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Accounting for a Moving and Storage Company

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ACCOUNTING FOR A MOVING AND STORAGE COMPANY

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General accounting is basically the same for all industries. The variations from the "norm" enter with the specific demands or problems most pertinent to a given business, and all practical accountants know that no two companies, even of like endeavor, will handle similar problems in exactly the same manner. In many instances, management's interests and demands color accounting records that otherwise might tend to recordings for tax purposes only.

But management must play a dual role with the Interstate Commerce Commission in bookkeeping for a transfer company of any sizable proportion. Under present ruling, any Class I Common and Contract Motor Carrier is subject to audit by the I.C.C. and must present reports and statements in accordance with published rulings and regulations put out by this government agency. Class I Carriers are those with an average gross operating revenue (including inter-state and intra-state) of $100,000 or over annually from property motor carrier operations.

The chart of accounts for each company's General Ledger and certain subsidiary ledgers must coincide with those specified by the Interstate Commerce Commission. This is understandable when we realize that rates for the entire industry are set through the accumulated information gleaned from the numerous operators within that industry. Hence, for the best interest of both the operators and the public which it serves, facts must be comparative.

Section 222(g) of the Interstate Commerce Act sets forth the penalty for not complying with the provision, as follows:

> *Any motor carrier, broker, or other person, or any officer, agent, employee, or representative thereof, who shall willfully fail or refuse to make a report to the Commission as required by this part, or to make specific and full, true, and correct answer to any question within 30 days from the time it is lawfully required by the Commission so to do, or to keep accounts, records, and memoranda in the form and manner prescribed by the Commission, or shall knowingly and willfully falsify, destroy, mutilate, or alter any such report, account, record, or memorandum, or shall knowingly and willfully file with the Commission any false report, account, record, or memorandum, or shall knowingly and willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the business of the carrier, or person required under this part to keep the same,*

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or shall knowingly and willfully keep any accounts, records, or memoranda contrary to the rules, regulations, or orders of the Commission with respect thereto, shall be deemed guilty of a misdemeanor and upon conviction thereof be subject for each offense to a fine of not more than $5,000.

While is would be informative to list the complete outline of accounts, space here does not permit. Anyone who is interested can purchase the "Uniform System of Accounts for Class I Common and Contract Motor Carriers of Property" by writing the U.S. Government Printing Office, Washington 25, D.C., and enclosing 25c. For the student in accounting, there is a world of facts about the transportation industry included in this 84 page booklet.

While we cannot include the entire outline of accounts, the condensed form of the Income Statement gives an idea of what is expected generally:

FORM OF INCOME STATEMENT

I. CARRIER OPERATING INCOME:

Revenues:

3000. Operating Revenues

Expenses:

4000. Operation and Maintenance Expenses
5000. Depreciation Expense
5100. Depreciation Adjustment
5150. Amortization Chargeable to Operations
5200. Operating Taxes and Licenses
5300. Operating Rents—Net

Total expenses

Net Operating Revenue

5400. Lease of Distinct Operating Unit—Debit
5500. Lease of Distinct Operating Unit—Credit
Net Carrier Operating Income

II. OTHER ORDINARY INCOME:

6100. Income from Noncarrier Operations—net
6300. Interest Income
6400. Dividend Income
6500. Other Nonoperating Income

Total Other Ordinary Income

Gross Ordinary Income

III. DEDUCTIONS FROM ORDINARY INCOME:

7100. Interest
7300. Amortization of Debt Discount & Expense
7400. Amortization of Premium on Debt-Credit
7500. Other Deductions

Total Deductions from Ordinary Income

Net Ordinary Income

IV. EXTRAORDINARY INCOME:

8100. Extraordinary Income Credits
8200. Extraordinary Income Charges
8400. Delayed Income Credits
8600. Delayed Income Charges

Total Extraordinary Income

Net Income Before Income Taxes

8800. Income Taxes

Net Income (or loss)

* Listed on page 83 of the Uniform System of Accounts.

Each of the above categories have lengthy descriptions and explanations, and each is again divided into further classifications. As a matter of illustration, we will elaborate on one phase of the operations and show some of the additional breakdowns kept in the General Ledger for the Operating Revenue account. In the detailed chart of Revenue Accounts appears the following breakdown:

3000 OPERATING REVENUES

This account shall include the total operating revenues, as provided in the primary operating revenue accounts, derived by the carrier from its motor carrier operations.

