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CLASSIFICATION
OF
EXPENDITURES FOR REAL PROPERTY
AND EQUIPMENT OF CARRIERS
BY WATER

AS PRESCRIBED BY THE

INTERSTATE COMMERCE
COMMISSION

IN ACCORDANCE WITH

SECTION 20 OF THE ACT TO REGULATE
COMMERCE

FIRST ISSUE

Effective on January 1, 1913

WASHINGTON
1912

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ORDER.

At a General Session of the INTERSTATE COMMERCE COMMISSION, held at its office in Washington, D. C., on the 11th day of November, 1912.

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 Classification of Expenditures for Real Property and Equipment of Carriers by Water, and the text pertaining thereto, embodied in printed form to be hereafter known as First Issue, 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 said Classification of Expenditures for Real Property and Equipment, First Issue, with the text pertaining thereto be, and it hereby is, prescribed for the use of carriers by water subject to the provisions of the amended act to regulate commerce, in the keeping and recording of their accounts of expenditures for real property and equipment; that each and every such carrier and each and every receiver or operating trustee of any such carrier be required to keep all accounts of expenditures for real property and equipment in conformity therewith; and that a copy of such First Issue be sent to each and every such carrier and to each and every receiver or operating trustee of any such carrier.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in said First Issue established as may be required for the purposes of any such carrier or of any receiver or operating trustee of any such car-

rier; or may make assignment of the amount charged to any such primary account to divisions, to its individual lines, or to States: *Provided, however,* That a list of such subprimary accounts set up or such assignments made by any such carrier or by any receiver or operating trustee of any such carrier be first filed in the office of the Division of Carriers' Accounts of this Commission subject to disapproval by the Commission.

It is further ordered, That in order that the basis of comparison between the fiscal year ending December 31, 1913, and previous years be not destroyed, any such carrier or any receiver or operating trustee of any such carrier may, during the twelve months ending December 31, 1913, keep and maintain, in addition to the accounts of expenditures for real property and equipment hereby prescribed, such portion or portions of its present accounts with respect to items of expenditure for real property and equipment as may be deemed desirable by any such carrier, or by any receiver or operating trustee thereof, for the purposes of such comparison; or, during the same period, may maintain such groupings of the primary accounts hereby prescribed as may be desired for that purpose.

It is further ordered, That any such carrier or any receiver or operating trustee of any such carrier may, in addition to the accounts of expenditures for real property and equipment hereby prescribed, keep any temporary or experimental accounts the purpose of which is to develop economies in construction: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any general or primary account hereby prescribed; and that any such temporary or experimental accounts shall be open to inspection by the Commission.

It is further ordered, That January 1, 1913, be, and it hereby is, fixed as the date on which said First Issue shall become effective.

By the Commission:

[SEAL.]

JOHN H. MARBLE,
Secretary.

INTRODUCTORY LETTER.

INTERSTATE COMMERCE COMMISSION,
DIVISION OF CARRIERS' ACCOUNTS,
Washington, November 11, 1912.

To CARRIERS:

This Classification of Expenditures for Real Property and Equipment, with the text pertaining thereto, is issued in accordance with an order of the Interstate Commerce Commission, a copy of which will be found immediately preceding this letter. From and after the effective date of this order, by virtue of the provisions of the act to regulate commerce, the rules and definitions stated in the classification become obligatory upon persons having direct charge of the accounts of carriers concerned, and such persons will be held responsible for proper application of them. Under the provisions of the law it is unlawful for any carrier or for persons in charge of its accounts to keep any record or memorandum of any item of expenditures for real property or equipment in any other form than here prescribed; except as provided in the order of the Commission above mentioned.

It is appropriate that public acknowledgment should be made to the Association of Water Line Accounting Officers and to the executive committee of that association for their hearty cooperation in working out the details of this classification. While the rules as now promulgated do not conform in all respects to the recommendations of that association, the assistance of its representatives in the consideration of the questions involved herein has been of great value.

To the end that substantial uniformity in the interpretation of the rules herein prescribed be maintained, carriers are invited to submit all questions of doubtful interpretation to this office for consideration and decision.

CHAS. A. LUTZ,
Chief Examiner of Accounts.

REAL PROPERTY AND EQUIPMENT ACCOUNTS.

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GENERAL EXPLANATION.

