RULE	ACTION	JUSTIFICATION
47 CFR 32, Sections C, D, E, F	Consolidate from Class A to Class B Accounting. Eliminate required subaccounts and subsidiary records as well as Jurisdictional Difference Accounts.	Small rate of return companies are already using Class B accounts. These accounts exist today in Part 32 of the Commission's rules. In addition, carriers should not be forced into maintaining subaccounts or subsidiary records that are not necessary to meet business requirements. Jurisdictional Difference Accounts do not contain USOA dollars and should not be required in Part 32 USOA. Price cap regulation breaks the link between prices and costs. Yet price cap companies are required to keep more detailed accounts than some companies that are on rate of return regulation. Removing the requirement to keep more detailed accounts for everyone gives flexibility to all ILECs to maintain sub accounts and subsidiary records according to business needs, while still allowing for regulatory monitoring. <u>Class A/B Comparison</u> A / B Accounts: 261 / 109 Sub Accounts: 12 / 5 Subsidiary Records*: 179 / 0 *Subsidiary records are required further breakdowns within each account for items such as metallic and nonmetallic plant, and salary and wages, benefits, rents, other and clearances for expenses.

47 CFR 32.2000	Replace detailed Instructions for Telecommunications Plant Accounts with Policy Requirements instead of Specific Implementation Instructions. This includes Purpose of Telecommunication Plant Accounts, Telecommunications Plant Acquired, Cost of Construction, Telecommunications Plant Retired, Practices for Establishing and Maintaining Continuing Property Records, Basic Property Records, Depreciation Accounting, Amortization Accounting. .	Maintaining the details prescribed in this section is costly and burdensome. This level of detail, especially for Property Records, has no relationship to the prices charged for services in today's environment. The public is already protected with the internal controls of the SEC required annual financial audit, the Foreign Corrupt Practices Act of 1977 as well as Generally Accepted Accounting Principles. Companies should be given the flexibility of deciding how best to implement the regulatory policies. Companies should not be forced to keep details that are not necessary for business needs. For companies to become competitive, they must differentiate themselves in the market place. Carriers implement different software packages for record keeping, structure their business and manage their business in different ways and offer different products and services. FCC rules and systems are closely tied together. The FCC rules should begin to move away from rules that dictate implementation to rules that prescribe policies. Forcing implementation uniformity is counterproductive to competitive differentiation. The proposed changes will establish the regulatory requirements by maintaining the regulatory policy, but eliminating the detailed implementation instructions. This will allow companies to migrate towards financial systems that meet business needs - without prior Commission approval - and without having to develop work-arounds or special processes to conform to regulatory implementation requirements.

47 CFR 32 Section 32.2 (f) 32.12 32.13(a)(3) 32.16, 32.25, 32.26, 32.1220(h), 32.2002(b), 32.2311(f), 32.1437, 32.4340, 32.4361	Eliminate preliminary notification requirements and look to Generally Accepted Accounting Principles for standard setting.	Even though the current rules permit LECs to adopt new standards or changes to existing standards, LECs must file complex revenue requirements and seek approval to adopt Financial Accounting Standards Board (FASB) approved changes to Generally Accepted Accounting Principles (GAAP). This approval process delays implementation and creates additional documentation burdens for LECs that competitive carriers do not have. Once the FASB provides authoritative guidance, LEC competitors simply implement the GAAP change in the most cost efficient manner. Today's LEC rules should be modified to automatically allow LECs to adopt new standards as they are approved by the FASB without the need to seek Commission approval and without performing a costly revenue requirement study. The FASB provides a process through which proposed changes in GAAP are exposed for debate, discussion and evaluation. Today's rules should be modified to follow GAAP standards.
47 CFR 32.23	Tariffed incidental activities should not be accounted for as nonregulated. De minimis activities should be treated as incidental activities	The tariff process already provides for ratepayer protection. Tariffed services should not also have to be accounted for as nonregulated. This accounting treatment provides no added ratepayer protection as the ratepayer is already paying the tariff rate. Incidental activities should include de minimis activities.