3100—*Freight Revenue — Intercity — Common Carrier.*

3110—*Freight Revenue — Intercity — Contract Carrier.*

3120—*Freight Revenue—Local Cartage.*

3130—*Intercity Transportation for other Class 1 Motor Carriers.*

3900—*Other Operating Revenue.*

The Commission is specific in what it wants in the several classifications, and further details each account with instructions like the following:

3120—FREIGHT REVENUE—LOCAL CARTAGE

(a) *This account shall include revenue earned by common or contract carriers from the transportation of property in local cartage service, such as:*

(1) *Revenue from pickup and delivery and local transfer services performed for carriers by motor vehicle, railroad, air, water and express, and for freight forwarders.*

(2) *Revenue from other local transfer service.*

(3) *Fees for handling C.O.D.'s.*

(b) *This account shall be debited with overcharges resulting from the use of erroneous local rates, weights, classifications or computations and uncollected earnings on freight damaged or destroyed in transit, or short and lost freight.*

It further defines local service for the purpose of accounting and of compiling statistical data as transportation performed within a city or town including the suburban area contiguous thereto. This area in miles varies throughout the country; in such large cities as New York, Chicago or Los Angeles, the suburban area permitted to be included as local cartage will be farther reaching than such area in smaller localities, where the population is concentrated within a lesser space.

In instances where there may be confusion as to just what is expected in a given account, the Commission has made clarifying explanations, such as one that follows the No. 3120 account detailed above. Note B reads:

When a carrier employs vehicles and services of others on a commission or other basis for hauling loads in its local cartage service, and the expenses incurred in their operation are borne by the owners of the vehicles, the carrier shall record the freight revenue from such hauls in this account in the same manner as if it owned the vehicles. Amounts paid to the owners of the vehicles as compensation for the hauls shall be charged to account 4275—*Purchased Pickup and Delivery.*

As can be seen from the illustrations given, the wordage is simple and readily understandable. Many of the classifications listed will not be used by one company. It must be borne in mind that motor carriers again are divided into several categories, including those who transport household goods, heavy freight, perishable foods, fuel oils, etc. The chart of accounts for any one particular company, therefore, is only as selected from the prescribed Uniform System of Accounts as pertinent to that company's operations. But it is advisable to use the numeral designation for a particular heading as given in the System of Accounts, so reporting to the I.C.C. is simplified.

If company management has a somewhat different reporting form, it is suggested that a chart of accounts be set up for their purpose with a different numerical code. Both numbers can be placed at the top of the ledger sheet for easy selection in audit and/or reporting. Some very large van line companies use this method with success. However, for distribution purposes as to the general ledger accounts, the chart to take precedence must be prescribed, just as the General Ledger itself must needs follow one prescribed outline.

For the most part, the average sized operator would be better served by following only one system of accounts—and that the one set forth by the Interstate Commerce Commission. Outside accountants or tax accountants for growing transfer and storage companies would do well to start their accounts on the prescribed I.C.C. system before the actual need arises. Thus, the bookkeeping department is familiar with the set-up and equipped to ride along in harness when the $100,000 mark arrives.

In the FORM OF INCOME STATEMENT shown above, the segregation between *I. Carrier Operating Income* and *II. Other Ordinary Income* calls for comment. First, it is noticed that Carrier Operating Income is carefully segregated between income and expense, whereas Other Ordinary Income requires only the net difference be stated. Again, the I.C.C.'s interest in those operations covered by freight tariffs is apparent. The Commission is concerned with the relation of expenses to income in the Motor Carrier operations only.

Naturally, if undue losses appeared in Section I as compared to huge income in Section II or III, investigation would be instigated to verify the figures presented; but in the main, the I.C.C. is concerned with carrier operations only, and carrier operations are local and inter-city cartage.

It is necessary, therefore, to deviate somewhat from the prescribed chart for those accounts starting at No. 6100 if a more accurate accounting of warehouse and other non-carrier operations is required. A note following the No. 6100 account reads:

Each carrier may adopt its own classification of revenues and expenses for this account. The classification shall be such, however, as to permit ready analysis.

An important phase in accounting for the transfer and storage industry arises in distribution of expenses between carrier and non-carrier operations. Although many companies have grown through the expansion of a warehousing program; in most instances, the warehousing (or non-carrier operation) started because someone had some household goods to be delivered somewhere and needed a temporary set-off space. Van terminals kept enlarging to take care of increasing quantities of goods to be stored for indefinite periods of time. But always this storage operation is incidental to the ever-pressing need to keep the rolling equipment busy and "on the move," so current expenses can be met. Traffic Departments are set up to sell moving jobs and management is concerned principally with the problem of the motor vehicle operations. Thus, original intent sways allocations to expense accounts where there might otherwise be question.

All in all, the same problems loom in accounting for a moving and storage company as arise in other businesses *plus* the added interest of the Interstate Commerce Commission.