Sec. 1–3

a departure from a prescribed procedure or technique; a specifically defined alternative procedure or technique will result in a substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts and reports; and the application of such alternative procedure will maintain or improve uniformity in substantive results as between air carriers.


Sec. 1–3 General description of system of accounts and reports.

(a) This system of accounts and reports is designed to permit limited contraction or expansion to reflect the varying needs and capacities of different air carriers without impairing basic accounting comparability as between air carriers. In its administration three air carrier groups, designated Group I, Group II, and Group III, respectively (see section 04), are established by the BTS. This grouping will be reviewed from time to time upon petition of individual air carriers or by initiative of the BTS with the view of a possible regrouping of the air carriers.

(b) Under the system of accounts prescribed, balance sheet elements are accounted for by all air carrier groups within a fixed uniform pattern of specific accounts. All profit and loss elements are accounted for within specific objective accounts established for each air carrier group resulting from dual classifications, designated for each air carrier group which are descriptive of both basic areas of financial activity, or functional operation, and objective served. The profit and loss elements of the three air carrier groups can be reduced to broad objectives and general or functional classifications which are comparable for all air carrier groups. Both balance sheet and profit and loss accounts and account groupings are designed, in general, to embrace all activities, both air transport and other than air transport, in which the air carrier engages and provide for the separation of elements identifiable exclusively with other than air transport activities. Profit and loss elements which are recorded during the current accounting year are subclassified as between (1) those which relate to the current accounting year and adjustments of a recurrent nature applicable to prior accounting years, and (2) extraordinary items of material magnitude.

(c) In order to afford air carriers as much flexibility and freedom as possible in establishing ledger and subsidiary accounts to meet their individual needs, a minimum number of account subdivisions have been prescribed in this Uniform System of Accounts. It is intended, however, that each air carrier, in maintaining its accounting records, will provide subaccount and subsidiary account segregations of accounting elements which differ in nature of accounting characteristics, in a manner which will render individual elements readily discernible and traceable throughout the accounting system, and will provide for relating profit and loss elements to applicable balance sheet counterparts.


Sec. 1–4 System of accounts coding.

(a) A four digit control number is assigned for each balance sheet and profit and loss account. Each balance sheet account is numbered sequentially, within blocks, designating basic balance sheet classifications. The first two digits of the four digit code assigned to each profit and loss account denote a detailed area of financial activity or functional operation. The first two digits, thus assigned to each profit and loss account, are numbered sequentially within blocks, designating more general classifications of financial activity and functional operation. The second two digits assigned to profit and loss accounts denote objective classifications.

(b) A fifth digit, appended as a decimal, has been assigned for internal control by the BTS of prescribed subdivisions of the primary objective balance sheet and profit and loss classifications. A different fifth digit code number from that assigned by the BTS may be adopted for internal record-keeping by the air carrier provided the
prescribed subclassification of objective accounts is not impaired and the
code number assigned by the BTS is
employed in reporting to the BTS on
Form 41 Reports.

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

Sec. 1–5 Records.

(a) The general books of account and
all books, records, and memoranda
which support in any way the entries
therein shall be kept in such manner as
to provide at any time full information
relating to any account. The entries in
each account shall be supported by
such detailed information as will
render certain the identification of all
facts essential to a verification of the
nature and character of each entry and
its proper classification under the pre-
scribed Uniform System of Accounts.
Registers, or other appropriate records,
shall be maintained of the history and
nature of each note receivable and each
note payable.

(b) The books and records referred to
herein include not only accounting
records in a limited technical sense,
but all other records such as organiza-
tion tables and charts, internal ac-
counting manuals and revisions there-
to, minute books, stock books, reports,
cost distributions and other accounting
work sheets, correspondence, memo-
randa, etc., which may constitute nec-
essary links in developing the history
of, or facts regarding, any accounting
or financial transaction.

(c) All books, records and memoranda
shall be preserved and filed in such
manner as to readily permit the audit
and examination thereof by representa-
tives of the DOT. All books, records,
and memoranda shall be housed or
stored in such manner as to afford pro-
tection from loss, theft, or damage by
fire, flood or otherwise and no such
books and records shall be destroyed or
otherwise disposed of, except in con-
formance with 14 CFR part 249 for the
preservation of records.

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

Sec. 1–6 Accounting entities.

(a) Separate accounting records shall
be maintained for each air transport
entity for which separate reports to
the BTS are required to be made by
sections 21(g) and for each separate
corporate or organizational division of
the air carrier. For purposes of this
Uniform System of Accounts and Re-
ports, each nontransport entity con-
ducting an activity which is not re-
lated to the air carrier's transport ac-
tivities and each transport-related ac-
tivity or group of activities qualifying
as a nontransport venture pursuant to
paragraph (b) of this section, whether
or not formally organized within a dis-
tinct organizational unit, shall be
-treated as a separately operated orga-
nizational division; except that provi-
sions of this paragraph and paragraph
(b) shall not apply to leasing activities.

(b) As a general rule, any activity or
group of activities comprising a trans-
port-related service provided for in
transport-related revenue and expense
accounts 09 through 18 shall be consid-
ered a separate nontransport venture
under circumstances in which either:
(1) A separate corporate or legal entity
has been established to perform such
services, (2) the aggregate annual rev-
enue rate, as determined in section 2–
l(d), during either of the prior two
years exceeds the greater of $1 million
per annum or one percent of the air
carrier’s total annual transport reve-
 nues, or (3) the aggregate annual ex-
 pense rate, as determined in section 2–
l(d), during either of the prior two
years exceeds the greater of $1 million
or one percent of the carrier’s total an-
nual operating expenses: Provided, That
revenues and expenses from in-flight
sales, and interchange sales shall be
considered related to air transpor-
tation and accounted for accordingly,
regardless of the revenue or expense
standard set forth above.

(c) The records for each required ac-
counting entity shall be maintained
with sufficient particularity to permit a
determination that the requirements
of section 2–1 have been complied with.

[ER–755, 37 FR 19726, Sept. 21, 1972, as amend-
ed by ER–941, 39 FR 11994, Apr. 2, 1974; ER–
1022, 42 FR 46695, Sept. 15, 1977; ER–1057, 42
FR 60127, Nov. 25, 1977; 60 FR 66723, Dec. 26,
1995]