ceased. For any other plant withdrawn from service, the retirement credits shall be entered no later than the next succeeding month. Literal compliance with the provision for timing of entries with respect to property amounting to less than \$50,000 retired under any one project is not required if an unreasonable amount of recordkeeping and estimating of quantities, original costs and salvage is necessary. The retirement entry shall refer to the continuing property record, or records supplemental thereto, from which the cost was obtained (note also paragraph (d)(3) of this section). Every company shall establish procedures which will ensure compliance with these requirements.

(2) To avoid undue refinement, depreciable telecommunications plant shall be accounted for as follows:

(i) Retirement units: This group includes major items of property, a representative list of which shall be prescribed by this Commission. In lieu of the retirement units prescribed with respect to a particular account, a company may, after obtaining specific approval by this Commission, establish and maintain its own list of retirement units for a portion or all of the plant in any such account. For items included on the retirement units list, the original cost of any such items retired shall be credited to the plant account and charged to Account 3100, Accumulated Depreciation, whether or not replaced. The original cost of retirement units installed in place of property retired shall be charged to the applicable telecommunications plant account.

(ii) Minor items: This group includes any part or element of plant which is not designated as a retirement unit. The original cost of a minor item of property when included in the specific or average cost for a retirement unit or units requires no separate credit to the telecommunications plant account when such a minor item is retired. The cost of replacement shall be charged to the account applicable for the cost of

repairs of the property. However, 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 such a replacement, over the estimated cost at the then current prices of replacement without betterment of the minor items being retired, shall be charged to the applicable telecommunications plant account.

(3) The cost of property to be retired shall be the amount at which property is included in the telecommunications plant accounts. However, 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 to be assigned to such items when retired. The method used in determining average cost must give due regard to the quantity, vintage, size and kind of items, the area in which they were installed and their classification in other respects. Average cost may be applied in retirement of such items as poles, wire, cable, cable terminals, conduit and booths. Any company may use average cost of property installed in a year or band of years as approved by the Commission. 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 to show, where practicable, dates of installation and removal for purposes of mortality studies. (See §32.2000(f) of this subpart, Standard Practices for Establishing and Maintaining Continuing Property Records.)

(4) The accounting for the retirement of property, plant and equipment shall be as provided above except:

(i) Amounts included in Account 2005, Telecommunications Plant Adjustment; Account 2680, Amortizable Tangible Assets; Account 2681, Capital Leases; Account 2682, Leasehold Improvements; Account 2690, Intangibles; and any amounts associated with amortizable leaseholds, easements, and similar rights in land included in Account 2111, Land, shall be debited, as

appropriate, to Account 3400, 3410, 3420, 3500, or 3600, and credited to the applicable accounts.

(ii) Amounts in Account 2111, Land, and amounts for works of art recorded in Account 2122, Furniture, shall be treated at disposition as a gain or loss and shall be credited or debited to Account 7150, Gains and Losses from Disposition of Land and Artwork, as applicable. If land or artwork is retained by the company and held for sale, the cost shall be charged to Account 2006, Non-operating Plant.

(5) When the telecommunications plant is sold together with traffic associated therewith, the original cost of the property shall be credited to the applicable plant accounts and the estimated amounts carried with respect thereto in the accumulated depreciation and amortization accounts shall be charged to such accumulated accounts. The difference, if any, between the net amount of such debit and credit items and the consideration received (less commissions and other expenses of making the sale) for the property shall be included in Account 7350, Gains and Losses from Disposition of Certain Property. The accounting for depreciable telecommunications plant sold without the traffic associated therewith shall be in accordance with the accounting provided in §32.3100(c) of this subpart.

(e) *Basic property records.* (1) The basic property records are that portion of the total property accounting system which preserves the following detailed information:

(i) The identity, vintage, location and original cost of units of property;

(ii) Original and ongoing transactional data (plant account activity) in terms of such units; and

(iii) Any other specific financial and cost accounting information not properly warranting separate disclosure as an account or subaccount but which is needed to support regulatory, cost, tax, management and other specific accounting information needs and requirements.

(2) The basic property records must be: (i) Subject to internal accounting controls, (ii) auditable, (iii) equal in the aggregate to the total investment

reflected in the financial property control accounts as well as the total of the cost allocations supporting the determination of cost-of-service at any particular point in time, and (iv) maintained throughout the life of the property.

(3) The basic property records shall consist of (i) continuing property records and (ii) records supplemental thereto which together reveal clearly, by accounting area, the detailed and systematically summarized information necessary to meet fully the requirements of paragraphs (e)(1) and (e)(2) of this section.

(4) Companies shall establish and maintain basic property records for each class of property recorded in the several plant accounts which comprise the balance sheet Account 2001, Telecommunications Plant In Service, Account 2002, Property Held for Future Telecommunications Use, and Account 2006, Nonoperating Plant.

(5) The company shall notify the Commission of a plan for the basic property record as follows:

(i) Not later than June 30 of the year following that in which it becomes subject to this system of accounts, the company shall file with the Commission two (2) copies of a complete plan of the method to be used in the compilation of a basic property record with respect to each class of property. The plan shall include a list of proposed accounting areas accompanied by description of the boundaries of each area as defined in accordance with the requirements of §32.2000(f)(1) (i) and (ii) of this subpart. The plan shall also include a list of property record units proposed for use under each regulated plant account. These property record units shall be selected such that the requirements of §32.2000(f)(2) (i), (ii) and (iii) of this subpart can be satisfied.

(ii) The company shall submit to the Commission one copy of any major proposed changes in its basic property record plan at least 30 days before the effective date of the proposed changes.

(6) The company shall prepare and maintain the basic property record as follows:

(i) Not later than June 30 of the year following that in which the company becomes subject to this system of ac-

counts, begin the preparation of a basic property record.

(ii) Complete within two years of the prescribed beginning date, basic property records for all property as of the end of the preceding calendar year.

(iii) Promptly process in the basic property records all property changes affecting periods subsequent to initial establishment of the basic property record.

(7) The basic property record components (see paragraph (c) of this section) shall be arranged in conformity with the regulated plant accounts prescribed in this section of accounts as follows:

(i) The continuing property records shall be compiled on the basis of original cost (or other book cost consistent with this system of accounts). The continuing property records shall be maintained as prescribed in §32.2000(f)(2)(iii) of this subpart in such manner as will meet the following basic objectives:

(A) Provide for the verification of property record units by physical examination.

(B) Provide for accurate accounting for retirements.

(C) Provide data for use in connection with depreciation studies.

(ii) The records supplemental to the continuing property records shall disclose such service designations, usage measurement criteria, apportionment factors, or other data as may be prescribed by the Commission in this Part or other Parts of its Rules and Regulations. Such data are subject to the same general controls and standards for auditability and support as are all other elements of the basic property records.

(f) *Standard practices for establishing and maintaining continuing property records*—

(1) *Accounting area.* (i) The continuing property record, as related to each primary plant account, shall be established and maintained by sub-accounts 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 either State lines or boundaries prescribed by the Commission.

(ii) 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 area adopted may have maximum adaptability, within the confines of practicability, for both the company's purpose and those of Federal, State, and municipal authorities.

(2) *Property record units.* (i) In each of the established accounting areas, the "property record units" which are to be maintained in the continuing property record shall be set forth separately, classified by size and type 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, they shall become the units referred to in this statement of standard practices. Such units shall apply to only the regulated portion of this system of accounts.

(ii) 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 technology, or because of the grouping or elimination of units which no longer merit separate recognition as property record units, one copy of such changes shall be submitted to the Commission. Upon appropriate showing by the company, the Commission may specifically exempt the company from these filing requirements.

(iii) The continuing property record shall reveal the description, location, date of placement, the essential details of construction, and the original cost (note also § 32.2000(f)(3) of this subpart) of the property record units. The continuing property record and other underlying records of construction costs shall be so maintained that, upon retirement of one or more retirement units or of minor items without replacement when not included in the costs of retirement units, the actual cost or a reasonably accurate estimate of the cost of the plant retired can be determined.

(3) *Methods of determining original cost of property record units.* The original cost of the property record units shall be determined by analyses of the construction costs incurred as shown by completion reports and other data, accumulated in the respective construction work orders or authorizations. Costs shall be allocated to and associated with the property record units to facilitate accounting for retirements. The original cost of property record units shall be determined by unit identification or averaging as described in paragraphs (f)(3) (i) and (ii) of this section.

(i) *Unit identification.* Cost shall be identified and maintained by specific location for property record units contained within certain regulated plant accounts or account groupings such as Land, Buildings, Central Office Assets, Motor Vehicles, Garage Work Equipment, and Furniture. In addition, units involved in any unusual or special type of construction shall be recorded by their specific location costs (note also § 32.2000(f)(3)(ii)(B) of this subpart).

(ii) *Averaging.* (A) Average costs may be developed for plant consisting of a large number of similar units such as terminal equipment, poles, wire, cable, cable terminals, conduit, furniture, and work equipment. Units of similar size and type within each specified accounting area and regulated plant account may be grouped. Each such average cost shall be set forth in the continuing property record of the units with which it is associated.

(B) The averaging of costs permitted under the provisions of the foregoing paragraph is restricted to plant installed in a particular vintage or band of years incurred within an accounting area. This paragraph does not permit the inclusion of the cost of units involved in any unusual or special type of construction. The units involved in such unusual or special type of construction shall be recorded at cost by location.

(4) *Estimates.* In cases where the actual original cost of property cannot be ascertained, such as pricing an inventory for the initial entry of a continuing property record or the pricing of an acquisition for which a continuing



property record has not been maintained, the original cost may be estimated. Any estimated original cost shall be consistent with the accounting practices in effect at the time the property was constructed.

(5) *Identification of property record units.* There shall be shown in the continuing property record or in record supplements thereof, a complete description of the property records units in such detail as to identify such units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per § 32.2000(f)(4) of this subpart, 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 to which average costs are not applied, i.e., specific and fixed location units, 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 and service life of property.* The continuing property record shall disclose the age of existing property and the supporting records shall disclose the service life of property retired. Exceptions from this requirement for any property record unit shall be submitted to the Commission for approval.

(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 quantities and costs or estimated costs shall be retained as a part of or in support of the continuing property record.

(9) *Jointly owned property.* (i) With respect to jointly owned property, there shall be shown in the continuing property record or records supplemental thereto:

(A) The identity of all joint owners.

(B) The percentage owned by the accounting company.

(ii) When regulated 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.

(iii) When a sale of a part interest in regulated 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 separately retirements of this nature from physical retirements of jointly owned plant.

(iv) If jointly owned regulated property is substantial in relation to the total of the same kind of regulated property owned wholly by the company, such jointly owned regulated property shall be appropriately segregated in the continuing property record.

(g) *Depreciation accounting—(1) Computation of depreciation rates.* (i) Unless otherwise provided by the Commission, either through prior approval or upon prescription by the Commission, depreciation percentage rates shall be computed in conformity with a group plan 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, may be distributed under the straight-line method during the service life of the property.

(ii) In the event any composite percentage rate becomes no longer applicable, revised composite percentage rates shall be computed in accordance with paragraph (g)(1)(i) of this section.

(iii) The company shall keep such records of property and property retirements as will allow the determination of the service life of property which has been retired, or facilitate the determination of service life indications by mortality, turnover, or other appropriate methods. Such records will also allow the determination of the percentage of salvage value and cost of removal for property retired from each class of depreciable plant.

(2) *Depreciation charges.* (i) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges.

(ii) Companies, upon receiving prior approval from this Commission, or, upon prescription by this Commission, shall apply such depreciation rate, except where provisions of paragraph (g)(2)(iv) of this section apply, as will ratably distribute on a straight line basis the difference between the net book cost of a class or subclass of plant and its estimated net salvage during the known or estimated remaining service life of the plant.

(iii) Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month.

(iv) In certain circumstances and upon prior approval of this Commission, monthly charges may be determined in total or in part through the use of other methods whereby selected plant balances or portions thereof are ratably distributed over periods prescribed by this Commission. Such circumstances could include but not be limited to factors such as the existence of reserve deficiencies or surpluses, types of plant that will be completely retired in the near future, and changes in the accounting for plant. Where alternative methods have been used in accordance with this subparagraph, such amounts shall be applied separately or in combination with rates determined in accordance with paragraph (g)(2)(ii) of this section.

(3) *Acquired depreciable plant.* When acquired depreciable plant carried in Account 1439, Deferred Charges, 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 1439.

(4) *Plant Retired for Nonrecurring Factors not Recognized in Depreciation Rates.*

(i) A retirement will be considered as nonrecurring (extraordinary) only if the following criteria are met:

(A) The impending retirement was not adequately considered in setting past depreciation rates.

(B) The charging of the retirement against the reserve will unduly deplete that reserve.

(C) The retirement is unusual such that similar retirements are not likely to recur in the future.

(5) Upon direction or approval from this Commission, the company shall credit Account 3100, Accumulated Depreciation, and charge Account 1438, Deferred Maintenance and Retirements, with the unprovided-for loss in service value. Such amounts shall be distributed from Account 1438 to Account 6561, Depreciation Expense—Telecommunications Plant in Service, or Account 6562, Depreciation Expense—Property Held for Future Telecommunications Use, over such period as this Commission may direct or approve.

(h) *Amortization accounting.* (1) Unless otherwise provided by this Commission, either through approval, or upon prescription by this Commission, amortization shall be computed on the straight-line method, i.e., equal annual amounts shall be applied. The cost of each type asset shall be amortized on the basis the estimated life of that asset and shall not be written off in the accounting period in which the asset is acquired. A reasonable estimate of the useful life may be based on the upper or lower limits even though a fixed existence is not determinable. However, the period of amortization shall not exceed forty years.

(2) In the event any estimated useful life becomes no longer applicable, a revised estimated useful life shall be determined in accordance with paragraph (h)(1) of this section.

(3) Amortization charges shall be made monthly to the appropriate amortization expense accounts and corresponding credits shall be made to the

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appropriate amortization reserve accounts. Monthly charges shall be computed by the application of one-twelfth to the annual amortization amount.

(4) The company shall keep such records as will allow the determination of the useful life of the asset.

(i) *Accounting for software.* The original cost of initial operating system software for computers shall be classified to the same account as the associated hardware whether acquired separately or in conjunction with the associated hardware.

(j) Plant Accounts to be Maintained by Class A and Class B telephone companies as indicated:

Account title	Class A account	Class B account
<b>REGULATED PLANT</b>		
Property, plant and equipment:		
Telecommunications plant in service .....	12001	12001
Property held for future telecommunications use .....	2002	2002
Telecommunications plant under construction—short term .....	2003	2003
Telecommunications plant under construction—long term .....	2004	2004
Telecommunications plant adjustment .....	2005	2005
Nonoperating plant .....	2006	2006
Goodwill .....	2007	2007
<b>TELECOMMUNICATIONS PLANT IN SERVICE (TPIS)</b>		
TPIS—General support assets:		
Land and support assets .....		2110
Land .....	2111	
Motor vehicles .....	2112	
Aircraft .....	2113	
Special purpose vehicles .....	2114	
Garage work equipment .....	2115	
Other work equipment .....	2116	
Buildings .....	2121	
Furniture .....	2122	
Office equipment .....	2123	
General purpose computers .....	2124	
TPIS—Central Office assets:		
Central Office—Switching .....		2210
Analog electronic switching .....	2211	
Digital electronic switching .....	2212	
Electro-mechanical switching .....	2215	
Operator systems .....	2220	2220
Central Office—Transmission .....		2230
Radio systems .....	2231	
Circuit equipment .....	2232	
TPIS—Information origination/termination assets:		
Information origination/termination .....		2310
Station apparatus .....	2311	
Customer premises wiring .....	2321	
Large private branch exchanges .....	2341	
Public telephone terminal equipment .....	2351	
Other terminal equipment .....	2362	
TPIS—Cable and wire facilities assets:		
Cable and wire facilities .....		2410

Account title	Class A account	Class B account
Poles .....	2411	
Aerial cable .....	2421	
Underground cable .....	2422	
Buried cable .....	2423	
Submarine cable .....	2424	
Deep Sea cable .....	2425	
Intrabuilding network cable .....	2426	
Aerial wire .....	2431	
Conduit systems .....	2441	
TPIS—Amortizable assets:		
Amortizable tangible assets .....		2680
Capital leases .....	2681	
Leasehold improvements .....	2682	
Intangibles .....	2690	2690

<sup>1</sup> Balance sheet summary account only.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 7580, Mar. 12, 1987; 53 FR 30059, Aug. 10, 1988; 59 FR 46930, Sept. 13, 1994; 60 FR 12138, Mar. 6, 1995]

**§ 32.2001 Telecommunications plant in service.**

This account shall include the original cost of the investment included in Accounts 2110 through 2690.

