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## Classification of expenditures for additions and betterments as prescribed by the Interstate Commerce Commission for steam roads in accordance with section 20 of the act to regulate commerce

United States. Interstate Commerce Commission

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CLASSIFICATION  
OF  
EXPENDITURES FOR ADDITIONS  
AND BETTERMENTS

AS PRESCRIBED BY THE  
INTERSTATE COMMERCE COMMISSION

FOR  
STEAM ROADS

IN ACCORDANCE WITH  
SECTION 20 OF THE ACT TO REGULATE  
COMMERCE

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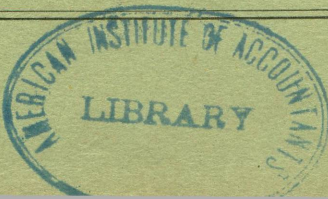
**FIRST REVISED ISSUE**

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*Effective on July 1, 1910*

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WASHINGTON  
GOVERNMENT PRINTING OFFICE  
1910



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THE INTERSTATE COMMERCE COMMISSION.

---

MARTIN A. KNAPP, *of New York.*

JUDSON C. CLEMENTS, *of Georgia.*

CHARLES A. PROUTY, *of Vermont.*

FRANCIS M. COCKRELL, *of Missouri.*

FRANKLIN K. LANE, *of California.*

EDGAR E. CLARK, *of Iowa.*

JAMES S. HARLAN, *of Illinois.*

EDWARD A. MOSELEY, *Secretary.*

At a General Session of the INTERSTATE COMMERCE  
COMMISSION, held at its office in Washington, D. C.,  
on the 31st day of May, 1910.

*Present:*

MARTIN A. KNAPP,	} Commissioners.
JUDSON C. CLEMENTS,	
CHARLES A. PROUTY,	
FRANCIS M. COCKRELL,	
FRANKLIN K. LANE,	
EDGAR E. CLARK,	
JAMES S. HARLAN,	

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 Additions and Betterments for Steam Roads with the text pertaining thereto, prepared under the direction of this Commission by Henry C. Adams, in charge of Statistics and Accounts, and embodied in printed form to be hereafter known as First Revised 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 Bureau of Statistics and 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 Additions and Betterments, First Re-

vised Issue, with the text pertaining thereto be, and is hereby, prescribed for the use of carriers by rail (exclusive of electric railways) subject to the provisions of the act to regulate commerce as amended June 29, 1906, in the keeping and recording of their accounts of expenditures for additions and betterments; 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 additions and betterments in conformity therewith; and that a copy of the said First Revised 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 the rules contained in the said First Revised Issue of the Classification of Expenditures for Additions and Betterments are, and by virtue of this order do become, the lawful rules according to which the said expenditures for additions and betterments are defined; that each and every person directly in charge of the accounts of any such carrier or of any receiver or operating trustee of any such carrier is hereby required to see to, and under the law is responsible for, the correct application of the said rules in the keeping and recording of the accounts of expenditures for additions and betterments of any such carrier; and that it shall be unlawful for any such carrier or for any receiver or operating trustee of any such carrier or for any person directly in charge of the accounts of any such carrier or of any receiver or operating trustee of any such carrier to keep any account or record or memorandum of any item of expenditure for additions or betterments except in the manner and form in the said First Revised Issue set forth and hereby prescribed, and except as hereinafter authorized.

*It is further ordered,* That any such carrier or any receiver or operating trustee of any such carrier may subdivide any primary account in the said First Revised

Issue established as may be required for the purposes of any such carrier or of any receiver or operating trustee of any such carrier; 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 Bureau of Statistics and Accounts of this Commission subject to disapproval by the Commission.

*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 additions and betterments hereby prescribed, keep any temporary or experimental accounts the purpose of which is to develop economies in expenditures for additions and betterments: *Provided, however,* That such temporary or experimental accounts shall not impair the integrity of any 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 July 1, 1910, be, and is hereby, fixed as the date on which the said First Revised Issue shall become effective.

A true copy:

EDW. A. MOSELEY,  
*Secretary.*

## INTRODUCTORY LETTER.

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INTERSTATE COMMERCE COMMISSION,  
BUREAU OF STATISTICS AND ACCOUNTS,  
*Washington, June 1, 1910.*

### TO CARRIERS CONCERNED:

The Classification of Expenditures for Additions and Betterments, First Issue, was promulgated under date of June 21, 1909.

A study of the questions arising from the application of that classification, and a consideration of the suggestions submitted by those responsible for its application, have led to the conclusion that it is desirable, at this time, to issue a revised edition and to grant carriers certain options which the previous classification did not grant.

A new account, A 22, "Roadway Machinery and Tools," is provided to include the cost of such roadway machinery and tools (other than small hand tools) as may, under the conditions therein imposed, properly be included in the property accounts. The title of the account "Miscellaneous Structures," as it appeared in the First Issue, has been changed to "Other Additions and Betterments," and the scope of the account has been somewhat enlarged. The General Instructions and the text of several accounts have been rewritten for the purpose of making clear certain points about which doubts have been expressed.

The text of the Equipment account now provides that when equipment is practically rebuilt the reserve for accrued depreciation shall be adjusted and the basis for depreciation on such equipment amended to meet the changed conditions. In making an estimate of a proper rate to be applied for depreciation on equipment, it will be necessary to consider only its probable life in service as prolonged by usual repairs.

HENRY C. ADAMS,  
*In charge of Statistics and Accounts.*



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## GENERAL INSTRUCTIONS.

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1. APPLICATION OF THIS CLASSIFICATION.—This classification should be so applied as to reflect the net increase or decrease (determined according to the rules provided) in the investment of a carrier in such property as is used in the operation of railways as transportation agencies, including outside operations incidental to furnishing transportation. Entries in the accounts prescribed in this classification should be made only with respect to additions to, betterments of, and withdrawals and retirements of property composing the plant and equipment of existing main and branch lines, including sidings and spur tracks and the necessary buildings, structures, and facilities. Until such time as a new railway or any important section of it, constructed as an extension of existing main or branch lines or as a new project, has reached such a stage of completion that it is, or may be, regularly operated for the purposes of a common carrier, expenditures proper to be included in the accounts representing the cost of road and equipment should be charged directly to the accounts prescribed in the Classification of Expenditures for Road and Equipment, and not to the accounts in this classification.

