

net income or loss accounted for during the year directly to balance sheet account 2890 Additional Capital Invested, or optionally, to this account for subsequent transfer to balance sheet account 2890 Additional Capital Invested.

(e) A separate subaccount to this account shall be maintained to record changes in the valuation of marketable equity securities included in noncurrent assets. Such changes shall be reflected in this subaccount to the extent the balance in this subaccount represents

a net unrealized loss as of the current balance sheet date.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 242, Jan. 3, 1985]

2990 Treasury Stock.

(a) Record here the cost of capital stock issued by the air carrier reacquired by it and not retired or canceled.

(b) Separate records shall be established for each class and series of capital stock held in this account.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

PROFIT AND LOSS CLASSIFICATION

SECTION 7—CHART OF PROFIT AND LOSS ACCOUNTS

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
OPERATING REVENUES AND EXPENSES			
Transport revenues:			
01 Passenger:			
01.1 Passenger—first class	31, 32	31, 32	31, 32.
01.2 Passenger—coach	31, 32	31, 32	31, 32.
05 Mail:			
05.1 Priority	31, 32	31, 32	31, 32.
05.2 Nonpriority	31, 32	31, 32	31, 32.
05.3 Foreign	31, 32	31, 32	31, 32.
06 Property:			
06.1 Freight	31, 32	31, 32	31, 32.
06.2 Excess passenger baggage	31, 32	31, 32	31, 32.
07 Charter:			
07.1 Passenger	32	32	32.
07.2 Property	32	32	32.
19 Air transport—other:			
19.1 Reservation cancellation fees	31, 32	31, 32	31, 32.
19.2 Miscellaneous operating revenues	31, 32	31, 32	31, 32.
08 Public service revenues (subsidy)	48	48	48.
Transport-related revenues and expenses:			
09 In-flight sales:			
09.1 Liquor and food—gross revenues	48	48	48.
09.2 Movies and stereo—gross revenues	48	48	48.
09.3 Other—gross revenues	48	48	48.
09.4 Liquor and food—depreciation expense	71	71	71.
09.5 Liquor and food—other expense	71	71	71.
09.6 Movies and stereo—depreciation expense	71	71	71.
09.7 Movies and stereo—other expense	71	71	71.
09.8 Other—depreciation expense	71	71	71.
09.9 Other—expense	71	71	71.
10 Restaurant and food service (ground):			
10.1 Gross revenues	48	48	48.
10.2 Depreciation expense	71	71	71.
10.3 Other expenses	71	71	71.
11 Rents:			
11.1 Gross revenues	48	48	48.
11.2 Depreciation expense	71	71	71.
11.3 Other expenses	71	71	71.
12 Limousine service:			
12.1 Gross revenues	48	48	48.
12.2 Depreciation expense	71	71	71.

SECTION 7—CHART OF PROFIT AND LOSS ACCOUNTS—Continued

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
12.3 Other expenses	71	71	71.
13 Interchange sales:			
13.1 Associated companies—gross revenues	48	48	48.
13.2 Outside—gross revenues	48	48	48.
13.3 Associated companies—depreciation expense	71	71	71.
13.4 Associated companies—other expense	71	71	71.
13.5 Outside—depreciation expense	71	71	71.
13.6 Outside—other expense	71	71	71.
14 General service sales:			
14.1 Associated companies—gross revenues	48	48	48.
14.2 Outside—gross revenues	48	48	48.
14.3 Associated companies—depreciation expense	71	71	71.
14.4 Associated companies—other expense	71	71	71.
14.5 Outside—depreciation expense	71	71	71.
14.6 Outside—other expense	71	71	71.
16 Substitute (replacement) service:			
16.1 Gross revenues	48	48	48.
16.2 Expense	71	71	71.
17 Air cargo service:			
17.1 Gross revenues	48	48	48.
17.2 Depreciation expense	71	71	71.
17.3 Other expense	71	71	71.
18 Other transport related items:			
18.1 Gross revenues	48	48	48.
18.2 Depreciation expense	71	71	71.
18.3 Other expense	71	71	71.
19 Other operating revenues:			
19.1 Reservations cancellation fees	31, 32	31, 32	31, 32.
19.9 Miscellaneous operating revenues	31, 32, 41	31, 32, 41	31, 32, 41.
Transport expenses:			
21 General management personnel	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
23 Pilots and copilots	51	51	51.
24 Other flight personnel	51, 69	51, 55	51, 55.
25 Maintenance labor:			
25.1 Labor—airframes and other flight equipment .....	.....	52	52.
25.2 Labor—aircraft engines .....	.....	52	52.
25.6 Labor—flight equipment	52 .....	.....	.....
25.9 Labor—ground property and equipment	52, 53	52, 53	52, 53.
26 Aircraft and traffic handling personnel	69 .....	.....	.....
26.1 General aircraft and traffic handling personnel .....	.....	64, 67	61, 62, 63, 65.
26.2 Aircraft control personnel .....	.....	64	61.
26.3 Passenger handling personnel .....	.....	64, 67	62, 65.
26.4 Cargo handling personnel .....	.....	64, 67	62, 65.
28 Trainees, instructors and unallocated shop labor:			
28.1 Trainees and instructors	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
28.2 Unallocated shop labor	53	53	53.
30 Communications personnel	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
31 Recordkeeping and statistical personnel	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
32 Lawyers and law clerks	69	68	68.
33 Traffic solicitors	69	67	65.
34 Purchasing personnel	53, 69	53, 68	53, 68.
35 Other personnel	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
36 Personnel expenses	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
37 Communications purchased	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.