47 CFR 32.27(b), (c), (d)	Use of fully distributed cost (rather than comparing cost to market) should be allowed for all affiliate transactions. At a minimum, use of fully distributed cost (rather than comparing cost to market) should be extended to: - OTC sales to service companies - Specific centralized services that are performed solely for members of the corporate family, regardless of whether an affiliate or the OTC performs the service - Affiliate transactions with an annual threshold of $250,000 or less Affiliate transaction rules should not be applied to transactions involving OTC nonregulated activities.	Use of complex processes needs to be revisited. It should no longer be necessary for individual asset and service transactions to use two different methods to evaluate the same transaction - cost and market . One method should be sufficient. Using the LEC's cost for LEC provided assets or services insures ratepayers are made whole. For price cap companies, ratepayers are already protected with price caps. For LEC nonregulated activities, these costs are not included in ratemaking. There is no need to also subject these activities to a second set of rules - the affiliate transaction rules. For purchases from an affiliate, the LEC could use the affiliate's market price. In absence of a market in that activity, the LEC could use the affiliate's cost. Neither the Part 64 cost allocations, nor the resulting journalization of Part 32 affiliate transactions is used to set prices for competitive services. Furthermore, it is the antitrust laws that protect against predatory pricing of competitive services (see Docket 86-111, par 40). Finally competition and price caps already protects ratepayers.
47 CFR 32	As competition unfolds, the Commission should require that LECs keep financial books and records in accordance with GAAP, rather than prescribe any Chart of Accounts.	The FASB has developed standards for use in accounting for financial activities. These standards do not prescribe a uniform chart of accounts, nor do they dictate uniformity in systems, processes or in what approved method a company should select. As companies become competitive and differentiate themselves in the marketplace, they should not be asked to bear the burden of maintaining a Commission mandated Chart of Accounts. Individual company charts of accounts, methods, and processes that meet professional accounting standards should be allowed to be used.

PART 32 – UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

Subpart A - Preface

§ 32.1 Background.

The revised Uniform System of Accounts (USOA) is a financial accounting structure intended to enable both management and regulators to assess financial results. The USOA has generally been designed to be consistent with the well-established accounting theories and principles commonly referred to as generally accepted accounting principles (GAAP).

§ 32.2 Basis of the accounts.

The financial accounts of a company are used to record financial transactions these transactions can be the grouped by business processes or functions and by time period.

Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions performed by the assets.

(c) These accounts, then, are intended to reflect a functional and technological view of the telecommunications industry. This view will provide a stable and consistent foundation for the recording of financial data.

(d) The financial data contained in the accounts, together with the detailed information contained in the underlying financial and subsidiary records required by GAAP, tax purposes and internal business requirements, will provide the information necessary to support separations, costs of service and management reporting requirements.

§ 32.3 Authority.

This Uniform System of Accounts has been prepared under the following authority: Section 4 of the Communications Act of 1934, as amended, 47 U.S.C. Section 154 (1984); Sections 401, 402 of the Telecommunications Act of 1996. Sections 219, 220 of the Communications Act of 1934, as amended, 47 U.S.C. Sections 219, 220 (1984).

§ 32.4 Communications Act.

Attention is directed to the following extract from Section 220 of the Communications Act of 1934, 47 U.S.C. § 220 (1984):

(e) Any person who shall willfully make any false entry in the accounts of any book of accounts or in any record or memoranda kept by any such carrier, or who shall willfully destroy, mutilate, alter, or by any other means or device falsify any such account, or memoranda, or who shall willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the business of the carrier, shall be deemed guilty of a misdemeanor, and shall be subject, upon conviction, to a fine of not less the $1,000 nor more than $5,000 or imprisonment for a term of not less than one year nor more than three years, or both such fine and imprisonment: Provided, that the Commission may in its discretion issue orders specifying such operating, accounting or financial papers, records, books, blanks, or documents which may after a reasonable time, be destroyed, and prescribing the length of time such books, papers, or documents shall be preserved.

