

the operation of city traffic offices. Expenses incurred in stimulating traffic and promoting the air carrier or air transportation generally shall not be included in this subfunction but in subfunction 6600 Advertising and Publicity.

**6600 Advertising and Publicity.**

a. This subfunction shall include expenses incurred in creating public preference for the air carrier and its services; stimulating development of the air transport market; and promoting the air carrier or developing air transportation generally.

b. This subfunction shall not include expenses incurred in direct sales solicitation and selling of aircraft space. Such costs shall be included in subfunction 6500 Reservations and Sales.

**6800 General and Administrative.**

(a) This function shall include expenses of a general corporate nature and expenses incurred in performing activities which contribute to more than a single operating function such as general financial accounting activities, purchasing activities, representation at law, and other general operational administration, which are not directly applicable to a particular function.

(b) This function shall not include expenses incurred directly in promoting traffic or in promoting relations of the air carrier generally with the public which shall be included in function 6700 Promotion and Sales. Nor shall this function include expenses, regularly applicable in large part to a specific function, which contribute only incidentally, or in small amount, to various other functions. Such expenses when of such size as will not distort the function to which predominantly related, shall be included in the specific function to which regularly related. However, expenses of a general administrative character and of significant amount regularly contributing to operating functions generally shall be included in this function.

**7000 Depreciation and Amortization.**

This function shall include all charges to expense to record losses suffered through current exhaustion of the serviceability of property and equipment due to wear and tear from use and the action of time and the elements, which are not replaced by cur-

rent repairs, as well as losses in serviceability occasioned by obsolescence, supersession, discoveries, change in popular demand or action by public authority. It shall also include charges for the amortization of capitalized developmental and preoperating costs, leased property under capital leases, and other intangible assets applicable to the performance of air transportation. (See sections 6-1696, 1830 and 1890.)

[Amdt. 241-58, 54 FR 5595, Feb. 6, 1989]

**7100 Transport-Related Expenses.**

(a) This function shall include all expense items applicable to the generation of transport-related revenues included in section 9, Function 4800.

(b) Such expense related to services of a magnitude or scope beyond an incidental adjunct to air transportation services shall not be included in this function (see section 1-6(b)). Expenses applicable to the generation of such revenues 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.

(c) This function shall also include expenses representing increases in costs incurred in common with the air transport service, to the extent such increases result from the added transport-related services, as well as a pro rata share of the costs incurred by the air carrier in operating facilities which are used jointly with others. As a general rule, this function shall not include those expenses, other than joint facilities, costs, which would remain as an essential part of the air transport services if the transport-related services were terminated.

[ER-841, 39 FR 11997, Apr. 2, 1974, as amended by ER-1401, 50 FR 244, Jan. 3, 1985]

**Section 12 Objective Classification—Operating Revenues and Expenses**

**00 General Instructions.**

(a) Basic objective accounts, applicable to all air carrier groups, are established for recording all revenue and expense elements. These basic accounts

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are in certain areas subdivided to provide greater detail for indicated air carrier groups.

(b) Each air carrier shall credit the gross revenues accruing from services ordinarily associated with air transportation and transportation-related services to the appropriate account established for each revenue source. Expenses incident to transport and transport-related services shall be charged to the accounts established in this section in accordance with the objectives served by each expenditure. However, direct costs of forwarding traffic as a result of interrupted trips, and refunds of sales, shall be charged to the applicable revenue account.

(c) To the end that the integrity of the prescribed objective accounts shall not be impaired, each air carrier shall:

(1) Charge the appropriate account prescribed for each service purchased or expense element incurred expressly for the benefit of the air carrier regardless of whether incurred directly by the air carrier or through an agent or other intermediary, and (2) except as provided in objective account 77, Uncleared Expense Credits, credit or charge, as appropriate, the account prescribed for each expense element which may be involved in distributions of expenses between (i) separate operating entities of the air carrier, (ii) transport-related services and transport services, or transport functions, (iii) balance sheet and profit and loss elements, and (iv) the air carrier and others, when the expenses are incurred initially by or for the benefit of the air carrier. At the option of the air carrier, standard rates applicable to each objective account comprising a particular pool of expenses subject to assignment between two or more activities, may be established for proration purposes, provided the rates established are predicated upon the experience of the air carrier and are reviewed and modified as appropriate at least once each year.

### TRANSPORT REVENUES

#### 01 Passenger.

(a) Record here revenue from the transportation of passengers by air, including infants transported at reduced fares, berth charges, surcharges for

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premium services and other similar charges. Revenue from airline employees, officers and directors, or other persons, except for ministers of religion, who are traveling under reduced-rate transportation authorized by 49 U.S.C. 41511(a) and 14 CFR part 223, as well as revenue from travel agents, cargo agents and tour conductors traveling at reduced fares, and revenues from service charges for passengers traveling on a nonrevenue basis shall be recorded in objective account 19 Air Transport—Other.

(b) This account shall be subdivided as follows by all air carrier groups:

##### 01.1 Passenger—First Class.

Record here revenue from the air transportation of passengers moving at either standard fares or premium fares, or at reduced fares not predicated upon the use of aircraft space specifically separated from first class, and for whom standard or premium quality services are provided.

##### 01.2 Passenger—Coach.

Record here revenue from the air transportation of passengers moving at special fares reduced from the first class or premium fares which are predicated upon both the operation of specifically designated aircraft space and a reduction in the quality of service regularly and ordinarily provided.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 36, Jan. 3, 1977; 60 FR 66723, Dec. 26, 1995]

#### 05 Mail.

(a) Record here revenue from the transportation by air of both United States and foreign mail.

(b) Fines and penalties imposed by the United States Government and foreign governments in connection with the carriage of mail shall not be charged to this account but to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits.