**§ 32.2002 Property held for future telecommunications use.**

(a) This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in telecommunications service. If at the end of two years the property is not in service, the original cost of the property shall be transferred to Account 2006, Nonoperating Plant.

(b) Should a carrier desire to retain the property in this account for a period longer than two years, it shall request approval of this Commission. The request should include the property item in question, demonstrate that the waiver is in the public interest, and indicate, as precisely as possible, the additional time required for the property to be held in this account.

(c) Subsidiary records shall be maintained to show the character of the amounts carried in this account.

**§ 32.2003 Telecommunications plant under construction.**

(a) This account shall include the original cost of construction projects. (Note also § 32.2000(c).)

(b) There may be charged directly to the appropriate plant accounts the cost

of any construction project which is estimated to be completed and ready for service within two months from the date on which the project was begun. 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 \$100,000.

(c) If a construction project has been suspended for six months or more, the cost of the project included in this account shall be transferred to Account 2006, Nonoperating Plant, without further direction or approval of this Commission. If a project is abandoned, the cost included in this account shall be charged to Account 7370, Special Charges.

(d) When any telecommunications 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 telecommunications plant or other accounts.

[51 FR 43499, Dec. 2, 1986, as amended at 60 FR 12138, Mar. 6, 1995]

**§ 32.2005 Telecommunications plant adjustment.**

(a) This account shall include amounts determined in accordance with § 32.2000(b) of this subpart representing the difference between (1) the fair market value of the telecommunications plant acquired, plus preliminary expenses incurred in connection with the acquisition; and (2) the original cost 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 costs.

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

(1) Debit amounts may be charged to Account 7370, Special Charges, in whole or in part, or amortized over a reasonable period through charges to Account 7360, Other Nonoperating Income, without further direction or approval by

this Commission. When specifically approved by this Commission, or when the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to Account 6565, Amortization Expense—Other.

(2) Credit amounts shall be disposed of in such manner as this Commission may approve or direct, except for credit amounts referred to in paragraph (b)(3) of this section.

(3) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of telephone plant by a lump-sum charge or credit, as appropriate, to Account 6565 without further approval of this Commission, provided that such amount does not exceed \$100,000 and that the plant was not acquired from an affiliated company.

**§ 32.2006 Nonoperating plant.**

(a) This account shall include the company's investment in regulated property which is not includable in the plant accounts as operating telecommunications plant. It shall include the company's investment in telecommunications property held for sale. (Note also Account 1406, Nonregulated Investments.)

(b) Subsidiary records shall be maintained to show the character of the amounts carried in this account.

**§ 32.2007 Goodwill.**

(a) This account shall include any portion of the plant purchase price that cannot be assigned to specifically identifiable property acquired and such amount should be identified as "goodwill". Such amounts included in this account shall be amortized to Account 7360, Other Nonoperating Income, on a straight line basis over the remaining life of the acquired plant, not to exceed 40 years.

(b) The amounts included in this account shall be maintained to show the nature of each amount.

**§ 32.2110 Land and support assets.**

This account shall be used by Class B companies to record the original cost of land and support assets of the type

and character required of Class A companies in Accounts 2111 through 2124.

**§ 32.2111 Land.**

(a) This account shall include the original cost of all land held in fee and of easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant (see Accounts 2411 through 2441) or externally mounted central office equipment (see Accounts 2211 and 2212). It shall also include special assessments upon land for the construction of public improvements.

(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 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.

(c) Annual or more frequent payments for use of land shall be recorded in the rent subsidiary record category for Account 6121, Land and Building Expense.

(d) When land is acquired for which there is not a definite plan for its use in telecommunications service, its costs shall be included in Account 2006, Nonoperating Plant.

(e) When land is acquired in excess of that required for telecommunications purposes, the cost of such excess land shall be included in Account 2006.

(f) Installments of assessments for public improvement, 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 7540, Other Interest Deductions.

(g) When land is purchased for immediate use in a construction project, its cost shall be included in Account 2003, Telecommunications Plant Under Construction—Short Term, or Account 2004, Telecommunications Plant Under Construction—Long Term, as appropriate, until such time as the project

involved is completed and ready for service.

(h) The original cost of leaseholds, easements, rights of way, and similar rights in land having a term of more than one year and not includable in Account 2111 shall be included in the accounts for outside plant or externally mounted central office equipment in connection with which the rights were acquired.

**§ 32.2112 Motor vehicles.**

This account shall include the original cost of motor vehicles of the type which are designed and routinely licensed to operate on public streets and highways.

**§ 32.2113 Aircraft.**

This account shall include the original cost of aircraft and any associated equipment and furnishings installed as an integral part of the aircraft.

**§ 32.2114 Special purpose vehicles.**

This account shall include the original cost of special purpose vehicles.

**§ 32.2115 Garage work equipment.**

This account shall include the original cost of tools and equipment used to maintain items included in Accounts 2112 through 2116.

**§ 32.2116 Other work equipment.**

This account shall include the original cost of power operated equipment, general purpose tools and other items of work equipment.

**§ 32.2121 Buildings.**

(a) This account shall include the original cost 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 2111, Land.

(c) This account shall not include the cost of any telephone equipment or wiring apparatus for generating or controlling electricity for operating the telephone system.

**§ 32.2122 Furniture.**

This account shall include the original cost of furniture in offices, store-rooms, shops, and all other quarters. This account shall also include the cost of objects which possess aesthetic value, are of original or limited edition, and do not have a determinable useful life. The cost of any furniture attached to and constituting a part of a building shall be charged to account 2121, Buildings.

**§ 32.2123 Office equipment.**

(a) This account shall include the original cost of office equipment in offices, shops and all other quarters. The cost of any equipment attached to and constituting a part of a building shall be charged to Account 2121, Buildings.

(b) Office Equipment shall be maintained by the following subaccounts:

- 2123.1 Office Support Equipment
- 2123.2 Company Communications Equipment

**§ 32.2124 General purpose computers.**

(a) This account shall include the original cost of computers and peripheral devices which are designed to perform general administrative information processing activities.

(b) Administrative information processing includes but is not limited to activities such as the preparation of financial, statistical, or other business analytical reports; preparation of payroll, customer bills, and cash management reports, and other records and reports not specifically designed for testing, diagnosis, maintenance or control of the telecommunications network facilities.

(c) This account shall include the original cost of initial operating system software for computers classifiable to this account whether acquired separately or in conjunction with associated hardware.

(d) This account does not include the cost of computers, their associated peripheral devices, and their initial operating system software associated with

switching, network signaling, network operations or other specific telecommunications plant. Such computers, peripherals, and software shall be classified to the appropriate switching, network signaling, network expense, or other plant account.

**§ 32.2210 Central office-switching.**

This account shall be used by Class B companies to record the original cost of switching assets of the type and character required of Class A companies in Accounts 2211 through 2215.

**§ 32.2211 Analog electronic switching.**

(a) This account shall include the original cost of stored program control analog circuit-switching and associated equipment. This account shall also include the cost of remote analog electronic circuit switches.

(b) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to the particular switch that it serves.

**§ 32.2212 Digital electronic switching.**

(a) This account shall include the original cost of stored program control digital switches and their associated equipment. Included in this account are digital switches which utilize either dedicated or non-dedicated circuits. This account shall also include the cost of remote digital electronic switches.

(b) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to the particular switch that it serves.

**§ 32.2215 Electro-mechanical switching.**

(a) This account shall include the original cost of non-electronic circuit-switching equipment. The investment in electro-mechanical switching equipment shall be maintained in the following subaccounts:

- 2215.1 Step-by-Step Switching
- 2215.2 Crossbar Switching
- 2215.3 Other Electro-Mechanical Switching

(b) *2215.1 Step-by-step switching.* This subaccount shall include the original cost of step-by-step and associated circuit-switching equipment.

(c) *2215.2 Crossbar switching.* This subaccount shall include the original cost of crossbar and associated circuit-switching equipment. Also included in this account is the cost of electronic translator system equipment used in switching.

(d) *2215.3 Other Electro-mechanical switching.* This subaccount shall include the original cost of all other types of non-electronic circuit-switching equipment such as panel systems and their associated circuit-switching equipment.

(e) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to the particular switch that it serves.

**§ 32.2220 Operator systems.**

(a) This account shall include the original cost of those items of equipment used to assist subscribers in utilizing the network and equipment used in the provision of directory assistance, call intercept, and other operator assisted call completion activities.

(b) This account does not include equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service;

such equipment shall be classified to the particular switch that it serves.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

**§ 32.2230 Central office—transmission.**

This account shall be used by Class B companies to record the original cost of radio systems and circuit equipment of the type and character required of Class A companies in Accounts 2231 and 2232.

**§ 32.2231 Radio systems.**

(a) This account shall include the original cost of ownership of radio transmitters and receivers. The investment in radio systems shall be maintained in the following subaccounts:

- 2231.1 Satellite and Earth Station Facilities
- 2231.2 Other Radio Facilities

(b) *2231.1 Satellite and earth station facilities.* This subaccount shall include the original cost of ownership interest in satellites (including land-side spares), other spare parts, material and supplies. It shall include launch insurance and other satellite launch costs. This subaccount shall also include the original cost of earth stations and spare parts, material or supplies therefor.

(c) *2231.2 Other radio facilities.* (1) This subaccount shall include the original cost of radio equipment used to provide radio communication channels. Radio equipment is that equipment which is used for the generation, amplification, propagation, reception, modulation, and demodulation of radio waves in free space over which communication channels can be provided. This subaccount shall also include the associated carrier and auxiliary equipment and patch bay equipment which is an integral part of the radio equipment. Such equipment may be located in central office buildings, terminal rooms, or repeater stations or may be mounted on towers, masts or other supports.

(2) This subaccount shall be maintained in order that the company may separately report the amounts contained herein that relate to cellular radio facilities, non-cellular radio facilities, and terrestrial microwave radio facilities. Such subsidiary record

categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

**§ 32.2232 Circuit equipment.**

(a) This account shall include the original cost of equipment which is used to reduce the number of physical pairs otherwise required to serve a given number of subscribers by utilizing carrier systems, concentration stages or combinations of both. It shall include equipment that provides for simultaneous use of a number of inter-office channels on a single transmission path. This account shall also include equipment which is used for the amplification, modulation, regeneration, circuit patching, balancing or control of signals transmitted over interoffice communications transmission channels. This account shall include equipment which utilizes the message path to carry signaling information or which utilizes separate channels between switching offices to transmit signaling information independent of the subscribers' communication paths or transmission channels. This account shall also include the original cost of associated material used in the construction of such plant. Circuit equipment may be located in central offices, in manholes, on poles, in cabinets or huts or at other company locations.

(b) This account excludes carrier and auxiliary equipment and patch bays which are includable in Account 2231.2, Other Radio Facilities. This account also excludes such equipment which is an integral component of a major unit which is classifiable to other accounts.

(c) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to digital and analog. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.2310 Information origination/termination.**

This account shall be used by Class B companies to record the original cost

of information origination/termination equipment of the type and character required of Class A companies in Accounts 2311 through 2362.

**§ 32.2311 Station apparatus.**

(a) This account shall include the original cost of station apparatus, including teletypewriter equipment, telephone and miscellaneous equipment, small private branch exchanges and radio equipment (excluding mobile), installed for customer's use. Items included in this account shall remain herein until finally disposed of or until used in such manner as to warrant inclusion in other accounts.

(b) Each company shall prepare a list 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 Account 3100, Accumulated Depreciation.

(c) The cost of cross-connection boxes, distributing frames or other distribution points which are installed to terminate intrabuilding network cable shall be charged to Account 2426, Intrabuilding Network Cable.

(d) Operator head sets and transmitters in central offices and at private branch exchanges, and test sets such as those used by wire chiefs, outside plant technicians, and others, shall be included in Account 2116, Other Work Equipment, Account 2220, Operator Systems, or Account 2341, Large Private Branch Exchanges, as appropriate.

(e) Station apparatus for company official use shall be included in Account 2123, Office Equipment.

(f) An annual inventory shall be taken of all station apparatus in stock that are included in this account. The number of such station apparatus items as determined by this inventory, together with the number of all other station apparatus items included in this account, shall be compared with the corresponding number of station apparatus items as shown by the respective control records. The original cost of any unreconciled differences thereby disclosed shall be adjusted through Account 3100, Accumulated Depreciation. Appropriate verifications shall be made at suitable intervals and



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necessary adjustments between this account and Account 3100 shall be made for all station apparatus included in this account.

(g) 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 discarded shall be excluded from this account and included in Account 1220, Inventories.

(h) Embedded CPE is that equipment or inventory which was tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6561, Mar. 4, 1987; 52 FR 39535, Oct. 22, 1987; 59 FR 46930, Sept. 13, 1994]

**§32.2321 Customer premises wiring.**

(a) This account shall include all amounts transferred from the former Account 232, Station Connections, inside wiring subclass.

(b) Embedded Customer Premises Wiring is that investment in customer premises wiring equipment or inventory which was capitalized prior to October 1, 1984.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6561, Mar. 4, 1987]

**§32.2341 Large private branch exchanges.**

(a) This account shall include the original cost, including the cost of installation, of multiple manual private branch exchanges and of dial system private branch exchanges of types designed to accommodate 100 or more lines or which can normally be expanded to 100 or more lines, installed for customers' use. This account shall also include the original cost of other large installations of station equipment: (1) Which do not constitute stations, (2) which require special or individualized treatment because of their complexity, special design, or other distinctive characteristics, and (3) for which individual or other specialized cost records are appropriate. (Note also Account 2311, Station Apparatus.)

(b) The cost of intrabuilding network cables including their associated cross-connection boxes, terminals, distribut-

ing frames, etc., is chargeable to Account 2426, Intrabuilding Network Cable.

(c) The cost of outside plant, whether or not on private property, used with intrabuilding, network cable shall be charged to the appropriate outside plant accounts.

(d)-(e) [Reserved]

(f) Private branch exchanges for company official use shall be included in Account 2123, Office Equipment.

(g) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. Inventories of large private branch exchanges equipment are included in Account 1220, Inventories.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6562, Mar. 4, 1987; 52 FR 39535, Oct. 22, 1987; 59 FR 46930, Sept. 13, 1994]

**§32.2351 Public telephone terminal equipment.**

(a) This account shall include the original cost of coinless, coin-operated (including public and semi-public), credit card and pay telephone installed for use by the public.

(b) This account shall also include the original cost of operating spares that are required to provide a continuity of service for public telephones. The operating spares shall not exceed six months supply in terms of turnover and be available to installers from locations in reasonable proximity to the location of the installed equipment.

(c) The original cost of installing public telephone equipment shall not include the labor and minor materials costs of installing the public telephone equipment or premises wiring. These costs as well as the cost of replacing a public telephone shall be charged to Account 6351 Public Telephone Terminal Equipment Expense. The labor and minor materials costs of removal of public telephones will also be charged to Account 6351.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 29019, Aug. 5, 1987]

**§32.2362 Other terminal equipment.**

(a) This account shall include the original cost of other Non-CPE terminal equipment not specifically provided

for elsewhere and items such as specialized communications equipment provided to meet the needs of the disabled, over-voltage protection equipment, multiplexing equipment to deliver multiple channels to customers, etc.

