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Interpretations of accounting classifications prescribed by the Interstate Commerce Commission for carriers by water

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INTERPRETATIONS
OF
ACCOUNTING CLASSIFICATIONS
PRESCRIBED BY THE
INTERSTATE COMMERCE COMMISSION
FOR
CARRIERS BY WATER
IN ACCORDANCE WITH SECTION 20 OF THE
ACT TO REGULATE COMMERCE

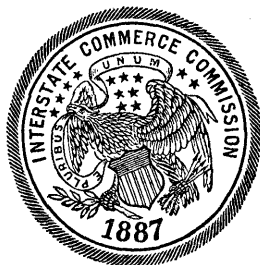
Effective on February 1, 1917



WASHINGTON
GOVERNMENT PRINTING OFFICE
1917

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ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 19th day of January, A. D. 1917.

The subject of a uniform system of accounts to be prescribed for and kept by carriers being under consideration, the following order was entered:

It is ordered, That the interpretations of the accounting classifications for carriers by water, prepared under the direction of this Commission and embodied in printed form to be hereafter known as Accounting Bulletin No. 12, a copy of which is now before this Commission, be, and the same is hereby, approved; that a copy thereof duly authenticated by the secretary of the Commission be filed in its archives, and a second copy thereof, in like manner authenticated, in the office of the Division of Carriers' Accounts; and that each of said copies so authenticated and filed shall be deemed an original record thereof.

It is further ordered, That the accounting methods directed in the interpretations contained in the said Accounting Bulletin No. 12 be, and they are hereby, prescribed for the use of carriers by water subject to the provisions of the act to regulate commerce, as amended, in the keeping and recording of their accounts.

It is further ordered, That February 1, 1917, be, and it is hereby, fixed as the date on which the said Accounting Bulletin No. 12 shall become effective.

By the Commission.

[SEAL.]

GEORGE B. MCGINTY,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, January 19, 1917.

To Water Line Accounting Officers:

This circular contains answers to various accounting questions raised under classifications for carriers by water issued by the Interstate Commerce Commission. The cases contained herein are those which are regarded as important for the reason that they make clearer the meaning and application of the text descriptive of the primary accounts of the several classifications.

In the preparation of this bulletin the Commission has had the cooperation of a committee representing the Association of Water Line Accounting Officers.

FRED W. SWENEY,
Chief Examiner of Accounts.

INTERSTATE COMMERCE COMMISSION ACCOUNTING BULLETIN NO. 12.
QUESTIONS AND ANSWERS.

CASE 1.

Query. Is it essential that books be written up monthly?

Answer. Accounts shall be written up monthly.

CASE 2.

Query. In adjusting material accounts to the basis of inventory, what account or accounts shall be credited or debited?

Answer. Determined differences in the balances representing important classes of material are ordinarily assignable to errors or discrepancies in the debits or credits to the particular accounts affected since the last inventory and shall be adjusted accordingly. Other differences shall be apportioned among the primary accounts on the basis of the net charges to such accounts for material since the last inventory. (See Case 7.)

CASE 3.

Query. What accounts shall be charged with the loss on obsolete material which is taken out of stock and sold as scrap?

Answer. Such loss shall be charged to the operating expense accounts to which the material ordinarily would be charged if issued for use.

CASE 4.

Query. How shall a carrier dispose of amounts allowed for loyal service of employees during a strike?

Answer. Such allowances shall be charged to the same accounts as the regular pay of such employees. (See Case 67.)

CASE 5.

Query. To what account shall be credited the slight profits accruing from percentages added to bills against other companies and individuals to cover superintendence, use of tools, etc.?

Answer. Such added percentages shall be credited to Operating Expenses.

CASE 6.

Query. To what accounts shall interest paid on material bills be charged and cash and trade discounts be credited?

Answer. Interest shall be included in income. All discount realized on bills for material purchased shall be credited to the account to which is charged the original invoice.

CASE 7.

Query. May the adjustment of material accounts to the basis of inventories be deferred to a period subsequent to the year in which the inventories are taken?

Answer. Such adjustments shall be made in the accounts of the year in which the inventories are taken. (See Case 2.)

CASE 8.

Query. To what account shall a carrier charge commissions paid to brokers for the purchase of the securities of other companies?

Answer. The amount of such commissions shall be considered as a part of the cost of the securities purchased.

CASE 9.

Query. Under the provisions of the forfeiture clause in a lease a carrier secured title to a building which had been erected by the lessee upon the carrier's property at a cost of \$3,000. At the time of the foreclosure the lessee owed \$300 for rent. Shall the charges to the carrier's property account to cover the building be based upon the original cost or upon the amount of the rent due?

Answer. The charge to the property account shall be based upon the actual cost of the property to the carrier, including the cost of foreclosure.

CASE 10.

Query. In connection with the application of an improved device to equipment, to what account shall be charged the cost of removing the old and of applying the new device?

Answer. The cost of removing the old and of applying the new device shall be charged to the appropriate repair account.

CASE 11.

Query. To what account should be charged amounts paid for pilotage?

Answer. If the pilot is a member of the crew, his wages shall be included in account WE 25, "Wages of crews."

If the pilot is not a member of the crew, and vessels are required under rules of the port to pay for pilotage, such payments shall be charged to account WE 43, "Other operations of terminals expenses."

CASE 12.

Query. To what account shall be charged fees to physicians for the physical examinations of (a) employees; (b) applicants for employment; (c) prospective passengers?

Answer. (a) To the account to which the pay of the employee is chargeable; (b) to the account to which the pay of the applicant would be chargeable if employed; (c) to account WE 43, "Other operation of terminals expenses."

CASE 13.

Query. Is there any objection to the creation of a reserve to take care of settlements of loss and damage claims filed by shippers of freight? The intention is to make charges of an arbitrary amount, so as to take care of claims of this nature during the period within which the damage is done.

Answer. There is no objection to including in operating expenses each month a proportion of the total amount which it is estimated will be necessary to expend during the year on account of loss and damage claims. These charges shall be adjusted annually to actual disbursements unless a balance remains representing liability for unsettled claims.

CASE 14.

Query. Is it proper to charge the various operating expense accounts for the transportation of employees of various departments?

Answer. No charge shall be made against a company's operating expenses nor shall concurrent credits be made to revenue accounts in connection with the free transportation of employees on or off duty.

CASE 15.

Query. To what account should be charged the cost of preparing and issuing stock certificates in connection with the organization of a company and expenses incurred in the disposal of the initial issue of such securities?

Answer. To account WP 11, "Miscellaneous."

CASE 16.

Query. Please explain account WE 53, "Pension and relief department expenses." Also please advise to what account should be charged an employee's wages paid as compensation for personal injuries while suffering from an injury and unable to work.