(c) This account shall be subdivided as follows by all air carrier groups:

##### 05.1 Priority.

Record here revenue from United States mail for which transportation by air is provided on a priority basis.

##### 05.2 Nonpriority.

Record here revenue from United States mail for which transportation by air is provided on a space available basis.

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### 05.3 *Foreign.*

Record here revenue from the transportation by air of mail other than United States mail.

[ER-980, 42 FR 36, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5595, Feb. 6, 1989]

### 06 **Property.**

(a) Record here revenue from the transportation by air of property including excess passenger baggage.

(b) Revenues resulting from services incidental to the transportation services such as collection of shipper's interest insurance premiums and charges and fees for service such as pick-up and delivery, assembly and distribution, storage and handling, and C.O.D. collection shall not be credited to this account but to profit and loss account 17 Air Cargo Services.

(c) This account shall be subdivided as follows by all air carrier groups:

#### 06.1 *Freight.*

Record here revenue from the transportation by air of property other than passenger baggage.

#### 06.2 *Excess Passenger Baggage.*

Record here revenue from the transportation by air of passenger baggage in excess of fixed free allowance.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1401, 50 FR 244, Jan. 3, 1985]

### 07 **Charter.**

(a) Record here the revenue from nonscheduled air transport services (except as otherwise required by profit and loss Account 86 Income from Non-transport Ventures) where the party receiving the transportation obtains exclusive use of an aircraft at either published tariff or other contractual rates and the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, the accounting air carrier. This account shall also include revenues from air transport services other than inter-airport services, whether scheduled or nonscheduled, where each passenger or shipment receiving transportation is individually documented and does not obtain exclusive use of an aircraft.

(b) This account shall not include revenues or fees received from other

air carriers for flight facilities furnished or operated by the accounting air carrier where the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of other air carriers. Such revenues and related expenses shall be included in profit and loss accounts 11, Rents; 13, Interchange Sales; or 18, Other Transport-Related Revenues and Expenses.

(c) This account shall be subdivided as follows by all air carrier groups:

#### 07.1 *Passenger.*

Record here revenue from the transportation of passengers and their personal baggage.

#### 07.2 *Property.*

Record here revenue from the transportation of property.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 37, Jan. 3, 1977; ER-1401, 50 FR 244, Jan. 3, 1985]

### TRANSPORT RELATED REVENUES AND EXPENSES

### 08 **Public Service Revenues (Subsidy).**

Record here amounts of compensation received pursuant to the provisions of 49 U.S.C. 41733 under rates established by the Department of Transportation for the provision of essential air service to small communities.

[Amdt. 241-58, 54 FR 5595, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]

### 09 **In-Flight Sales.**

(a) Record here revenues from and expenses related to transport-related services performed while in flight.

(b) This account shall be subdivided as follows by all air carrier groups:

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09.1 *Liquor and food—gross revenues.*

09.2 *Movies and stereo—gross revenues.*

09.3 *Other—gross revenues.*

09.4 *Liquor and food—depreciation expense.*

09.5 *Liquor and food—other expense.*

09.6 *Movies and stereo—depreciation expense.*

09.7 *Movies and stereo—other expense.*

09.8 *Other—depreciation expense.*

09.9 *Other—expense.*

## 10 Restaurant and Food Service (Ground).

(a) Record here revenues from and expenses related to the operation of restaurants and similar facilities, and from sales of food. (See section 12-51.)

(b) This account shall be subdivided as follows by all air carrier groups:

10.1 *Gross revenues.*

10.2 *Depreciation expense.*

10.3 *Other expense.*

## 11 Rents.

(a) Record here revenues from and expenses related to property and equipment owned or leased which has been rented or subleased to others exclusive of associated companies. This account shall not include fees from the use by others of air carrier aircraft under aircraft interchange agreements.

(b) This account shall be subdivided as follows by all air carrier groups:

11.1 *Gross Revenues.*

11.2 *Depreciation Expense.*

11.3 *Other Expenses.*

## 12 Limousine Service.

(a) Record here revenues from and expenses related to the operation of passenger limousine surface transportation services.

(b) This account shall be subdivided as follows by all air carrier groups:

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12.1 *Gross Revenues.*

12.2 *Depreciation Expense.*

12.3 *Other Expenses.*

## 13 Interchange Sales.

(a) Record here the revenues or fees from and the expenses related to services provided associated companies and other than associated companies by the air carrier under aircraft interchange agreements. This account shall be charged and the applicable operating expense objective accounts shall be credited, except as provided in operating expense objective account 77, Uncleared Expense Credits, with the expenses attaching to services provided all companies under aircraft interchange agreements.

(b) This account shall not include revenues or expenses related to air transportation services performed in the name of and for the account of the accounting air carrier. Such revenues shall be included in applicable transport revenue and operating expense objective accounts.

(c) This account shall be subdivided as follows by all air carrier groups:

13.1 *Associated companies—gross revenues.*

13.2 *Outside—gross revenues.*

13.3 *Associated companies—depreciation expense.*

13.4 *Associated companies—other expense.*

13.5 *Outside—depreciation expense.*

13.6 *Outside—other expense.*

## 14 General Service Sales.

(a) Record here the revenues, commissions or fees from and expenses related to other than air transportation and aircraft interchange services provided to associated and outside companies by the air carrier. This account shall include the contractual fees or other revenues from and expenses related to services provided to associated and other companies in the operation of facilities which are used jointly with associated and other companies as well as revenues from and the costs related to the sale of supplies, parts and repairs sold directly or furnished as a part of services to associated and other companies.

(b) This account shall not include consideration received from sales of property, equipment, materials or supplies when disposed of as a part of a program involving retirement of property and equipment as opposed to routine sales and services to associated and other companies unless such disposition is conducted as a normal part of the incidental sales activity. Such retirement gain or loss shall be included in capital gains and losses accounts. Maintenance parts, materials or supplies sold as a service to others shall be charged to this account at cost without adjustment of related obsolescence or depreciation allowances.