(b) Each company shall prepare a list of other terminal equipment which shall be used as its list of retirement units for this account, the cost of which when finally disposed of shall be credited to this account and charged to Account 3100, Accumulated Depreciation.

**§32.2410 Cable and wire facilities.**

This account shall be used by Class B companies to record the original cost of cable and wire facilities of the type and character required of Class A companies in Accounts 2411 through 2441.

**§32.2411 Poles.**

This account shall include the original cost of poles, crossarms, guys and other material used in the construction of pole lines and shall include the cost of towers when not associated with buildings. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes.

**§32.2421 Aerial cable.**

(a) This account shall include the original cost of aerial cable and of drop and block wires served by such cable or aerial wire as well as the cost of other material used in construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic aerial cable and metallic aerial cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

**§32.2422 Underground cable.**

(a) This account shall include the original cost of underground cable installed in conduit and of other material used in the construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic underground cable and metallic underground cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of drop and block wires served by underground cable shall be included in Account 2423, Buried Cable.

(d) The cost of cables leading from the main distributing frame or equivalent to central office equipment shall be included in the appropriate switching, transmission or other operations asset account.

**§32.2423 Buried cable.**

(a) This account shall include the original cost of buried cable as well as the cost of other material used in the construction of such plant. This account shall also include the cost of trenching for and burying cable run in conduit not classifiable to Account 2441, Conduit Systems. Subsidiary record categories, as defined below, are to be maintained for nonmetallic buried cable and metallic buried cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

**§ 32.2424 Submarine cable.**

(a) This account shall include the original cost of submarine cable and other material used in the construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic submarine cable and metallic submarine cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

**§ 32.2425 Deep sea cable.**

(a) This account includes the original cost of deep sea cable and other material used in the construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic deep sea cable and metallic deep sea cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the origi-

nal cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

**§ 32.2426 Intrabuilding network cable.**

(a) This account shall include the original cost of cables and wires located on the company's side of the demarcation point or standard network interface inside subscribers' buildings or between buildings on one customer's same premises. Intrabuilding network cables are used to distribute network access facilities to equipment rooms, cross-connection or other distribution points at which connection is made with customer premises wiring. Subsidiary record categories, as defined below, are to be maintained for nonmetallic intrabuilding network cable and metallic intrabuilding network cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) Intrabuilding network cable does not include the cost of cables or wires

which are classifiable as network terminating wire, nor the cables or wires from the demarcation point or standard network interface to subscribers' stations.

**§32.2431 Aerial wire.**

(a) This account shall include the original cost of bare line wire and other material used in the construction of such plant.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of drop and block wires served by aerial wire shall be included in Account 2421, Aerial Cable.

**§32.2441 Conduit systems.**

(a) This account shall include the original cost of conduit, whether underground, in tunnels or on bridges, which is reusable in place. It shall also include the cost of opening trenches and of any repaving necessary in the construction of conduit plant.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of protective covering for buried cable shall be charged to Account 2423, Buried Cable, as appropriate, unless such protective covering is reusable in place. The amounts thus charged shall be included in the non-metallic buried cable or metallic buried cable subsidiary record category, as appropriate.

(d) The cost of pipes or other protective covering for underground drop and block wires shall be included in Account 2421, Aerial Cable, or Account 2423, Buried Cable, as appropriate. The amounts thus charged shall be included in the nonmetallic or metallic subsidiary record category, as appropriate.

**§32.2680 Amortizable tangible assets.**

This account shall be used by Class B carriers to record amounts for property acquired under capital leases and the original cost of leasehold improve-

ments of the type of character required of Class A companies in Accounts 2681 and 2682.

**§32.2681 Capital leases.**

(a) This account shall include all property acquired under a capital lease. A lease qualifies as a capital lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

(c) The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

**§32.2682 Leasehold improvements.**

(a) This account shall include the original cost of leasehold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. This account shall also

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include those improvements which will revert to the lessor.

(b) Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

(c) Amounts contained in this account shall be amortized over the term of the related lease.

**§ 32.2690 Intangibles.**

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's telecommunications operations.

(b) Subsidiary records for this account shall include a description of each class of intangible property.

(c) The cost of other intangible assets having a life of one year or less shall be charged directly to Account 6564, Amortization Expense-Intangible. Such intangibles acquired at small cost may also be charged to Account 6564, irrespective of their term of life.

(d) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

(e) 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.

(f) Franchise taxes payable annually or more frequently shall be charged to Account 7240, Operating Other Taxes.

(g) 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 6728, Other General & Administrative.).

(h) This account shall not include the original cost of easements, rights of way, and similar rights in land having a term of more than one year. Such amounts shall be recorded in Account 2111, Land, or in the appropriate outside plant account (see Accounts 2411 through 2441), or in the appropriate central office account (see Accounts 2211 through 2232).

**§ 32.3000 Instructions for balance sheet accounts—Depreciation and amortization.**

(a) Depreciation and Amortization Subsidiary Records:

(1) Subsidiary record categories shall be maintained for each class of depreciable telecommunications plant in Account 3100 for which there is a prescribed depreciation rate. (See also § 32.2000(g)(1)(iii) of this subpart.)

(2) Subsidiary records shall be maintained for Accounts 3400, 3410, 3420, 3500 and 3600 in accordance with § 32.2000(h)(4) of this subpart.

(b) Depreciation and Amortization Accounts to be Maintained by Class A and Class B telephone companies, as indicated:

Account title	Class A account	Class B account
Depreciation and amortization:		
Accumulated depreciation .....	3100	3100
Accumulated depreciation—Held for future telecommunications use .....	3200	3200
Accumulated depreciation—Non-operating .....	3300	3300
Accumulated amortization—Tangible .....		3400
Accumulated amortization—Capitalized leases .....	3410	
Accumulated amortization—Leasehold improvements .....	3420	
Accumulated amortization—Intangible .....	3500	3500
Accumulated amortization—Other ..	3600	3600

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

**§ 32.3100 Accumulated depreciation.**

(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service.

(b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation Expense—Telecommunications

Plant in Service. (Note also Account 3300, Accumulated Depreciation—Nonoperating.)

(c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered.

(d) This account shall be credited with amounts charged to Account 1438, Deferred Maintenance and Retirements, as provided in §32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.

**§32.3200 Accumulated depreciation—held for future telecommunications use.**

(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2002, Property Held for Future Telecommunications Use.

(b) This account shall be credited with amounts concurrently charged to Account 6562, Depreciation Expense—Property Held for Future Telecommunications Use.

**§32.3300 Accumulated depreciation—nonoperating.**

(a) This account shall include the accumulated amortization and depreciation associated with the investment contained in Account 2006, Nonoperating Plant.

(b) This account shall be credited with amortization and depreciation amounts concurrently charged to Account 7360, Other Nonoperating Income.

(c) When nonoperating plant not previously used in telecommunications 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 Account 7350, Gains or Losses on Disposition of Certain Property. In case the property had been used in telecommunications service previous to its inclusion in Account 2006, Nonoperating Plant, the amount accrued for depreciation thereon after its retirement from telecommunications service shall be charged to this account and credited to Account 3100, Accumulated Depreciation, and the accounting for its retirement from Account 2006 shall be in accordance with that applicable to telecommunications plant retired.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

**§32.3400 Accumulated amortization—tangible.**

This account shall be used by Class B companies to record accumulated amortization of the type and character required of Class A companies in Accounts 3410 and 3420.

**§32.3410 Accumulated amortization—capitalized leases.**

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2681, Capital Leases.

(b) This account shall be credited with amounts for the amortization of capital leases concurrently charged to Account 6563, Amortization Expense—Tangible. (Note also Account 3300, Accumulated Depreciation—Nonoperating.)

(c) When any item carried in Account 2681 is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7160, Other Operating Gains and Losses, or Account 7360, Other Nonoperating Income, as appropriate.

**§32.3420 Accumulated amortization—leasehold improvements.**

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2682, Leasehold Improvements.

(b) This account shall be credited with amounts for the amortization of leasehold improvements concurrently charged to Account 6563, Amortization

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Expense—Tangible. (Note also Account 3300, Accumulated Depreciation—Nonoperating.)

(c) When any item carried in Account 2682 is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7360, Other Nonoperating Income.

**§32.3500 Accumulated amortization—intangible.**

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2690, Intangibles.

(b) This account shall be credited with amortization amounts concurrently charged to Account 6564, Amortization Expense—Intangible. (Note also Account 3300, Accumulated Depreciation—Nonoperating.)

(c) When any item carried in Account 2690 is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited Account 7360, Other Nonoperating Income.

**§32.3600 Accumulated amortization—other.**

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2005, Telecommunications Plant Adjustment.

(b) This account shall be credited with amortization amounts concurrently charged to Account 6565, Amortization Expense—Other. (Note also Account 3300, Accumulated Depreciation—Nonoperating.)

(c) When any item carried in Account 2005 is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited Account 7360, Other Nonoperating Income.

**§32.4000 Instructions for balance sheet accounts—liabilities and stockholders' equity.**

Liabilities and Stockholders' Equity Accounts to be Maintained by Class A and Class B telephone companies:

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Account title	Class A account	Class B account
Current liabilities:		
Accounts payable .....	4010	4010
Notes payable .....	4020	4020
Advance billing and payments .....	4030	4030
Customer's deposits .....	4040	4040
Current maturities—long-term debt .....	4050	4050
Current maturities—capital leases .....	4060	4060
Income taxes—accrued .....	4070	4070
Other taxes—accrued .....	4080	4080
Net Current Deferred Operating Income Taxes .....	4100	4100
Net Current Deferred Nonoperating Income Taxes .....	4110	4110
Other accrued liabilities .....	4120	4120
Other current liabilities .....	4130	4130
Long-term debt:		
Funded debt .....	4210	4210
Premium on long-term debt .....	4220	4220
Discount on long-term debt .....	4230	4230
Reacquired debt .....	4240	4240
Obligations under capital leases .....	4250	4250
Advances from affiliated companies .....	4260	4260
Other long-term debt .....	4270	4270
Other liabilities and deferred credits:		
Other long-term liabilities .....	4310	4310
Unamortized operating investment tax credits—net .....	4320	4320
Unamortized nonoperating investment tax credits—net .....	4330	4330
Net noncurrent deferred operating income taxes .....	4340	4340
Net deferred tax liability adjustments .....	4341	4341
Net noncurrent deferred nonoperating income taxes .....	4350	4350
Other deferred credits .....	4360	4360
Deferred tax regulatory liability .....	4361	4361
Other jurisdictional liabilities and deferred credits—net .....	4370	4370
Stockholders' equity:		
Capital stock .....	4510	4510
Additional paid-in capital .....	4520	4520
Treasury stock .....	4530	4530
Other capital .....	4540	4540
Retained earnings .....	4550	4550

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9418, Feb. 28, 1994]

**§32.4010 Account payable.**

(a) This account shall include all amounts currently due to others for recurring trade obligations, and not provided for in other accounts, such as those for traffic settlements, material and supplies, repairs to telecommunications plant, matured rents, and interest payable under monthly settlements on short-term loans, advances, and open accounts. It shall also include amounts of taxes payable that have been withheld from employees' salaries.

(b) Subsidiary record categories shall be maintained for this account in order

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that the company may separately report the amounts contained herein that relate to nonaffiliates and affiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(c) There shall be included herein accounts payable arising from sharing of revenues.

**§ 32.4020 Notes payable.**

(a) This account shall include the face amount of notes, drafts, and other evidences of indebtedness issued or assumed by the company (except interest coupons) which are payable on demand or not more than one year or less from date of issue.

(b) Subsidiary record categories shall be maintained for this account in order that the company may separately report the amounts contained herein that relate to nonaffiliates and affiliates. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(c) If any part of an obligation, otherwise includable in this account matures more than one year from date of issue, it shall be included in Account 4210, Funded Debt, 4260, Advances from Affiliated Companies, or other appropriate account.

(d) 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.

**§ 32.4030 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.

**§ 32.4040 Customers' deposits.**

(a) This account shall include the amount of cash deposited with the

company by customers as security for the payment for telecommunications service.

(b) Advance payments made by prospective customers prior to the establishment of service shall be credited to Account 4030, Advance Billing and Payments.

**§ 32.4050 Current maturities—long-term debt.**

This account shall include the amount (including any obligations for premiums) of long-term debt 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.

**§ 32.4060 Current maturities—capital leases.**

This account shall include the current portion of obligations applicable to property obtained under capital leases.

**§ 32.4070 Income taxes—accrued.**

(a) This account shall be credited or charged and the following accounts shall be charged or credited with the offsetting amount of current year income taxes (Federal, state and local) accrued during the period or adjustments to prior accruals:

- 7220 Operating Federal Income Taxes
- 7230 Operating State and Local Income Taxes
- 7420 Nonoperating Federal Income Taxes
- 7430 Nonoperating State and Local Income Taxes
- 7630 Current Income Tax Effect of Extraordinary Items—Net

(b) If significant, current year income taxes paid in advance shall be reclassified to Account 1300, Prepaid Taxes.

**§ 32.4080 Other taxes—accrued.**

(a) This account shall be credited or charged and Account 7240, Operating Other Taxes, or 7440, Nonoperating Other Taxes, or, for payroll related costs, the appropriate expense accounts shall be charged or credited for all taxes, other than Federal, State and local income taxes, accrued or adjusted for previous accruals during the period.



Among the taxes includable in this account are property, gross receipts, franchise, capital stock, social security and unemployment taxes.

(b) Taxes paid in advance of the period in which they are chargeable to income shall be included in the prepaid taxes Account 1300, Prepaid Taxes, or 1410, Other Noncurrent Assets, as appropriate.

**§ 32.4100 Net current deferred operating income taxes.**

(a) This account shall include the balance of income tax expense related to current items from regulated operations which have been deferred to later periods as a result of the normalized method of accounting for tax differentials authorized by this Commission and not provided for elsewhere.

(b) As regulated assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 4340, Net Noncurrent Deferred Operating Income Taxes, to this account.

(c) This account shall be debited or credited with the amount being debited or credited to Account 7250, Provision For Deferred Operating Income Taxes—Net, in accordance with that account's description and § 32.22 of subpart B.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary differences.

(e) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994]

**§ 32.4110 Net current deferred non-operating income taxes.**

(a) This account shall include the balance of income tax expense result-

ing from comprehensive interpreted tax allocation which has been deferred to later periods.

(b) As other assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes, to this account.

(c) This account shall be debited or credited with the amount being credited or debited to Account 7450, Provision For Deferred Nonoperating Income Taxes—Net, in accordance with that account's description and § 32.22 of Subpart B.

(d) This account shall also include the balance of the income taxes (Federal, state and local) related to current extraordinary items which have been deferred to later periods resulting from comprehensive interperiod tax allocation.

(e) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes, to this account.

(f) This account shall be debited or credited with the amount being credited and debited to Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items—Net.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary differences.

(h) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994]

**§ 32.4120 Other accrued liabilities.**

(a) This account shall include the amount of wages, compensated absences, interest on indebtedness of the company, 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 and nature of the items accrued to the date of the balance sheet.

(c) Matured rents, dividends and interest shall be included in Account 4010, Accounts Payable.

(d) Interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in Account 4010.

**§ 32.4130 Other current liabilities.**

This account shall include liabilities of current character which are not includable in Accounts 4010 through 4120.

**§ 32.4210 Funded debt.**

(a) This account shall include the total face amount of unmatured debt, maturing more than one 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.

(b) This account shall include such items as mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants and other similar obligations maturing more than one year from date of issue.