For regulations governing the periods for which records are to be retained, see Part 42, Preservation of Records of Communications Common Carriers, of this chapter which relates to preservation of records.

Subpart B - General Instructions

§ 32.11 [Reserved]

§ 32.12 Records.

(a) The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.

(b) The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be maintained in such manner as required under GAAP to be readily accessible for examination by representatives of this Commission and retained according to Part 42 of the Commission's rules.

§ 32.13 Accounts - General.

(a) As a general rule, all accounts kept by reporting companies shall conform in numbers and titles to those prescribed herein. However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are consistent with the title and content of accounts and subaccounts prescribed in this system.

(1) A company may subdivide any of the accounts prescribed. The titles of all such subaccounts shall refer by number or title to the controlling account.

(2) A company may establish temporary or experimental accounts.

(b) Exercise of the preceding option shall be allowed only if the integrity of the prescribed accounts is not impaired.

(c) As of the date a company becomes subject to this system of accounts, the company is authorized to make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.

(d) Nothing contained in this Part shall prohibit or excuse any company, receiver, or operating trustee of any carrier from subdividing the accounts hereby prescribed for the purpose of:

(1) Complying with the requirements of the state commission(s) having jurisdiction;

or

(2) Securing the information required in the prescribed reports to such commission(s).

or

(3) Complying with GAAP Requirements

or

(4) Complying with Federal, State and Local Tax Requirements

(e) Subsidiary records will be maintained as needed in order to secure the information required in reports to any state commission.

§ 32.14 Regulated accounts.

(a) In the context of this part, the regulated accounts shall be interpreted to include the investments, revenues and expenses associated with those telecommunications products and services to which the tariff filing requirements contained in Title II of the Communications Act of 1934, as amended, are applied, except as may be otherwise provided by the Commission. Regulated telecommunications products and services are thereby fully subject to the accounting requirements as specified in Title II of The Communications Act of 1934, as amended and as detailed in Subpart A through F of this Part of the Commission's rules and Regulations.

(b) In addition to those amounts considered to be regulated by the provisions of (a) above, those telecommunications products and services to which the tariff filing requirements of the several state jurisdictions are applied shall be accounted for as regulated, except where such treatment is proscribed or otherwise excluded from the requirements pertaining to regulated telecommunications products and services by this Commission.

(c) In the application of the detailed accounting requirements contained in this part, when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, companies shall account for these activities within the accounts prescribed in this system for telephone company operations. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment, as provided in § 32.4999(i) shall be recorded in Account 5280, Nonregulated operating revenue.

(d) Other income items which are incidental to the provision of regulated products and services shall be accounted for as regulated activities

(e) All costs and revenues related to the offering of regulated products and services which result from arrangements for joint participation or apportionment between two or more telephone companies (e.g., joint operating agreements, settlement agreements, cost-pooling agreements) shall be recorded within the detailed regulated accounts. Under joint operating agreements, the creditor will initially charge the entire expenses to the appropriate primary accounts. The proportion of such expenses borne by the debtor shall be credited by the creditor and charged by the debtor to the account initially charged. Any allowances for return on property used will be accounted for as provided in Account 5240, Rent Revenue.

(f) All items of nonregulated revenue, investment and expense that are not properly includable in the detailed, regulated accounts prescribed in Subparts A through F of this Part, as determined by paragraphs (a) through (e) of this section shall be accounted for and included in reports to this Commission as specified in § 32.23 of this subpart.

§ 32.15 [Reserved]

§ 32.16 Changes in accounting standards.

(a) The company's records and accounts shall be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard-setting groups, in a manner consistent with generally accepted accounting principles. Companies are required to notify the Commission of new accounting standards that will not be adopted on a USOA basis.

