

method of inventory accounting that conforms with accepted accounting standards consistently applied.

(c) This account must include the following items:

(1) Invoice price of materials less cash or other discounts.

(2) Freight, switching or other transportation charges when practicable to include as part of the cost of particular materials to which they relate.

(3) Customs duties and excise taxes.

(4) Costs of inspection and special tests prior to acceptance.

(5) Insurance and other directly assignable charges.

(d) Where expenses applicable to materials purchased cannot be directly assigned to particular purchases, they may be charged to a stores expense clearing account (account 163, Stores expense undistributed (§367.1630)), and distributed from there to the appropriate account.

(e) When materials and supplies are purchased for immediate use, they need not be carried through this account, but may be charged directly to the appropriate service company property or expense account.

**§ 367.1630 Account 163, Stores expense undistributed.**

(a) This account must include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies.

(b) This account must be cleared by adding to the cost of materials and supplies issued a suitable loading charge that will distribute the expense equitably over stores issues. The balance in the account at the close of the calendar year must not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies exclusive of fuel, as any amount applicable to fuel costs should be included in account 152, Fuel stock expenses undistributed (§367.1520).

(c) This account must include the following labor items:

(1) Inspecting and testing materials and supplies when not assignable to specific items.

(2) Unloading from shipping facility and putting in storage.

(3) Supervision of purchasing and stores department to extent assignable to materials handled through stores.

(4) Getting materials from stock and in readiness to go out.

(5) Inventorying stock received or stock on hand by stores employees but not including inventories by general department employees as part of internal or general audits.

(6) Purchasing department activities in checking material needs, investigating sources of supply, analyzing prices, preparing and placing orders, and related activities to extent applicable to materials handled through stores. (Optional. Purchasing department expenses may be included in administrative and general expenses.)

(7) Maintaining stores equipment.

(8) Cleaning and tidying storerooms and stores offices.

(9) Keeping stock records, including recording and posting of material receipts and issues and maintaining inventory record of stock.

(10) Collecting and handling scrap materials in stores.

(d) This account must include the following supplies and expenses items:

(1) Adjustments of inventories of materials and supplies, but not including large differences that can readily be assigned to important classes of materials and equitably distributed among the accounts to which the classes of materials have been charged since the previous inventory.

(2) Cash and other discounts not practically assignable to specific materials.

(3) Freight, express, and similar items, when not assignable to specific items.

(4) Heat, light and power for storerooms and store offices.

(5) Brooms, brushes, sweeping compounds and other supplies used in cleaning and tidying storerooms and stores offices.

(6) Injuries and damages.

(7) Insurance on materials and supplies and on stores equipment.

(8) Losses due to breakage, leakage, evaporation, fire or other causes, less

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credits for amounts received from insurance, transportation companies or others in compensation of the losses.

(9) Postage, printing, stationery and office supplies.

(10) Rent of storage space and facilities.

(11) Communication service.

(12) Excise and other similar taxes not assignable to specific materials.

(13) Transportation expense on inward movement of stores and on transfer between storerooms, but not including charges on materials recovered from retirements that must be accounted for as part of cost of removal.

(e) A physical inventory of each class of materials and supplies must be made at least every two years.

**§ 367.1650 Account 165, Prepayments.**

This account must include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and must be kept or supported in a manner so as to disclose the amount of each class of prepayment.

**§ 367.1710 Account 171, Interest and dividends receivable.**

(a) This account must include the amount of interest on bonds, mortgages, notes, commercial paper, loans, open accounts, deposits, and other similar items, the payment of which is reasonably assured, and the amount of dividends declared or guaranteed on stocks owned.

(b) Interest that is not subject to current settlement must not be included in this account, but in the account in which is carried the principal on which the interest is accrued.

(c) Interest and dividends receivable from associate companies must be included in account 146, Accounts receivable from associate companies (§ 367.1460).

**§ 367.1720 Account 172, Rents receivable.**

(a) This account must include rents receivable or accrued on property rented or leased by the service company to others.

(b) Rents receivable from associate companies must be included in account 146, Accounts receivable from associate companies (§ 367.1460).

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**§ 367.1730 Account 173, Accrued revenues.**

At the option of the service company, the estimated amount accrued for service rendered, but not billed at the end of any accounting period, may be included in this account. In case accruals are made for unbilled revenues, they must be made likewise for unbilled expenses, such as for the purchase of energy.

**§ 367.1740 Account 174, Miscellaneous current and accrued assets.**

This account must include the book cost of all other current and accrued assets, appropriately designated and supported so as to show the nature of each asset included in the account.

**§ 367.1750 Account 175, Derivative instrument assets.**

This account must include the amounts paid for derivative instruments, and the change in the fair value of all derivative instrument assets not designated as cash flow or fair value hedges. Account 421, Miscellaneous income or loss (§ 367.4210), must be credited or debited, as appropriate, with the corresponding amount of the change in the fair value of the derivative instrument.

**§ 367.1760 Account 176, Derivative instrument assets—Hedges.**

(a) This account must include the amounts paid for derivative instruments, and the change in the fair value of derivative instrument assets designated by the service company as cash flow or fair value hedges.

(b) When a service company designates a derivative instrument asset as a cash flow hedge it will record the change in the fair value of the derivative instrument in this account with a concurrent charge to account 219, Accumulated other comprehensive income (§ 367.2190), with the effective portion of the gain or loss. The ineffective portion of the cash flow hedge must be charged to the same income or expense account that will be used when the hedged item enters into the determination of net income.

(c) When a service company designates a derivative instrument as a fair value hedge it must record the