2. INCLUSION OF ALL ADDITIONS, BETTERMENTS, AND DEDUCTIONS.—The accounts herein provided should include the cost of additional land, buildings, structures, and facilities, not taking the place of any property of like purpose previously held by the accounting carrier; the cost of newly acquired equipment; the cost of im-

proving land, buildings, structures, facilities, and equipment by additions thereto not involving the replacement of the property improved; the excess cost of improved buildings, structures, or facilities (except land and equipment) over the cost of replacing in kind structures and facilities of like purpose demolished, abandoned, or withdrawn from service; and the necessary credits to represent property abandoned, sold, or otherwise retired from service.

3. **EXCLUSION OF DISCOUNTS.**—When the consideration actually given for anything, with respect to which a charge is made to any account in this classification, is anything other than money, the actual consideration should be described in the entry with sufficient fullness and particularity to identify it, and the amount charged should be the actual money value of the consideration at the time of the transaction. No discount on securities or other commercial paper should be included in the cost of any property or improvement. Provision is made, however, in account A 34, "Interest and Commissions," for the inclusion in that account of bona fide interest accruing during the period of construction on money borrowed and expended for additions and betterments, but it should not be construed to cover any interest in excess of that accruing on the amount necessary for actual additions and betterments, between the time when the money becomes available and the time when the property acquired or improved is completed or received or available for the service for which it is intended.

4. **PROPERTY RETIRED AND REPLACED.**—When property (other than land or equipment), a betterment of which would be chargeable to the accounts of this classification, is abandoned, demolished, or otherwise retired from service for the purpose of or by reason of its replacement by property of like purpose of a better kind or a higher type,

the cost of replacing in kind the property so abandoned or withdrawn from service, less the salvage, if any, should be charged to Operating Expenses. If, however, a reserve for abandonment, as provided in paragraph 8 of these instructions, or a reserve for accrued depreciation has been created with respect to such property, the reserve account should be first debited with an amount equal to the credits thereto made with respect to the property abandoned or withdrawn and replaced; but if no reserve has been created in advance of the retirement of such property and the amount chargeable to Operating Expenses is relatively large, so much of the amount as may be authorized under the conditions outlined in paragraph 9 may be carried in suspense for distribution to the operating expenses of succeeding years.

5. **PROPERTY RETIRED AND NOT REPLACED.**—When property (other than equipment), an addition to or a betterment of which would be chargeable to the accounts of this classification, is abandoned or withdrawn from service and not replaced, the cost (estimated, if not known) should be credited to the account provided herein for such property; proper account should be taken of any salvage; the reserve accounts for abandonment and accrued depreciation should be debited with the amounts, if any, previously credited thereto with respect to the property abandoned or withdrawn, and the difference between the salvage plus the reserves and the cost should be charged to Profit and Loss, to which should also be charged any incidental expenses connected with the retirement.

6. **LAND SOLD OR ABANDONED.**—If any land, except land the cost of which may be classified under "Miscellaneous Investments" in the Form of General Balance Sheet Statement, First Revised Issue, is abandoned or its use discontinued, the original cost of the land (estimated, if not known) should be credited to the appropriate accounts

under Additions and Betterments and charged, less salvage from sale or other disposal, if any, to Profit and Loss. If the land is retained by the carrier, it should be charged at a fairly appraised value to an appropriate account to be included under "Miscellaneous Investments" in the Form of General Balance Sheet Statement, First Revised Issue.

7. EQUIPMENT.—Accounting rules relative to the cost of equipment acquired and equipment retired are contained in the text for account A 33, "Equipment."

8. RESERVES FOR ABANDONMENTS.—If so authorized upon application to the Interstate Commerce Commission, a carrier may set up accounts under Maintenance of Way and Structures in Operating Expenses with respect to important pieces of property (except equipment) to be abandoned, for the purpose of creating such reserves as will, at the time of the abandonment, meet or reduce the amounts otherwise chargeable to Operating Expenses or to Profit and Loss. Upon the abandonment of any property with respect to which a reserve has been created, such portion of the amount otherwise chargeable to Operating Expenses or to Profit and Loss as will equal the amount previously credited to the reserve account should be debited thereto.

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 those 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 an account "Property Abandoned, Chargeable to Operating Expenses," as provided in the Form of General Balance Sheet Statement, First Revised Issue. The amount so charged should thereafter be apportioned to the operating expenses of succeeding

years, the number of which will be determined when permission to use the account is given.

10. **CONVERSION OF PROPERTY FROM ONE CLASS TO ANOTHER.**—When a building, structure, or facility of one class is converted to another class, its cost (estimated, if not known) should be credited to the appropriate account under Additions and Betterments; and such cost, 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 Additions and Betterments account under which it is classified after conversion. If any part of such property is abandoned, the cost of such part should be treated as is provided for property abandoned in paragraph 4 or 5 of these instructions.

11. **DEFINITION OF "COST OF REPLACING IN KIND."**—By the term "Cost of replacing in kind," as used in this classification is meant the cost, at the current prices of labor and material, of renewing such property by the construction or installation of other property substantially similar in capacity, service, and accessories, and having a physical condition and an expectation of life in service equal to that of the replaced property when acquired, or, if improved after acquirement, when in its best condition. It should not be construed as requiring an estimate based upon the current prices of material identical with that of which the thing abandoned was constructed, particularly when such material is no longer obtainable except at prohibitive prices and would not be used if a renewal of the property without betterment were undertaken.

12. **TREATMENT OF ABANDONED PROPERTY WHEN COST IS UNDERSTATED.**—In case a specific piece of property, abandoned subsequently to June 30, 1907, had been, previously to that date, so improved through charges to Income, Profit and Loss, or Operating Expenses, that the book value or record value is much less than the actual

cost of the property, a carrier may, upon filing with the Interstate Commerce Commission a full description of the property and of the proposed improvements which require its abandonment and a comprehensive statement explanatory of the conditions which justify such treatment, and upon receiving the approval of the Commission, accept such book value as a basis for computing the amount to be charged to Operating Expenses with respect to the property abandoned. The amount to be charged to Operating Expenses under such conditions should be the same proportion of the cost of replacing the property in kind as the book value is of the total actual cost.

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.

14. **RECLASSIFICATION OF CHARGES.**—The net increase or decrease in the investment as reflected by these accounts should be reclassified in accordance with the accounts provided in the Classification of Expenditures for Road and Equipment, it being required that all items affecting additions and betterments be closed into the Road and Equipment accounts.

15. **INCIDENTAL SERVICES OF EMPLOYEES.**—No charge should be made against Additions and Betterments for incidental services of officers and employees whose time

is regularly devoted to other operations. If employees are specially assigned to additions and betterments work, their salaries and necessary expenses connected with that work should be included in its cost. In the redistribution of the expenditures covered by this classification in accordance with the Classification of Expenditures for Road and Equipment, engineering expenses should be charged to account No. 1, "Engineering," and not to the accounts representing the specific work under construction or improvement.