(c) In the case of debt securities with detachable warrants this account shall include only the face amount of the security at the time of issuance. The value of detachable warrants shall be charged to either Account 4220, Premium on Long-Term Debt, or Account 4230, Discount on Long-Term Debt, as appropriate, and credited to Account 4520, Additional Paid-in Capital, in the case of capital stock warrants or retained in this account as a separately identifiable amount in the case of detachable long-term debt warrants. No similar allocation shall be made for the

issuance of either convertible debt or debt securities with non-detachable warrants.

(d) Subsidiary records shall be maintained for each issue.

(e) Securities maturing in one year or less, including securities maturing serially, shall be included in Account 4050, Current Maturities—Long-Term Debt.

(f) Investment advances, including those represented by notes, shall be included in Account 4270, Other Long-Term Debt.

**§ 32.4220 Premium on long-term debt.**

(a) This account shall include the premium associated with all classes of long-term debt. Premium, as applied to securities issued or assumed by the company, means the excess of the current money value received at their sale over the sum of their book or face amount and interest or dividends accrued at the date of the sale.

(b) Amounts included in this account shall be amortized monthly by the interest method and credited to Account 7510, Interest on Funded Debt. (Note also § 32.4210(c) of this subpart.)

(c) Subsidiary records shall be maintained to identify the premium attributable to each issue.

**§ 32.4230 Discount on long-term debt.**

(a) This account shall include the discount associated with all classes of long-term debt. Discount, as applied to securities issued or assumed by the company, means the excess of the book or face amount 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.

(b) Amounts included in this account shall be amortized monthly by the interest method and charged to Account 7510, Interest On Funded Debt. (Note also § 32.4210(c) of this subpart.)

(c) Subsidiary records shall be maintained to identify the discount attributable to each issue.

**§ 32.4240 Reacquired debt.**

This account shall include the face amount of debt reacquired prior to maturity that has not been retired. Gain or loss shall be recognized at the time

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of reacquisition by credits or charges to Account 7360, Other Nonoperating Income, except that material gains or losses shall be treated as extraordinary. (See Accounts 7610, Extraordinary Income Credits, and 7620, Extraordinary Income Charges.)

**§ 32.4250 Obligations under capital leases.**

(a) This account shall include the noncurrent portion of obligations applicable to property obtained under capital leases.

(b) Amounts subject to current settlement shall be included in Account 4060, Current Maturities—Capital Leases.

**§ 32.4260 Advances from affiliated companies.**

(a) This account shall include the amount of advance from affiliated companies.

(b) Amounts due affiliated companies which are subject to current settlement shall be included in Account 4010 or 4020, as appropriate.

**§ 32.4270 Other long-term debt.**

This account shall include long-term debt not provided for elsewhere.

**§ 32.4310 Other long-term liabilities.**

(a) This account shall include amounts accrued to provide for such items as unfunded pensions (if actuarially determined), death benefits, deferred compensation costs and other long-term liabilities not provided for elsewhere.

(b) Subsidiary records shall be maintained to identify the nature of the items included herein.

**§ 32.4320 Unamortized operating investment tax credits—net.**

(a) This account shall be credited and Account 7210, Operating Investment Tax Credits—Net, should be debited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be debited and Account 7210 credited with a proportionate amount determined in relation to the period of time used for comput-

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ing book depreciation on the property to which the tax credit relates.

**§ 32.4330 Unamortized nonoperating investment tax credits—net.**

(a) This account shall be credited and Account 7410, Nonoperating Investment Tax Credits—Net, shall be debited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be debited and Account 7410 credited with a proportionate amount determined in relation to the useful book life of the property to which the tax credit relates.

**§ 32.4340 Net noncurrent deferred operating income taxes.**

(a) This account shall include the balance of income tax expense related to noncurrent items from regulated operations which have been deferred to later periods as a result of comprehensive interperiod tax allocation related to temporary differences that arise from regulated operations.

(b) This account shall be credited or debited, as appropriate, and Account 7250, Provision for Deferred Operating Income Taxes—Net, shall reflect the offset for the tax effect of revenues and expenses from regulated operations which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of revenues and expenses from regulated operations which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As regulated assets or liabilities which generated the prepaid income tax or deferred income tax are reclassified from long-term or noncurrent status to current status, the appropriate deferred income tax shall be reclassified from this account to Account 4100, Net Current Deferred Operating Income Taxes.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification

shall be based on the expected turn-around of the temporary difference.

(e) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994]

**§ 32.4341 Net deferred tax liability adjustments.**

(a) This account shall include the portion of deferred income tax charges and credits pertaining to Accounts 32.1437, Deferred Tax Regulatory Asset, and 32.4361, Deferred Tax Regulatory Liability.

(b) This account shall be used to record adjustments to the accumulated deferred tax liabilities recorded in Accounts 4100 and 4340 for:

(1) Tax effects of temporary differences accounted for under the flow-through method or treated as permanent differences.

(2) Reclassification attributable to changes in tax rates (Federal, state and local). As tax rates increase or decrease, the offsetting debit or credit will be recorded in Account 1437 and/or 4361 as required by paragraph (a) of this section.

(3) The tax effects of carryforward net operating losses and carryforward investment tax credits expected to reduce future taxes payable that are reported in published financial statements.

(4) Reversals of the tax effects of carryforward net operating losses and carryforward investment tax credits previously recorded in this account at the time they become recognized as reductions in current taxable income and current taxes payable on tax returns.

(c) This account shall be exempt from the vintage year detail record requirements of § 32.22(e)(2).

[59 FR 9419, Feb. 28, 1994]

**§ 32.4350 Net noncurrent deferred nonoperating income taxes.**

(a) This account shall include the balance of income tax expense (Federal, state, and local) that has been deferred to later periods as a result of comprehensive interperiod allocation related to nonoperating differences.

(b) This account shall be credited or debited, as appropriate, and Account 7450, Provision for Deferred Nonoperating Income Taxes—Net, shall reflect the offset for the tax effect of revenues from other operations and extraordinary items and nonoperating expenses which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of nonoperating expenses and extraordinary items and nonoperating income which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As other assets or liabilities which generated the prepaid income tax or deferred income tax are reclassified from long-term or non-current status to current status, the appropriate deferred income tax shall be reclassified from this account to account 4110, Net Current Deferred Nonoperating Income Taxes.

(d) This account shall also include the balance of the income tax effect (Federal, State and local) related to noncurrent extraordinary items which have been included in the determination of taxable income in a period different from when it is included in the determination of book income, that is, more than one year.

(e) This account shall be charged or credited with the contra amount recorded to Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items—Net, in accordance with § 32.22 of Subpart B.

(f) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from this account to Account 4110, Net Current Deferred Nonoperating Income Taxes.

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(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turn-around of the temporary difference.

(h) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994]

**§ 32.4360 Other deferred credits.**

This account shall include the amount of all deferred credits not provided for elsewhere, such as amounts awaiting adjustment between accounts; and revenue, expense, and income items in suspense.

**§ 32.4361 Deferred tax regulatory liability.**

(a) This account shall include amounts of probable future revenue reductions attributable to future decreases in taxes payable. As reductions occur, amounts recorded in this account shall be reduced with a debit entry and a credit entry to Account 4341, Net Deferred Tax Liability Adjustments.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect on such adjustments reduces the account to a net debit balance, such balance shall be reclassified to Account 1437.

[59 FR 9419, Feb. 28, 1994]

**§ 32.4370 Other jurisdictional liabilities and deferred credits—net.**

This account shall include the cumulative impact on liabilities and deferred credits of the jurisdictional rate-making practices which vary from those of this Commission. All entries recorded in this account shall be re-

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corded net of any applicable income tax effects and shall be supported by appropriate subsidiary records where necessary as provided for in § 32.13 of Subpart B.

**§ 32.4510 Capital stock.**

(a) This account shall include the par value, stated amount, or in the case of no-par stock, the amount received for capital stock issued and outstanding.

(b) Subsidiary records shall be maintained so as to show separately each class of stock.

(c) This account shall be charged with the book amount of any stock retired.

**§ 32.4520 Additional paid-in capital.**

(a) This account shall include the difference between the net proceeds (including discount, premium and stock issuance expense) received from the issuance of capital stock and the amount includable in Account 4510, Capital Stock, unless such difference results in a debit balance for that class of stock, in which case the amount shall be charged to Account 4550, Retained Earnings.

(b) This account shall also include gains arising from the retirement and cancellation of capital stock. Losses from the retirement and cancellation of capital stock shall be charged to this account to the extent that there exist credits in this account for the same class of stock; otherwise to Account 4550.

**§ 32.4530 Treasury stock.**

This account shall include the cost of the company's own capital stock which has been issued and subsequently reacquired but not retired or resold.

**§ 32.4540 Other capital.**

This account shall include amounts which are credits arising from the donation by stockholders of the company's capital stock, capital recorded upon the reorganization or recapitalization of the company and temporary declines in the value of marketable securities held for investment purposes. (See also Account 1401 Investment in Affiliated Companies.)

**§ 32.4550 Retained earnings.**

(a) This account shall include the undistributed balance of retained earnings derived from the operations of the company and from all other transactions not includable in the other accounts appropriate for inclusion of stockholders' equity.

(b) Subsidiary records shall be maintained wherein are recorded all entries to retained earnings during the year such that the detail of the entries may be disclosed to the Commission.

### Subpart D—Instructions For Revenue Accounts

**§ 32.4999 General.**

(a) *Purpose of revenue accounts.* The revenue accounts are intended to include the actual cash inflows (or equivalents) that have or will occur as a result of the company's ongoing major or central operations during the period. They will include the revenues which arise from furnishing regulated telecommunications services to others, from directory advertising, rentals of telecommunications assets and from providing other services which are directly associated with the provision of regulated telecommunications services.

(b) *Deductions from revenue.* Corrections of overcharges, authorized refunds of overcollections previously credited to revenue, 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.

(c) *Commissions.* Commissions paid to others or employees in place of compensation or salaries for services rendered, such as public telephone commissions, shall be charged to Account 6623, Customer Services, and not to the revenue accounts. Other commissions shall be charged to the appropriate expense accounts.

(d) *Revenue recognition.* Credits shall be made to the appropriate revenue accounts when such revenue is actually earned. When the billing cycle encompasses more than one accounting period, adjustments are necessary to properly recognize the revenue applica-

ble to the current accounting period under report. Revenues recorded under the terms of two-tier contracts or other variable payment plans should be deferred, if necessary, and recognized ratably with expenses over the terms of the related contract. Any amounts deferred shall be credited to Account 4360, Other Deferred Credits.

(e) *Contractual arrangements.* Charges and credits resulting from activities associated with the provisions of regulated telecommunications services shall be recorded in a manner consistent with the nature of the underlying contractual arrangements. The charges and credits resulting from expense sharing or apportionment arrangements associated with the provision of regulated telecommunications services shall be recorded in the detailed regulated accounts. Charges and credits resulting from revenue settlement agreements or other revenue pooling arrangements associated with the provision of regulated telecommunications services shall be included in the appropriate revenue accounts. Those charges and credits resulting from contractual revenue pooling and/or sharing agreements shall be recorded in each prescribed revenue account and prescribed subsidiary record categories thereof to the extent that each is separately identifiable in the settlement process. It is not intended that settlement amounts be allocated or generally spread to the individual revenue accounts where they are not separately identifiable in the settlement process. When the settlement amounts are not identifiable by a revenue account they shall be recorded in Account 5069, Other Local Exchange Revenue Settlements, 5129, Other Long Distance Private Network Revenue Settlements, 5169, Other Long Distance Revenue Settlements, or 5269, Other Revenue Settlements, as appropriate.

(f) *Subsidiary records—jurisdictional subdivisions.* (1) Subsidiary record categories shall be maintained in order that the company may separately report revenues derived from charges imposed under intrastate, interstate and international tariff filings. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(2) This jurisdictional subsidiary record requirement applies to all accounts except the Network Access Services Group where separate accounts have been established for Federal and state access revenues.

(g) *Structure of revenue accounts.* (1) The revenue section of the system of accounts shall be organized by revenue group summary account, account and subsidiary record category (if required).

(2) The revenue section of this system of accounts shall be comprised of five major groups—Local Network Services Revenues, Network Access Services Revenues, Long Distance Network Services Revenues, Miscellaneous Revenues, and Uncollectible Revenues, which shall be considered as a revenue group for the purposes of the construction of the system.

(3) Summary accounts within revenue groups shall be used to describe aggregations of two or more accounts having a certain commonality. Summary accounts are assigned numbers so that they may be used by Class A telephone companies to aggregate accounts for reporting purposes; and, as specifically directed, so that they may be used as accounts by Class B telephone companies.

(4) Accounts shall be maintained as prescribed in this Section subject to the conditions described in Section 32.13 of Subpart B. In certain instances, subsidiary record categories may be required below the account level by this system of accounts or by Commission order.

(h) *Local Network Services revenues.* Local Network Services revenues (Accounts 5000–5069) shall include revenues derived from the provision of service and equipment entirely within the basic service area. That area is defined as the normal boundaries for local calling plus Extended Area Service (EAS) boundaries as they apply to that service. It includes revenues derived from both local private network service and local public network services as well as from customer premises facilities services. Local revenues include associated charges such as one-time service connection or termination charges and secondary features such as call waiting.

(i) *Network Access revenues.* (1) Network Access revenues (Accounts 5080–5084) shall include revenues derived from the provision of exchange access services to an interexchange carrier or to an end user of telecommunications services beyond the exchange carrier's network.

(2) Billing and collections service provided under exchange access tariffs shall be included in the Miscellaneous Revenues Group.

(j) *Long Distance Network Service revenues.* Long Distance Network Service revenues shall include revenues derived from the provision of services beyond the basic service area, whether message or flat-rate and including public network switching as well as private.

(k) *Miscellaneous revenues.* Miscellaneous revenues are those revenues derived from the provision of regulated products and services provided under tariff or contract but not contained elsewhere. They shall also include operating revenue derived from activities performed incident to the company's tariffed telecommunications operations which, though non-tariffed, are included in the regulatory process.

(l) *Nonregulated revenues.* The nonregulated revenue account shall be used for nonregulated operating revenues when a nonregulated activity involves the common or joint use of assets or resources in the provision of regulated and nonregulated products or services and when such activity is accounted for, as required in §32.23(c) of this subpart, within the accounts prescribed in this system for telephone company operations. Revenues from nontariffed activities offered incidental to tariffed services may be accounted for as regulated revenues, provided the activities are outgrowths of regulated operations and the revenues do not exceed, in the aggregate, one percent of total revenues for three consecutive years. Such activities must be listed in the Commission-approved Cost Allocation Manual for any company required to file a Cost Allocation Manual.

(m) *Uncollectible revenues.* Uncollectible revenues shall include amounts originally credited to the revenue accounts which have proved impracticable of collection.