(b) The changes in accounting standards, which the carriers adopt, will not necessarily be binding on the ratemaking practices of the various state commissions.

§ 32.17 Interpretation of accounts.

To the end that uniform accounting shall be maintained within the prescribed system, questions involving matters of significance which are not clearly provided for shall be submitted to the Chief, Common Carrier Bureau, for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts will be maintained by the Common Carrier Bureau.

§ 32.18 Waivers.

A waiver from any provision of this system of accounts shall be made by the Federal Communications Commission upon its own initiative or upon the submission of written request therefor from any telecommunications company, or group of telecommunications companies, provided that such a waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant 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 the application of such alternative procedure will maintain or improve uniformity in substantive results as among telecommunication companies.

§ 32.19 Address for reports and correspondence.

Reports, statements, and correspondence submitted to the Federal Communications Commission in accordance with or relating to instructions and requirements contained herein shall be addressed to the Common Carrier Bureau, Federal Communications Commission, Washington, D.C., 20554.

§ 32.20 Numbering convention.

(a) The number "32" (appearing to the left of the first decimal point) indicates the part number.

(b) The numbers immediately following to the right of the decimal point indicate, respectively, the section or account. All Part 32 Account numbers contain 4 digits to the right of the decimal point.

(c) Cross references to accounts are made by citing the account numbers to-the-right-of the decimal point; e.g., Account 2230 rather than the corresponding complete Part 32 reference number 32.2230.

§ 32.21 Sequence of accounts.

The order in which the accounts are presented in this system of accounts is not to be considered as necessarily indicative of the order in which they will be scheduled at all times in reports to this Commission.

§ 32.22 Comprehensive interperiod tax allocation.

(a) Companies shall apply interperiod tax allocation (tax normalization) to all book/tax temporary differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the temporary difference. The tax effects of book/tax temporary differences shall be normalized and the deferrals shall be included in the following accounts:

4100 Net Current Deferred Operating Income Taxes;

4110 Net Current Deferred Nonoperating Income Taxes;

4340 Net Noncurrent Deferred Operating Income Taxes;

4350 Net Noncurrent Deferred Nonoperating Income Taxes.

In lieu of the accounting prescribed herein, any company shall treat the increase or reduction in current income taxes payable resulting from the use of flow through accounting in prior years as an increase or reduction in current tax expense.

(b) The amount of deferred taxes which arise from the use of an accelerated method of depreciation shall be separately identified.

(c) The deferred tax assets contained in the accounts specified in paragraph (a) shall be reduced when it is likely that some portion or all of the deferred tax asset will not be realized. The amount should be sufficient to reduce the deferred tax asset to the amount that is likely to be realized.

(d) The nature of the specific temporary differences giving rise to both the debits and credits to the individual accounts shall be identified.

(e) Any company that uses accelerated depreciation (or recognizes taxable income or losses upon the retirement of property) for income tax purposes shall normalize the tax differentials occasioned thereby as indicated in paragraphs (e)(1) and (e)(2) of this section.

(1) With respect to the retirement of property the book/tax difference between

(i) the recognition of proceeds as income and the accrual for salvage value and

(ii) the book and tax capital recovery, shall be normalized .

(2) Records shall be maintained so as to show the deferred tax amounts by vintage year separately for each class or subclass of eligible depreciable telephone plant for which an accelerated method of depreciation has been used for income tax purposes. When property is transferred to nonregulated activities, the associated deferred income taxes and unamortized investment tax credits shall also be identified and transferred to the appropriate nonregulated accounts

(f) The tax differentials to be normalized as specified in this section shall also encompass the additional effect of state and local income tax changes on Federal income taxes produced by the provision for deferred state and local income taxes for book/tax temporary differences related to such income taxes.