(c) This account shall be subdivided as follows by all air carrier groups:

14.1 *Associated companies—gross revenues.*

14.2 *Outside—gross revenues.*

14.3 *Associated companies—depreciation expense.*

14.4 *Associated companies—other expense.*

14.5 *Outside—depreciation expense.*

14.6 *Outside—other expense.*

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 37, Jan. 3, 1977]

#### **16 Substitute (replacement) Service.**

(a) Record here revenues from and expenses related to substitute service. This account shall include as revenues all monies received from substitute carriers and as expense all monies paid to substitute carriers.

(b) This account shall be subdivided as follows by all air carrier groups:

16.1 *Gross revenue.*

16.2 *Expense.*

#### **17 Air Cargo Services.**

(a) Record here fees and other revenues from and expenses related to incidental services performed in connection with cargo shipments such as pickup and delivery fees, shipper's interest insurance charges, storage and handling fees, etc.

(b) This account shall be subdivided as follows by all air carrier groups:

17.1 *Gross Revenues.*

17.2 *Depreciation Expense.*

17.3 *Other Expenses.*

#### **18 Other Transport-Related Revenues and Expenses.**

(a) Record here revenues from and expenses related to transport-related services not provided for in profit and loss accounts 10 through 17, inclusive, such as revenues and expenses incident to the operation of flight facilities by the accounting air carrier, except those operated under aircraft interchange agreements, where the remuneration paid by the party receiving transportation accrues directly to, and the responsibility for providing transportation is that of, other air carriers; and the revenues and expenses incident to vending machines, parcel rooms, storage facilities, etc.

(b) [Reserved]

(c) Revenues from the renting or leasing of property and equipment to others shall not be included in this account but in profit and loss account 11 Rents.

(d) This account shall be subdivided as follows by all air carrier groups:

18.1 *Gross Revenues.*

18.2 *Depreciation Expense.*

18.3 *Other Expenses.*

#### **19 Air Transport—Other.**

(a) Record here revenues associated with air transportation conducted by the air carrier, not provided for in profit and loss accounts 01 through 09, inclusive, such as revenue from (1) airline employees, officers and directors, or other persons, except for ministers of religion, who are traveling under reduced-rate transportation authorized by 49 U.S.C. 41511(a) and 14 CFR part 223, as well as travel agents, cargo agents and tour conductors traveling at reduced fares, (2) service charges for failure to cancel or for late cancellation of air transportation reservations, and (3) nontransportation service charges collected on both revenue and nonrevenue flights.

(b) Revenues derived from sight-seeing, aerial photography, advertising, or other special flights shall not

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be included in this account but in account 07 Charter.

(c) This account shall be subdivided as follows by all air carrier groups:

19.1 *Reservations Cancellation Fees.*

19.9 *Miscellaneous Operating Revenue.*

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-820, 38 FR 24352, Sept. 7, 1973; ER-841, 39 FR 11997, Apr. 2, 1974; ER-980, 42 FR 37, Jan. 3, 1977; 60 FR 66723, Dec. 26, 1995]

### TRANSPORT EXPENSES

#### 20 General Instructions.

(a) Each element of expense ordinarily associated with air transportation services shall be charged to the accounts established in this section in accordance with the objectives served by each expenditure. Basic objective accounts, applicable to all air carrier groups, are established for recording all expense elements. These basic accounts are in certain areas subdivided to provide greater detail for indicated air carrier groups.

(b) To the end that the integrity of the prescribed objective accounts shall not be impaired, each air carrier shall:

(1) Charge the appropriate account prescribed for each service purchased or expense element incurred expressly for the benefit of the air carrier regardless of whether incurred directly by the air carrier or through an agent or other intermediary, and (2) except as provided in objective account 77 Uncleared Expense Credits, credit or charge, as appropriate, the account prescribed for each expense element which may be involved in distributions of expenses between (i) separate operating entities of the air carrier, (ii) incidental and transport services or transport functions, (iii) balance sheet and profit and loss elements and (iv) the air carrier and others, when the expenses are incurred initially by or for the benefit of the air carrier. At the option of the air carrier, standard rates applicable to each objective account comprising a particular pool of expenses subject to assignment between two or more activities, may be established for proration purposes, provided the rates established are predicated upon the experience of the air carrier and are reviewed

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and modified as appropriate at least once each year.

#### 21 General Management Personnel.

Record here the compensation, including vacation and sick leave pay, of general officers and supervisors, and immediate assistants regardless of locality at which based, responsible for an activity not provided for in profit and loss accounts 25 through 35, inclusive, or an activity involving two or more such accounts.

#### 23 Pilots and Copilots.

Record here the compensation, including vacation and sick leave pay, of pilots and copilots assigned or held inactive awaiting assignment to flight duty.

#### 24 Other Flight Personnel.

Record here the compensation, including vacation and sick leave pay, of other flight personnel assigned or held inactive awaiting assignment to flight status, not responsible for the in-flight management of aircraft, such as engineers, navigation officers and cabin attendants.

#### 25 Maintenance Labor.

(a) Record here the compensation for time of personnel spent directly on specific property and equipment maintenance projects. (See sections 10 and 11-5200.) Vacation and sick leave pay shall be charged to profit and loss account 28 Trainees, Instructors and Unallocated Shop Labor.

(b) This account shall be subdivided as follows:

##### GROUP II AND GROUP III AIR CARRIERS

##### 25.1 *Labor—Airframes and Other Flight Equipment.*

Record here the direct labor expended upon airframes, spare parts related to airframes, and other flight equipment (Other than aircraft engines and spare parts related to aircraft engines). Other flight equipment shall include instruments, which encompass all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines which are maintained separately from airframes and aircraft engines.