(n) *Revenue accounts to be maintained.*

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Account title	Class A account	Class B account
<b>Local Network Services Revenues:</b>		
Basic local service revenue .....	1 5000	5000
Basic area revenue .....	5001	.....
Optional extended area revenue .....	5002	.....
Cellular mobile revenue .....	5003	.....
Other mobile services revenue ...	5004	.....
Public telephone revenue .....	5010	.....
Local private line revenue .....	5040	.....
Customer premises revenue .....	5050	.....
Other local exchange revenue ....	5060	.....
Other local exchange revenue settlements .....	5069	.....
<b>Network Access Services Revenues:</b>		
Network access revenue .....	1 5080	5080
End user revenue .....	5081	5081
Switched access revenue .....	5082	5082
Special access revenue .....	5083	5083
State access revenue .....	5084	5084
<b>Long Distance Network Services Revenues:</b>		
Long distance message revenue .....	5100	5100
Unidirectional long distance revenue .....	1 5110	.....
Long distance inward-only revenue .....	5111	.....
Long distance outward-only revenue .....	5112	.....
Long distance private network revenue .....	1 5120	.....
Subvoice grade long distance private network revenue .....	5121	.....
Voice grade long distance private network revenue .....	5122	.....
Audio program grade long distance private network revenue .....	5123	.....
Video program grade long distance private network revenue .....	5124	.....
Digital transmission long distance private network revenue .....	5125	.....
Long distance private network switching revenue .....	5126	.....
Other long distance private network revenue .....	5128	.....
Other long distance private network revenue settlements .....	5129	.....
Other long distance revenue .....	5160	.....
Other long distance revenue settlements .....	5169	.....
<b>Miscellaneous Revenues:</b>		
Miscellaneous revenue .....	.....	5200
Directory revenue .....	5230	.....
Rent revenue .....	5240	.....
Corporate operations revenue ....	5250	.....
Miscellaneous revenue .....	1 5260	.....
Special billing arrangements revenue .....	5261	.....
Customer operations revenue ....	5262	.....
Plant operations revenue .....	5263	.....
Other incidental regulated revenue .....	5264	.....
Other revenue settlements .....	5269	.....
Carrier billing and collection revenue .....	5270	.....
<b>Nonregulated Revenues:</b>		
Nonregulated operating revenue .....	5280	5280
<b>Uncollectible Revenues:</b>		
Uncollectible revenue .....	1 5300	5300
Uncollectible revenue—Telecommunications .....	5301	.....
Uncollectible revenue—Other .....	5302	.....

[51 FR 43499, Dec. 2, 1986, as amended at 53 FR 49322, Dec. 7, 1988; 59 FR 46930, Sept. 13, 1994]

**§ 32.5000 Basic local service revenue.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 5001 through 5004. Class B telephone companies shall use this account for revenues of the type and character required of Class A companies in Accounts 5001 through 5069.

**§ 32.5001 Basic area revenue.**

(a) This account shall include revenue derived from the provision of basic area message services such as flat rate services and measured services. Included is revenue derived from non-optional extended area services. Also included is revenue derived from the billed or guaranteed portion of semi-public services.

(b) Revenue derived from charges for nonpublished number or additional and boldfaced listings in the alphabetical section of the company's telephone directories shall be included in Account 5230, Directory Revenue.

**§ 32.5002 Optional extended area revenue.**

This account shall include total revenue derived from the provision of optional extended area service.

**§ 32.5003 Cellular mobile revenue.**

This account shall include message revenue derived from cellular mobile telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area.

**§ 32.5004 Other mobile services revenue.**

(a) This account shall include message revenue derived from general radio telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area, as well as revenue from mobile radio paging, mobile dispatching, and signaling services.

<sup>1</sup> To be used by Class A telephone companies to summarize accounts for reporting purposes.



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(b) Revenue from private mobile telephone services which do not have access to the public switched network shall be included in Account 5264, Other Incidental Regulated Revenue.

**§ 32.5010 Public telephone revenue.**

This account shall include message revenue (e.g., coin paid) and other revenue derived from public and semi-public telephone services provided within the basic service area.

**§ 32.5040 Local private line revenue.**

This account shall include revenue derived from local services that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g., point-to-point communications). It includes revenue from subvoice grade, voice grade, audio and video program grade, digital transmission and local private network switching as well as the revenue from administrative and operational support services associated with private network services and facilities, e.g., charges for company-directed testing, expedited installation, and service restoration priority.

**§ 32.5050 Customer premises revenue.**

This account shall include revenue derived from tariffed information origination/termination plant. Included is revenue derived from the provision under leasing arrangements of tariffed customer premises equipment (CPE), terminal equipment, station apparatus and large private branch exchanges as well as tariffed nonrecurring charges related solely to station apparatus. Also included are all tariffed charges for customer premises activities and facilities not related solely to station apparatus.

**§ 32.5060 Other local exchange revenue.**

This account shall include revenue from the provision of secondary features which are integrated with the telecommunications network such as call forwarding, call waiting and touch-tone line service. Also included is revenue derived from the provision of public announcement and other record

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message services, directory assistance and other call completion services (excluding operator assisted basic long distance calls), as well as revenue derived from central office related service connection and termination charges, and other non-premise customer specific charges associated with public network services. This account shall also include local revenue not provided for in other accounts.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

**§ 32.5069 Other local exchange revenue settlements.**

This account shall include the charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed local network services only when they are not separately identifiable by local network services revenue accounts in the settlement process. (See also § 32.4999(e) of this subpart.) To the extent that the charges and credits resulting from a settlement process can be identified by Local Network Services Revenue account they shall be recorded in the applicable account.

**§ 32.5080 Network access revenue.**

(a) This account number shall be used by Class A and Class B telephone companies to summarize for reporting purposes the contents of Accounts 5081 through 5084. It shall include revenue derived from the provision of exchange access services to an interexchange carrier or to an end user of telecommunications services beyond the exchange carrier's network.

(b) Accounts 5081 through 5083 are for federally tariffed access charges while Account 5084 is to be used for state tariffed access charges.

**§ 32.5081 End user revenue.**

This account shall contain the federally tariffed monthly flat rate charge assessed upon end users.

**§ 32.5082 Switched access revenue.**

(a) This account shall consist of federally tariffed charges assessed to interexchange carriers for access to local exchange facilities.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to limited pay telephone, carrier common line, line termination, local switching, intercept, information, common transport and dedicated transport. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.5083 Special access revenue.**

(a) This account shall include all federally tariffed charges assessed for other than end user or switched access charges referred to in Account 5081, End User Revenue, and Account 5082, Switched Access Revenue.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to recurring charges, nonrecurring charges and surcharges. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

**§ 32.5084 State access revenue.**

(a) This account shall include all state tariffed charges assessed by local exchange carriers upon interexchange carriers and end users for access to the local exchange network for intrastate telecommunications.

(b) Billing and collections services provided under exchange access tariffs shall be included in Account 5270, Carrier Billing and Collection Revenue.

**§ 32.5100 Long distance message revenue.**

(a) This account shall be used by Class A telephone companies for revenue derived from message services that terminate beyond the basic service area of the originating wire center and are individually priced. This includes those message services which utilize the public long distance switching network and the basic subscriber access line. (See also Account 5111, Long Distance Inward-Only Revenue, and Account 5112, Long Distance-Outward Only Revenue.) It also includes those long distance calls placed from mobile and public telephones, as well as any

charges for operator assistance or special billing directly related to the completion of a specific call. This account shall also include revenue derived from individually priced message services offered under calling plans (discounted long distance) which do not utilize dedicated access lines, as well as those priced at the basic long distance rates where a discounted toll charge is on a per message basis. Any revenue derived from monthly or one-time charges for obtaining calling plan services shall be included in this account.

(b) Class B telephone companies shall use this account for revenues of the type and character required of Class A companies in Accounts 5100 through 5169.

**§ 32.5110 Unidirectional long distance revenue.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 5111 and 5112. It shall include revenue derived from long distance services which permit unidirectional calls to a subscriber from specified service areas or which permit the subscriber to place telephone calls from one location to other specified services areas. It shall also include revenue derived from toll calling plans which embody flat-rate or measured time toll service. (See also Account 5100, Long Distance Message Revenue.)

**§ 32.5111 Long distance inward-only revenue.**

This account shall include the revenue derived from long distance services which permit unidirectional calls to a subscriber from specified services areas (multipoint-to-point service). These calls require the use of dedicated access lines connecting a subscriber's premises and a designated central office. These dedicated access lines are generally separate from those required for the subscriber to place outward calls. The call is billed to the subscriber even though it is generally initiated by the subscriber's customer or correspondent.

**§ 32.5112 Long distance outward-only revenue.**

This account shall include revenue derived from long distance services which permit the subscriber to place telephone calls from one location to other specified service areas (point-to-multipoint service). These calls are completed without operator assistance and require the use of a dedicated access line. The dedicated access line is generally separate from those required for inward message services and cannot be used to place calls within the basic service area or calls outside the selected service areas. Outward calls are screened and blocked to determine whether the calls are within an authorized service area.

**§ 32.5120 Long distance private network revenue.**

(a) This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 5121 through 5129. It shall include revenue derived from services extending beyond the basic service area that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g., point-to-point communications).

(b) Service connection charges, termination charges, rearrangements and changes, etc., shall be included in each account to which they apply. Revenue derived from associated administrative and operational support services shall be included in Account 5128, Other Long Distance Private Network Revenue.

**§ 32.5121 Subvoice grade long distance private network revenue.**

This account which consists of revenue from narrow-band analog private network circuits and facilities furnished exclusively for record forms of communications, such as teletypewriter, teletypesetter, telewriter, ticker, Morse, signaling, remote metering, and supervisory services.

**§ 32.5122 Voice grade long distance private network revenue.**

This account consists of revenue from private network circuits and facilities (including multipurpose wide-band) which provide voice grade services for the transmission of analog signals. It includes revenue from services such as voice, data and telephoto communication, as well as remote metering, supervisory control, miscellaneous signaling and channels furnished for the purpose of extending customer—provided communications systems. It includes revenue from the provision of facilities between customer premises and (a) a serving office, (b) a carrier distribution point or (c) an extension distribution channel, except when furnished as a subscriber access line under an unidirectional long distance service (in which case the revenue should be included in Account 5111, Long Distance Inward-Only Revenue, or Account 5112, Long Distance Outward-Only Revenue.)

**§ 32.5123 Audio program grade long distance private network revenue.**

(a) This account consists of revenue from private network circuits and facilities furnished for audio program transmission purposes, such as radio broadcasting, sound recording (wired music) and loud speaker services. It includes revenue from the provision of facilities for the transmission of analog signals between customer premises and (1) a serving office, (2) a carrier distribution point or (3) an extension distribution channel furnished in connection with such services. It also includes revenue from facilities furnished to carry the audio portion of a television program if furnished under separate audio rates.

(b) If the rate for television program services includes both the picture and sound portion of the transmission, the revenue shall be included in Account 5124, Video Program Grade Long Distance Private Network Revenue.

**§ 32.5124 Video program grade long distance private network revenue.**

This account consists of revenue from private network circuits and facilities furnished for television program transmission purposes, such as

commercial broadcast and educational or private television services. It includes revenue from the provision of facilities for the transmission of analog signals between customer premises and (a) a serving office, (b) a carrier distribution point or (c) an extension distribution channel furnished in connection with such services. It also includes revenue from both the picture and sound portions of transmission for television program service when provided under a combined rate schedule.

**§32.5125 Digital transmission long distance private network revenue.**

This account consists of revenue from the provision of circuits and facilities for the transmission of digital signals only.

**§32.5126 Long distance private network switching revenue.**

This account consists of revenue derived from the provision of common user channels and switching capabilities used for the transmission of telecommunication signals between three (3) or more points in the network. Also included is revenue derived from the provision of basic switching and transfer arrangements used to connect private line channels.

**§32.5128 Other long distance private network revenue.**

This account consists of revenue from administrative and operation support services associated with private network services and facilities, e.g., charges for company-directed testing, expedited installation, and service restoration priority. Also included is other private network services revenue not provided for in other accounts.

**§32.5129 Other long distance private network revenue settlements.**

This account shall include the charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed long distance private network services only when they are not identifiable by private network services revenue account in the settlement process. (See also §32.4999(e) of this subpart.) To the extent that the charges and credits resulting from a settlement process can

be identified by private network services revenue account, they shall be recorded in the applicable account.

**§32.5160 Other long distance revenue.**

This account shall include long distance revenues not provided for elsewhere.

**§32.5169 Other long distance revenue settlements.**

This account shall include the charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed long distance public network services only when they are not identifiable by long distance public network services revenue accounts in the settlement process. (See also §32.4999(e) of this subpart.) To the extent that the charges and credits resulting from a settlement process can be identified by long distance public network services revenue account they shall be recorded in the applicable account.

**§32.5200 Miscellaneous revenue.**

Class B telephone companies shall use this account for revenues of the type and character required of Class A companies in Accounts 5230 through 5270.

**§32.5230 Directory revenue.**

This account shall include revenue derived from alphabetical and classified sections of directories and shall also include fees paid by other entities for the right to publish the company's directories. Items to be included are:

(a) All revenue derived from the classified section of the directories;

(b) Revenue from the sale of new telephone directories whether they are the company's own directories or directories purchased from others. This shall also include revenue from the sale of specially bound telephone directories and special telephone directory covers;

(c) Amounts charged for additional and boldface listings, marginal displays, inserts, and other advertisements in the alphabetical of the company's telephone directories; and

(d) Changes for unlisted and non-published telephone numbers.

**§ 32.5240 Rent revenue.**

(a) This account shall include revenues (including taxes when borne by the lessee) derived from the rental or subrental to others of telecommunications plant furnished apart from telecommunications services rendered by the company. It includes revenue from the rent of such items as space in conduit, pole line space for attachments, and any allowance for return on property used in joint operations and shared facilities agreements.

(b) 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 appropriate tax accounts.

(c) When land or buildings are rented on an incidental basis for non-telecommunications use the rental and expenses are included in Account 7360, Other Nonoperating Income.

**§ 32.5250 Corporate operations revenue.**

This account shall include revenue derived from services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general accounting, financial, legal, patent, and other general services associated with the provision of regulated telecommunications services. (See also Accounts 5230 and 5270.)

**§ 32.5260 Miscellaneous revenue.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 5261 through 5269.

**§ 32.5261 Special billing arrangements revenue.**

This account shall include revenue derived from the provision, either under tariff or through contractual arrangements, of special billing information to customers in the form of magnetic tapes, cards or statements. Special billing information provides detail in a format and/or at a level of detail not normally provided in the standard billing rendered for the regulated tele-

phone services utilized by the customer.

**§ 32.5262 Customer operations revenue.**

This account shall include revenue derived from the performance of customer operations services for others incident to the company's regulated telecommunications operations which are not provided for elsewhere. (See also §§ 32.14(e) and 32.4999(e) of this part.)

**§ 32.5263 Plant operations revenue.**

(a) This account shall include revenue derived from contract services (plant maintenance) performed for others incident to the company's regulated telecommunications operations. This includes revenue from the incidental performance of nontariffed operating and maintenance activities for others which are similar in nature to those activities which are performed by the company in operating and maintaining its own telecommunications plant facilities.

(b) The records supporting the entries in this account shall be maintained with sufficient particularity to identify the revenue and associated Plant Specific Operations Expenses related to each undertaking.

(c) This account does not include revenue related to the performance of operation or maintenance activities under a joint operating agreement. (See also Account 5240.)

**§ 32.5264 Other incidental regulated revenue.**

(a) This account shall include the other incidental regulated revenue not provided for in other Revenues accounts. Such revenues to be included are:

(1) Collection overages (collection shortages shall be charged to Account 6623, Customer services.)

(2) Unclaimed refunds for telecommunications services when not subject to escheats;

(3) Charges (penalties) imposed by the company for customer checks returned for non-payment;

(4) Discounts allowed customers for prompt payment;

(5) Late-payment charges;

(6) Revenue from private mobile telephone services which do not have access to the public switched network; and

(7) Other incidental revenue not provided for elsewhere in other Revenue accounts.

(b) Any definitely known amounts of losses of revenue collections due to fire or theft, (1) at customers' coin-box stations, (2) at public or semipublic telephone stations, (3) in the possession of collectors en route to collection offices, (4) on hand at collection offices, and (5) between collection offices and banks shall be charged to Account 6728, Other General and Administrative.

**§ 32.5269 Other revenue settlements.**

This account shall include the charges and credits resulting from contractual revenue pooling and/or sharing agreements for activities included in the miscellaneous revenue accounts only when they are not identifiable by miscellaneous revenue account in the settlement process. (See also § 32.4999(e) of this subpart.) The extent that the charges and credits resulting from a settlement process can be identified by miscellaneous revenue accounts they shall be recorded in the applicable account.