16. SALVAGE FROM EQUIPMENT, TOOLS, ETC.—When the cost of any work equipment, machinery, tools, or materials and supplies has been charged to accounts representing the cost of work involving additions and betterments and the entire value thereof has not been consumed in the work, the residual value of such work equipment, machinery, tools, or materials and supplies should be credited upon the completion of the work to the accounts affected and charged to the appropriate equipment or material accounts.

17. RESERVE FOR ACCRUED DEPRECIATION.—The accounts heretofore referred to as "Replacement" accounts should hereafter be kept under the name of "Reserve for Accrued Depreciation." The total of the credit balances in these accounts for depreciation on equipment and other property is required to be shown under this title on the balance-sheet statement. All debits to Operating Expenses (or other accounts) for depreciation should be concurrently credited to the appropriate accounts representing the Reserve for Accrued Depreciation on the classes of property for which the charges are made.

18. CANCELLATION OF CONFLICTING PREVIOUS INSTRUCTIONS.—This Classification supersedes the Classification of Expenditures for Additions and Betterments for Steam Roads, First Issue; and the rules herein provided supersede conflicting instructions in any other classifications previously issued.



## TEXT OF CLASSIFICATION OF EXPENDITURES FOR ADDITIONS AND BETTERMENTS.

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### A 1. RIGHT OF WAY AND STATION GROUNDS.

To this account should be charged the cost of land (of necessary width conformable to depth and slope of excavations and embankments, including borrow pits and waste banks adjoining right of way) acquired for roadbed for additional main tracks; for new roadbed on account of changes of line, and for the construction of new and the extension of existing sidings and spur tracks; for additional station, terminal, and shop grounds, including land for ingress to or egress from such grounds; also for additional docks or wharves, and the cost of riparian or water rights necessary therefor.

The cost of stakes used to denote right-of-way limits; expenses of appraisals or of juries, commissioners, or arbitrators in condemnation cases; cost of removal of buildings from additional right of way or station, shop, and terminal grounds purchased; commissions paid to outside parties for the purchase of additional right of way and grounds for the purposes above described; notarial fees, cost of plats, abstracts, recording deeds; salaries and expenses of counsel, right-of-way agents, engineers, and assistants, when they are specially assigned to duties pertaining to the acquisition of right of way and station grounds; payments for right of way and station grounds on constructed lines, the title to which lands had not been acquired and payment for which had not been made before the construction accounts were closed; and payments for damages to abutting property caused by the construction of additional tracks, etc., as above described, should also be charged to this account. (See account A 17, "Elimination of Grade Crossings.")

NOTE A.—Proceeds from the sale of improvements included in a purchase of real estate, the cost of which is included in "Right of Way and Station Grounds," should be credited to this account.

NOTE B.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

## A 2. REAL ESTATE.

To this account should be charged the cost of additional land (except for right of way and station, shop, and terminal grounds), acquired for use in the company's operations as a carrier, and the cost of real estate acquired in the purchase of additional right of way and station, shop, and terminal grounds, but in excess of the land required for such purposes. This account should also include incidental expenses (or the proper proportion thereof), as enumerated in account A 1, incurred in the purchase of real estate chargeable to this account.

NOTE A.—In case the purchase of land for right of way and station grounds involves the acquisition of real estate that is not required for such purposes, the actual value of the real estate in excess of that required for right of way and station grounds, or an estimate of its salable value at the time of the purchase, should be charged to this account.

NOTE B.—When property charged to the "Real Estate" account becomes a part of a carrier's right of way or station grounds the amount originally charged should be credited to this account and charged to account A 1, "Right of Way and Station Grounds."

NOTE C.—Proceeds from the sale of improvements included in a purchase of real estate, the cost of which is included in the "Real Estate" account, should be credited to the same account.

NOTE D.—This account does not apply to real estate, the title to which is not held in the name of the railway company, to any acquired for investment purposes only, or to any not used in a carrier's operations, unless acquired as a part of land that is bought for such purposes.

NOTE E.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

## A 3. WIDENING CUTS AND FILLS.

To this account should be charged the cost of increasing the width and slope of established cuts and fills, excavating in order to convert tunnels into open cuts, and filling in order to convert bridges, trestles, and culverts into fills. It includes the cost of grading, clearing, grubbing, and material, and incidental expenses not necessary to the maintenance of the cuts and fills as previously established.

NOTE.—The cost of restoring banks to the established width, slope, or grade should be charged to the appropriate operating expense accounts. The cost of work done in the execution of a general plan of increasing the standard width and slope of embankments should be divided between Operating Expenses and Additions and Betterments, the charge to Operat-

ing Expenses being such proportion of the total cost as the estimated number of yards of material required to restore the banks to the original standard bears to the total number of yards moved in the work. There should also be charged to Operating Expenses the cost of dressing the slopes of cuts and fills, reditching cuts, replacing berm ditches, and necessary repairs to track, ballast, etc.

#### A 4. PROTECTION OF BANKS AND DRAINAGE.

To this account should be charged the cost of additional construction of a permanent nature, such as piling, cribbing, riprap, walls, breakwaters, levees, canals, dams, and other devices for the protection of roadbed, tracks, embankments, cuts, slopes, and other property used in the operation of a road from erosion or inundation by water. It does not include the cost of structures or devices of a temporary character installed for the immediate relief from or as a safeguard against damage by water.

NOTE.—The cost of riprap at culvert ends or around bridge abutments or piers, to prevent washing or scouring, is chargeable to account A 7, "Bridges, Trestles, and Culverts," when not properly an operating expense.

#### A 5. GRADE REDUCTIONS AND CHANGES OF LINE.

To this account should be charged:

For grade reductions (cutting down summits and raising sags without materially changing the alinement): The cost of additional grading, including the rent and cost of operation of steam shovels and work trains; building temporary tracks for steam shovels and grading outfits; tools used in the work; raising or lowering existing bridges; increasing the length of culverts and replacing riprap at culvert ends; changing grade crossings for farm or country roads, highways, or streets, including crossing gates, alarms, and watchhouses: less the cost of replacing in kind grades or other property abandoned or removed.

For changes of alinement (alteration of alinement for the purpose of reducing curvature, cutting out bridges, tunnels, etc.): The excess cost of the grading, bridging, tunneling, etc., necessary for the change, over the cost of replacing in kind the grade, bridges, tunnels, etc., abandoned.