(g) Companies that receive the tax benefits from the filing of a consolidated income tax return by the parent company, (pursuant to closing agreements with the Internal Revenue Service, effective January 1, 1966) representing the deferred income taxes from the elimination of intercompany profits for income tax purposes on sales of regulated equipment, may credit such deferred taxes directly to the plant account which contains such intercompany profit rather than crediting such deferred taxes to the applicable accounts in paragraph (a) of this section. If the deferred income taxes are recorded as a reduction of the appropriate plant accounts, such reduction shall be treated as reducing the original cost of the plant and accounted for as such.

§ 32.23 Nonregulated activities.

(a) This section describes the accounting treatment of activities classified for accounting purposes as "nonregulated." Preemptively deregulated activities and activities (other than incidental or de minimis activities) never subject to regulation will be classified for accounting purposes as "nonregulated." Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Tariffed activities and activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purpose as regulated activities until such time as this Commission decides otherwise. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.

(b) When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in §§ 32.1406 and 32.7990. Transfer of assets and sales of products and services between the regulated activity and a nonregulated activity for which a separate set of books is maintained, shall be accounted for in accordance with the rules presented in § 32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in §§ 32.1406 and 32.7990.

(c) When a nonregulated activity does involve the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Carriers shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment, as provided in § 32.4999(i) shall be recorded in Account 5280, Nonregulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to part 36 of this chapter.

§ 32.24 Compensated absences.

(a) Companies shall record a liability and charge the appropriate expense accounts for compensated absences (vacations, sick leave, etc.) in the year in which these benefits are earned by employees.

(b) With respect to the liability that exists for compensated absences which is not yet recorded on the books as of the effective date of this Part, the liability shall be recorded in Account 4120, Other

Accrued Liabilities, with a corresponding entry to Account 1439, Deferred Charges. This deferred charge shall be amortized on a straight line basis over a period of ten years.

(c) Records shall be maintained so as to show that no more than ten percent of the deferred charge is being amortized each year.

§ 32.25 Unusual items and contingent liabilities.

Extraordinary items, prior period adjustments and contingent liabilities shall be recorded in the company's books of account in accordance with the requirements of GAAP

§ 32.26 Materiality

Companies shall follow this system of accounts in recording all financial and statistical data. When errors occur or better estimates become available, corrections should be made based on the GAAP criteria of materiality.

§ 32.27 Transactions with affiliates.

(a) Unless otherwise approved by the Chief, Common Carrier Bureau, transactions with affiliates involving asset transfers into or out of the regulated accounts shall be recorded by the carrier in its regulated accounts as provided in paragraphs (b) through (f) of this section.

(b) Assets sold or transferred between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed assets sold or transferred between a carrier and its affiliate that qualify for prevailing price valuation, as defined in part (d) below, shall be recorded at the prevailing price. For all other assets sold by or transferred from a carrier to its affiliate, or purchased by or transferred to a carrier from its affiliate, the assets shall be recorded at the seller's net book cost.

(c) Services provided between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed services provided between a carrier and its affiliate pursuant to publicly-filed agreements submitted to a state commission pursuant to section 252(e) of the communications Act of 1934 or statements of generally available terms pursuant to section 252(f) shall be recorded using the charges appearing in such publicly-filed agreements or statements. Non-tariffed services provided between a carrier and its affiliate that qualify for prevailing price valuation, as defined in part (d) below, shall be recorded at the prevailing price. For all other services provided by a carrier to its affiliate, or received by a carrier from its affiliate, the service shall be recorded at the seller's fully distributed cost.

(d) In order to qualify for prevailing price valuation in sections (b) and (c) of this rule, sales of a particular asset or service to third parties must encompass greater than 50 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 50 percent threshold on a asset-by-asset and service-by-service basis, rather than on a product line or service line basis. In the case of transactions for assets and services subject to section 272, a BOC may record such transactions at prevailing price regardless of whether the 50 percent threshold has been satisfied. In the case of nonregulated activities, a BOC may also record transactions at prevailing price regardless of whether the 50 percent threshold has been satisified.