**§ 32.5270 Carrier billing and collection revenue.**

This account shall include revenue derived from the provision of billing and collection services to other telecommunications companies. This includes amounts charged for services such as message recording, billing, collection, billing analysis, and billing information services, whether rendered under tariff or contractual arrangements.

**§ 32.5280 Nonregulated operating revenue.**

(a) This account shall include revenues derived from a nonregulated activity involving the common or joint use of assets or resources in the provision of regulated and nonregulated products or services, which are not provided for elsewhere in this system of accounts.

(b) This account shall be debited and regulated revenue accounts shall be

credited at tariffed rates when tariffed services are provided to nonregulated activities that are accounted for as prescribed in § 32.23(c) of this subpart.

(c) Separate subsidiary record categories shall be maintained for each nonregulated revenue item recorded in this account.

[53 FR 49322, Dec. 7, 1988]

**§ 32.5300 Uncollectible revenue.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 5301 and 5302. Class B telephone companies shall use this account for revenues of the type and character required of Class A companies in Accounts 5301 and 5302.

**§ 32.5301 Uncollectible revenue—telecommunications.**

This account shall be charged with amounts concurrently credited to Account 1181, Accounts Receivable Allowances—Telecommunications.

**§ 32.5302 Uncollectible revenue—other.**

This account shall be charged with amounts concurrently credited to Account 1190, Other Accounts Receivable, or to Account 1191, Accounts Receivable Allowance—Other, when such allowance is maintained.

**Subpart E—Instructions for Expense Accounts**

**§ 32.5999 General.**

(a) *Structure of the expense accounts.*

(1) The expense section of the system of accounts shall be organized by expense group summary account, and subsidiary record category (if required).

(2) The expense section of this system of accounts shall be comprised of four major expense groups—Plant Specific Operations, Plant Nonspecific Operations, Customer Operations and Corporate Operations. Expenses to be recorded in Plant Specific and Plant Nonspecific Operations Expense Groups generally reflect cost associated with the various kinds of equipment identified in the plant asset accounts. Expenses to be recorded in the Customer Operations and Corporate Operations

accounts reflect the costs of, or are associated with, functions performed by people, irrespective of the organization in which any particular function is performed.

(3) Summary accounts within expense groups shall be used to describe aggregations of two or more accounts having a certain commonality. Summary accounts are assigned numbers so that they may be used by Class A telephone companies to aggregate accounts for reporting purposes; and as specifically directed, so that they may be used as accounts by Class B telephone companies.

(4) Accounts shall be maintained as prescribed in this section subject to the conditions described in §32.13 in Subpart B. Subsidiary record categories may be required below the account level by this system of accounts or by Commission order.

(b) *Plant Specific Operations Expense.*

(1) The Plant Specific Operations Expense Accounts, 6110 through 6441, are used to record costs related to specific kinds of telecommunications plant.

(2) The Plant Specific Operations Expense accounts predominantly mirror the telecommunications plant in service detail accounts and are numbered consistently with them; the first digit of the expense account being six (6) and the remaining digits being the same as the last three numbers of the related plant account. In classifying Plant Specific Operations expenses, the text of the corresponding plant account should be consulted to ensure appropriateness.

(3) The Plant Specific Operations Expense accounts shall include the costs of inspecting, testing (except as specified in Account 6533, Testing Expense) and reporting on the condition of telecommunications plant to determine the need for repairs, replacements, rearrangements and changes; performing routine work to prevent trouble (except as specified in Account 6533), replacing items of plant other than retirement units; rearranging and changing the location of plant not retired; repairing material for reuse; restoring the condition of plant damaged by storms, floods, fire or other casualties (other than the cost of replacing retirement units); inspecting after repairs

have been made; and receiving training to perform these kinds of work. Also included are the costs of direct supervision (immediate or first-level) and office support of this work.

(4) In addition to the activities specified in paragraph (b)(3) of this section, the appropriate Plant Specific Operations Expense accounts shall include the cost of personnel whose principal job is the operation of plant equipment, such as general purpose computer operators, aircraft pilots, chauffeurs and shuttle bus drivers. However, when the operation of equipment is performed as part of other identifiable functions (such as the use of office equipment, capital tools or motor vehicles) the operators' cost shall be charged to accounts appropriate for those functions. (For costs of operator services personnel, see Accounts 6621, Call Completion Services, and 6622, Number Services, and for costs of test board personnel see Account 6533.)

(c) *Plant Nonspecific Operations Expense.* The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future telecommunications use, provisioning expenses, network operations expenses, and depreciation and amortization expenses. Accounts in this group (except for Account 6540, Access Expense, and Accounts 6560 through 6565) shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

(d) *Customer Operations Expense.* The Customer Operations Expense accounts shall include the cost of performing customer related marketing and services activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(e) *Corporate Operations Expense.* The Corporate Operations Expense accounts shall include the costs of performing executive and planning activities and general and administrative activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(f) *Expense matrix.* The expense accounts shall be maintained by the following subsidiary record categories, as appropriate to each account. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

(1) *Salaries and wages.* This subsidiary record category shall include compensation to employees, such as; wages, salaries, commissions, bonuses, incentive awards and termination payments.

(2) *Benefits.* This subsidiary record category shall include payroll related benefits on behalf of employees such as the following:

- Pensions
- Savings plan contributions (company portion)
- Worker's compensation required by law
- Life, hospital, medical, dental, and vision plan insurance
- Social Security and other payroll taxes.

(3) *Rents.* (i) This subsidiary record category shall include amounts paid for the use of real and personal operating property. Amounts paid for real property shall be included in Account 6121, Land and Buildings Expense. This category includes payments for operating leases but does not include payments for capital leases.

(ii) This subsidiary record category is applicable only to the Plant Specific Operations Expense accounts. Incidental rents, e.g., short-term rental car expense, shall be categorized as Other Expenses (see paragraph (f)(4) of this section) under the account which reflects the function for which the incidental rent was incurred.

(4) *Other expenses.* This subsidiary record category shall include costs which cannot be classified to the other subsidiary record categories. Included are material and supplies, including provisioning (note also Account 6512, Provisioning Expense); contracted services; accident and damage payments; insurance premiums; traveling expenses and other miscellaneous costs.

(5) *Clearances.* This subsidiary record category shall include amounts transferred to Construction accounts (see § 32.2000 (c)(2)(iii)), other Plant Specific Operations Expense accounts and/or Account 3100, Accumulated Deprecia-

tion (cost of removal; see § 32.2000 (g)(1)(iii)), as appropriate, from Accounts 6112, Motor Vehicle Expense, 6113, Aircraft Expense, 6114, Special Purpose Vehicles Expense, 6116, Other Work Equipment Expense, 6534, Plant Operations Administration Expense, and 6535, Engineering Expense. There shall also be transfers to Construction or other Plant Specific Operations Expense accounts, as appropriate, from Account 6512, Provisioning Expense. With respect to these expenses, companies may establish such clearing accounts as they deem necessary to accomplish substantially the same results, provided that within 30 days of the opening of such accounts, companies shall notify the Commission of the nature and purpose thereof. Additional clearing accounts affecting other expense areas may be established with prior approval of the Commission. Should companies elect, the initial incurred subsidiary record category identification may be carried through to the final accounts without this Commission's approval.

(g) *Reimbursements.* Reimbursements of actual costs incurred in connection with joint operations or projects repairing plant due to damages by others, and obligations to make changes in telecommunications plant (such as highway relocations), shall be credited to the accounts originally charged.

(h) *Expense accounts to be maintained.*

Account title	Class A account	Class B account
Income Statement Accounts		
Plant specific operations expense:		
Network support expense .....	1 <sup>2</sup> 6110	6110
Motor vehicle expense .....	1 <sup>6</sup> 112	.....
Aircraft expense .....	1 <sup>6</sup> 113	.....
Special purpose vehicles expense .....	1 <sup>6</sup> 114	.....
Garage work equipment expense .....	1 <sup>6</sup> 115	.....
Other work equipment expense .....	1 <sup>6</sup> 116	.....
General support expenses .....	1 <sup>2</sup> 6120	6120
Land and building expenses .....	1 <sup>6</sup> 121	.....
Furniture and artworks expense .....	1 <sup>6</sup> 122	.....
Office equipment expense .....	1 <sup>6</sup> 123	.....
General purpose computers expense .....	1 <sup>6</sup> 124	.....
Central office switching expense .....	1 <sup>2</sup> 6210	6210
Analog electronic expense .....	1 <sup>6</sup> 211	.....
Digital electronic expense .....	1 <sup>6</sup> 212	.....
Electro-mechanical expense .....	1 <sup>6</sup> 215	.....
Operators system expense .....	1 <sup>6</sup> 220	6220
Central office transmission expenses .....	1 <sup>2</sup> 6230	6230
Radio systems expense .....	1 <sup>6</sup> 231	.....
Circuit equipment expense .....	1 <sup>6</sup> 232	.....



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Account title	Class A account	Class B account
Information origination/termination expense .....	<sup>1,2</sup> 6310	6310
Station apparatus expense .....	<sup>1</sup> 6311	.....
Large private branch exchange expense .....	<sup>1</sup> 6341	.....
Public telephone terminal equipment expense .....	<sup>1</sup> 6351	.....
Other terminal equipment expense .....	<sup>1</sup> 6362	.....
Cable and wire facilities expenses .....	<sup>1,2</sup> 6410	6410
Poles expense .....	<sup>1</sup> 6411	.....
Aerial cable expense .....	<sup>1</sup> 6421	.....
Underground cable expense .....	<sup>1</sup> 6422	.....
Buried cable expense .....	<sup>1</sup> 6423	.....
Submarine cable expense .....	<sup>1</sup> 6424	.....
Deep sea cable expense .....	<sup>1</sup> 6425	.....
Intrabuilding network cable expense .....	<sup>1</sup> 6426	.....
Aerial wire expense .....	<sup>1</sup> 6431	.....
Conduit systems expense .....	<sup>1</sup> 6441	.....
Plant nonspecific operations expense:		
Other property plant and equipment expenses .....	<sup>1,2</sup> 6510	6510
Property held for future .....	.....	.....
Telecommunications use expense .....	<sup>1</sup> 6511	.....
Provisioning expense .....	<sup>1</sup> 6512	.....
Network operations expenses .....	<sup>1,2</sup> 6530	6530
Power expense .....	<sup>1</sup> 6531	.....
Network administration expense .....	<sup>1</sup> 6532	.....
Testing expense .....	<sup>1</sup> 6533	.....
Plant operations administration expense .....	<sup>1</sup> 6534	.....
Engineering expense .....	<sup>1</sup> 6535	.....
Access expense .....	<sup>1</sup> 6540	6540
Depreciation and amortization expenses .....	<sup>2</sup> 6560	6560
Depreciation expense—telecommunications plant in service .....	6561	.....
Depreciation expense—property held for future telecommunications use .....	6562	.....
Amortization expense—tangible .....	6563	.....
Amortization expense—intangible .....	6564	.....
Amortization expense—other .....	6565	.....
Customer operations expense:		
Marketing .....	<sup>1,2</sup> 6610	6610
Product management .....	<sup>1</sup> 6611	.....
Sales .....	<sup>1</sup> 6612	.....
Product advertising .....	<sup>1</sup> 6613	.....
Services .....	<sup>1,2</sup> 6620	6620
Call completion services .....	<sup>1</sup> 6621	.....
Number services .....	<sup>1</sup> 6622	.....
Customer services .....	<sup>1</sup> 6623	.....
Corporate operations expense:		
Executive and planning .....	<sup>1,2</sup> 6710	6710
Executive .....	<sup>1</sup> 6711	.....
Planning .....	<sup>1</sup> 6712	.....
General and administrative .....	<sup>1,2</sup> 6720	6720
Accounting and finance .....	<sup>1</sup> 6721	.....
External relations .....	<sup>1</sup> 6722	.....
Human resources .....	<sup>1</sup> 6723	.....
Information management .....	<sup>1</sup> 6724	.....
Legal .....	<sup>1</sup> 6725	.....
Procurement .....	<sup>1</sup> 6726	.....
Research and development .....	<sup>1</sup> 6727	.....
Other general and administrative .....	<sup>1</sup> 6728	.....

Account title	Class A account	Class B account
Provision for uncollectible notes receivable .....	6790	6790

<sup>1</sup>Subsidiary record categories required in accordance with § 32.5999(f) of this subpart.

<sup>2</sup>To be used by Class A telephone companies to summarize accounts for reporting purposes.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 7580, Mar. 12, 1987]

**§ 32.6110 Network support expenses.**

(a) This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6112 through 6116. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6112 through 6116.

(b) Credits shall be made to this account by Class B companies for amounts transferred to Construction and/or other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6112 Motor vehicle expense.**

(a) This account shall include costs of fuel, lubrications, license and inspection fees, washing, repainting, and minor accessories. Also included are the costs of personnel whose principal job is operating motor vehicles, such as chauffeurs and shuttle bus drivers. The costs of users of motor vehicles whose principal job is not the operation of motor vehicles shall be charged to accounts appropriate for the activities performed.

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6113 Aircraft expense.**

(a) This account shall include such costs as aircraft fuel, flight crews, mechanics and ground crews, licenses and inspection fees, washing, repainting, and minor accessories.

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific

Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also §32.5999(f)(5) of this subpart.)

**§32.6114 Special purpose vehicles expense.**

(a) This account shall include such costs as fuel, licenses and inspection fees, washing, repainting, and minor accessories. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also §32.5999(f)(5) of this subpart.)

**§32.6115 Garage work equipment expense.**

This account shall be charged only with costs incurred in connection with the garage work equipment itself. The costs of using this equipment to maintain motor vehicles, special purpose vehicles, or other work equipment shall be charged to Accounts 6112, Motor Vehicles, 6114 Special Purpose Vehicles, or 6116 Other Work Equipment, as appropriate.

**§32.6116 Other work equipment expense.**

(a) This account shall be charged only with costs incurred in connection with this work equipment itself. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours. (See also §32.5999(f)(5) of this subpart.)

**§32.6120 General support expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6121 through 6124. Class B telephone companies shall use this account for expenses of the type

and character required of Class A companies in Accounts 6121 through 6124.

**§32.6121 Land and building expense.**

(a) This account shall include expenses associated with land and buildings (excluding amortization of leasehold improvements). This account shall also include janitorial service, cleaning supplies, water, sewage, fuel and guard service, and electrical power.

(b) The cost of electrical power used to operate the telecommunications network shall be charged to Account 6531, Power Expense, and the cost of separately metered electricity used for operating specific types of equipment, such as computers, shall be charged to the expense account appropriate for such use.

**§32.6122 Furniture and artworks expense.**

This account shall include expenses associated with furniture and artworks.

**§32.6123 Office equipment expense.**

This account shall be charged only with costs incurred in connection with the office equipment itself. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

**§32.6124 General purpose computers expense.**

This account shall include costs of personnel whose principal job is the physical operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning, developing, testing, implementing, and maintaining data bases and application systems for general purpose computers. (See also Account 6724, Information Management.) Separately metered electricity for general purpose computers shall also be included in this account.

**§ 32.6210 Central office switching expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6211 through 6215. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6211 through 6215.

**§ 32.6211 Analog electronic expense.**

This account shall include expenses associated with analog electronic switching.

**§ 32.6212 Digital electronic expense.**

This account shall include expenses associated with digital electronic switching.

**§ 32.6215 Electro-mechanical expense.**

(a) This account shall include expenses associated with electro-mechanical switching.

(b) Subsidiary record categories shall be maintained as provided in § 32.2215(a) of subpart C.

**§ 32.6220 Operator systems expense.**

This account shall include expenses associated with operator systems equipment.

**§ 32.6230 Central office transmission expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6231 and 6232. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6231 and 6232.

**§ 32.6231 Radio systems expense.**

(a) This account shall include expenses associated with radio systems.

(b) Subsidiary record categories shall be maintained as provided in § 32.2231(a) of subpart C.