For changes of line (construction of new lines for the purpose of improving grade or alinement): The difference between the cost of the new line and the cost of replacing in kind the line abandoned, excluding the cost of right of way for both lines, but including the cost of engineering, clearing,

grubbing, and grading; tunnels, bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; fencing right of way; crossings and signs; interlocking and signal apparatus; telegraph and telephone lines; also cost of tools, rent and cost of operation of steam shovels, other work equipment, locomotives, and cars, and pay of crews employed in the work.

NOTE A.—The cost of such grading as is necessary to restore banks or cuts to the original width, slope, and grade; raising, lowering, and shifting tracks; keeping tracks in repair and in condition for handling traffic during the progress of the work, including the cost of protecting traffic while passing over the tracks; reballasting, lining, and surfacing tracks on completion of the work; moving and replacing riprap or other bank protection, and moving and relocating telegraph or telephone poles, signals, fences, buildings, etc., should all be charged to the appropriate operating expense accounts.

NOTE B.—The cost of buildings, water and fuel stations, and similar structures on a changed line should not be charged to this account, which is intended to cover the roadway and track only, but should be charged to the appropriate accounts herein provided for the different classes of buildings and structures.

#### A 6. TUNNEL IMPROVEMENTS.

To this account should be charged the excess cost of enlarged tunnels (except to provide for additional main tracks) over the cost of replacing in kind the smaller tunnels; the excess cost of lining tunnels with stone, brick, or concrete over the cost of replacing in kind a less durable lining removed; and the cost of ventilating and lighting apparatus and of other safety devices, except guard rails and signals, added to tunnels.

NOTE.—If a tunnel is converted into an open cut, the cost of clearing, grubbing, and excavating (including the cost of disposing of the excavated material) should be charged to account A 3, "Widening Cuts and Fills." The cost of removing the lining of the tunnel, of protecting tracks and trains while the lining is being removed, and of restoring the tracks to proper condition for operation should be charged to the appropriate operating expense accounts.

#### A 7. BRIDGES, TRESTLES, AND CULVERTS.

To this account should be charged the excess cost of new bridges, trestles, and culverts carrying tracks over streams, ravines, streets, or other railways, over the cost of replacing in kind bridges, trestles, or culverts removed or abandoned,

including the cost of abutments, piers, supports, draw and pier protection; machinery to operate drawbridges; guard rails; inspection of material; tests; wing walls to abutments and culverts, masonry or concrete ends for culverts, riprap at culvert ends or around abutments; piers, dams, cribs, ice breakers; and painting (except repainting). It includes, also, the cost of additional parts or appurtenances and the excess cost of improved parts or appurtenances of bridges, trestles, and culverts over the cost of replacing in kind parts or appurtenances removed.

NOTE A.—The cost of removing old material and protecting traffic during improvements should be charged to Operating Expenses.

NOTE B.—When a bridge or trestle, or part of a bridge or trestle, is converted into a fill the cost (estimated, if not known) of the bridge or trestle if completely filled, or of such part of it as may be filled, should be credited to this account and charged, less salvage, to Operating Expenses. Such part of the original structure as would equal in cost the temporary trestling that would have been necessary to the construction of the fill in the first instance should be considered as salvage. The cost of filling, including such salvage, should be charged to account A 3, "Widening Cuts and Fills."

The cost of constructing bridges, trestles, or culverts where none previously existed, made necessary by the stopping up of natural waterways by the construction of embankments, should be charged to this account; the cost of that part of the embankment removed being credited to account A 3, "Widening Cuts and Fills," and charged to the appropriate operating expense account, which should also be charged with the cost of removing the embankment.

NOTE C.—When the construction of new bridges, trestles, or culverts is made necessary by reason of grade reductions or changes in line or the building of additional main tracks, sidings, spur tracks, or terminal yards, or by such work as elimination of grade crossings, or reconstruction of road purchased, the cost thereof should not be included in this account, but in the account under which is classified the cost of the work that makes necessary the construction of the bridges, trestles, or culverts.

#### A 8. INCREASED WEIGHT OF RAIL.

To this account should be charged the excess cost of heavier rails applied to existing tracks, over the cost of rails of the same weight as the original pattern of the rails released, the cost to be based upon the price per ton (including freight and inspection) of the rails used in relaying the tracks.

NOTE A.—The cost of distributing, laying, spiking, and jointing rails, surfacing and lining track, and picking up and removing old rails should be charged to Operating Expenses.

NOTE B.—In cases where the rails first applied to any tracks were second-hand rails and no more than the actual cost of such rails is carried in the accounts representing the cost of road and equipment, the excess cost of new rails or heavier rails used for relaying the tracks over the cost (at prices current at the time of replacement) of rails of a weight and condition equal to the weight and condition of the released rails, when applied, may be charged to this account.

NOTE C.—If the rails released from a carrier's main tracks are utilized in relaying the tracks of its branch lines, sidings, or spurs, previously laid with rails of a lighter pattern, the entire salvage value of rails so applied, less salvage from rails so replaced, may be charged to Operating Expenses as renewals, if the carrier deems it proper so to do.

#### A 9. IMPROVED FROGS AND SWITCHES.

To this account should be charged the excess cost of heavier frogs and switches over the cost of replacing in kind frogs and switches removed, the charge to be based upon the excess weight of the frogs and switches put in, if bought by weight. If the frogs and switches are of an improved (or patented) type, the excess cost of such frogs and switches over the cost of replacing those removed with others of the same pattern should be charged to this account.

NOTE A.—The cost of distributing new frogs and switches and picking up and loading frogs and switches removed in the course of betterment work should be charged to Operating Expenses.

NOTE B.—No entry is required in this account with respect to improved frogs and switches unless they are installed under a definite plan of improvement, such as increasing the weight of rail.

#### A 10. TRACK FASTENINGS AND APPURTENANCES.

To this account should be charged the cost of additional track fastenings and appurtenances and the excess cost of heavier or improved track fastenings and appurtenances over the cost of replacing in kind similar material removed, such as anticreepers, anglebars, connecting rods, guard rails (except on bridges, trestles, and culverts), guard-rail clamps and fasteners, nuts, nut locks, rail braces, rail chairs, rail slips, rail joints, splice bars, tie plates, and like material.

NOTE A.—The cost of distributing and applying new track fastenings and appurtenances and of picking up and loading material removed in the course of betterment work should be charged to Operating Expenses.

NOTE B.—No entry is required in this account with respect to improved track fastenings and appurtenances, unless they are applied under a definite plan of improving the tracks.

**A 11. BALLAST.**

To this account should be charged the cost of ballasting tracks not previously ballasted, and the excess cost of ballasting other tracks over the cost of restoring to its maximum height the ballast previously put on the roadbed. It includes the cost of broken stone, slag, gravel, or other material especially provided for ballast; and the expense of loading (except when necessary to dispose of waste material such as cinders from cinder pits), hauling, and unloading, including the rent and expenses of locomotives and cars and the pay of crews engaged in hauling and distributing; cost of spreading ballast and putting it under track, and cost of tools used in this work.