1. APPLICATION OF THIS CLASSIFICATION.—This classification should be so applied as to include in the accounts of the classification the investments of the accounting company in such property as is used by it in transportation by water, including investments in property used in auxiliary operations incident to furnishing such transportation. These accounts should include all expenditures for additions to or betterments of real property and equipment, regardless of how the funds for the acquisition of such additions or betterments are provided. Such expenditures should not be charged to Operating Expenses, Income, Profit and Loss, or Special Funds in such manner as to exclude from the property accounts in the balance sheet any expenditure for the acquisition of property or for additions and betterments to property.

2. INCLUSION OF ALL ADDITIONS, BETTERMENTS, AND DEDUCTIONS.—The accounts herein provided should include the cost of additional land, buildings, structures, and facilities; the cost of newly acquired equipment; the cost of improving land, buildings, structures, facilities, and equipment by additions thereto; the cost of new buildings, structures, and facilities installed, and the necessary credits to represent the original cost (estimated, if not known) of equipment or other property abandoned, sold, or otherwise retired from service, whether replaced by property of like purpose or not.

3. IMPROVEMENTS ON LEASED PROPERTY.—The accounts provided in this classification should be kept by the accounting carrier, in such manner as will show separately the book value or cost of property owned by the accounting carrier and of improvements thereto, and the cost of

improvements made upon property held by it under long-term lease.

When improvements have been made by a carrier to property held by it under long-term lease and under the conditions of the contract the title to such improvements passes to the lessor at the termination of the lease period, the depreciation may be distributed by uniform monthly charges to operating expenses during the period between the date the improvements are put into operation and the expiration of the lease. Concurrently the amount of such charges should be credited to general balance-sheet account WB 1-B, "Reserves for Accrued Depreciation—Cr."

4. PURCHASE OF ESTABLISHED LINES.—When an established line, including floating equipment, docks, and wharves, or other tangible property, is purchased, an appraisal of the tangible property so acquired should be made on the basis of the estimated cost of replacement or reproduction less such depreciation as is due to wear and tear, obsolescence, and inadequacy. The appraised value of the different constituent elements of tangible property acquired should be charged to the appropriate accounts in the Classification of Expenditures for Real Property and Equipment.

If the actual money value of the consideration given for the line so purchased was, at the time of its acquisition, in excess of the appraised value of the tangible property, the excess should be charged to balance-sheet account WB 7, "Intangible Assets."

5. INTEREST, DISCOUNT, AND DEBT EXPENSE.—When the consideration given for additional property, or for additions and betterments to property, the cost of which is chargeable to the accounts of this classification is anything other than money, the money value of the consideration at the time of the transaction should be charged to these accounts. Provision is made in account General Expenditures, WP 11, "Miscellaneous," for the inclusion in that account of bona fide interest accrued during the period of construction on money borrowed for the acquisi-

tion of property or for additions and betterments to property; but that account should not be construed to include interest in excess of that accruing upon such amounts expended for the acquisition of property or for additions and betterments between the time when the money is obtained and the time when the property acquired or the additions and betterments constructed become available for the service for which they are intended. Such proportion of discount and debt expense as is equitably assignable to the period between the sale of the securities and the time when the property acquired or the improvements constructed become available for service should be included in the property account. Discount on capital stock should not be included in any account in the Classification of Expenditures for Real Property and Equipment. (See balance-sheet accounts WB 23, "Unextinguished Discount on Capital Stock," and WB 24, "Unamortized Debt Discount and Expense.")

6. PROPERTY RETIRED AND REPLACED.—When property (other than land) the cost of which has been charged to the accounts of this classification is abandoned, demolished, or otherwise retired from service for the purpose of or by reason of its replacement with property of like purpose, the appropriate accounts of this classification should be credited with an amount equal to the amount at which such property stands charged therein at the time of such retirement. Concurrently balance-sheet account WB 1-B, "Reserves for Accrued Depreciation—Cr.," should be charged with the amount carried therein with respect to the property retired. Proper account should be taken of salvage, and the remaining amount, if any, should be charged to the appropriate account under Operating Expenses.

7. PROPERTY RETIRED AND NOT REPLACED.—When property (other than land), the cost of which has been charged to the accounts of this classification, is abandoned or withdrawn from service and not replaced, the appropriate real property and equipment account should be credited with an amount equal to the amount at which such property stands charged therein at the time of such destruc-

tion or retirement. Concurrently the balance-sheet account, WB 1-B, "Reserves for Accrued Depreciation—Cr." should be charged with the amount carried therein with respect to such property destroyed or otherwise retired. Proper account should be taken of salvage, and any adjustment necessary should be made through Profit and Loss account.