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### 25.2 *Labor—Aircraft Engines.*

Record here the direct labor expended upon aircraft engines and spare parts related to aircraft engines.

#### GROUP I AIR CARRIERS

### 25.6 *Labor—Flight Equipment.*

Record here the direct labor expended upon flight equipment of all types and classes.

#### ALL AIR CARRIER GROUPS

### 25.9 *Labor—Ground Property and Equipment.*

Record here the direct labor expended upon ground property and equipment of all types and classes. Direct labor expended upon general ground properties shall be charged to subfunction 5200 Direct Maintenance; and direct labor expended upon maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1401, 50 FR 244, Jan. 3, 1985]

## **26 Aircraft and Traffic Handling Personnel.**

(a) Record here the compensation, including vacation and sick leave pay, of personnel of all types and classes, including direct supervisory personnel, assigned to ground activities, engaged directly in protecting and controlling aircraft in flight, scheduling and preparing flight crews for flight assignment, parking and servicing aircraft incidental to line operations, and of personnel of all types and classes engaged in servicing and handling traffic of all types and classes on the ground.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

### 26.1 *General Aircraft and Traffic Handling Personnel.*

Record here compensation of personnel handling or controlling aircraft and generally servicing or handling traffic of all types and classes whose activities are not identifiable with the particular activities provided for in subaccounts 26.2, 26.3, or 26.4, inclusive.

### 26.2 *Aircraft Control Personnel.*

Record here compensation of personnel whose activities are identifiable with the protection and control of aircraft in flight and in scheduling or preparing flight crews for flight assignment.

### 26.3 *Passenger Handling Personnel.*

Record here compensation of personnel whose activities are identifiable with the handling of passengers.

### 26.4 *Cargo Handling Personnel.*

Record here compensation of personnel whose activities are identifiable with the handling of passenger baggage, mail, express, or freight.

## **28 Trainees, Instructors, and Unallocated Shop Labor.**

(a) Record here the compensation, including vacation and sick leave pay, of instructors and personnel in an off-the-job training status; direct maintenance personnel compensation not assigned to specific projects; and vacation or sick leave pay of direct maintenance personnel.

(b) This account shall be subdivided as follows by all air carrier groups:

### 28.1 *Trainees and Instructors.*

Record here the compensation of instructors and personnel in a training status.

### 28.2 *Unallocated Shop Labor.*

Record here the pay of direct maintenance personnel which has not been assigned to profit and loss account 25 Maintenance Labor for time spent on specific maintenance projects, and vacation or sick leave pay of direct maintenance personnel.

## **30 Communications Personnel.**

Record here the compensation, including vacation and sick leave pay, of personnel of all types and classes, including direct supervisory personnel, engaged in local, interstation, or groundair communication activities. This account shall include compensation of personnel such as radio operators, telephone operators, switchboard operators, teletype operators, messengers, etc.

## **31 Recordkeeping and Statistical Personnel.**

Record here the compensation, including vacation and sick leave pay, of personnel including supervisory personnel, whose primary duties relate to maintaining records or conducting economic or other analyses required for general management controls, such as accountants, economists, statisticians, maintenance record clerks, stores

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record clerks, stores receiving and issuing clerks and file clerks. The account shall not include personnel engaged in documentation or other activities constituting an integral part of activities encompassed by other objective accounts.

### 32 Lawyers and Law Clerks.

Record here the compensation, including vacation and sick leave pay, of air carrier personnel engaged in law research or representing the air carrier in matters of law.

### 33 Traffic Solicitors.

Record here the compensation, including vacation and sick leave pay, of personnel engaged directly in solicitation of traffic of all types and classes. This account shall not include compensation of traffic office personnel engaged in soliciting activities incidental to the documenting of sales and assigning aircraft space which shall be included in profit and loss account 26 Aircraft and Traffic Handling Personnel.

### 34 Purchasing Personnel.

(a) Record here the compensation, including vacation and sick leave pay, of personnel, including direct supervisory personnel, engaged in purchasing activities.

(b) This account shall include compensation of personnel engaged in maintaining purchasing records but shall not include compensation of personnel responsible for the control of inventories or stores which shall be included in objective account 31 Record Keeping and Statistical Personnel. In cases where the responsibility for maintaining purchasing and stores records are inseparable, the related compensation may be accounted for in accordance with dominant responsibilities.

### 35 Other Personnel.

Record here the compensation, including vacation and sick leave pay, of personnel whose activities are not identifiable with activities provided for in profit and loss accounts 21 through 34, inclusive.

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### 36 Personnel Expenses.

(a) Record here expenses incurred by officers, executives, directors and other personnel, whether for the benefit of the air carrier or for the private benefit of such persons, which are directly or indirectly borne by the air carrier.

(b) This account shall include allowances in lieu of expenses as well as expenses incurred for travel, lodgings, meals, entertainment of individuals or groups of individuals, and membership fees and dues in professional or social clubs and associations.

(c) Records shall be maintained in a conveniently accessible form which will separately and clearly document each charge to this account in terms of its natural characteristics and contribution to the performance of the air carrier's transport operations. The records shall be maintained in such manner as will identify specifically the persons incurring the cost. Costs for standby hotel or other facilities maintained for the air carrier's personnel generally need not be allocated among the individuals using such facilities; however, sufficiently detailed records are required to identify the use made of such facilities by each individual.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-948, 41 FR 12295, Mar. 25, 1976]

### 37 Communications Purchased.

Record here expenses, including related taxes, incurred for rental of communication services and for communication services of all types and classes not provided by personnel of the air carrier, such as telegraph, telephone, teletype, private line services, and charges for communication services from organizations operated jointly with associated companies or others.

### 38 Light, Heat, Power and Water.

Record here charges related to the provision of light, heat, power and water including related taxes.