NOTE.—The cost of keeping tracks passable for traffic while being ballasted should be charged to the appropriate operating expense accounts.

**A 12. ADDITIONAL MAIN TRACKS.**

To this account should be charged the cost (excepting cost of right of way) of new second or other additional main tracks built alongside existing main tracks or built as additional main tracks during a change in the location of the existing main track or tracks. It includes the cost of engineering; clearing and grubbing; grading; tunnels (either new tunnels or the enlargement of existing tunnels to accommodate additional track or tracks); bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; interlocking and signal apparatus; also the cost of tools, the rent and expenses of locomotives and cars, and the pay of crews employed on the work.

NOTE A.—If, in constructing additional main tracks, it is necessary to remove or relocate telegraph or telephone poles or lines, fences, track signs or signals, buildings or other structures, or other tracks; or to relocate or reconstruct farm, country-road, or street crossings, including crossing gates, alarms and watchhouses, the cost of such work should be charged to the appropriate operating expense accounts.

NOTE B.—When a change of line is undertaken and more main tracks are laid on the new line than there were on the abandoned line, such portion of the cost of building the new line as represents the additional cost caused by providing the additional main tracks should be charged to this account and not to account A 5, "Grade Reductions and Changes of Line."

### A 13. SIDINGS AND SPUR TRACKS.

To this account should be charged the cost (except cost of right of way) of additional spur tracks, passing tracks, side tracks, and additional tracks in yards other than yards at division or train terminal points, and the cost of extending existing tracks of the kinds mentioned. This account includes engineering expenses; clearing and grubbing; grading; the cost of bridges, trestles, and culverts; ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; interlocking and signal apparatus; also the cost of tools, the rent and expenses of locomotives and cars, and the pay of crews employed on the work. It does not include the cost of tracks in shop buildings or enginehouses, on transfer tables or turntables, tracks leading from transfer tables or turntables to shop buildings or enginehouses, tracks on inclines to fuel stations, or to and in ballast pits and ballast quarries.

NOTE A.—Expenditures made for the construction of branch lines are to be charged in accordance with the Classification of Expenditures for Road and Equipment. Branch lines are defined as lines serving one or more stations beyond the point of junction with main line or another branch line, to or from which stations regular tariff rates are in effect. Spur tracks are defined as lines constructed to reach or serve industries, such as mills, mines, smelters, factories, etc., over which regularly scheduled passenger or freight train service is not performed, and for transportation over which only a switching charge, if any, is made.

NOTE B.—If, in the construction of additional or in the extension of existing passing tracks, side tracks, or spurs, it is necessary to remove or relocate telegraph or telephone poles or lines, fences, track signs or signals, buildings or other structures, or other tracks; or to relocate or reconstruct farm, country-road, or street crossings, including crossing gates, alarms, and watchhouses, the cost of such work should be charged to the appropriate operating expense accounts.

NOTE C.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

### A 14. TERMINAL YARDS.

To this account should be charged the cost (except the cost of right of way) of additional terminal yards and the cost of enlarging existing terminal yards at or near the termini of roads or divisions or at junctions with branch lines, in which trains are made up and dispatched and cars sorted and stored. It includes engineering expenses; clearing, grubbing, and grading; the cost of bridges, trestles, and culverts;



ties, rails, frogs, and switches; track fastenings and appurtenances; ballasting, tracklaying, and surfacing; interlocking and signal apparatus; also the cost of tools, the rent and expenses of locomotives, steam shovels, and cars, and the pay of crews employed on the work.

NOTE A.—When it is necessary to rearrange or relocate existing tracks in order to enlarge a terminal yard, the cost of such work should be charged to Operating Expenses.

NOTE B.—If, in the construction of additional or the enlargement of existing terminal yards, it is necessary to remove or relocate telegraph or telephone poles or lines, fences, track signs or signals, buildings or other structures, or other tracks; or to relocate or reconstruct farm, country-road, or street crossings, including crossing gates, alarms, and watch-houses, the cost of such work should be charged to the appropriate operating expense accounts.

NOTE C.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

#### A 15. FENCING RIGHT OF WAY.

To this account should be charged the cost of board, wire, rail, hedge, stone, or other fences along the right of way or limits of roadbed not previously fenced, including crossing gates, cattle guards, and wing fences thereto.

NOTE A.—No charge should be made to this account for fences constructed on a change of line (see account A 5, "Grade Reductions and Changes of Line") around stock yards, fuel stations, station grounds, and shops, or on other properties outside the right of way. The cost of additional permanent or portable fences for the protection of tracks from snow or sand should be charged to account A 31, "Snow and Sand Fences and Snowsheds."

NOTE B.—The \$200 minimum referred to in paragraph 13 of the General Instructions does not apply to amounts to be included in this account.

#### A 16. IMPROVEMENT OF CROSSINGS UNDER OR OVER GRADE.

To this account should be charged the cost of improvements made to existing overhead bridges or subways carrying roads, highways, or streets over or under tracks. It includes the excess cost of improved overhead bridges or parts of bridges over the cost of replacing in kind existing bridges or parts of bridges; the cost of additions to overhead bridges made necessary by the construction of additional main tracks, sidings, spur tracks, and terminal yards, or the extension of existing ones, including the excess

cost of new approaches to such bridges over the cost of replacing the approaches abandoned or removed; the cost of improvements to the roadway of existing overhead bridges and subways, including the roadway on the approaches thereto. If the extension of a bridge requires the alteration or modification of the existing structure, the excess cost of the improvement over the cost of replacing in kind the parts removed should be charged to this account.

NOTE A.—The cost of taking down abutments, piers, posts, etc., of overhead bridges and rebuilding them in new locations should be charged to the appropriate operating expense accounts.

NOTE B.—The cost of improving bridges and trestles carrying tracks over streets should be charged to account A 7, "Bridges, Trestles, and Culverts," and the cost of substituting overhead bridges or subways under tracks for existing grade crossings should be charged to account A 17, "Elimination of Grade Crossings."

NOTE C.—When subways or undergrade crossings are built in connection with grade reductions or changes of line, or the construction or extension of existing main tracks, sidings, and spur tracks, or terminal yards, the cost of the subways and of the bridges carrying the tracks over them should be charged to the appropriate account as a portion of the cost of such tracks or work.