**§ 32.6232 Circuit equipment expense.**

This account shall include expenses associated with circuit equipment.

**§ 32.6310 Information origination/termination expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6311 through 6362. Class B telephone companies shall use this account for expenses of the type and character required of Class A telephone companies in Accounts 6311 through 6362.

**§ 32.6311 Station apparatus expense.**

This account shall include expenses associated with station apparatus. Expenses associated with company internal use communication equipment shall be recorded in Account 6123, Office Equipment Expense.

**§ 32.6341 Large private branch exchange expense.**

This account shall include expenses associated with large private branch exchanges. Expenses associated with company internal use communication equipment shall be recorded in Account 6123, Office Equipment Expense.

**§ 32.6351 Public telephone terminal equipment expense.**

This account shall include expenses associated with public telephone terminal equipment.

**§ 32.6362 Other terminal equipment expense.**

This account shall include expenses associated with other terminal equipment.

**§ 32.6410 Cable and wire facilities expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6411 through 6441. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6411 through 6441.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

**§ 32.6411 Poles expense.**

This account shall include expenses associated with poles.

**§ 32.6421 Aerial cable expense.**

(a) This account shall include expenses associated with aerial cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2421(a) of subpart C.

**§ 32.6422 Underground cable expense.**

(a) This account shall include expenses associated with underground cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2422(a) of subpart C.

**§ 32.6423 Buried cable expense.**

(a) This account shall include expenses associated with buried cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2423(a) of subpart C.

**§ 32.6424 Submarine cable expense.**

(a) This account shall include expenses associated with submarine cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2424(a) of subpart C.

**§ 32.6425 Deep sea cable expense.**

(a) This account shall include expenses associated with deep sea cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2425(a) of subpart C.

**§ 32.6426 Intrabuilding network cable expense.**

(a) This account shall include expenses associated with intrabuilding network cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2426(a) of subpart C.

**§ 32.6431 Aerial wire expense.**

This account shall include expenses associated with aerial wire.

**§ 32.6441 Conduit systems expense.**

This account shall include expenses associated with conduit systems.

**§ 32.6510 Other property, plant and equipment expenses.**

This account number shall be used by Class A telephone companies to sum-

marize for reporting purposes the contents of Accounts 6511 and 6512. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6511 and 6512.

**§ 32.6511 Property held for future telecommunications use expense.**

This account shall include expenses associated with property held for future telecommunications use.

**§ 32.6512 Provisioning expense.**

(a) This account shall include costs incurred in provisioning material and supplies, including office supplies. This includes receiving and stocking, filling requisitions from stock, monitoring and replenishing stock levels, delivery of material, storage, loading or unloading and administering the reuse or refurbishment of material. Also included are adjustments resulting from the annual or more frequent inventory of material and supplies.

(b) Credits shall be made to this account for amounts transferred to construction and/or to plant specific operations expense. These costs are to be cleared by adding to the cost of material and supplies a suitable loading charge. (See also § 32.5999(f)(5) of this subpart.)

**§ 32.6530 Network operations expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6531 through 6535. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6531 through 6535.

**§ 32.6531 Power expense.**

This account shall include the cost of electrical power used to operate the telecommunications network.

**§ 32.6532 Network administration expense.**

This account shall include costs incurred in network administration. This includes such activities as controlling traffic flow, administering traffic measuring and monitoring devices, assigning equipment and load balancing,

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collecting and summarizing traffic data, administering trunking, and assigning interoffice facilities and circuit layout work.

**§ 32.6533 Testing expense.**

This account shall include costs incurred in testing telecommunications facilities from a testing facility (test desk or other testing system) to determine the condition of plant on either a routine basis or prior to assignment of the facilities; receiving, recording and analyzing trouble reports; testing to determine the nature and location of reported trouble condition; and dispatching repair persons or otherwise initiating corrective action. (Note also § 32.5999(b)(3) of this subpart.)

**§ 32.6534 Plant operations administration expense.**

(a) This account shall include costs incurred in the general administration of plant operations. This includes supervising plant operations (except as specified in § 32.5999(a)(3) of this subpart; planning, coordinating and monitoring plant operations; and performing staff work such as developing methods and procedures, preparing and conducting training (except on-the-job training) and coordinating safety programs.

(b) Credits shall be made to this account for amounts transferred to construction accounts. These amounts shall be computed on the basis of direct labor hours. (See § 32.2000(c)(2)(ii) of subpart C.)

**§ 32.6535 Engineering expense.**

(a) This account shall include costs incurred in the general engineering of the telecommunications plant which are not directly chargeable to an undertaking or project. This includes developing input to the fundamental planning process, performing preliminary work or advance planning in connection with potential undertakings, and performing special studies of an engineering nature.

(b) Credits shall be made to this account for amounts transferred to construction accounts. These amounts shall be computed on the basis of direct labor hours. (See § 32.2000(c)(2)(ii) of subpart C.)

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**§ 32.6540 Access expense.**

(a) This account shall include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for the provision of carrier's carrier access.

(b) Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate carrier's carrier expense. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[52 FR 43917, Nov. 17, 1987]

**§ 32.6560 Depreciation and amortization expenses.**

This account shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6561 through 6565. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6561 through 6565.

**§ 32.6561 Depreciation expense—telecommunications plant in service.**

This account shall include the depreciation expense of capitalized costs in Accounts 2112 through 2441, inclusive.

**§ 32.6562 Depreciation expense—property held for future telecommunications.**

This account shall include the depreciation expense of capitalized costs included in Account 2002, Property Held for Future Telecommunications Use.

**§ 32.6563 Amortization expense—tangible.**

This account shall include only the amortization of costs included in Accounts 2681, Capital Leases, and 2682, Leasehold Improvements.

**§ 32.6564 Amortization expense—intangible.**

This account shall include the amortization of costs included in Account 2690, Intangibles.

**§ 32.6565 Amortization expense—other.**

(a) This account shall include only the amortization of costs included in

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Account 2005, Telecommunications Plant Adjustment.

(b) This account shall also include lump-sum write offs of amounts of plant acquisition adjustment as provided for in §32.2005(b)(3) of Subpart C.

(c) Subsidiary records shall be maintained so as to show that character of the amounts contained in this account.

### **§32.6610 Marketing.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6611 through 6613. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6611 through 6613.

### **§32.6611 Product management.**

This account shall include costs incurred in performing administrative activities related to marketing products and services. This includes competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.

### **§32.6612 Sales.**

This account shall include costs incurred in selling products and services. This includes determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.

### **§32.6613 Product advertising.**

This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes nonproduct-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.

### **§32.6620 Services.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6621 through 6623. Class B telephone companies shall use

this account for expenses of the type and character required of Class A companies in Accounts 6621 through 6623.

### **§32.6621 Call completion services.**

This account shall include costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

### **§32.6622 Number services.**

This account shall include costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

### **§32.6623 Customer services.**

(a) This account shall include costs incurred in establishing and servicing customer accounts. This includes:

(1) Initiating customer service orders and records;

(2) Maintaining and billing customer accounts;

(3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;

(4) Collecting and reporting pay station receipts; and

(5) Instructing customers in the use of products and services.

(b) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[52 FR 43917, Nov. 17, 1987]

**§ 32.6710 Executive and planning.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6711 and 6712. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6711 and 6712.

**§ 32.6711 Executive.**

This account shall include costs incurred in formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

**§ 32.6712 Planning.**

This account shall include costs incurred in developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis.

**§ 32.6720 General and administrative.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6721 through 6728. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6721 through 6728.

**§ 32.6721 Accounting and finance.**

This account shall include costs incurred in providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, separations, settlements and corollary cost accounting), non-customer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include banking oper-

ations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services.

**§ 32.6722 External relations.**

This account shall include costs incurred in maintaining relations with government, regulators, other companies and the general public. This includes:

(a) Reviewing existing or pending legislation (See also account 7370, Special Charges, for lobbying expenses.);

(b) Preparing and presenting information for regulatory purposes, including tariff and service cost filings, and obtaining radio licenses and construction permits;

(c) Performing public relations and non-product-related corporate image advertising activities;

(d) Administering relations, including negotiating contracts (See also Account 6725, Legal.), with telecommunications companies and other utilities, businesses, and industries. This excludes sales contracts (See also Account 6612, Sales.); and

(e) Administering investor relations.

**§ 32.6723 Human resources.**

This account shall include costs incurred in performing personnel administration activities. This includes:

(a) Equal Employment Opportunity and Affirmative Action Programs;

(b) Employee data for forecasting, planning and reporting;

(c) General employment services;

(d) Occupational medical services;

(e) Job analysis and salary programs;

(f) Labor relations activities;

(g) Personnel development and staffing services, including counseling, career planning, promotion and transfer programs;

(h) Personnel policy development;

(i) Employee communications;

(j) Benefit administration;

(k) Employee activity programs;

(l) Employee safety programs; and

(m) Nontechnical training course development and presentation.

**§ 32.6724 Information management.**

This account shall include costs incurred in planning, developing, testing, implementing and maintaining data bases and application systems for general purpose computers.

**§ 32.6725 Legal.**

This account shall include costs incurred in providing legal services. This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses.

**§ 32.6726 Procurement.**

This account shall include costs incurred in procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims.

**§ 32.6727 Research and development.**

(a) This account shall include costs incurred in making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use.

(b) This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements.

**§ 32.6728 Other general and administrative.**

This account shall include costs incurred in performing general administrative activities not directly charged to the user, and not provided for in other accounts. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general

security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

**§ 32.6790 Provision for uncollectible notes receivable.**

This account shall be charged with amounts concurrently credited to Account 1200, Notes Receivable, or to Account 1201, Notes Receivable Allowance, when such allowance is maintained.

**Subpart F—Instructions For Other Income Accounts**

**§ 32.6999 General.**

(a) *Structure of the Other Income Accounts.* The Other Income Accounts are designed to reflect both operating and nonoperating income items including taxes, extraordinary items and other income and expense items not properly included elsewhere.

(b) *Other Income Accounts Listing.*

Account title	Class A account	Class B account
Other operating income and expense:		
Other operating income and expense .....	17100	7100
Income from custom work .....	7110	.....
Return from nonregulated use of regulated facilities .....	7130	.....
Gains and losses from foreign exchange .....	7140	.....
Gains or losses from disposition of land and artwork .....	7150	.....
Other operating gains and losses .....	7160	.....
Operating taxes:		
Operating taxes .....	17200	7200
Operating investment tax credits—net .....	7210	.....
Operating Federal income taxes .....	7220	.....
Operating State and local income taxes .....	7230	.....
Operating other taxes .....	7240	.....



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Account title	Class A account	Class B account
Provision for deferred operating income taxes—net .....	7250	.....
Nonoperating income and expense:		
Nonoperating income and expense .....	17300	7300
Dividend income .....	7310	.....
Interest income .....	7320	.....
Income from sinking and other funds .....	7330	.....
Allowance for funds used during construction .....	7340	.....
Gains or losses from the disposition of certain property .....	7350	.....
Other nonoperating income .....	7360	.....
Special charges .....	7370	.....
Nonoperating taxes:		
Nonoperating taxes .....	17400	7400
Nonoperating investment tax credits—net .....	7410	.....
Nonoperating Federal income taxes .....	7420	.....
Nonoperating State and local income taxes .....	7430	.....
Nonoperating other taxes .....	7440	.....
Provision for deferred nonoperating income taxes—net ..	7450	.....
Interest and related items:		
Interest and related items .....	17500	7500
Interest on funded debt .....	7510	.....
Interest expense—capital		
Leases .....	7520	.....
Amortization of debt issuance expense .....	7530	.....
Other interest deductions .....	7540	.....
Extraordinary items:		
Extraordinary items .....	17600	7600
Extraordinary income credits .....	7610	.....
Extraordinary income charges ..	7620	.....
Current income tax effect of extraordinary items—net .....	7630	.....
Provision for deferred income tax effect of extraordinary items—net .....	7640	.....
Jurisdictional Differences and non-regulated income items:		
Income effect of jurisdictional ratemaking difference—net .....	7910	7910
Nonregulated net income .....	7990	7990

<sup>1</sup> To be used by Class A companies to summarize accounts for reporting purposes.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6562, Mar. 4, 1987; 53 FR 49322, Dec. 7, 1988]

**§ 32.7099 Content of accounts.**

Other Operating Income and Expense accounts are intended to record the results of transactions, events or circumstances during the periods which are incidental or peripheral to the major or central operations of the company. They shall include all items of an operating nature as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstances

shall be matched and the result shown as a net gain or loss.

**§ 32.7100 Other operating income and expenses.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7110 through 7160. Class B companies shall use this account for other operating income and expense items of the type and character required of Class A companies in Accounts 7110 through 7160.

**§ 32.7110 Income from custom work.**

(a) This account shall include profits realized from custom work (plant construction) performed for others incidental to the company's regulated telecommunications operations. This includes profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities.

(b) The records supporting the entries in this account shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

**§ 32.7130 Return from nonregulated use of regulated facilities.**

This account shall include a return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

**§ 32.7140 Gains and losses from foreign exchange.**

This account shall include all gains and losses resulting from the exchange of foreign currency. Transaction (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

**§ 32.7150 Gains and losses from the disposition of land and artworks.**

This account shall include gains or losses resulting from the disposition of land or artworks.

**§ 32.7160 Other operating gains and losses.**

This account shall be charged or credited, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

**§ 32.7199 Content of accounts.**

The Operating Tax accounts shall include the taxes arising from the central operations of the company.

**§ 32.7200 Operating taxes.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7210 through 7250. Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in Accounts 7210 through 7250.

**§ 32.7210 Operating investment tax credits—net.**

(a) This account shall be charged and Account 4320, Unamortized Operating Investment Tax Credits—Net, shall be credited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be credited and Account 4320 shall be charged ratably with the amortization of each year's investment tax credits included in Account 4320 for investment services for ratemaking purposes. (See also Account 7410, Nonoperating Investment Tax Credits—Net.) Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

**§ 32.7220 Operating Federal income taxes.**

(a) This account shall be charged and Account 4070, Income Taxes—Accrued, shall be credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to income as directed by this Commission.

(d) No entries shall be made to this account to reflect interperiod tax allocations.

**§ 32.7230 Operating state and local income taxes.**

(a) This account shall be charged and Account 4070, Income Taxes—Accrued, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) No entries shall be made to this account to reflect interperiod tax allocations.

**§ 32.7240 Operating other taxes.**

(a) This account shall be charged and Account 4080, Other Taxes—Accrued, shall be credited for all taxes, other than Federal, state and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged.

(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.

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(c) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

(d) Interest on tax assessments which are not paid when due shall be included in Account 7540, Other Interest Deductions.

(e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7360, Other Nonoperating Income.

(f) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of the items to which the taxes relate.

(g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owner to Account 5240, Rent Revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

**§ 32.7250 Provision for deferred operating income taxes—net.**

(a) This account shall be charged or credited, as appropriate, *with contra entries* recorded to the following accounts for income tax expense that has been deferred in accordance with § 32.22 of Subpart B.

- 4100 Net Current Deferred Operating Income Taxes
- 4340 Net Noncurrent Deferred Operating Income Taxes

(b) Subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report that amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.7299 Content of accounts.**

The nonoperating income and expense accounts are intended to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. They shall include such items as nonoperating taxes, dividend income and interest income. Whenever practicable the inflows and outflows associated with a transaction

or event shall be matched and the result shown as a net gain or loss.

**§ 32.7300 Nonoperating income and expense.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7310 through 7370. Class B telephone companies shall use this account for nonoperating income and expense items of the type and character required of Class A companies in Accounts 7310 through 7370.

**§ 32.7310 Dividend income.**

(a) This account shall include dividends on investments in common and preferred stock, 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 paragraph (c) of this section), or otherwise controlled.

(b) 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.

(c) Dividends on stocks of other companies held in sinking or other funds shall be credited to Account 7330, Income from Sinking and Other Funds.