### 39 Traffic Commissions.

(a) Record here charges by others, including associated companies, for commissions arising from sales of transportation. Commissions, fees or other charges incurred for general agency services, as opposed to commissions



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arising from sales of transportation, shall not be included in this account but in profit and loss account 43 General Services Purchased.

(b) This account shall be subdivided as follows by Group II and Group III air carriers.

### 39.1 *Commissions—Passenger.*

Record here charges for commissions arising from sales of passenger transportation.

### 39.2 *Commissions—Property.*

Record here charges for commissions arising from sales of nonpassenger transportation.

## 40 Legal Fees and Expenses.

Record here expenditures incurred for legal services by counsel retained on a fee basis and related expenses reimbursed or borne directly by the air carrier and other expenses incurred directly by the air carrier for legal supplies not obtainable from the air carrier's general stationery stock. This account shall not be charged with legal fees or expenses incurred in connection with claims occasioned by accidents or other casualties. Such charges shall be accumulated in balance sheet account 1890 Other Assets and cleared to profit and loss account 58 Injuries, Loss and Damage upon settlement of insurance claims. Nor should this account include fees or expenses related to developmental projects. Such expenses shall be included, as appropriate, in profit and loss account 89.9 Other Miscellaneous Nonoperating Debits or balance sheet account 1830 Unamortized Developmental and Preoperating Costs.

[ER-980, 42 FR 37, Jan. 3, 1977]

## 41 Professional and Technical Fees and Expenses.

Record here fees and expenses, other than legal fees and expenses, incurred for outside professional and technical services which are reimbursed or borne directly by the air carrier. This account shall not include fees or expenses related to developmental projects. Such expenses shall be included, as appropriate, in profit and loss account 89.9 Other Miscellaneous Nonoperating Debits or balance sheet account 1830

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Unamortized Developmental and Preoperating Costs.

[ER-980, 42 FR 37, Jan. 3, 1977]

## 43 General Services Purchased.

(a) Record here charges for services performed for the air carrier by outside and associated companies which are not identifiable with services provided for in profit and loss accounts 37 through 41, inclusive, or which are not expressly identified with other objective expense accounts.

(b) Charges from outside and associated companies for services provided the air carrier under aircraft interchange agreements or other agreements embracing a complete activity or service, such as the operating of jointly used ground facilities, shall be included in this account for each operating function to which the services contribute. Charges for providing aircraft capacity, including charges for depreciation and interest on the capital related to the flight equipment provided, shall be included in function 5100 Flying Operations.

(c) This account shall be subdivided by each air carrier group, as follows:

### GROUP II AND GROUP III AIR CARRIERS

#### 43.1 *Airframe and Other Flight Equipment Repairs.*

Record here charges for maintenance or repair of airframes and spare parts related to airframes owned or leased by the air carrier. Charges for maintenance or repair of other flight equipment (including instruments) owned or leased by the air carrier, excluding aircraft engines and spare parts related to aircraft engines, shall also be recorded here. Instruments shall include all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines, which are maintained separately from airframes and aircraft engines. Charges by outside and associated companies for maintenance of flight equipment provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges.

#### 43.2 *Aircraft Engine Repairs.*

Record here charges for maintenance of repair or aircraft engines, including spare parts related to aircraft engines owned or leased by the air carrier. Charges by outside and associated companies for maintenance of aircraft engines provided under aircraft

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interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges.

### GROUP I AIR CARRIERS

#### 43.6 *Flight Equipment Repairs.*

Record here charges for maintenance or repair of flight equipment of all types and classes owned or leased by the air carrier. Charges by outside and associated companies for maintenance of flight equipment provided under aircraft interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges.

### ALL AIR CARRIER GROUPS

#### 43.7 *Aircraft Interchange Charges.*

Record here charges by outside and associated companies for providing aircraft capacity or services related to the direct operation or maintenance of flight equipment under aircraft interchange agreements.

#### 43.8 *General Interchange Service Charges.*

Record here charges by outside and associated companies for services provided the air carrier under aircraft interchange agreements, other than charges related to the direct operation or maintenance of flight equipment, including all charges for maintenance and repair of group properties, as well as fees or charges for traffic solicitation and sales, or supervision and administration covered by the aircraft interchange agreements. Charges for depreciation or interest on capital related to flight equipment provided under interchange agreements shall not be included in this subaccount but in subaccount 43.7 Aircraft Interchange Charges.

#### 43.9 *Other Services.*

Record here charges for maintenance and repair of ground property and equipment of all types and classes and other charges for services performed by outside and associated companies not provided for elsewhere. This subaccount shall include only those charges for services not provided for elsewhere in profit and loss accounts 37 to 41, inclusive, and subaccounts 43.1 to 43.8, inclusive, embracing a complete activity or service provided by outside and associated companies such as the operation of traffic offices or other facilities used jointly with the air carrier which do not represent reimbursement of specific expense elements incurred expressly for the benefit of the air carrier. Reimbursement of expenses incurred expressly for the benefit of the air carrier shall be entered in appropriate personnel compensation or other objective expense accounts. The cost of services received in the repair of general ground properties shall be charged to

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subfunction 5200 Direct Maintenance; and services received in the repair of maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

[Amdt. 241–56, 52 FR 9129, Mar. 23, 1987]

### 44 **Landing Fees.**

Record here the charges and fees incurred for landing of aircraft while in line operation.

### 45 **Aircraft Fuels and Oils.**

(a) Record here the cost of fuels and oils issued from stocks of the air carrier, or delivery directly by others, to aircraft for use in flight operations. Adjustments of inventories of aircraft fuel and oil shall also be entered in this account. The cost of fuels and oils used in repairs and maintenance services and nonrefundable fuel and oil taxes shall not be included in this account but in profit and loss accounts 49 Shop and Servicing Supplies and 69 Taxes—Other than Payroll, respectively.