#### A 17. ELIMINATION OF GRADE CROSSINGS.

To this account should be charged the cost of eliminating grade crossings by carrying railroads, streets, highways, country roads, or farm crossings over or under a carrier's tracks. It includes the cost of land necessary for the relocation of tracks, streets, or roads; damages to adjacent property and expenses of any litigation incidental thereto; the cost of elevated structures, retaining walls, or subways for carrying tracks over or under streets or roads; overhead bridges and subways (except when at stations and not public highways) carrying streets or roads over or under tracks; lowering or raising railway tracks, depots, platforms, and other buildings; grading approaches to subways and bridges; changing locations of streets or roads, and expenses incidental to such work, such as grading, paving, changing sewers, drains, water and gas pipes, and the like; and other necessary expenses for the elimination of crossings at grade.

NOTE A.—The cost of all repairs to tracks, raising or lowering them as filling or excavation progresses; keeping them in condition to handle traffic, and protecting traffic thereon; ballasting on completion of work (if previously ballasted); repairs to interlocking, block, and other signal systems, includ-

ing the elevation or depression thereof during the progress of work, and other similar expenses, should be charged to the appropriate operating expense accounts.

NOTE B.—Amounts collected from States, municipalities, or others as their contributions to or proportion of the cost of eliminating grade crossings should be credited to this account.

#### A 18. INTERLOCKING APPARATUS.

To this account should be charged the cost of additional interlocking plants or apparatus, and the excess cost of enlarged or improved interlocking plants or apparatus over the cost of replacing in kind interlocking plants or apparatus removed. It includes the cost of labor and of material, such as levers, racks, wires, pulleys, semaphores, semaphore signals, ground signals, posts, box troughs, and other fixtures; towers, power plants, batteries, wire, and other necessary material. If the improvement or enlargement of interlocking apparatus involves a partial destruction and reconstruction of the plant, the excess cost of the improvement or enlargement over the cost of replacing in kind the parts removed should be charged to this account.

NOTE A.—This account does not include the cost of additional or enlarged interlocking plants or apparatus made necessary by grade reductions and changes of line or by the building of additional main tracks, sidings, and spur tracks, or terminal yards.

NOTE B.—The cost of changing connections or locations of semaphores and other signals in the course of betterment work should be charged to Operating Expenses.

#### A 19. BLOCK AND OTHER SIGNAL APPARATUS.

To this account should be charged the cost of additional apparatus for all classes of block or other stationary signals. It includes the cost of labor and of material, such as levers, racks, wires, pulleys, semaphores, semaphore signals, ground signals, posts, box troughs, and other fixtures; and the cost of towers and offices or houses (other than station buildings) for block and signal operators; bonding rails; signal bells, including crossing alarm bells; power plants; batteries and wires; and other necessary appliances.

To this account should also be charged the excess cost of improved systems of block and other signal apparatus over the cost of replacing in kind existing signal apparatus.

NOTE.—The cost of altering or changing any system of block or other signals to connect two or more signal systems so that they may be operated as one system, and the cost of changing connections or locations during betterment work, should be charged to the appropriate operating expense account.

#### A 20. TELEGRAPH AND TELEPHONE LINES.

To this account should be charged the cost of additional telegraph and telephone lines, including the cost of conduits, poles, cables, wires, billets, insulators, tie wires, instruments, and other material; also the cost of labor employed and tools used in this work. To it should also be charged the cost of additional telegraph and telephone wires on existing pole lines.

When an improved wire is substituted for an inferior wire, the excess cost of the improvement over the cost of replacing in kind the wire removed should be charged to this account.

#### A 21. STATION BUILDINGS AND FIXTURES.

To this account should be charged the cost of additional station buildings or structures (except when classed as dock and wharf property), and the cost of additional fixtures, furniture, and facilities necessary to equip such new buildings for service or to enlarge the equipment of existing station buildings and structures; also the excess cost of new buildings or parts of buildings or new furniture, fixtures, and facilities over the cost of replacing in kind buildings or parts of buildings, furniture, fixtures, and facilities removed. It includes such items as architect's fees, cost of beautifying grounds, drainage systems, electric fixtures and wiring, elevators, excavations, fences, gas fixtures, foot-bridges (not highways), furniture, grading, heating apparatus, hedges, icing stations, paving, platforms, piping, pumps, sidewalks, stationary scales, station signs, stock pens, stoves, subways, turnstiles, water fixtures, and wells.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to Operating Expenses.

#### A 22. ROADWAY MACHINERY AND TOOLS.

To this account should be charged the cost of roadway machinery and tools (except hand and other small portable tools liable to be lost or stolen) not taking the place of machinery and tools of like purpose previously held. It includes the cost of machinery (not permanently mounted on wheels and considered as equipment), such as dredging, ditching, grading, pile-driving and steam-shovel machinery, and the cost of motor cars and other apparatus and instruments of special value used in the maintenance of roadway and for which a record is kept showing the person or persons responsible for their safe keeping.

NOTE A.—The cost of hand and other small portable roadway tools, liable to be lost or stolen, and roadway machinery and

appliances of which no record is kept, should be charged, when acquired, to an appropriate Materials and Supplies account, from which they should be charged, as issued, to the appropriate operating expense or other accounts.

NOTE B.—A record should be kept of any property charged to this account, and when it is retired from service from any cause the cost should be credited to this account, and such cost, less salvage and the amount reserved for depreciation, if any, charged to Operating Expenses.

#### A 23. SHOPS, ENGINEHOUSES, AND TURNTABLES.

To this account should be charged the cost of additional shops, enginehouses, and turntables, and of additional fixtures, facilities, and appurtenances (other than shop machinery and tools) necessary to equip them; also the excess cost of new buildings or structures or parts of buildings or structures, and new fixtures, facilities, and appurtenances over the cost of replacing in kind like property removed.

This account should include the cost of the following buildings or structures when built as parts of or for use in connection with shops, enginehouses, and turntables: Car sheds, cinder pits, drop pits, electric light and power plants, out-houses, sand houses, scrap bins, storehouses, tracks, and transfer tables; also the cost of the following items incidental to the construction or improvement of the buildings or structures mentioned: Architects' fees, beautifying grounds, excavations, foundations, electric fixtures, fences, gas fixtures, grading, heating plants and apparatus, hedges, platforms, sewerage systems, sidewalks; turntable levers, tractors, and stops; and water system connections.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to Operating Expenses.

#### A 24. SHOP MACHINERY AND TOOLS.

To this account should be charged the cost of machinery and tools installed in shops or enginehouses and not replacing other tools and machinery, including foundations therefor, the cost of transportation, loading, unloading, and placing machinery in position. This account includes the cost of additional stationary engines and boilers, automatic stokers, ash conveyors; electric generators and motors, switchboards, compressors; shafting, belting; cranes; stationary and portable forges; trip hammers, lifting magnets,

and hydraulic, pneumatic, and electric machines; and other machinery and tools installed in shops and enginehouses, including the necessary small hand tools first to equip them, but not including additional small hand tools furnished to shops or enginehouses already in operation.