Answer. Account WE 53, "Pension and relief department expenses," is intended to include the amount of all pensions and gratuities paid to retired employees and the expenses incident to the administration of the pension and relief departments. Wages paid to an employee while he is disabled from an injury sustained in maintenance or operation shall be charged to account WE 9, "Injuries to persons," WE 14, "Injuries to persons," or WE 47, "Injuries to persons," as may be appropriate; if the injury is sustained during construction, the wages shall be charged to the same account as the cost of the work upon which the employee was engaged when injured.

CASE 17.

Query. Is it permissible for carriers by water to renumber the primary accounts of the various classifications for their own convenience, provided the Interstate Commerce Commission numbers are maintained for proper reference and report?

Answer. Under the condition stated, it is permissible for a carrier to renumber the primary accounts of the various classifications for its own convenience. For the sake of uniformity, however, it is recommended that only the account numbers shown in the Commission's classifications be used.

CASE 18.

Query. To what accounts should be charged the cost of new structures and general improvements in a free park owned by the carrier and operated for the purpose of stimulating traffic? To what account should the cost of maintaining and operating such park be charged?

Answer. The cost of the new structures and improvements shall be charged to account WP 10, "Shops, power plants, and miscellaneous structures."

The maintenance expense and the cost of operating the park shall be charged to account WE 23, "Other traffic expenses." (*See section 6, page 6, Income Classification.*)

CASE 19.

Query. Kindly advise the proper distribution of:

(1) Trustees' commissions and fees for paying out bond interest on coupons, and expenses, including registrars' fees, connected with such payments.

(2) Cost of general audit of company's books by an audit company.

Answer. The items described shall be charged as follows:

- (1) To account WI 27, "Miscellaneous fixed charges." (See Case 77.)
- (2) To account WE 55, "Other general expenses."

CASE 20.

Query. Please advise whether the salaries of general accounting office clerks engaged in handling the accounts of the maintenance of equipment, maintenance of terminals, and traffic departments should be charged to account WE 49, "Salaries and expenses of clerks and attendants," or apportioned to accounts WE 1, "Superintendence," WE 12, "Superintendence," and WE 17, "Superintendence."

Answer. Their salaries shall be charged to account WE 49, "Salaries and expenses of clerks and attendants."

CASE 21.

Query. To what account should be charged the expense of compiling data and making reports to the Federal Government, public-service commissions, tax authorities, and others, and of testifying before such bodies?

Answer. The expense shall be included in the accounts to which are charged the pay and expenses of the employees who prepare the reports or testify before such bodies. For example, if the reports are prepared by the general office clerks, the expense shall be charged to account WE 49, "Salaries and expenses of clerks and attendants"; if the data regarding real property and equipment are prepared by the maintenance department employees, such expense shall be charged to accounts WE 1, "Superintendence," or WE 12, "Superintendence," as may be appropriate.

CASE 22.

Query. To what account should be charged the expense of an examination of titles of real property and other matters affecting the validity of an issue of bonds?

Answer. If such expense is incurred in connection with the issue of the bonds, it shall be charged to account WB 24, "Unamortized debt discount and expense," and extinguished in accordance with the text thereof.

If the expense has been incurred in connection with a suit to test the validity of the bond issue, it shall be charged to account WE 51, "Law expenses."

CASE 23.

Query. To what account should be charged the amount of company funds stolen from a safe provided by a carrier in the purser's office on a steamer?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 24.

Query. To what account should be charged the cost of tube cleaners and repair parts for removing scale from boiler tubes in boilers on a steamer?

Answer. The cost of first installation of tube cleaners shall be charged to account WP 1, "Line equipment"; repairs shall be charged to account WE 2, "Vessels—Repairs."

CASE 25.

Query. To what account should be charged the expenses of a general manager, whose duties include those of passenger and freight agent, while attending traffic associations?

Answer. To account WE 17, "Superintendence."

CASE 26.

Query. To what account should be charged insurance premiums paid on construction material or on equipment or structures under construction?

Answer. Insurance premiums paid on construction material or on equipment or structures under construction shall be charged to specific property accounts when they can be allocated to such accounts; otherwise to account WP 11, "Miscellaneous."

CASE 27.

Query. To what account should be charged the cost of installing fire hose on vessels and harbor equipment?

Answer. The cost of first installation of fire hose on a line vessel shall be charged to account WP 1, "Line equipment"; on harbor tugs and lighters to account WP 2, "Harbor equipment," and on miscellaneous floating equipment to account WP 3, "Miscellaneous floating equipment." Repairs of such hose shall be charged to account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate.

CASE 28.

Query. A company desires to set up in the depreciation reserve account the estimated amount of depreciation which has accrued from the beginning of its operations to the present. How should such adjustment be entered in the accounts?

Answer. That proportion of the charges representing depreciation on vessels, tugs, and lighters assignable to the period prior to July 1, 1912, shall be charged to WPL 16, "Miscellaneous debits," and corresponding credit made to account WB 1-B, "Reserves for accrued depreciation—Cr." If the depreciation assignable to the period subsequent to July 1, 1912, has not been accounted for by monthly charges to operating expense accounts WE 4, "Vessels—Depreciation," and WE 7, "Tugs and lighters—Depreciation," and corresponding credits to balance-sheet account WB 1-B, "Reserves for accrued depreciation—Cr.," the carrier should submit full particulars to the Commission and request instructions as to the manner of making the adjustment.

If a company desires to make an adjustment of depreciation on property and equipment not included in account WP 1, "Line equipment," WP 2, "Harbor equipment," or WP 3, "Miscellaneous floating equipment," that proportion of such depreciation assignable to the period prior to the current fiscal year shall be charged to account WPL 16, "Miscellaneous debits," and the proportion assignable to the current fiscal year shall be charged to the accounts to which repairs of such property are chargeable.

The charge to profit and loss account for depreciation prior to July 1, 1912, may be made before or at the time of the retirement. If the depreciation assignable to the period prior to July 1, 1912, is not charged off until the equipment is retired, it shall be charged directly to profit and loss account and corresponding credit made to the appropriate real property and equipment account. (See Case 84.)

CASE 29.

Query. To what account should be credited the amount of a deposit made by a member of a ship's crew and not called for on leaving the service of the company?

Answer. If the company chooses to close the liability account for such a deposit, the amount shall be credited to profit and loss account WPL 5, "Miscellaneous credits."

CASE 30.

Query. To what account should be credited the amount received for advertising in time-tables?

Answer. The amount received for the sale of advertising space in time-tables shall be credited to account WE 21, "Advertising."

CASE 31.

Query. To what account should be charged counsel fees paid for the preparation of the legal papers required in the merger of one steamship company with another?