(e) Income taxes shall be allocated among the regulated activities of the carrier, its nonregulated divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by the carrier and other members of the affiliated group, the income tax expense to be recorded by the carrier shall be the same as would result if determined for the carrier separately for all time periods, except that the tax effect of carry-back and carry-forward operating losses, investment tax credits, or other tax credits generated by operations of the carrier shall be recorded by the carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of member, of the affiliated group.

(f) Companies that employ average schedules in lieu of actual costs are exempt from the provisions of this section. For other organizations, the principles set forth in this section shall apply equally to corporations, proprietorships, partnerships and other forms of business organizations.
Subpart C - Instructions for Balance Sheet Accounts

Subpart C – Instructions for Balance Sheet Accounts

§ 32.101 Structure of the balance sheet accounts.

The Balance Sheet accounts shall be maintained as follows:

Account 1120, Cash and Equivalents, through Account 1439, Deferred Charges shall include assets other than regulated-fixed assets.

Account 2001, Telecommunications Plant in Service, through Account 2007, Goodwill, shall include the regulated fixed assets.

Account 3100, Accumulated Depreciation, through Account 3600, Accumulated Amortization-Other, shall include the asset and deferred tax reserves.

Account 4010, Accounts Payable, through Account 4550, Retained Earnings, shall include all liabilities and stockholders equity.

§ 32.102 Nonregulated investments.

Nonregulated investments shall include the investment in nonregulated activities that are conducted through the same legal entity as the telephone company operations, but do not involve the joint or common use of assets or resources in the provision of both regulated and nonregulated products and services. See §§ 32.14 and 32.23.

§ 32.103 Balance sheet accounts for other than regulated-fixed assets to be maintained.

BALANCE SHEET ACCOUNTS

Account Title	Account
CURRENT ASSETS	
Cash and equivalents	1120
Telecommunications accounts receivable	1180
Accounts Receivable allowance - Telecommunications	1181
Other accounts receivable	1190
Accounts receivable allowance - other	1191
Note receivable	1200
Notes receivable allowance	1201
Interest and dividends receivable	1210
Material and supplies	1220
Prepayments	1280
Other current assets	1350
NONCURRENT ASSETS	
Investment in affiliated companies	1401
Investments in nonaffiliated companies	1402
Nonregulated investments	1406
Unamortized debt issuance expense	1407
Sinking Funds	1408
Other noncurrent assets	1410
Deferred tax regulatory asset	1437
Deferred maintenance and retirements	1438
Deferred charges	1439

§ 32.1120 Cash and equivalents.

(a) This account shall include the amount of current funds available for use on demand in the hands of financial officers and agents, deposited in banks or other financial institutions and also funds in transit for which agents have received credit.

(b) This account shall also include the amount of cash on special deposit, other than in sinking and other special funds provided for elsewhere, to pay dividends, interest, and other debts, when such payments are due one year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed within one year from date of the deposit; and other cash deposits of a special nature not provided for elsewhere. This account shall include the amount of cash deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced, and also cash realized from the sale of the company's securities and deposited with trustees to be held until invested in physical property of the company or for disbursement when the purposes for which the securities were sold are accomplished.

(c) This account shall include the amount of cash advances to officers, agents, employees, and others as petty cash or working funds from which expenditures are to be made and accounted for.

(d) This account shall include the cost of current securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, and other similar investments of a temporary character.

(e) Accumulated changes in the net unrealized losses of current marketable equity securities shall be included in the determination of net income in the period in which they occur in Account 7300 - Nonoperating Income and Expense.

§ 32.1180 Telecommunications accounts receivable.

(a) This account shall include all amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. This account shall also include all amounts due from customers or agents for products sold. This account shall be kept in such manner as will enable the company to make the following analysis:

(i) Amounts due from customers who are receiving telecommunications service.

(ii) Amounts due from customers who are not receiving service and whose accounts are in process of collection.