(b) This account shall be subdivided as follows by Group II and Group III air carriers:

#### 45.1 *Aircraft Fuels.*

Record here the cost of fuels used in flight operations.

#### 45.2 *Aircraft Oils.*

Record here the cost of oils used in flight operations.

### 46 **Maintenance Materials.**

(a) Record here the cost of materials and supplies consumed directly in specific property and equipment maintenance projects.

(b) This account shall be subdivided as follows:

#### GROUP II AND GROUP III AIR CARRIERS

#### 46.1 *Materials—Airframes and Other Flight Equipment.*

Record here the cost of materials and supplies consumed directly in maintenance of airframes and spare parts related to airframes. Other flight equipment (including instruments), excluding aircraft engines and spare parts related to aircraft engines, shall also be recorded here. Instruments shall include all gauges, meters, measuring devices, and indicators, together with appurtenances thereto for installation in aircraft and aircraft engines, which are maintained separately from airframes and aircraft engines.

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### 46.2 *Materials—Aircraft Engines.*

Record here the cost of materials and supplies consumed directly in maintenance of aircraft engines and spare parts related to aircraft engines.

#### GROUP I AIR CARRIERS

### 46.6 *Materials—Flight Equipment.*

Record here the cost of materials and supplies consumed directly in the maintenance of flight equipment of all types and classes.

#### ALL AIR CARRIER GROUPS

### 46.9 *Materials—Ground Property and Equipment.*

Record here the cost of materials and supplies consumed directly in the maintenance of ground property and equipment of all types and classes. The cost of materials and supplies consumed in the repair of general ground properties shall be charged to subfunction 5200 Direct Maintenance and materials and supplies consumed in the repair of maintenance buildings and equipment shall be charged to subfunction 5300 Maintenance Burden.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1401, 50 FR 245, Jan. 3, 1985]

### **47 Rentals.**

Record here rentals, fee, or charges incurred in the use of property and equipment provided by others. When a lease arrangement provides that the amounts paid include charges for maintenance, insurance, or taxes, the amounts related thereto shall not be recorded in this account but in the appropriate expense account to which related.

### **49 Shop and Servicing Supplies.**

Record here the cost of supplies and expendable small tools and equipment used in maintaining, servicing and cleaning property or equipment the cost of which cannot be directly assigned to a specific job or type of work.

### **50 Stationery, Printing and Office Supplies.**

Record here the cost of stationery and forms used by the air carrier including the cost of engineering and shipping supplies.

### **51 Passenger Food Expense.**

(a) Record here the cost of food and refreshments served passengers except

food costs arising from interrupted trips.

(b) If the air carrier prepares its own food, the initial cost and expenses incurred in the preparation thereof shall be accumulated in a clearly identified clearing account through which the cost of food shall be cleared to this account, to profit and loss account 36 Personnel Expenses, and to profit and loss account 10 Hotel, Restaurant and Food Service on bases which appropriately allocate the cost of food served passengers, the cost of food provided employees without charge and the cost of food sold.

### **53 Other Supplies.**

Record here the cost of supplies consumed and not provided for otherwise.

### **54 Inventory Adjustments.**

Record here adjustments for overage, shortage or shrinkage of inventories carried in balance sheet account 1300 Spare Parts and Supplies. Adjustment of aircraft fuel and oil inventories due to retroactive price increases and decreases shall not be included in this account but in profit and loss account 45 Aircraft Fuels and Oils. Gains or losses from retirements of materials and supplies shall not be recorded in this account but in profit and loss account 88.5 Capital Gains and Losses—Operating Property.

[ER-980, 42 FR 37, Jan. 3, 1977]

### **55 Insurance—General.**

Record here the cost of public liability and property damage insurance and all other general insurance except insurance covering liability for injuries, loss, and damage to passengers and cargo, and insurance carried for the protection or welfare of employees.

[ER-948, 41 FR 12295, Mar. 25, 1976]

### **56 Insurance—Traffic Liability.**

Record here the cost of purchased insurance covering liability for injuries, loss and damage to passengers and cargo.

[ER-980, 42 FR 37, Jan. 3, 1977]

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### 57 Employee Benefits and Pensions.

(a) Record here all costs for the benefit or protection of employees including all pension expenses whether for payments to or on behalf of retired employees or for accruals or annuity payments to provide for pensions; and all expenses for accident, sickness, hospital, and death benefits to employees or the cost of insurance to provide these benefits. Include, also, expenses incurred in medical, educational, or recreational activities for the benefit of employees. Do not include vacation and sick leave pay, or salaries of doctors, nurses, trainees, or instructors, which shall be recorded in the regular salary accounts.

(b) [Reserved]

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 37, Jan. 3, 1977; ER-1188, 45 FR 48871, July 22, 1980]

### 58 Injuries, Loss and Damage.

Record here the remainder of gains, losses or costs resulting from accidents, casualties or mishandlings, after offsetting insurance recoveries, as accumulated until finally determined in balance sheet account 1890 Other Assets and Deferred Charges. This account shall not include gains or losses from retirement of property and equipment resulting from casualties. Such gains or losses shall be recorded in appropriate capital gains or losses accounts.

[Amdt. 241-58, 54 FR 5596, Feb. 6, 1989]

### 59 Schedules and Timetables.

Record here the production and distribution cost, excluding compensation of air carrier personnel, of all operating schedules, timetables, circulars and related quick reference charts.

[ER-1401, 50 FR 245, Jan. 3, 1985]

### 60 Advertising.

Record here the cost, excluding compensation of air carrier personnel, of all space, direct mail, spot and other advertising for the purpose of increasing air travel, disseminating air travel information and publicizing services offered by the air carrier.