Answer. To account WP 11, "Miscellaneous."

CASE 32.

Query. To what account should be charged the cost of repairs and replacements of watchmen's portable clocks used in pier sheds and the cost of paper dials used in such clocks?

Answer. The cost of repairs and replacements of such clocks shall be included in account WE 42, "Wharf supplies and expenses," and the cost of the paper dials in account WE 37, "Stationery and printing."

CASE 33.

Query. To what account should be charged receivers' allowances and expenses?

Answer. To operating expense account WE 48, "Salaries and expenses of general officers," except that expenses incurred for legal services shall be charged as indicated in the text of account WE 51, "Law expenses."

CASE 34.

Query. To what account should be charged the cost of fire extinguishers installed in vessels, harbor tugs, and lighters?

Answer. The cost of first installation on vessels shall be charged to account WP 1, "Line equipment"; on harbor tugs and lighters to account WP 2, "Harbor equipment."

CASE 35.

Query. To what account should be charged the cost of refilling fire extinguishers used on vessels, harbor tugs, and lighters?

Answer. The cost of refilling fire extinguishers on vessels shall be charged to account WE 30, "Other supplies and department expenses," and on tugs and lighters to account WE 39, "Tugs and lighters—Operation."

CASE 36.

Query. To what account should be charged the premium paid on a bond in connection with the appeal of an injuries case?

Answer. To operating expense account WE 51, "Law expenses."

CASE 37.

Query. To what account should be charged the salaries and expenses of general office clerks and adjusters employed to investigate and keep records of loss and damage and overcharge claims?

Answer. The pay and expenses of general office employees engaged in recording and investigating loss, damage, and overcharge claims, shall be charged to account WE 49, "Salaries and expenses of clerks and attendants."

The pay and expenses of adjusters other than general office employees who handle loss and damage claims on freight and baggage shall be charged to account WE 44, "Loss and damage—Freight," or WE 45, "Loss and damage—Baggage," as may be appropriate.

CASE 38.

Query. A company owning land which extends some distance out into a river has driven piles along the boundary line as a retaining wall. Contractors doing excavating nearby are paying for the privilege of dumping earth upon this property. To what account should be credited such collections?

Answer. Assuming that the value of the land is not diminished, the amounts received from others for the privilege of dumping earth upon it shall be credited to account WI 13, "Miscellaneous income."

CASE 39.

Query. To what account should be charged expenses incurred at hospitals in ports of call, on account of members of the crew?

Answer. Expenses incurred at hospitals on account of sick members of the crew when assumed by the carrier shall be charged to account WE 33, "Other operation of vessels expenses."

CASE 40.

Query. To what account should be charged the wages of wireless operators and payments for use of wireless apparatus?

Answer. The wages of wireless operators shall be charged to account WE 25, "Wages of crews." Rent of wireless apparatus shall be charged to account WE 33, "Other operation of vessels expenses." If payments for the use of the wireless apparatus include operators' wages, the entire amount shall be charged to account WE 33.

CASE 41.

Query. Certain piers owned by a city and leased to a steamship company were extended by the city approximately 100 feet, and prior to the extension certain repairs were required to be made, involving an outlay of \$5,000. How should the cost of the repairs required by the city be accounted for?

Answer. The cost of repairs shall be included in operating expense account WE 13, "Docks, wharves, buildings, and fixtures," when the repairs are made, unless a reserve to cover such repairs has been *previously* created by monthly accruals.

CASE 42.

Query. Is it proper to include a note which runs for four years in balance sheet account WB 36, "Funded debt," until the note matures, or should a transfer be made to account WB 38, "Loans and bills payable," at the end of three years?

Answer. A note which runs for four years shall be included in balance sheet account WB 36, "Funded debt," until it matures, for the reason that such note matures more than one year after date of issue.

CASE 43.

Query. A company sold excursion tickets from A to B at the rate of \$2 per round trip. On account of weather conditions it was impossible to make the return trip, and the company was compelled to return the excursion party by rail. To what account should be charged the amount of the rail fare paid by the company?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 44.

Query. To what account should be charged amounts paid for rent of piers?

Answer. To income account WI 18, "Miscellaneous rents." In accordance with note C of account WI 18, if the piers are maintained by the lessor, such proportion of the rent as equals the cost (estimated if not known) of maintaining the property, shall be charged by the accounting company to operating account WE 13, "Docks, wharves, buildings, and fixtures."

CASE 45.

Query. A company owns a tug which is operated principally for the benefit of outside parties. Should the expense in connection with its operation be charged to operating expenses or to account WI 15, "Auxiliary operations—Expenses"?

Answer. If the tug is operated principally to serve others, it will be proper to include the revenues and expenses in the appropriate auxiliary operations accounts in income. If, however, the service performed for others is merely incidental, the tug being employed principally in connection with the company's business, the revenue derived from the incidental operation in the service of others shall be credited to account WR 8, "Miscellaneous transportation revenue," and the entire expense of maintenance and operation shall be included in the appropriate operating expense accounts.

CASE 46.

Query. Ten years ago a company purchased a steamer which was then 25 years old. Depreciation has been accrued on this vessel to the extent of \$10,000. New boilers are now to be put into the steamer. The cost of the new boilers and their installation will be about \$30,000. It is estimated that the cost of the new boilers is 25 per cent greater than the original cost of the boilers in the ship when purchased. How should the cost of the new boilers be accounted for?

Answer. The value (estimated if not known) of the old boilers at the time of purchase shall be credited to the property WP 1, "Line equipment"; concurrently, account WB 1-B, "Reserve for accrued depreciation—Cr.," shall be charged with the amount carried therein with respect to the boilers retired. Proper account shall be taken of salvage and the remaining amount, if any, shall be charged to operating expense account WE 2, "Vessels—Repairs."

The cost of taking out the old and installing the new boilers shall be charged to operating expense account WE 2, "Vessels—Repairs."

The cost of the new boilers shall be charged to account WP 1, "Line equipment."

(See paragraph 6, on page 9, of the Classification of Expenditures for Real Property and Equipment.)

CASE 47.

Query. To what account should be charged the wages of members of a crew who are called upon to testify in a collision case?

Answer. If the wages are not recoverable, they shall be charged to operating expense account WE 46, "Damage to property," unless, however, the action is for personal injuries, in which case account WE 47, "Injuries to persons," shall be charged.

CASE 48.

Query. Is it permissible to include the cost of coal, delivered on board a steamer for fuel purposes but which has not been consumed during the month, in account WB 15, "Materials and supplies."

Answer. Yes.

CASE 49.

Query. A company sold a steamer for \$100,000, the book cost of which was \$150,000. The accrued depreciation amounted to \$10,000 at date of sale. This steamer is not to be replaced. To what account should be charged the difference between the proceeds of the sale and the book value, less accrued depreciation?