SECTION 7—CHART OF PROFIT AND LOSS ACCOUNTS—Continued

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
38 Light, heat, power, and water	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
39 Traffic commissions	69	67	65.
39.1 Commissions—passenger .....	.....	67	65.
39.2 Commissions—property .....	.....	67	65.
40 Legal fees and expenses	69	68	68.
41 Professional and technical fees and expenses	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68
43 General services purchased:			
43.1 Airframe and other flight equipment repairs .....	.....	52	52
43.2 Aircraft engine repairs	52	52 .....	.....
43.6 Flight equipment repairs	52 .....	.....	.....
43.7 Aircraft interchange charges	51, 52	51, 52	51, 52
43.8 General interchange service charges	52, 69	52, 55, 64, 67, 68.	52, 55, 61, 62, 63, 65, 66, 68
43.9 Other services	52, 53, 69	52, 53, 55, 64, 67, 68.	52, 53, 55, 61, 62, 63, 65, 66, 68
44 Landing fees	69	64	61.
45 Aircraft fuels and oils	51 .....	.....	.....
45.1 Aircraft fuels .....	.....	51	51.
45.2 Aircraft oils .....	.....	51	51.
46 Maintenance materials:			
46.1 Airframes and other flight equipment .....	.....	52	52
46.2 Aircraft engines .....	.....	52	52.
46.6 Flight equipment	52 .....	.....	.....
46.9 Ground property and equipment	52, 53	52, 53	52, 53.
47 Rentals	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
49 Shop and servicing supplies	53, 69	53, 64	53, 61.
50 Stationery, printing, and office supplies	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
51 Passenger food expense	69	55	55.
53 Other supplies	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
54 Inventory adjustments	53, 69	53, 55	53, 55.
55 Insurance—general	51, 53, 69	51, 53, 68	51, 53, 68.
56 Insurance—traffic liability	69	55, 64	55, 62.
57 Employee benefits and pensions	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
58 Injuries, loss and damage	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
59 Schedules and timetables	69	67	65, 66.
60 Advertising	69	67	66.
61 Foreign exchange gains and losses	69	68	68.
62 Other promotional and publicity expenses	69	67	66.
63 Interrupted trips expense	69	55	55.
64 Memberships	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
65 Corporate and fiscal expenses	69	68	68.
66 Uncollectible accounts	69	68	68.
67 Clearance, customs and duties	69	64	61, 62.
68 Taxes—payroll	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
69 Taxes—other than payroll	51, 69	51, 68	51, 68.
71 Other expenses	51, 53, 69	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
72 Aircraft overhauls	52, 53	52, 53	52, 53.