### 61 Foreign Exchange Gains and Losses.

Record here gains or losses from transactions involving currency translations resulting from normal, routine, current fluctuations in rates of foreign exchange. Gains or losses of a nonroutine abnormal character and gains or losses which arise from long-term debt principal and interest transactions shall not be entered in this account but in profit and loss account 85, Foreign Exchange Gains and Losses.

[Amdt. 241-58, 54 FR 5596, Feb. 6, 1989]

### 62 Other Promotional and Publicity Expenses.

Record here the costs, excluding compensation of air carrier personnel, of producing and distributing publicity releases and other expenses, not chargeable to profit and loss accounts 59 and 60, incurred for the purpose of publicizing or improving the public relations of the air carrier generally.

### 63 Interrupted Trips Expense.

Record here expenses allowed or paid for the care and serving of passengers because of unscheduled interruptions in passenger journeys. Transportation refunds and the cost of forwarding traffic by surface common carrier or otherwise as a result of such interruptions shall not be charged to this account but to the appropriate operating revenue account.

### 64 Memberships.

Record here the cost of membership dues in trade associations, chambers of commerce, or other business associations and organizations together with special assessments related thereto.

### 65 Corporate and Fiscal Expenses.

Record here corporate and fiscal fees and expenses of the air carrier and all expenses in connection with exchange and transfer of capital stock excluding expenses in connection with original issuance of capital stock.

### 66 Uncollectible Accounts.

Record here losses from uncollectible accounts and allowance provisions and adjustments thereto, for such losses.

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When allowances for uncollectible accounts are established, losses as realized shall be charged against such allowances and shall not be charged to this account.

[ER-980, 42 FR 37, Jan. 3, 1977]

### **67 Clearance, Customs and Duties.**

Record here clearance, customs, duties and brokerage fees and charges applicable to clearing aircraft and traffic.

### **68 Taxes—Payroll.**

Record here all taxes levied against the air carrier based upon or directly relating to compensation of personnel.

### **69 Taxes—Other Than Payroll.**

(a) Record here all taxes levied against the air carrier not otherwise provided for including nonrefundable aircraft fuel and oil taxes. Interest and penalties on delinquent taxes shall not be charged to this account but to profit and loss accounts 82 Other Interest and 89.9 Other Miscellaneous Nonoperating Debits, respectively.

(b) Entries to this account shall clearly reveal each kind of tax and the governmental agency to which paid or payable.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 37, Jan. 3, 1977]

### **71 Other Expenses.**

Record here all expenses ordinarily associated with air transportation and its incidental services not provided for otherwise.

### **72 Aircraft Overhauls.**

(a) Record here airframe and aircraft engine overhauls of the current period which are transferred to balance sheet subaccounts 1601.2 Unamortized Airframe Overhauls or 1602.2 Unamortized Aircraft Engine Overhauls. This account shall also include the amount of deferred overhauls costs being amortized for the current period. For carriers which elect to continue accruing for aircraft overhauls for aircraft types acquired before January 1, 1976, as well as for other aircraft of the same type acquired after January 1, 1976, the related provisions and charges shall be recorded in the appropriate subaccounts of this account.

(b) This account shall be subdivided as follows by all carrier groups:

#### *72.1 Airworthiness Allowance Provisions—Airframes.*

Record here current provisions for effecting an equitable distribution of airframe overhaul costs between different accounting periods. Record here also credits for airframe overhaul costs incurred in the current period which have been charged against related airworthiness allowances.

#### *72.3 Airframe Overhauls Deferred.*

Record here airframe overhauls of the current period transferred to subaccount 1601.2, Unamortized Airframe Overhauls, and the amount of deferred airframe overhaul costs amortized for the current period.

#### *72.6 Airworthiness Allowance Provisions—Aircraft Engines.*

Record here current provisions for effecting an equitable distribution of aircraft engine overhauls costs between different accounting periods. Record here also credits for aircraft engine overhaul costs incurred in the current period which have been charged against related airworthiness allowances.

#### *72.8 Aircraft Engine Overhauls Deferred.*

Record here airframe overhauls of the current period transferred to subaccount 1602.2, Unamortized Aircraft Engine Overhauls, and the amount of deferred aircraft engine overhaul costs amortized for the current period.

[ER-948, 41 FR 12295, Mar. 25, 1976, as amended by ER-1401, 50 FR 245, Jan. 3, 1985]

### **73 Provisions for Obsolescence and Deterioration—Expendable Parts.**

(a) Where allowances for loss in value of flight equipment expendable parts are established, provisions for accruals to such allowances shall be charged to this account and credited to balance sheet account 1311 Allowance for Obsolescence in accordance with the provisions of that account.

(b) This account shall be subdivided as follows by all air carrier groups:

#### *73.1 Current provisions.*

Record here provisions during the current period for losses in value of expendable parts.

#### *73.2 Inventory decline credits.*

Record here credits applicable to the current period for any adjustments for excess inventory allowance levels determined pursuant to section 6-1311.

[ER-980, 42 FR 37, Jan. 3, 1977]

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### 74 Amortization.

(a) Record here amortization of deferred charges attaching to the air transportation services conducted by the air carrier which are not prepayments of recurrent expenses ordinarily requiring expenditures of working capital within one year.

(b) This account shall be subdivided as follows by all air carrier groups:

#### 74.1 *Developmental and Preoperating Expenses*

Record here amortization of the cost of projects carried in balance sheet account 1830 Unamortized Developmental and Preoperating Costs.

#### 74.2 *Other Intangibles.*

Record here mortization of the cost of intangibles not provided for otherwise.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 38, Jan. 3, 1977; Amdt. 241-58, 54 FR 5596, Feb. 6, 1989]

### 75 Depreciation.

(a) Record here provisions for depreciation of property and equipment carried in balance sheet accounts 1601 through 1640, inclusive.