Answer. The difference, amounting to \$40,000, shall be charged to account WPL 14, "Real property and equipment debits." (See section 7, page 9, of the *Classification of Expenditures for Real Property and Equipment.*)

CASE 50.

Query. To what account should the amount of deductible averages in hull policy insurance claims be charged?

Answer. If by the term "deductible averages" is meant the provision for deducting a proportion of the expense from the total claim, such deduction shall be charged to accounts WE 2, "Vessels—Repairs" or WE 5, "Tugs and lighters—Repairs," as may be appropriate. If more than one account is affected, the distribution of the amount of the deductible average shall be made over the appropriate accounts on a percentage basis.

CASE 51.

Query. To what account should the salaries of agents and clerks at ports of call be charged?

Answer. To operating expense account WE 35, "Salaries of agents, clerks, and attendants."

CASE 52.

Query. To what account should be charged the cost of repairing electric and hand trucks used in handling freight on wharves?

Answer. To operating expense account WE 16, "Other maintenance of terminals expenses."

CASE 53.

Query. To what account should be charged the cost of renewing batteries and battery acid for enunciators and fire-alarm systems, and carbons for search-lights, on steamers?

Answer. To operating expense account WE 30, "Other supplies and department expenses."

CASE 54.

Query. To what account should be charged the cost of electric lamps used on floating equipment?

Answer. The first cost of electric lamps installed on floating equipment shall be charged to real property and equipment account WP 1, "Line equipment,"

WP 2, "Harbor equipment," or WP 3, "Miscellaneous floating equipment," as may be appropriate; the cost of repairing or renewing such lamps shall be charged to operating expense account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate.

CASE 55.

Query. To what accounts should be charged the cost of rubber stamps for purser's office, local offices, and general office?

Answer. The cost of rubber stamps used in the purser's office shall be charged to operating expense account WE 37, "Stationery and printing," if such office is located on the wharf; if on the steamer, the charge shall be made to account WE 28, "Stationery and printing." The cost of rubber stamps for local offices shall be charged to account WE 37, "Stationery and printing," and those for general offices shall be charged to account WE 54, "Stationery and printing."

CASE 56.

Query. To what account should the cost of boat checks and ticket punches used by the purser be charged?

Answer. To account WE 28, "Stationery and printing."

CASE 57.

Query. To what account should the cost of baggage checks be charged?

Answer. To account WE 37, "Stationery and printing."

CASE 58.

Query. To what account should be charged the cost of repairing iron fire lines made of pipe?

Answer. The cost of repairing iron fire lines, if on floating equipment, shall be charged to account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate; if on wharves, to account WE 13, "Docks, wharves, buildings, and fixtures."

CASE 59.

Query. To what account should be charged the cost of maintaining and operating an automobile for advertising purposes?

Answer. To account WE 21, "Advertising."

CASE 60.

Query. To what account should be charged the cost of moving office furniture and equipment from one office to another?

Answer. To the operating expense accounts to which repairs of such furniture and equipment would be charged after removal. If, for instance, the furniture was moved to the office of the superintendent of equipment, the cost of removing it shall be charged to WE 1, "Superintendence"; if the furniture was moved to the office of the superintendent of traffic, to account WE 17, "Superintendence"; or, if the furniture was moved to the general office, account WE 50, "General office supplies and expenses," shall be charged.

CASE 61.

Query. To what account should be charged the cost of repairing a telephone system which operates to staterooms on vessels?

Answer. To account WE 2, "Vessels—Repairs."

CASE 62.

Query. Are carriers by water required to keep all the accounts comprised in the classifications of expenditures for real property and equipment, operating revenue, income, profit and loss, and general balance sheet accounts?

Answer. Carriers by water, subject to the jurisdiction of the Commission, are required to keep their expenditures for real property and equipment, operating revenue, income, profit and loss, and general balance sheet accounts under the same classifications, no condensed classifications being provided for small carriers except that for operating expenses as set forth on page 11 of the classification of operating expenses.

CASE 63.

Query. A company is required under the conditions of a mortgage to keep a certain number of bonds, or the proceeds thereof, in a fund which may be used only for the payment of the cost of new property acquired, or of additions, extensions, and permanent improvements. Under what balance-sheet account should be included the par value of the bonds so held, or the proceeds thereof?

Answer. The par value of the bonds held in the company treasury, unsold, shall be included in balance-sheet account WB 28, "Insurance and other reserve fund assets." When the bonds are sold, the proceeds, until used, shall be included in the same account.

CASE 64.

Query. (1) To what account should be charged the amount of interest accrued during the construction period on funds borrowed for the construction of a steamship?

(2) To what account should be credited the amount of interest payable which has been accrued and charged to construction?

(3) Is it permissible for a company having no funded (or unfunded) debt to include a reasonable charge for interest, during the construction period, on working funds used for construction purposes?

Answer. (1) To account WP 1, "Line equipment." Whenever it is possible to do so, interest accrued on funds used for construction purposes shall be included as part of the cost of the particular work; if such disposition is impracticable, the interest shall be included in account WP 11, "Miscellaneous."

(2) To balance-sheet account WB 47, "Unmatured dividends, interest, and rents payable" if such interest is payable to others. (*See part 3 of this case.*)

(3) It is permissible to include a reasonable charge for interest during the construction period on the carrier's own funds used temporarily, the corresponding credit being made to account WI 9, "Income from unfunded securities and accounts."

CASE 65.

Query. Account WI 10, "Income from sinking and other reserve funds," provides that "This account should include the income accrued on cash, securities, and other assets (not including securities issued or assumed by the accounting company) held in sinking and other reserve funds." To what account should be credited the income on securities issued or assumed by the accounting company?

Answer. Under the rules contained in accounts WI 22, "Interest on funded debt," WI 29, "Dividend appropriations of income," and WPL 9, "Dividend

appropriations of surplus," it is provided that a company shall not include interest or dividends upon funded debt or stocks issued or assumed by the company and owned by it. Interest on funded debt and dividends on stocks may be accrued or paid only on securities not held by or for the accounting company.

If contractual requirements necessitate increasing the sinking fund annually by the amount of income which would have accrued on the company's securities if they were not owned by the company, such amount shall be charged to account WI 28, "Appropriations of income to sinking and other reserve funds," or WPL 8, "Appropriations of surplus to sinking and other reserve funds," and credited to the appropriate reserve account. If the equivalent of this sum is then paid in cash into the reserve fund, "Cash" shall be credited and account WB 27, "Sinking fund assets," shall be correspondingly charged. (*See Case 109.*)

CASE 66.