To it should also be charged the excess cost of machinery and tools (except hand and other small portable tools) of an improved type or character installed in shops or enginehouses over the cost of replacing in kind machinery or tools abandoned. The excess cost of foundations for new machinery over the cost of replacing in kind the foundations for existing machinery and the cost of unloading and placing the machinery thereon, should be charged to this account.

#### A 25. WATER AND FUEL STATIONS.

To this account should be charged the cost of additional structures used as, or in connection with, stations for supplying locomotives with water or fuel; also the excess cost of new structures or parts of structures of this class over the cost of replacing in kind structures removed. The following items are chargeable to this account:

For water stations: Boilers, cisterns, dams, engines, and fixtures; fences, foundations, penstocks and connections, pipe lines and piping, pumps, pump houses, purifying plants, settling basins, stand pipes, tanks, tubs, track tanks or troughs, wells, windmills, and other machinery and appliances necessary to operate water stations.

For fuel stations: Ash handling plants, buckets, cranes, chutes, dumping machinery, elevators, engines (stationary), fences, platforms, scales, sheds, tipple cars, wood racks, fuel-oil plants, inclines at fuel stations and tracks on same, and other machinery and appliances necessary to operate fuel stations.

NOTE A.—This account should not include waterworks, wells, fuel stations, coal houses, etc., used exclusively for supplying water or fuel to shops, power plants, stations, hotels, and tenement or section houses, which should be charged to the appropriate accounts.

NOTE B.—The cost of restoring the condition of grounds after betterment work, including the filling of abandoned wells and cisterns, should be charged to Operating Expenses.

#### A 26. GRAIN ELEVATORS AND STORAGE WAREHOUSES.

To this account should be charged the cost of additional grain elevators and storage warehouses, including the cost of

foundations, conveyors, machinery, and fixtures therein; the cost of additional conveyors, machinery, and fixtures for such existing buildings; also the excess cost of improved machinery, fixtures, etc., over the cost of replacing in kind existing machinery, fixtures, etc. When such buildings are altered or enlarged, the excess cost of the improvement over the cost of replacing in kind the parts abandoned or removed should be charged to this account.

NOTE A.—The cost of filling foundations and restoring the condition of grounds after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

NOTE B.—The buildings referred to in this account are not small storage elevators at way stations or ordinary freight warehouses where freight is received for shipment, etc., but large elevators in which a regular grain business is handled or grain is stored for various owners, and warehouses in which merchandise is stored. Small storage elevators at way stations are classed as station buildings.

#### A 27. DOCK AND WHARF PROPERTY.

To this account should be charged the cost of additional docks, wharves, landings, slips, float bridges, and inclines to transfer steamers, and the cost of buildings, structures, coal and ore handling machinery, and other necessary facilities erected as additions to existing docks or wharves or in connection with the construction of additional docks or wharves. It includes also the cost of additional slips and of piling, pile protection, cribs, cofferdams, walls, and other necessary devices and apparatus for the operation or protection of docks and wharves.

To this account should also be charged the excess cost of improved docks, wharves, landings, slips, float bridges, and inclines to transfer steamers, and of buildings, structures, coal and ore handling machinery, and other necessary facilities on docks and wharves over the cost of replacing in kind like property abandoned or removed.

NOTE A.—The cost of restoring the condition of docks or wharves and land upon which they are situated after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

NOTE B.—The cost of land on which additional wharves are built and of riparian or water rights for docks and wharves should be charged to account A 1, "Right of Way and Station Grounds."

#### A 28. ELECTRIC LIGHT AND POWER PLANTS.

To this account should be charged the cost of additional electric light and power plants (except those used exclusively for furnishing light or power to office buildings, or to station grounds and buildings, or to shop grounds and buildings), including the cost of buildings, dynamos and generators, condensers and transformers, boilers and engines, switchboards, storage batteries, poles, insulators, and wires for electric lines; glass globes, electric lamps, hangers for lights, and other material necessary first to equip them. It includes also the cost of power houses and car sheds at power plants; flowage rights; dams, reservoirs, penstocks, water wheels or turbines, pumps, and other machinery, and the foundations therefor; and other construction expenses necessary for the erection of new and additional electric light and power plants, and the excess cost of improved plants, buildings, machinery, and appurtenances over the cost of replacing in kind like property removed.

When the improvement involves a modification or alteration of existing structures, there should be charged to this account the excess cost of the improvement over the cost of replacing in kind the parts abandoned.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

#### A 29. ELECTRIC-POWER TRANSMISSION.

To this account should be charged the cost of additional systems for the transmission of electricity for power purposes, including span, guard, feed, and overhead trolley wires; poles, cross-arms, brackets, insulators, and connections; third rails, including braces, supports, and devices for insulating, covering, or protecting; bonding rails, including connecting plugs, insulating mats, plugs, or other devices; switchboards, switches, cut-outs, transformers, etc. (not at power stations or substations), and other expenditures necessary for the building of additional lines for the transmission of electric power.

To this account should also be charged the excess cost of improved transmission lines or parts of lines over the cost of replacing in kind property of like purpose abandoned.

#### A 30. GAS-PRODUCING PLANTS.

To this account should be charged the cost of additional gas-producing and gas-compressing plants; the cost of addi-



tional machinery and appliances for such plants; and the excess cost of improved plants, machinery, or appliances, over the cost of replacing in kind like property abandoned. If an improvement requires the alteration or modification of existing structures, there should be charged to this account the excess cost of the improvement over the cost of replacing in kind the parts removed.

NOTE.—The cost of restoring the condition of grounds after betterment work should be charged to the appropriate account under Operating Expenses or Outside Operations.

#### A 31. SNOW AND SAND FENCES AND SNOWSHEDS.

To this account should be charged the cost of additional snowsheds, including rock filling when necessary, and permanent or portable fences for the protection of tracks from snow and sand.

NOTE.—When permanent snow or sand fences take the place of existing right-of-way fences, the entire cost of the new fences should be charged to this account, the original cost (estimated, if not known) of the right-of-way fences removed being credited to account A 15, "Fencing Right of Way," and charged, together with the cost of removal, less salvage, to the appropriate operating expense account.