(b) Collections in excess of amounts charged to this account may be credited to and carried in this account until applied against charges for services rendered or until refunded.

§ 32.1181 Accounts receivable allowance - telecommunications.

(a) This account shall be credited with amounts charged to Account 5300, Uncollectible Revenue, to provide for uncollectible amounts included in Account 1180, Telecommunications Accounts Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1180. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5300, Uncollectible Revenue.

§ 32.1190 Other accounts receivable.

(a) This account shall include all amounts currently due, and not provided for in other accounts, such as those for traffic settlements, divisions of revenue, material and supplies, matured rents, and interest receivable under monthly settlements on short-term loans, advances, and open accounts.

(b) Amounts included in this account pertaining to affiliates shall not include amounts receivable from sales of telecommunications service provided at tariffed rates. Such amounts shall be included in Account 1180, Telecommunications Accounts Receivable.

(c) If any items included in this account are not to be paid currently they shall be transferred to Account 1410, Other Noncurrent Assets, or 1401, Investments in Affiliated Companies, as appropriate.

§ 32.1191 Accounts receivable allowance - other.

(a) This account shall be credited with amounts charged to Account 5300, Uncollectible Revenue- to provide for uncollectible amounts included in Account 1190, Other Accounts Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1190. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained uncollectible amounts shall be charged directly to Account , 5300, Uncollectible Revenue.

§ 32.1200 Notes receivable.

(a) This account shall include the cost of demand or time notes, bills and drafts receivable, or other similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding one year from date of issue.

§ 32.1201 Notes receivable allowance.

(a) This account shall be credited with amounts charged to Account 6790, Provision for Uncollectible Notes Receivable to provide for uncollectible amounts included in Account 1200, Notes Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credit to Account 1200. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 6790, Provision for Uncollectible Notes Receivable.

§ 32.1210 Interest and dividends receivable.

(a) This account shall include the amount of interest accrued to the date of the balance sheet on bonds, notes, and other commercial paper owned, on loans made, and the amount of dividends receivable on stocks owned.

(b) This account shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking and other funds.

(c) Interest receivable under monthly settlements on short-term loans, advances, and open accounts, shall be included in Account 1180, Telecommunications Accounts Receivable or Account 1190, Other Accounts Receivable, as appropriate

(d) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investment.

§ 32.1220 Inventories.

(a) This account shall include the cost of materials and supplies held in stock and inventories of goods held for resale or lease.

(b) This account shall not include items which are related to a nonregulated activity unless that activity involved joint or common use of assets and resources in the provision of regulated and nonregulated products and services.

(c) This account shall include cost of material and supplies held in stock including plant supplies, motor vehicles supplies, tools, fuel, other supplies and material and articles of the company in process of manufacture for supply stock. (Note also § 32.2000(c)(2)(iii) of this subpart.)

(d) Transportation charges and sales and use taxes, so far as practicable, shall be included as a part of the cost of the particular material to which they relate or shall be equitably apportioned among appropriate accounts .

(e) Material recovered in connection with construction, maintenance or retirement of property shall be charged to this account :

(1) The cost of repairing reusable material shall be charged to the appropriate account in the Plant Specific Operations Expense account.

(2) Scrap and nonuseable material included in this account shall be carried at the estimated amount which will be received therefor

(f) Interest paid on material bills, the payments of which are delayed, shall be charged to Account . 7500 - Interest and Related Items.

(g) Periodic inventories of material and supplies shall be taken and the adjustments to this account shall be charged or credited to Account 6510 Other Property, Plant and Equipment Expense.

(h) This account shall also include the cost of all items purchased for resale or lease. The cost shall include applicable transportation charges, sales and use taxes, and cash and other purchase discounts. Items purchased for resale or lease Inventory shortage and overage shall be charged and credited, respectively, to Account 5280 Nonregulated operating revenue.

§ 32.1280 Prepayments.