Query. This company purchased, according to the provision in one of its mortgages, \$8,000 (par value) of its bonds for cash, at a premium of 1 per cent, amounting to \$80, plus accrued interest amounting to \$185.56.

(1) To what account should be charged the premium of \$80?

(2) To what account should be charged the interest amounting to \$185.56?

(3) Should any adjustment be made for the face value, \$200, of the attached coupons next falling due, interest amounting to \$185.56 having accrued?

Answer. (1) To account WPL 16, "Miscellaneous debits," in accordance with the text of that account.

(2) The amount of interest paid, \$185.56, shall be charged to the account to which credit had been made for accrued interest. (Interest on the bonds purchased shall be accrued to the date of purchase.)

(3) No adjustment as to the coupons is necessary, for the reason that it is not permissible for carriers to enter accruals of interest on bonds issued or assumed and reacquired.

CASE 67.

Query. What account should be charged with expenses incurred because of a strike of longshoremen?

Answer. The wages of employees taking the place of strikers shall be charged to the same accounts as the regular wages of the employees on strike. The same disposition shall be made of overtime.

Any unusual expenses (not wages or overtime), such as meals or police protection, shall be charged to account WE 43, "Other operation of terminals expenses."

Expenses incurred directly in connection with the strike and not chargeable to the primary accounts preceding general account IV, "General expenses" shall be charged to account WE 55, "Other general expenses." (*See Case 4.*)

CASE 68.

Query. To what account should be charged amounts paid annually for licenses to sell liquors on steamships?

Answer. To account WE 31, "Bar supplies."

CASE 69.

Query. To what account should be charged an amount refunded to a shipper in connection with an overcharge due to misrouting by a carrier's agent?

Answer. The proportion of the overcharge accruing on the line of the carrier responsible for the error shall be charged to account WR 1, "Freight revenue"; the remainder of the refund, representing the overcharge on other lines, shall be charged by the company liable therefor to account WE 44, "Loss and damage—Freight."

CASE 70.

Query. A company has installed telephones connecting its general offices, all of which are located in a leased building. To what account should be charged the cost of installing these telephones?

Answer. The cost of installing telephones having the character of movable apparatus shall be charged to account WP 9, "Office equipment." When telephone systems are leased for use in general offices the rent shall be charged to account WE 50, "General office supplies and expenses."

CASE 71.

Query. In what account in the general balance sheet should be included advances to a subsidiary corporation formed for the purpose of holding title to property not used for water line purposes? The advances are for the purpose of enabling the subsidiary company to acquire real estate.

Answer. In account WB 6, "Miscellaneous investments," subprimary account (d), "Other miscellaneous investments."

CASE 72.

Query. A company owning certain ocean front lots, the cost of which is included in account WP 6, "Water front and terminal grounds," has found it necessary to construct a sea wall to prevent the land from being washed away. To what account should the cost of the wall be charged?

Answer. To account WP 6, "Water front and terminal grounds."

CASE 73.

Query. Occasionally a company sells material from stores and a small percentage is added to cover the expense of handling, etc. To what account should the added percentage be credited?

Answer. As the added percentage represents principally the cost of handling, it shall be credited to the operating expense or clearing account charged with such expense. (See Case 98.)

CASE 74.

Query. A number of years ago a company sold bonds at par. These bonds are now due and refunding mortgage bonds, due 25 years hence, are being issued at 90. Is it permissible to amortize the 10 per cent discount on the refunding mortgage bonds throughout the 25 years?

Answer. Yes.

CASE 75.

Query. In what balance-sheet account should be included interest paid in advance on notes payable?

Answer. In account WB 31, "Other deferred debit items."

CASE 76.

Query. Under the sinking-fund provisions of a mortgage a company is required to set aside annually, and to pay trustees, specified sums for the purpose of retiring the bonds issued under the mortgage.

(a) What is the correct accounting for the amounts thus set aside?

(b) How should bonds issued or assumed by the accounting company and purchased by the trustees of the sinking fund be accounted for?

Answer. (a) The specified sums set aside annually for sinking-fund purposes shall be charged to income account WI 28, "Appropriations of income to sinking and other reserve funds," or profit and loss account WPL 8, "Appropriations of surplus to sinking and other reserve funds," as may be appropriate, and credited to balance-sheet account WB 56, "Reserves from income or surplus." When the sums set aside are paid to the trustees of the sinking fund, balance-sheet account WB 27, "Sinking-fund assets," shall be charged and account WB 8, "Cash," credited.

(b) If the trustees purchase at a discount bonds issued or assumed by the accounting company, the amount of discount shall be charged to account WB 27, "Sinking fund assets," and concurrently credited to account WPL 5, "Miscellaneous credits." If the bonds are purchased at a premium, the amount of the premium paid shall be credited to account WB 27, "Sinking fund assets," and concurrently charged to profit and loss account WPL 16, "Miscellaneous debits."

When the reacquired bonds are canceled, account WB 27, "Sinking fund assets," shall be credited and account WB 36, "Funded debt," charged with the par value of the bonds. Concurrently, account WB 56, "Reserves from income or surplus," shall be charged and account WB 54, "Surplus invested in property since December 31, 1912," credited with the amount of surplus expended in the discharge of the principal (less the discount, if any, suffered at the time of sale) of the bonds.

CASE 77.

Query. To what account should be charged commissions allowed trustees, acting under a sinking fund provision of a mortgage, for redeeming bonds?

Answer. Income account WI 27, "Miscellaneous fixed charges." (See Case 19.)

CASE 78.

Query. When the president of a carrier company is directly in charge of the operating departments, how shall the salaries and expenses of that officer and his clerks be distributed?

Answer. If the president is immediately in charge of the departments usually supervised by officers named in the accounts "Superintendence" under Maintenance of Equipment, Maintenance of Terminals, Traffic Expenses, and Transportation Expenses, his salary and expenses and those of his clerks and assistants shall be apportioned in accordance with the note under operating expense account WE 48, "Salaries and expenses of general officers." If the president has, as is usual, only general supervision over the various departments, his salary and expenses shall be charged to expense account WE 48, "Salaries and expenses of general officers."

CASE 79.

Query. To what account shall be charged the amount of a judgment, including court costs, in an action of the United States against a carrier on account of defective equipment?

Answer. To account WPL 16, "Miscellaneous debits."

CASE 80.

Query. What account shall be charged with United States Government fines imposed by the collector of customs for the delivery of freight in bond directly to the consignee, instead of to the collector of the port, the offense being due to the failure of the delivery clerk to notify the customhouse inspector at the point of delivery?

Answer. To account WPL 16, "Miscellaneous debits."

CASE 81.

Query. To what account shall be charged premiums paid to procure currency needed to pay the wages of employees?

Answer. To account WE 55, "Other general expenses."