SECTION 7—CHART OF PROFIT AND LOSS ACCOUNTS—Continued

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
72.1 Airworthiness allowance provisions—airframes	52, 53	52, 53	52, 53.
72.3 Airframe overhauls deferred	52, 53	52, 53	52, 53.
72.6 Airworthiness allowance provisions—aircraft engines	52, 53	52, 53	52, 53.
72.8 Aircraft engine overhauls deferred	52, 53	52, 53	52, 53.
73 Provisions for obsolescence and deterioration—expendable parts:			
73.1 Current provisions	70	70	70.
73.2 Inventory decline credits	70	70	70.
74 Amortizations:			
74.1 Developmental and preoperating expenses	70	70	70.
74.2 Other intangibles	70	70	70.
75 Depreciation:			
75.1 Airframes	70	70	70.
75.2 Aircraft engines	70	70	70.
75.3 Airframe parts	70	70	70.
75.4 Aircraft engine parts	70	70	70.
75.5 Other flight equipment	70	70	70.
75.6 Flight equipment	70	70	70.
75.8 Maintenance equipment and hangars	70	70	70.
75.9 General ground property	70	70	70.
76 Amortization expense, capital leases:			
76.1 Amortization—capitalized flight equipment	70	70	70
76.2 Amortization—capitalized other property and equipment	70	70	70
77 Uncleared expense credits:			
77.8 Uncleared interchange expense credits	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
77.9 Other uncleared expense credits	53, 69	53, 55, 64, 67, 68.	53, 55, 61, 62, 63, 65, 66, 68.
78 Direct maintenance—flight equipment	52	52	52.
79 Applied burden Dr/Cr:			
79.6 Flight equipment	52 Dr, 53 Cr ..	52 Dr, 53 Cr ..	52 Dr, 53 Cr.
79.8 General ground property	52 Dr, 53 Cr ..	52 Dr, 53 Cr ..	52 Dr, 53 Cr.
NONOPERATING INCOME AND EXPENSE			
81 Interest on long-term debt and capital leases:			
81.1 Interest expense, long-term debt	81	81	81
81.2 Interest expense, capital leases	81	81	81
82 Other interest:			
82.1 Interest expense, short-term debt	81	81	81
83.1 Imputed interest capitalized—credit	81	81	81
83.2 Imputed interest deferred—debit	81	81	81
83.3 Imputed interest deferred—credit	81	81	81
83.4 Interest capitalized—credit	81	81	81
84.1 Amortization of discount and expense on debt	81	81	81
84.2 Amortization of premium on debt	81	81	81
85 Foreign exchange gains and losses	81	81	81
89 Other nonoperating income and expense-net:			
80.0 Interest income	81	81	81
86.0 Income from nontransport ventures	81	81	81
87.0 Equity in income of investor controlled companies	81	81	81
88.1 Intercompany transaction adjustment-credit	81	81	81
88.2 Dividend income	81	81	81
88.3 Net unrealized gain or loss on marketable equity securities	81	81	81.
88.4 Net realized gain or loss on marketable equity securities	81	81	81.
88.5 Capital gains and losses—operating property	81	81	81.
88.6 Capital gains and losses—other	81	81	81.
88.7 Unapplied cash discounts	81	81	81.
88.9 Other miscellaneous nonoperating credits	81	81	81.
89.1 Intercompany transaction adjustment—debit	81	81	81.
89.9 Other miscellaneous nonoperating debits	81	81	81.
INCOME TAXES			
91 Provision for income taxes:			
91.1 Income taxes before investment tax credits	91	91	91.
91.2 Investment tax credits utilized	91	91	91.
92 Provisions for deferred income taxes:			
92.1 Current provisions for deferred taxes	91	91	91.

SECTION 7—CHART OF PROFIT AND LOSS ACCOUNTS—Continued

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
92.2 Application of deferred taxes	91	91	91.
92.3 Adjustment of deferred taxes	91	91	91.
93 Investment tax credits deferred and amortized:			
93.1 Investment tax credits deferred	91	91	91.
93.2 Amortization of deferred investment tax credits	91	91	91.
94 Excess profits taxes	91	91	91.
DISCONTINUED OPERATIONS			
95 Discontinued operations:			
95.1 Income from discontinued operations	96	96	96.
95.2 Loss on disposal of discontinued operations	96	96	96.
EXTRAORDINARY ITEMS			
96 Extraordinary items	97	97	97.
97 Income taxes applicable to extraordinary items	97	97	97.
CHANGES IN ACCOUNTING PRINCIPLES			
98 Cumulative effects of change in accounting principles	98	98	98.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-781, 37 FR 25223, Nov. 29, 1972; 37 FR 28277, Dec. 22, 1972; ER-797, 38 FR 10926, May 3, 1973; ER-841, 39 FR 11995, Apr. 2, 1974; ER-948, 41 FR 12295, Mar. 25, 1976; ER-980, 42 FR 35, Jan. 3, 1977; ER-1013, 42 FR 37515, July 21, 1977; ER-1401, 50 FR 242, Jan. 3, 1985; Amdt. 241-56, 52 FR 9129, Mar. 23, 1987; Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

SECTION 8—GENERAL

(a) The profit and loss accounts are designed to reflect, through natural groupings, the elements entering into the derivation of income or loss accruing to the proprietary interests during each accounting period.

(b) The prescribed system of accounts provides for the co-ordinate grouping of all revenues and expenses in terms of both major natural objectives and functional activities and for subdivision of both to provide varying degrees of detail for air carriers of differing accounting capacities and/or requirements.

(c) The detailed objective accounts established for each air carrier group, by the dual subdivision of profit and loss elements in terms of both natural objectives and functional activities, are set forth in section 7, Chart of Profit and Loss Accounts.