(b) This account shall be subdivided as follows:

#### ALL AIR CARRIER GROUPS

##### 75.1 *Depreciation—Airframes.*

Record here provisions for depreciation of property and equipment carried in balance subaccount 1601.1 Airframes.

##### 75.2 *Depreciation—Aircraft Engines.*

Record here provisions for depreciation of property and equipment carried in balance sheet subaccount 1602.1 Aircraft Engines.

#### GROUP II AND GROUP III AIR CARRIERS

##### 75.3 *Depreciation—Airframe Parts.*

Record here provisions for depreciation of spare airframe instruments and parts carried in balance sheet subaccount 1608.1 Airframe Parts and Assemblies.

##### 75.4 *Depreciation—Aircraft Engine Parts.*

Record here provisions for depreciation of spare aircraft engine instruments and parts carried in balance sheet subaccount 1608.5 Aircraft Engine Parts and Assemblies.

#### ALL AIR CARRIER GROUPS

##### 75.5 *Depreciation—Other Flight Equipment.*

Record here provisions for depreciation of property and equipment carried in balance

sheet account 1607 Improvements to Leased Flight Equipment (exclusive of capitalized overhauls accounted for on a deferral and amortization basis) and balance sheet subaccount 1608.9 Other Parts and Assemblies. Group I air carriers shall also include in this subaccount provisions for depreciation of property carried in balance sheet account 1608 Flight Equipment Rotable Parts and Assemblies.

##### 75.6 *Depreciation—Flight Equipment.*

This classification is established only for purposes of control by the BTS and shall include all charges to operating expenses for depreciation of flight equipment of all types and classes.

##### 75.8 *Depreciation—Maintenance Equipment and Hangars.*

Record here provisions for depreciation of maintenance property and equipment included in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements.

##### 75.9 *Depreciation—General Ground Property.*

Record here provisions for depreciation of property and equipment included in balance of property and equipment included in balance sheet accounts 1630 through 1640, exclusive of provision for depreciation of maintenance property and equipment included in account 75.8.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-948, 41 FR 12296, Mar. 25, 1976; ER-980, 42 FR 38, Jan. 3, 1977; 60 FR 66723, Dec. 26, 1995]

### 76 Amortization Expense—Capital Leases.

(a) Record here amortization charges applicable to assets recorded under capital leases in Account 1695—Leased Property under Capital Leases.

(b) This account shall be subdivided as follows by all air carrier groups:

##### 76.1 *Amortization—Capitalized Flight Equipment.*

Record here amortization charges applicable to flight equipment acquired under capital leases.

##### 76.2 *Amortization—Capitalized Other Property and Equipment.*

Record here the amortization charges applicable to property and equipment, other than flight equipment, acquired under capital leases.

[ER-1401, 50 FR 245, Jan. 3, 1985]

**77 Uncleared Expense Credits.**

(a) Record here credits to operating expenses, which have not been cleared to the objective accounts to which applicable.

(b) Each air carrier shall credit, or charge as appropriate, the objective account prescribed for each expense element which may be involved in distribution of expenses between separate reporting entities or nontransport divisions of the air carrier. At the option of the air carrier, either the individual applicable objective accounts or this account may be credited with amounts capitalized, charged against incidental services, or otherwise assigned to other than separate operating entities of the air carrier provided the aggregate credits to this account in each function do not, for any accounting year, distort the individual objective accounts of the function to which related and all expense credits applicable to complete individual transactions are consistently credited either to this account or the individual objective accounts to which related. Each air carrier using this account shall establish such standard practices as may be prescribed by the BTS or, in the absence of such action by the Civil Aeronautics Board, such standard practices as will prevent credits to this account from significantly distorting the individual objective accounts of each function to which related.

(c) This account shall not be credited with amounts applicable to objective accounts of the Flying Operations, Depreciation, and Direct Maintenance functions. Credits applicable to such functions shall be carried to the individual objective accounts to which applicable.

(d) This account shall be subdivided as follows by all air carrier groups:

**77.8 Uncleared Interchange Expense Credits.**

Record here credits to operating expenses, from operations performed for others under aircraft interchange agreements, which have not been cleared to the objective accounts to which applicable.

**77.9 Other Uncleared Expense Credits.**

Record here credits to operating expenses, from other than operations under aircraft interchange agreements, which have not

been cleared to the objective accounts to which applicable.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended at 60 FR 66723, Dec. 26, 1995]

**78 Direct Maintenance—Flight Equipment.**

This classification is established for purposes of control by the BTS and shall include all charges to operating expenses for maintenance of flight equipment of all types and classes.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended at 60 FR 66723, Dec. 26, 1995]

**79 Applied Burden Debit/Credit.**

(a) This classification is established only for purposes of control by the BTS and reporting on Form 41 by air carriers, and shall reflect all maintenance burden applied in accordance with the provisions of section 24, schedule P-5 of this system of accounts and reports.

(b) This classification shall be subdivided as follows by all air carrier groups:

**79.6 Applied Burden—Flight Equipment.****79.8 Applied Burden—General Ground Property.**

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-979, 38 FR 10926, May 3, 1973; 60 FR 66723, Dec. 26, 1995]

**Section 14 Objective Classification—Nonoperating Income and Expense****80 Interest Income.**

Included under account 89 Other Nonoperating Income and Expense—Net.

[ER-1401, 50 FR 245, Jan. 3, 1985]

**81 Interest on Long-term Debt and Capital Leases.**

(a) Record here interest expense applicable to long-term debt and capitalized leases.

(b) This account shall be subdivided as follows by all air carrier groups:

**81.1 Interest expense—long-term debt.**

Record here interest on all classes of long-term debt. This includes interest expense applicable to all portions of long-term debt which are classified as either current (Account 2000) or long-term (Account 2210) for balance sheet classification purposes.