CASE 82.

Query. To what account shall be credited the amount received by a carrier for the surrender of an unexpired lease for offices occupied by it?

Answer. To account WPL 5, "Miscellaneous credits."

CASE 83.

Query. To what account shall be charged the cost of options on lands for terminals, the plans for construction of which were postponed?

Answer. The amount paid for options on property which it was proposed to use in the construction of terminals shall be carried in a suspense account until the proper disposition has been finally determined. If, later, the plan is definitely abandoned, and the amount expended is lost, the loss sustained shall be charged to account WPL 16, "Miscellaneous debits."

CASE 84.

Query. How may a carrier make adjustment of the differences, due to insufficient charges for depreciation, between the value of equipment as carried in its property account and the actual value of the equipment as ascertained by an appraisal?

Answer. If a carrier's accounts prior to July 1, 1912 (the effective date of the depreciation accounts in Operating Expenses), show insufficient charges for depreciation, and a carrier elects to make an adjustment so that the property equipment accounts shall in fact reflect the cost of equipment in service and the depreciation accounts reflect the full amount of depreciation accrued on such equipment from the date acquired, such adjustment for depreciation prior to July 1, 1912, shall be made through profit and loss.

Advice as to the proper disposition of differences due to insufficient charges for depreciation after July 1, 1912, will be given by the Commission upon receipt of particulars of such discrepancies. (See Case 28.)

CASE 85.

Query. To what account should be charged the rent of a pier for mooring purposes during the winter months when navigation is closed?

Answer. To account WI 18, "Miscellaneous rents."

CASE 86.

Query. Equipment and terminals are acquired at a cost equal to the amount realized from the proceeds of a bond issue. Capital stock is issued gratuitously to bondholders. What entries shall be made in the balance-sheet accounts on account of the issue of this stock?

Answer. The par value of the stock issued shall be credited to account WB 33, "Capital stock," and shall be debited to accounts covering discount and premium on capital stock. The cost of equipment and terminals as stated in the real property and equipment accounts shall be their actual net cost in cash.

CASE 87.

Query. A carrier sells notes because the money market does not warrant the sale of bonds which are deposited as collateral for the notes. Is it permissible to spread the discount on the notes over the life of the bonds, treating the sale and retirement of both notes and bonds as one transaction?

Answer. The sale and retirement of the notes shall be separately accounted for, and the discount suffered shall be treated as provided in account WI 23, "Interest on unfunded debt," if the notes are for a term not exceeding one year. If for a longer term, the discount shall be included in account WI 24, "Amortization of discount on funded debt," and extinguished in accordance with the text of that account.

CASE 88.

Query. To what account shall be charged a contribution to cover the deficit incident to holding a series of educational meetings, sometimes called a "Chautauqua."? This contribution was guaranteed for the purpose of securing traffic.

Answer. The amount shall be charged to account WE 21, "Advertising."

CASE 89.

Query. A company owns a share of stock in a cotton exchange which is not reflected in its accounts. It is impossible to now determine from the records what amount was actually paid for this share of stock, and it is desired to enter its value in the accounts. What value should be placed thereon, and what entries should be made in connection therewith?

Answer. Under the circumstances, the book value of this share of stock should be the present-day market value. If there is no market value, it is recommended that a conservative nominal value be placed on the stock.

The market or nominal value of the stock should be charged to account WB 6, "Miscellaneous investments," "(c) Securities unpledged," and correspondingly credited to account WPL 5, "Miscellaneous credits."

CASE 90.

Query. To what account shall be credited amounts received from anonymous sources ordinarily designated as "conscience money"?

Answer. Unless the remittances indicate that the payments are assignable to the revenue, expense, or income accounts, such payments shall be credited to account WPL 5, "Miscellaneous credits."

CASE 91.

Query. Real estate purchased in the names of individuals is used by a carrier for operating purposes. How shall its cost be accounted for?

Answer. Under the assumption that the individuals in whose names the property has been purchased merely hold the property in trust for the carrier, the cost of the real estate shall be included in the carrier's property investment accounts.

CASE 92.

Query. A crane, which was being used in removing old piles in connection with the repairs and additions and betterments to a wharf, fell through the wharf. The engineer of the crane was injured. To what account shall be charged the payments on account of these injuries?

Answer. The accident having occurred in connection with the removal of the old structure as a preliminary to the construction of improved wharf facilities, the payments shall be charged to expense account WE 14, "Injuries to persons."

CASE 93.

Query. Fuel, purchased by a carrier from mines located upon a connecting carrier's road, is transported upon the basis of through rates. To what account shall be credited the purchasing carrier's proportion of the through rate?

Answer. If the through freight charges on the fuel are charged to the fuel account, the carrier's proportion of the freight charges shall be credited to the same account. The purchasing carrier's proportion of the through rate should not remain in its freight revenue account.

CASE 94.

Query. A carrier pays the salaries of the employees and all other expenses of a joint outside ticket agency and charges each tenant company for a proportion of these expenses, based upon the ticket sales. In what accounts shall these charges be included?

Answer. Carriers have the option, according to their convenience in accounting, of crediting the proportions of the expenses of joint traffic offices charged to other carriers directly to their pay-roll and voucher accounts, or of including all charges on account of service in the primary operating expense accounts and crediting foreign lines' proportions to the same accounts. Joint traffic expenses are usually readily assignable to the primary accounts.

CASE 95.

Query. When land is rented in connection with addition and betterment projects, pending an actual purchase of the property, is the amount of such rent properly chargeable to the cost of additions and betterments? To what account shall be credited rents received from subtenants of such property?

Answer. Provided the primary object in the renting of property is to facilitate the addition and betterment work, the rents paid and received (during the construction period) shall be included in the real property and equipment accounts.

CASE 96.

Query. The coupons on certain equipment trust obligations contain a stipulation that if not paid on date of maturity the coupons shall bear interest from that date. To what account shall the interest on the coupons be charged?

Answer. It shall be charged to income account WI 23, "Interest on unfunded debt."

CASE 97.

Query. An operating carrier rents a part of its terminal for use as a warehouse and produces electrical power for use of the tenant. To what account should be credited the compensation received?

Answer. If the compensation received is not based on distinct charges for rent of the facility and for the power furnished, and the quantity of power furnished is relatively small, the credit shall be to account WR 9, "Rents of buildings and other property."

If, however, the amounts charged for rent and power are clearly separable, the proportion representing rent shall be included in account WR 9, and the proportion representing power shall be included in account WR 10, "Miscellaneous."

CASE 98.

Query. A carrier includes in the price of material sold by it the tariff charges for transportation over its line. To what account shall these charges be credited?

Answer. To account WR 1, "Freight revenue." (See Case 73.)