(d) The prescribed system of accounts provides generally that profit and loss elements shall be grouped in accordance with their inherent characteristics within the following primary classifications:

(1) *Operating revenues.* (i) This primary classification shall include revenues of a character usually and ordinarily derived from the performance of air transportation and air transportation-related services, which relate to services performed during the current accounting year, and adjust-

ments of a recurrent nature applicable to services performed in prior accounting years.

(ii) Operating revenues shall be subclassified in terms of functional activities as provided in section 9.

(2) *Operating expenses.* (i) This primary classification shall include expenses of a character usually and ordinarily incurred in the performance of air transportation and air transportation-related services, which relate to services performed during the current accounting year, and adjustments of a recurring nature attributable to services performed in prior accounting years.

(ii) Operating expenses shall be subclassified in terms of functional activities as provided in sections 10 and 11.

(3) *Nonoperating income and expense—net.* This primary classification (8100) shall include income and loss incident to commercial ventures not inherently related to the performance of the common carrier air transport services of the accounting entity; other revenues and expenses attributable to financing or other activities which are extraneous to and not an integral part of air transportation or its incidental services; and special recurrent items of a nonperiod nature.

(4) *Income taxes for current period.* This primary classification (9100) shall include provisions for Federal, state, local, and foreign taxes which are based upon the net income of

the air carrier for the current period together with refunds for excess profits credits or carryback of losses and increases or reductions of income taxes of prior years of a magnitude which will not distort net income of the current accounting year. Income taxes applicable to special income credits or debits recorded in profit and loss classification 9700 Extraordinary Items, and other material income tax items not allocable to income of the current accounting year, shall not be included in this classification but in profit and loss classification 9700 Extraordinary Items.

(5) *Discontinued operations.* This primary classification (9600) shall include earnings and losses of discontinued nontransport operations and gains or losses from the disposal of nontransport operations the result of which are customarily accounted for through profit and loss objective accounts 86, 87 and 88.2.

(6) *Extraordinary items.* This primary classification (9700) shall include material items characterized by their unusual nature and infrequent occurrence.

(7) *Cumulative effect of changes in accounting principles.* This primary classification (9800) shall include the cumulative effect of material changes in accounting principles.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-841, 39 FR 11997, Apr. 2, 1974; ER-980, 42 FR 36, Jan. 3, 1977, Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

SECTION 9—FUNCTIONAL CLASSIFICATION—OPERATING REVENUES

3900 Transport Revenues.

This classification is prescribed for all air carrier groups and shall include all revenues from the air transportation of traffic of all classes. It shall consist of the following subclassifications:

3100 Scheduled Services.

This subclassification shall include revenues from the transportation by air of individual passengers or cargo shipments (as opposed to charter flights) pursuant to published schedules, including extra sections and other flights performed as an integral part of published flight schedules.

3200 Nonscheduled Services.

This subclassification shall include revenues from the transportation by air of traffic applicable to the performance of aircraft charters, and other air transportation services not part of services performed pursuant to published flight schedules (but shall not include data applicable to flights performed as extra sections to published flight sched-

ules, which shall be reported in the subclassification 3100 Scheduled Services).

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1401, 50 FR 243, Jan. 3, 1985]

4800 Transport-Related Revenues.

(a) This classification is prescribed for all air carrier groups and shall include all revenues from the United States Government as direct grants or aids for providing air transportation facilities and all revenues from services which grow from and are incidental to the air transportation services performed by the air carrier.

(b) Revenues related to services of a magnitude or scope beyond an incidental adjunct to air transportation services shall not be included in this classification (see section 1-6(b)). Revenues applicable to such services shall be included in profit and loss classification 8100, Nonoperating Income and Expense-Net, and the accounting modified to conform with that of a nontransport division whether or not the service is organized as a nontransport division.

[ER-841, 39 FR 11997, Apr. 2, 1974]

SECTION 10—FUNCTIONAL CLASSIFICATION—OPERATING EXPENSES OF GROUP I AIR CARRIERS

5100 Flying Operations.

(a) This function shall include expenses incurred directly in the in-flight operation of aircraft and expenses attaching to the holding of aircraft and aircraft operational personnel in readiness for assignment to an in-flight status.

(b) This function shall not include expenses incurred in repairing, servicing or storing aircraft, expenses incurred on the ground in protecting and controlling the inflight movement of aircraft, or the compensation of ground personnel and other expenses incurred in scheduling or preparing aircraft or aircraft operational personnel for flight assignment. Such expenses shall be included in function 5400 Maintenance or function 6900 General Services and Administration.

5400 Maintenance.

(a) This function shall include all expenses, both direct and indirect, specifically identifiable with the repair