#### A 32. RECONSTRUCTION OF ROAD PURCHASED.

When a railroad is purchased and the property (other than equipment) acquired is in such a physical condition that it is necessary substantially to rebuild the road within one year after its acquisition, in order to bring it up to the standard required by the purchasing company, such part of the cost of rebuilding as will, when added to the amount paid for such property, equal the cost of replacing the property as rebuilt, should be charged to this account, and any excess of the cost of such property plus the cost of rebuilding over the cost of replacing it as rebuilt, should be charged to Profit and Loss; if the work of rebuilding is not done within one year after the date of acquisition, the cost of any improvements should be charged to the other accounts in this classification, subject to the conditions prescribed for improvements of other property.

If, however, the work of reconstruction referred to above is necessarily delayed to a time more than one year after the acquisition of the property, and the purchasing company desires to make the improvements under the conditions named and to include the cost in this account, it may

file with the Interstate Commerce Commission a description of the property acquired and a comprehensive statement showing the amount paid for the road purchased, the appraised value of the physical property acquired, the amount which it is proposed to expend upon improvements, and the nature of the improvements necessary to be made and other pertinent facts, and upon approval of the Commission the cost of the improvement may be disposed of as indicated.

Equipment acquired as part of the property of a road purchased should not be included in this account, but the appraised value at the time of acquisition should be charged to account A 33, "Equipment."

#### A 33. EQUIPMENT.

To this account should be charged the cost of all newly acquired equipment, such as steam locomotives, electric locomotives, passenger-train cars, freight-train cars, work equipment (for general use), floating equipment, and the necessary appurtenances, fixtures, and furniture first to fit out for service, including the cost of inspection, setting up, and trying out, and transportation over foreign lines; also, the cost of additional devices and apparatus applied to equipment, such as electric headlights, power brakes, vestibules, machinery for self-propulsion, heating and lighting apparatus, and the like; and the excess cost of improved appliances and parts or appurtenances over the cost of replacing in kind the appliances and parts or appurtenances removed.

To this account should be credited the original cost (estimated, if not known) of any equipment destroyed, sold, or otherwise permanently retired from service; but if the value (the original cost) of any equipment as carried in the accounts representing the cost of equipment has been written down in consideration of depreciation accrued previously to July 1, 1907, the depreciated value at that date instead of the original cost should be credited to this account; proper account should be taken of any salvage; and the "Reserve for Accrued Depreciation" account should be debited with an amount equal to the amount previously credited thereto with respect to the equipment retired. The difference between the actual depreciation (original cost or depreciated value on July 1, 1907, less salvage) and the reserve for accrued depreciation should be charged to the appropriate account in Operating Expenses, if the difference is due to depreciation in service since July 1,

1907; to Profit and Loss if due to depreciation in service before that date; and, if not readily assignable, the amount should be prorated between Operating Expenses and Profit and Loss on the basis of the time in service after and before that date.

When any equipment is in such physical condition that it must be practically rebuilt in order to fit it for service, or when any equipment requires repairs which, if made, would constitute the major portion of its value, it should, when taken out of service, be considered as retired and be written out of the accounts as provided in the preceding paragraph; upon being rebuilt, the cost of replacing in kind the equipment as rebuilt (consideration being given to second-hand parts remaining therein) should be charged to this account.

NOTE A.—When important additions and betterments projects or the construction of new lines necessitate the purchase of work equipment to be used exclusively thereon, the cost of such equipment should be included in the accounts representing the cost of the work, and no charge should be made to Operating Expenses for depreciation on such equipment while the cost remains so charged. The amount realized from any subsequent sale, or the appraised value of the equipment retained after the completion of the special work for which it was purchased, should be credited to the accounts charged with its cost. The appraised value of such equipment retained should be debited to this account, and thereafter, for the purposes of this account, such appraised value should be considered as the cost of the equipment.

NOTE B.—When any equipment is changed into equipment of another class, as a freight-train car into a work car, and the change involves a partial destruction and partial reconstruction of the equipment altered, the excess cost of the new parts or appurtenances over the cost of replacing in kind those removed should be charged to this account. If no betterment is involved in the change, the difference between the cost or record value and the depreciated value at the date of change should be credited to this account. In either case, the Reserve for Accrued Depreciation account should be debited with an amount equal to the accrued depreciation previously credited thereto with respect to the equipment changed, and thereafter depreciation should be based upon the appraised value after the change in the class to which converted. The cost of dismantling the old equipment and such part of the cost of making the change as does not distinctly better it should be charged to Operating Expenses.

#### A 34. INTEREST AND COMMISSIONS.

When any bonds, notes, or other evidences of indebtedness are sold, or any interest-bearing debt is incurred for additions

and betterments purposes, the interest that accrues on such part of the debt as represents the cost of property chargeable to additions and betterments (less interest, if any, allowed by depositories on unexpended balances) after such funds become available for use and before the receipt or the completion or coming into service of the property so acquired should be charged to this account.

If any bona fide allowance is made or brokerage paid to agents or factors for services rendered in the sale of bonds, notes, or other evidences of indebtedness issued for additions and betterments purposes, there should be charged to this account such proportion of the brokerage or commission so paid as the amount expended for and chargeable to Additions and Betterments bears to the whole amount realized from the sale of the securities.

NOTE A.—Interest on bonds, notes, or other evidences of indebtedness, accruing before the proceeds from the sale of the securities become available for use, should not be included in this account nor should there be included any interest accruing after the property with respect to which the proceeds are expended is received or becomes available for use.

NOTE B.—If any securities which have been issued or assumed by the carrier (except securities which have been sold and reacquired) are sold or exchanged by or for the carrier for a consideration the actual money value of which, at the time of such sale or exchange, is less than the value of the securities at par and the accrued interest thereon, if any, the difference between the money value of the consideration received and the par value of the securities plus the accrued interest shall be deemed a discount and in no case should discounts be included as part of the cost of anything charged to any account prescribed in this classification.

#### A 35. OTHER ADDITIONS AND BETTERMENTS.

To this account should be charged the cost of additional structures or facilities, not taking the place of property of like purpose previously held, and the excess cost of enlarged or improved structures and facilities over the cost of replacing in kind like property retired from service by reason of the improvements, when such cost is proper, under the general rules governing this classification, to be included in Additions and Betterments and is not classifiable under any of the foregoing accounts in this classification. This account should not be charged with any amount with respect to unapplied materials and supplies, or property which may not be readily identified

and inventoried, such as wood ties of a better grade replacing those of an inferior grade; or assessments by towns, cities, or other governmental authorities against a carrier as a property holder for public improvements which do not directly benefit the carrier in the operation or maintenance of its property.

NOTE.—All entries in this account are required to be shown in such detail in Annual Reports to the Interstate Commerce Commission as will denote the character of the improvement made or the property acquired by the expenditures charged to this account.

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