CASE 99.

Query. To what account shall be charged the cost of repairs and renewals of tableware, silverware, linen, and kitchen utensils and furniture on floating equipment?

Answer. To account WE 2, "Vessels—Repairs," or WE 5, "Tugs and lighters—Repairs," as may be appropriate.

CASE 100.

Query. To what accounts shall be charged plaintiff's court costs and also the carrier's own court costs in connection with personal injury cases, when such expenses are borne by the carrier?

Answer. The plaintiff's court costs shall be charged to the appropriate accounts for injuries to persons. The carrier's court costs shall be charged to account WE 51, "Law expenses."

CASE 101.

Query. When securities, which mature serially, are sold in one lot at a flat discount rate upon their entire par value, how should the discount be amortized?

Answer. The discount and expenses shall be amortized through charges to income in such manner that the ratio between the amortization charges and the principal of the securities outstanding will be uniform for all fiscal periods.

For example: A company issues five \$1,000 equipment trust certificates, one certificate maturing each year. The debt discount and expense is \$450. The distribution of the discount and expense should be as follows:

First year, principal outstanding \$5,000, amortization charge (rate 3 per cent) -----	\$150
Second year, principal outstanding \$4,000, amortization charge (rate 3 per cent) -----	120
Third year, principal outstanding \$3,000, amortization charge (rate 3 per cent) -----	90
Fourth year, principal outstanding \$2,000, amortization charge (rate 3 per cent) -----	60
Fifth year, principal outstanding \$1,000, amortization charge (rate 3 per cent) -----	30

CASE 102.

Query. To what account shall be charged interest paid on deferred taxes?

Answer. To account WI 23, "Interest on unfunded debt."

CASE 103.

Query. To what account should be credited profit realized by reason of charging underwriters an arbitrary rate for meals furnished laborers engaged in lightering cargo on a stranded steamer?

Answer. If the profit is slight, it may be credited to the operating expense account which was charged with the cost of the meals. If the cost of the meals is not charged to operating expenses, the net profit should be credited to account WI 13, "Miscellaneous income."

CASE 104.

Query. To what account shall be charged amounts paid to trust companies for the registration and transfer of capital stock?

Answer. Payments in connection with the initial issuance of capital stock shall be charged to account WP 11, "Miscellaneous." Payments in connection with the transfer of capital stock shall be included in account WE 55, "Other general expenses." (See Case 15.)

CASE 105.

Query. To what account should be charged amounts paid to chambers of commerce or other organizations for reporting steamers?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 106.

Query. A rail carrier owns, maintains, and operates a wharf and a warehouse adjacent thereto. A water line uses the wharf for loading and unloading freight and uses the warehouse, jointly with the owner, for receiving and delivering freight. For the use of the warehouse and wharf and services performed in connection with the operation thereof the water line pays upon the basis of a rate per ton handled. To what account should such payments be charged?

Answer. To account WE 43, "Other operation of terminals expenses."

CASE 107.

Query. A carrier has received authority from the Interstate Commerce Commission to accrue depreciation on wharves and terminal buildings, furniture and fixtures therein, shop machinery and tools, and transfer equipment (horses, wagons, trucks, motors, etc.). In what accounts should the charges for current depreciation on such property be included?

Answer. Charges for current depreciation upon wharves and terminal buildings, and furniture and fixtures therein, shall be included in a subprimary account titled: WE 13a, "Docks, wharves, buildings, and fixtures—Depreciation." Depreciation upon shop machinery and tools shall be included in a subprimary account titled: WE 8a, "Shop machinery and tools—Depreciation." Depreciation upon transfer equipment shall be charged to a subprimary account titled: WE 16a, "Transfer equipment—Depreciation."

CASE 108.

Query. The text of operating revenue account WR 1, "Freight revenue," reads in part as follows:

"This account should be charged with * * * amounts uncollected or refunded on freight destroyed in transit and on short and lost freight; also uncollectible undercharges determined after delivery has been made."

The text of operating expense account WE 44, "Loss and damage—Freight," reads in part as follows:

"This account should include * * * uncollectible freight charges paid other carriers on lost, misrouted, damaged, or refused shipments * * *."

Is there not a conflict between the texts of these accounts as above quoted?

Answer. There is no conflict. Charges shall be made to operating revenue account WR 1, "Freight revenue," in connection with freight destroyed in transit, short and lost freight, and uncollectible undercharges, only when this account has previously received credit for the amounts being refunded; the amounts of such charges to "Freight revenue" shall not exceed the amounts already credited thereto for such shipments.

Charges to operating expense account WE 44, "Loss and damage—Freight," shall be confined to refunds of other company's proportion of freight revenue on lost, destroyed, and damaged shipments; such proportions will not, of course, have been credited to the accounting company's freight revenue account.

CASE 109.

Query. A company purchased three of its equipment trust bonds at par. Is it proper to charge balance sheet account WB 9, "Marketable securities," with the par value of these bonds and in compiling a balance sheet omit the par value from the assets and deduct same from the liabilities? To what income account should the interest on these bonds be credited?

Answer. If the bonds have not been canceled, the par value shall be charged to an appropriate ledger account and, as required by the text of balance sheet account WB 36, "Funded debt," in annual reports to the Commission the par value thereof shall be deducted from the total amount of bonds outstanding. (See paragraph 3, of the general instructions, on page 10 of the Form of Balance Sheet Statement.)

No interest shall be accrued on the company's own bonds when held by or for it. (See note A of income account WI 22, "Interest on funded debt.")

If the bonds were acquired for sinking fund purposes and contractual requirements necessitate increasing the sinking fund annually by the amount of income which would have accrued on the company's bonds if they were not owned by the company, such amount shall be charged to account WI 28, "Appropriation of income to sinking and other reserve funds," or account WPL 8, "Appropriation of surplus to sinking and other reserve funds," as may be appropriate, and correspondingly credited to the sinking fund reserve account. The equivalent of this sum is then paid in cash into the reserve fund, in which case "Cash" shall be credited and account WB 27, "Sinking fund assets," shall be correspondingly charged. (See Case 65.)

CASE 110.

Query. This company's towboats are employed in terminal operations and also tow the company's steamers to and from stream. To what accounts should be charged the expenses incident to their operations?

Answer. The expense incident to the operation of towboats employed in terminal operations and in assisting steamers to and from stream shall be dis-

tributed upon an equitable basis between operating expense accounts WE 33, "Other operation of vessels expenses," and WE 39, "Tugs and lighters—Operation."

CASE 111.

Query. Is it permissible to create by charges to surplus a reserve to which may be debited extraordinary losses? It is the intention to charge this reserve with extraordinary losses, such as the loss of a ship or cargo losses when same amount to \$50,000 or more. In other words, the reserve will take care of only extraordinary losses.