8. RESERVES FOR RETIREMENTS.—For the purpose of creating such reserves as will at the time of retirement or abandonment of important pieces of property other than land or equipment meet or reduce the amounts otherwise chargeable to Operating Expenses or other accounts, carriers may set up subprimary accounts under the appropriate primary accounts under general account I "Maintenance," in the Classification of Operating Expenses of Carriers by Water, to which should be charged such uniform amounts, during a series of years, as will provide for the ultimate retirement or abandonment of such property; concurrently the amount of such charges should be credited to balance-sheet account WB 1-B, "Reserves for Accrued Depreciation—Cr."

A list of the subaccounts so set up should be filed with the Interstate Commerce Commission.

9. DISTRIBUTION OF CHARGES FOR ABANDONED PROPERTY.—In case the amount chargeable to Operating Expenses for property abandoned directly in connection with improvements is relatively large, and its inclusion in a carrier's operating expenses for a single year would unduly burden the accounts for that year, a carrier may, if so authorized upon application to the Interstate Commerce Commission, charge so much of the cost as may be authorized to balance-sheet account WB 25, "Abandoned Property, Chargeable to Operating Expenses." The amount so charged should thereafter be apportioned to the Operating Expenses of succeeding years. The number of years will be determined when permission to use the account is given.

10. LAND SOLD OR ABANDONED.—If any land, the cost of which has been included in the accounts of this classi-

fication, is abandoned or sold, the appropriate account in this classification should be credited with an amount equal to the amount at which such property stands charged therein at the time of the sale or abandonment, and the difference between the amount thus credited and the amount received from the sale or disposal of the property should be included in Profit and Loss. When the use of land in transportation services, or in operations incident thereto, is discontinued and the land is retained in possession by the carrier, the appropriate account in this classification should be credited with an amount equal to that at which such land stands charged therein and this amount concurrently charged to general balance-sheet account WB 6, "Miscellaneous Investments."

11. **CONVERSION OF PROPERTY FROM ONE CLASS TO ANOTHER.**—When a building, structure, or unit of equipment of one class is converted into another class, requiring that the investment in such property shall be transferred from one account in this classification to another, the account in which the property was originally carried should be credited with an amount equal to the amount at which such property stands charged therein at the time of its conversion, and such amount, less depreciation and the cost of any abandoned part of the property, should be charged, together with the cost of improvements which add to the value of the property, to the account in this classification appropriate for the value of the converted property. If any part of such property is abandoned, the cost of such part should be treated as provided for property abandoned in paragraphs 4 and 5 of these instructions.

12. **CHARGES FOR MATERIAL.**—The charges for the material included in the accounts of this classification should be upon the basis of the net prices paid therefor, including transportation charges paid by the accounting carrier. Carriers may also include amounts which fairly represent the cost of moving material over their own lines when not included in freight charges paid. The carrier's cost of transportation over its own line should be credited to appropriate expense accounts.

13. OPTION IN CERTAIN CASES INVOLVING LESS THAN \$200.—If the total amount chargeable to any account herein provided (unless it is specifically excepted from this option) is less than \$200 for any improvement considered as a whole, the option may be exercised of charging the amount expended to Operating Expenses as a renewal, or to the appropriate account in this classification. This is not to be construed as authorizing the parceling of expenditures in order to bring them within this limit. If any unit of property, the cost of which is less than \$200, is abandoned and not replaced, the option may be exercised (unless the accounts covering such property are specifically excepted from this option) of making no credit entry with respect to such abandonment. It is not intended, however, that a carrier may make charges to "Investment Account" for improvements, in amounts of less than \$200, while omitting credits for similar items withdrawn.

14. CANCELLATION OF CONFLICTING PREVIOUS INSTRUCTIONS.—The rules provided in this classification supersede conflicting instructions in any classification previously issued for carriers by water.

TEXT OF CLASSIFICATION OF EXPENDITURES FOR REAL
PROPERTY AND EQUIPMENT OF CARRIERS BY WATER.

I. FLOATING EQUIPMENT.

WP 1. LINE EQUIPMENT.

To this account should be charged the cost of equipment designed or intended primarily for transportation service between terminals, or permanently so used, including necessary appurtenances, furnishings, and fixtures.

Among the more important equipment, the cost of which is includible herein, are—

Steamships,	Sailing vessels,
Steamboats,	Tugboats,
Ferryboats,	Canal boats,
Vessels propelled by internal-combustion engines.	

WP 2. HARBOR EQUIPMENT.

To this account should be charged the cost of equipment designed or intended primarily for harbor service or permanently so used, including necessary appurtenances, furnishings, and fixtures.

Among the more important equipment, the cost of which is includible herein, are—

Tugboats,	Transfer boats,
Lighters,	Barges.