(d) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investments.

**§ 32.7320 Interest income.**

(a) This account shall include interest on securities, including notes and other evidences of indebtedness, which are 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 paragraph (d) to this section) or otherwise controlled. It shall also include interest on bank balances, certificates of deposits, open accounts, and other analogous items.

(b) There shall 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 includable 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 7360, Other Nonoperating Income.

(c) 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.

(d) Interest on cash and on securities issued by others shall be included in Account 7330, Income from Sinking and Other Funds, when such assets are held in sinking or other funds.

(e) Cash discounts on bills for material purchased shall not be included in this account.

**§32.7330 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 shall 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 differences remaining unextinguished upon the maturity and satisfaction of such securities shall be cleared to Account 7360, Other Nonoperating Income.

**§32.7340 Allowance for funds used during construction.**

This account shall be credited with amounts charged to the telecommuni-

cations plant under construction account. (See §32.2000(c)(2)(x).)

[60 FR 12138, Mar. 6, 1995]

**§32.7350 Gains or losses from the disposition of certain property.**

This account shall include gains or losses resulting from the disposition of the following:

(a) Gains or losses from the disposition of land or artworks;

(b) Gains or losses from the disposition of plant with traffic; and

(c) Gains or losses from the disposition of nonoperating telecommunications plant not previously used in the provision of telecommunications services.

**§32.7360 Other nonoperating income.**

(a) This account shall include all other items of income and gains or losses from activities not specifically provided for elsewhere.

(b) This account shall include representative items as follows:

(1) Fees collected in connection with the exchange of coupon bonds for registered bonds;

(2) Gains or losses realized on the sale of temporary cash investments or marketable equity securities;

(3) Uncollectible amounts previously credited to accounts 7310 through 7350, inclusive;

(4) Net unrealized losses on investments in current marketable equity securities;

(5) Write-downs or write-offs of the book costs of investment in equity securities due to permanent impairment;

(6) Gains or losses of nonoperating nature arising from foreign currency exchange or translation;

(7) Gains or losses from the extinguishment of debt made to satisfy sinking fund requirements;

(8) Amortization of Goodwill;

(9) Company's share of the earnings or losses of affiliated companies accounted for on the equity method; and

(10) The net balance of the revenue from and the expenses (including depreciation, amortization and insurance) of property, plant, and equipment, the cost of which is includable in Account 2006, Nonoperating Plant.

**§ 32.7370 Special charges.**

This account shall include the following costs that are typically given special regulatory scrutiny for rate-making purposes. Unless specific justification to the contrary is given, such costs are presumed to be excluded from the costs of service in setting rates.

(a) Lobbying includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances, or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials. This also includes advertising, gifts, honoraria, and political contributions. This does not include such expenditures which are directly related to communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations;

(b) Contributions for charitable, social or community welfare purposes;

(c) Membership fees and dues in social, service and recreational or athletic clubs and organizations;

(d) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. statutes including judgments arising from a violation of antitrust laws, and payments in settlement of civil and criminal suits alleging such violations; and

(e) Abandoned construction projects.

[51 FR 43499, Dec. 2, 1986, as amended at 54 FR 22758, May 26, 1989]

**§ 32.7399 Content of accounts.**

The Nonoperating Tax accounts shall include taxes arising from activities which are not a part of the central operations of the entity.

**§ 32.7400 Nonoperating taxes.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7410 through 7450.

Class B telephone companies shall use this account for nonoperating taxes of the type and character required of Class A companies in Accounts 7410 through 7450.

**§ 32.7410 Nonoperating investment tax credits—net.**

(a) This account shall be charged and Account 4330, Unamortized Nonoperating Investment Tax Credits—Net, shall be credited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be credited and Account 4330 shall be charged with the amortization of each year's investment tax credits included in such accounts relating to amortization of previously deferred investment tax credits of other property or regulated property, the amortization of which does not serve to reduce costs of service (but the unamortized balance does reduce rate base) for ratemaking purposes. Such amortization shall be determined with reference to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

**§ 32.7420 Nonoperating Federal income taxes.**

(a) This account shall be charged and Account 4070, Income Taxes—Accrued, shall be credited for the amount of nonoperating Federal income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) Companies that adopt the flow-through method of accounting for investment tax credits shall reduce the calculated provision in this account by the entire amount of the credit realized during the year. Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits.

(d) No entries shall be made to this account to reflect interperiod tax allocation.

**§ 32.7430 Nonoperating state and local income taxes.**

(a) This account shall be charged and Account 4070, Income Taxes—Accrued, should be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) No entries shall be made to this account to reflect interperiod tax allocation.

**§ 32.7440 Nonoperating other taxes.**

This account shall be charged and Account 4080, Other Taxes—Accrued, shall be credited for all nonoperating taxes, other than Federal, state and local income taxes, and payroll related taxes for the current period. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes. This account shall also reflect subsequent adjustments to amounts previously charged.

**§ 32.7450 Provision for deferred nonoperating income taxes—net.**

(a) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for nonoperating tax expenses that has been deferred in accordance with § 32.22 of Subpart B:

4110 Net Current Deferred Nonoperating Income Taxes  
4350 Net Noncurrent Deferred Nonoperating Income Taxes

(b) Subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

**§ 32.7499 Content of accounts.**

Interest and related amounts shall be included in Accounts 7510 through 7540.

**§ 32.7500 Interest and related items.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7510 through 7540. Class B telephone companies shall use this account for interest and related items of the type and character required of Class A companies in Accounts 7510 through 7540.

**§ 32.7510 Interest on funded debt.**

(a) This account shall include the current accruals of interest on all classes of debt the principal of which is includable in Account 4210, Funded Debt. 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 may be shown separately in the annual reports to this Commission.

(c) 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.

(d) Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to Account 1330, Other Prepayments, and cleared to this account as the term expires to which the interest applies.

(e) This account shall also include monthly amortization of balances in Accounts 4220, Premium on Long-Term Debt, and 4230, Discount on Long-Term Debt.

**§ 32.7520 Interest expense—capital leases.**

This account shall include the interest portion of each capital lease payment.

**§ 32.7530 Amortization of debt issuance expense.**

This account shall include the monthly amortization of the balances in Account 1407, Unamortized Debt Issuance Expense.

**§ 32.7540 Other interest deductions.**

(a) This account shall include all interest deductions not provided for elsewhere, e.g., discount, premium, and expense on notes maturing one year or less from date of issue.

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

- (1) Advances from affiliated companies;
  - (2) Advances from nonaffiliated companies and other liabilities
  - (3) Assessments for public improvements past due;
  - (4) Bond coupons, matured and unpaid;
  - (5) Claims and judgments;
  - (6) Customers' deposits;
  - (7) Funded debt mature, with respect to which a definite agreement as to extension has not been made;
  - (8) Notes payable on demand or maturing one year or less from date of issue;
  - (9) Open accounts;
  - (10) Tax assessments, past due; and
  - (11) Discount, premium, and issuance expense of notes maturing one year or less from date of issue.
- (c) Interest payable on notes or other evidences of indebtedness maturing serially shall be charged to Account 7510, Interest of Funded Debt, if any portion of the obligation matures more than one year from date of issue.

**§ 32.7599 Content of accounts.**

These accounts are intended to segregate the effects of events or transactions that are extraordinary. Extraordinary events and transactions are distinguished by both their unusual nature and by the infrequency of their occurrence, taking into account the environment in which the company operates. These accounts shall also include the related income tax effect of the extraordinary items.

**§ 32.7600 Extraordinary items.**

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 7610 through 7640. Class B telephone companies shall use this account for transactions of the type and character required of Class A

companies in Accounts 7610 through 7640.

**§ 32.7610 Extraordinary income credits.**

This account shall be credited with nontypical, noncustomary and infrequently recurring gains which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in Account 7630, Current Income Tax Effect for Extraordinary Items—Net, and Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items—Net.

**§ 32.7620 Extraordinary income charges.**

This account shall be debited with nontypical, noncustomary and infrequently recurring losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in Account 7630, Current Income Tax Effect for Extraordinary Items—Net, and Account 7640, Provision for Deferred Income Tax Effect of Extraordinary Items—Net.

[54 FR 22758, May 26, 1989]

**§ 32.7630 Current income tax effect of extraordinary items—net.**

This account shall be charged or credited and Account 4070, Income Taxes—Accrued, shall be credited or charged for all current income tax effects (Federal, state and local) of items included in Accounts 7610, Extraordinary Income Credits, and 7620, Extraordinary Income Charges.

**§ 32.7640 Provision for deferred income tax effect of extraordinary items—net.**

This account shall be charged or credited, as appropriate, with a contra amount recorded to Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes or Account 4110, Net Current Deferred Nonoperating Income Taxes for the income tax effects (Federal, state and local) of items included

in Accounts 7610, Extraordinary Income Credits, and 7620, Extraordinary Income Charges, that have been deferred in accordance with § 32.22 of Subpart B.

**§ 32.7899 Content of accounts.**

Jurisdictional differences and non-regulated income amounts shall be included in Accounts 7910 and 7990.

**§ 32.7910 Income effect of jurisdictional ratemaking differences—net.**

This account shall include the impact on revenues and expenses of the jurisdictional ratemaking practices which vary from those of this Commission. All entries recorded in this account shall be recorded net of the applicable income tax effects and shall be supported by appropriate subsidiary records, where necessary, as provided for in § 32.13(e) of Subpart B.

**§ 32.7990 Nonregulated net income.**

(a) This account shall be used by those companies who offer nonregulated activities that do not involve the joint or common use of assets or resources used in the provision of both regulated and nonregulated products and services, and which have not established a separate subsidiary for that purpose.

(b) All revenue and expenses (including taxes) incurred in these nonregulated activities shall be recorded on separate books of account for such operations. Only the net of the total revenues and total expenses shall be recorded in this account, with a contra debit or credit to account 1406.3.

[52 FR 6562, Mar. 4, 1987]

## Subpart G—Glossary

**§ 32.9000 Glossary of terms.**

When used in this system of accounts:

*Accelerated depreciation* means a depreciation method or period of time, including the treatment given cost of removal and gross salvage, used in calculating depreciation deductions on income tax returns which is different from the depreciation method or period of time prescribed by this Commission for use in calculating depreciation ex-

pense recorded in a company's books of account.

*Account* means a specific element of a chart of accounts used to record, classify and accumulate similar financial transactions resulting from the operations of the entity. "Accounts" or "these accounts" refer to the accounts of this system of accounts.

*Accounting system* means the total set of interrelated principles, rules, requirements, definitions, accounts, records, procedures and mechanisms necessary to operate and evaluate the entity from a financial perspective. An accounting system generally consists of a chart of accounts, various parallel subsystems and subsidiary records. An accounting system is utilized to provide the necessary financial information to users to meet judiciary and other responsibilities.

*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. See also Control.

*Amortization* means the systematic recoveries, through ratable charges to expense, of the cost of assets.

*Associated equipment* means that equipment which functions with a specific type of plant or with two (2) or more types of plant, e.g., switching equipment, network power equipment, circuit equipment, common channel network signaling equipment or network operations equipment. Associated equipment shall be classified to the account appropriate for the type of equipment with which it is predominately used rather than on its own characteristics.

Illustrative examples of associated equipment are:

- Alarm and signal apparatus
- Auxiliary framing
- Cable and cable racks
- Distributing frames and equipment thereon
- Frame and aisle lighting equipment (not permanently attached to the building)
- Relay racks and panels

*Basic service area* means the minimum specified calling area for which a tariff is prescribed.

*Book cost* means the amount at which property is recorded in these accounts,



without deduction of related allowances.

*Common carrier or carrier* means any person engaged as a common carrier for hire, in interstate or foreign communication by wire or radio or in interstate or foreign radio transmission of energy, except where reference is made to common carriers not subject to this Act; but a person engaged in radio broadcasting shall not, insofar as such person is so engaged, be deemed a common carrier.

*Company or the company*, when not otherwise indicated in the context, means the accounting entity. It includes such unincorporated entities which may be subject to the Communications Act of 1934, as amended.

*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.

*Cost*, except as applied to telecommunications plants, franchises, and patent rights, means the amount of money actually paid (or the current money value of any consideration other than money exchanged) for property or services. See also Original Cost.

*Cost of removal* means the cost of demolishing, dismantling, removing, tearing down, or otherwise disposing of telecommunications plant and recovering the salvage, including the cost of transportation and handling incident thereto.

*Depreciation* means the loss not restored by current maintenance, incurred in connection with the consumption or prospective retirement of telecommunications plant in the course of service from causes which are known to be in current operation, against which the company is not pro-

TECTED 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 technology, changes in demand and requirements of public authorities.

*Entity* means a legal enterprise (common carrier) engaged in interstate communications within the meaning of the Communications Act of 1934, as amended.

*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, and upon the retirement of any depreciable property its cost is charged to the depreciation reserve whether or not the particular item has attained the average service life.

*Indexed revenue threshold for a given year* means \$100 million, adjusted for inflation, as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI), for the period from October 19, 1992 to the given year. The indexed revenue threshold for a given year shall be determined by multiplying \$100 million by the ratio of the annual value of the GDP-CPI for the given year to the estimated seasonally adjusted GDP-CPI on October 19, 1992. The indexed revenue threshold shall be rounded to the nearest \$1 million. The seasonally adjusted GDP-CPI on October 19, 1992 is determined to be 100.69.

*Intangible property* means assets that have no physical existence but instead have value because of the rights which ownership confers.

*Intrasystems* means assets consisting of:

- (1) PBX and Key System Common Equipment (a switchboard or switching equipment shared by all stations);
- (2) Associated CPE station equipment (usually telephone or Key Telephone Systems); and
- (3) Intrasystem wiring (all cable or wiring and associated components which connect the common equipment and the station equipment, located on

the customer's side of the demarcation point).

An intrasystem does not include property, plant or equipment which are not solely dedicated to its operation.

*Minor items*, as applied to depreciable telecommunications plant, means any part or element of such plant, which when removed, (with or without replacement) does not initiate retirement accounting.

*Original cost* or *cost*, as applied to telecommunications plant, rights of way and other intangible property, 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 use by a regulated telecommunications entity, whether the accounting company or by predecessors.

For the application of this definition to property acquired from predecessors see §32.2000(b)(1) of Subpart C. Note also the definition of Cost in this section.

*Plant retired* means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from service.

*Retirement units*, as applied to depreciable telecommunications plant, means those items of plant which when removed (with or without replacement) cause the initiation of retirement accounting entries.

*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 1220, Material and Supplies, or other appropriate account.

*Straight-line method*, as applied to depreciation accounting, means the plan under which the cost of property is charged to operating expenses and credited to accumulated depreciation

through equal annual charges as nearly as may be during its service life.

*Subsidiary record* means accumulation of detailed information which is required by this Commission to be maintained in support of entries to the accounts.

*Subsidiary record categories* means those segregations of certain regulated costs, expenses and revenues which must be maintained and are subject to specific reporting requirements of this Commission.

*Subsystems, parallel mechanisms* means processes or procedures which augment the use of a chart of accounts in the financial operation of the entity. These subsystems operate on and/or process account and subsidiary record information for specific purposes.

*Telecommunications* means any transmission, emission, or reception of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual or other electromagnetic systems. This encompasses the aggregate of several modes of conveying information, signals or messages over a distance. Included in the telecommunications industry is the transmitting, receiving, or exchanging of information among multiple locations. The minimum elements required for the telecommunications process to occur are a message source, a transmission medium and a receiver.

*Time of installation* means the date at which telecommunications plant is placed in service.

*Time of retirement* means the date at which telecommunications plant is retired from service.

*Tangible property* means assets characterized by physical existence, such as land, buildings, equipment, furniture, fixtures and tools.

[51 FR 43499, Dec. 2, 1986, as amended at 61 FR 50245, Sept. 25, 1996]