Answer. The classification of operating expenses was framed for the purpose of having included therein all items of expenses, both ordinary and extraordinary, as provided in the text of the respective primary accounts, and it is improper to charge such losses to a reserve created by charges to either income or surplus.

CASE 112.

Query. To what account should be charged the cost of teaming freight from a company's wharf to a railroad station, in order to effect delivery to a connecting carrier? This transfer was necessary because of the congested condition of the terminal, the usual method of transfer being to load into cars on the wharf.

Answer. The cost of this team delivery shall be included in operating expense account WE 40, "Switching, lighterage, and other transfers."

CASE 113.

Query. As a result of a collision case, a ship of this company was ordered sold by the court to satisfy claims. This company purchased the ship at the trustee's sale for less than its original cost. Is it permissible to enter the cost of this ship at its original cost, crediting profit and loss with the difference between the original cost and the price paid the trustee?

Answer. As the ship has been repurchased from the trustee, the amount paid to such trustee shall be accounted for as the cost of the ship, and such amount only shall be charged to the appropriate real property and equipment account.

CASE 114.

Query. To what account should be charged the cost of a cash register installed on a steamer for use in connection with the sale of liquors?

Answer. To account WP 1, "Line equipment."

CASE 115.

Query. Company A has the exclusive rights to an amusement park, including the use of wharf or landing at the entrance to the park. It is unable to handle with its own vessels all the traffic going to this park, and makes a contract with company B as follows:

A is to advertise that certain boats operated by B will stop at this landing on their regular runs at advertised hours. B has no expenses except for the sale of tickets to this point and the small expense of stopping for a short time at the landing. Out of the revenue from the sale of tickets B is to pay A an allowance of 7 cents on each ticket. A agrees that this allowance of 7 cents will be spent in advertising the trips of B's boats. How should B account for this allowance of 7 cents per ticket?

Answer. Upon the condition that the company (A) receiving the 7 cents per ticket is required to spend the sum so received in advertising the trips of the

paying company's boats, the paying company (B) shall charge such amounts to operating expense account WE 21, "Advertising."

CASE 116.

Query. To what extent shall detailed information be shown in the general books of carriers by water?

Answer. The records shall be kept with sufficient particularity to show fully the facts pertaining to all entries made in the accounts. Where the full information is not recorded in the general books, the entries therein shall be supported by other records, in which the full details shall be shown. Such general book entries shall contain sufficient reference to the detail records to permit ready identification of the latter, and the detail records shall be kept in such manner as to be readily accessible when required for examination by representatives of the Interstate Commerce Commission.

CASE 117.

Query. Is it required that all materials and supplies be carried through the materials and supplies account?

Answer. No. Materials and supplies purchased for a specific project or for immediate use may be charged directly to the accounts affected and need not be carried through account WB 15, "Materials and supplies."

CASE 118.

Query. Does the Interstate Commerce Commission require that specific assets be set aside to cover sinking fund appropriations?

Answer. No. Appropriations of income and the setting aside of assets usually depend upon the provisions of the mortgage or upon the policy of the company. If assets are set aside they shall be carried in account WB 27, "Sinking fund assets."

CASE 119.

Query. To what account shall be credited amounts collected from contractors as penalties for failure to complete construction work at the specified time?

Answer. Such forfeiture shall be considered as an abatement of the cost of work covered in the contract and shall be credited to the account to which the cost of the work is charged.

CASE 120.

Query. To what account should be charged the cost of transferring rejected aliens from the company's wharf to the deportation depot and the expenses of such aliens held for deportation?

Answer. To account WE 43, "Other operation of terminals expenses."

CASE 121.

Query. What should be the accounting treatment in connection with delayed items of revenue, expense, or income?

Answer. Delayed items (items representing transactions which occurred before the current year) relating to operating revenue, operating expense, or income shall be included in the appropriate revenue, expense, or income account for the fiscal period in which the audit of the items occurs, except that when no provision has been made for anticipated delayed items chargeable or creditable to operating revenue, operating expense, or income, and the amount of any such item is relatively so large that its inclusion in the accounts for a

single year would seriously distort those accounts, the carrier, if so authorized upon application to the Interstate Commerce Commission, may distribute to profit and loss so much of the amount as may be authorized. The carrier in its application to the Commission shall give full particulars concerning each item and the reasons which, in its judgment, indicate the propriety of such accounting.

CASE 122.

Query. To what account should be charged rent of submarine signals on vessels?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 123.

Query. To what account should be charged interest paid in settlement of loss and damage claims?

Answer. To accounts WE 44, "Loss and damage—Freight," or WE 45, "Loss and damage—Baggage," as may be appropriate.

CASE 124.

Query. To what account should be charged lawful claims for expenses of passengers detained at a port due to changes in sailing schedules?

Answer. To account WE 33, "Other operation of vessels expenses."

CASE 125.

Query. To what account should be charged the cost of inventories and appraisals of real property and equipment?

Answer. The cost of inventories and appraisals shall be accounted for as follows:

(1) Those taken incident to a general valuation of property owned or used in transportation service, including those taken in accordance with the Act to Regulate Commerce, or with other similar Federal or State requirements, shall be charged to account WE 55, "Other general expenses," preferably in a sub-account entitled WE 55a, "Valuation expenses."

(2) Those taken on the orders of public authorities for other purposes, such as for use in rate cases, shall be charged to account WE 55, "Other general expenses."

(3) Those taken in connection with the proposed purchase of property shall be charged to account WB 31, "Other deferred debit items," pending final disposition. If the property is finally purchased, the cost shall be considered as part of the price paid and charged to the appropriate asset account. If the property is not purchased, the cost shall be charged to account WPL 16, "Miscellaneous debits."

(4) Those taken in connection with an issue of bonds shall be charged to account WB 24, "Unamortized debt discount and expense," and extinguished in accordance with the text thereof.

No amounts shall be included in the cost of inventories and appraisals for incidental services of officers and employees, but special office, clerical, traveling, and incidental expenses incurred by such officers and employees may be included.

CASE 126.

Query. At New York City, freight traffic is handled to and from wharves and steamships, partly by company lighters and partly by outside lighters.

(a) To what account should be credited the lighterage arbitraries on freight so handled?

(b) To what account should be charged the cost of operating company's lighters and lighterage arbitraries paid to lighterage companies upon the basis of tariff rates?

Answer. (a) To account WR 8, "Miscellaneous transportation revenue."

(b) The expenses incident to the operation of the company's lighters shall be charged to account WE 39, "Docks and lighters—Operation"; allowances to lighterage companies upon the basis of tariff rates shall be charged to account WR 8, "Miscellaneous transportation revenue."

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