WP 3. MISCELLANEOUS FLOATING EQUIPMENT.

To this account should be charged the cost of equipment other than equipment of the classes provided for in accounts WP 1 and WP 2, such as dredges, pile drivers, scows, or like equipment, including necessary appurtenances and fixtures.

II. TERMINAL PROPERTY.

WP 4. WHARVES, DOCKS, AND TERMINALS.

To this account should be charged the cost of wharves, piers, and other landings used for loading and unloading vessels, including dredging of docks and slips; cost of piling, pile protection, building cofferdams, pumping or bailing water, masonry walls, or filling, etc.; cost of transportation, and all other expenses incident to construction; also the cost of material and labor expended in buildings and structures thereon, including water, gas, and sewer pipes and connections, steam-

heating apparatus and stoves, electric bells, electric light and power fixtures and wiring for same, and all other material and fixtures used to complete the buildings; salaries and expenses of architects; cost of canopies or sheds not adjoining piers but used as a part thereof; and cost of fences, hedges, paving, etc., upon the grounds of and approaches to the wharves.

WP 5. WHARF EQUIPMENT.

To this account should be charged the cost of mechanical and other appliances on wharves used in connection with loading and unloading vessels and for transferring freight, such as traveling-platform conveyors, coal-handling plants, cranes, derricks, trucks, and other like appliances.

WP 6. WATER FRONT AND TERMINAL GROUNDS.

To this account should be charged the cost of land acquired for wharves and docks and for buildings and terminal grounds; also the cost of land purchased for ingress to and egress from wharf, building, and terminal grounds; pay and expenses of counsel, engineers, and assistants while specially engaged in connection with the acquisition of such grounds; expenses of appraisals; commissions paid outside parties for purchase of such properties; cost of plats, notarial fees, recording deeds, etc.

NOTE.—The \$200 minimum does not apply to items chargeable to this account. (See paragraph 13, p. 12.)

WP 7. OTHER GROUNDS.

To this account should be charged the cost of land acquired for use directly in connection with the operation of the line, but in excess of and in addition to that actually required for the purposes stated in account WP 6, "Water Front and Terminal Grounds," including all expenditures incurred in connection with such acquisition as enumerated in that account.

When such property is held for investment purposes the cost thereof should be included in balance-sheet account WB 5 (a), "Miscellaneous Investments—Physical Property."

NOTE.—The \$200 minimum does not apply to items chargeable to this account. (See paragraph 13, p. 12.)

WP 8. GENERAL AND LOCAL OFFICE BUILDINGS.

To this account should be charged the cost of general and local office buildings, permanent signs, platforms, sidewalks, excavations, foundations; drainage, water, gas, and sewer pipes, and connections; steam heating apparatus; stoves; ele-

vators; electric bells, electric light and power fixtures (including wiring); and of all other appurtenances or fixtures of a permanent nature used to complete the building; also cost of fences, hedges, grading, and beautifying grounds after building has been completed, but not any cost of maintenance.

NOTE.—This account should not include the cost of similar buildings located on wharves and piers which should be charged to account WP 4, "Wharves, Docks, and Terminals."

WP 9. OFFICE EQUIPMENT.

To this account should be charged the cost of the initial equipment, furniture, and fixtures for general and local office buildings, such as office safes, desks, chairs, filing cabinets, fire extinguishers, etc., when not built in or permanently attached to buildings.

WP 10. SHOPS, POWER PLANTS, AND MISCELLANEOUS STRUCTURES.

To this account should be charged the cost of all buildings to be used as shops, power plants, electric-light plants (when not in connection with such buildings as are chargeable to account WP 8, "General and Local Office Buildings"), and structures of every kind which are not otherwise herein particularly referred to, including the cost of material and labor expended in their construction, and all machinery, appliances, and tools necessary to equip them for service, including cost of stationary engines and boilers, motors, shafting, belting, dynamos, switchboards, and all other machinery and tools, including the small hand tools necessary first to equip a shop.

NOTE.—This account should not include the cost of similar buildings located on wharves and piers, which should be charged to account WP 4, "Wharves, Docks, and Terminals."

III. GENERAL EXPENDITURES.

WP 11. MISCELLANEOUS.

To this account should be charged expenditures of a special or incidental nature incurred during progress of construction which can not properly be charged directly to any of the accounts in this classification, such as superintendence, legal expenses, taxes, insurance, interest during construction, stationery and printing, etc., and the proportion of discount and debt expenses equitably assigned to the period between date of sale of the securities and the time the property acquired with the proceeds thereof becomes available for service.

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