(a) This account shall include the amounts of rents paid in advance of the period in which they are chargeable to income, except amounts chargeable to telecommunications plants under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the rents are paid, this account shall be credited monthly and the appropriate account charged.

(b) This account shall include the balance of all taxes, other than amounts chargeable to telecommunication plant under construction and minor amounts which may be charged to the final accounts, paid in advance and which are chargeable to income within one year. As the term expires for which the taxes are paid, this account shall be credited monthly and the appropriate account charged.

(c) This account shall include the amount of insurance premiums paid in advance of the period in which they are chargeable to income, except premiums chargeable to telecommunications plant under construction and minor amount which may be charged directly to the final accounts. As the term expires for which the premiums are paid, this account shall be credited monthly and the appropriate account charged.

(d) This account shall include the cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged directly to Account 6620, Customer Operations - Services. Amounts in this account shall be cleared to Account 6620 by monthly charges representing that portion of the expenses applicable to each month.

(e) This account shall exclude minor amounts which may be charged directly to the final accounts. As the term expires for which the payments apply, this account shall be credited monthly and the appropriate account charged.

§ 32.1350 Other current assets.

This account shall include the amount of all current assets which are not includable in Accounts 1120 through 1280.

§ 32.1401 Investments in affiliated companies.

(a) This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, other than securities held in special funds which shall be charged to Account 1408, Sinking Funds. The carrying value of the investment (securities) accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable of the affiliated company from the date of acquisition. (Note also Account 1210, Interest and Dividends Receivable, and Account 7300, Nonoperating Income and Expense)

(b) Declines in value of investments accounted for under the cost method shall be charged to Account 4540, Other Capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is carried or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) Amounts due from affiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Account Receivable, Account 1190, Other Accounts Receivable, or Account 1200, Notes Receivable, as appropriate.

§ 32.1402 Investments in nonaffiliated companies.

(a) This account shall include the acquisition cost of the Company's investment in securities issued or assumed by nonaffiliated companies and individuals, other than securities held in special funds which shall be charged to Account 1408, Sinking Funds, and also its investment advances to such parties and special deposits of cash for more than one year from date of deposit.

(b) Declines in value of investment shall be charged to Account 4540, Other Capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) Amounts due from nonaffiliated companies which are subject to current settlement shall be included in Account 1180, Telecommunications Accounts Receivable, Account 1190, Other Accounts Receivable, or Account 1200, Notes Receivable, as appropriate.

§ 32.1406 Nonregulated investments.

This account shall include the carrier's investment in nonregulated activities accounted for in a separate set of books as provided in § 32.23(b).

§ 32.1407 Unamortized debt issuance expense.

(a) This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Amounts included in this account shall be amortized monthly and charged to Account 7500, Interest and Related Items.

(b) Debt Issuance expense includes all expenses in connection with the issuance and sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; costs of engraving and printing bonds, certificates of indebtedness, and other commercial paper; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen; fees and expenses of listing on exchanges, and other like costs.

§ 32.1408 Sinking funds.

(a) This account shall include the amount of cash and other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose of redeeming outstanding obligations.

(b) Interest or other income arising from funds carried in this account shall generally be charged to this account.

§ 32.1410 Other noncurrent assets.

This account shall include the amount of all noncurrent assets which are not includable in Accounts 1401 through 1408.

§ 32.1437 Deferred Tax Regulatory Asset.

(a) This account shall include amounts of probable future net increases in revenues. (future revenue increases in excess of future revenue decreases) attributable to:

1) future net increases to taxes payable related to the tax effects of temporary differences accounted for under the flow-through method (future increases in excess of future decreases).

2) the impact of tax rate increases in excess of tax rate decreases on net defererd tax liabilities (deferred tax liabilities in excess of deferred tax assets) for those temporary differences underlying its existing balance.

3) the impact of tax rate decreases in excess of tax rate increases on net deferred tax assets (deferred tax assets in excess of deferred tax liabilities) for those temporary differences underlying its existing balance

As net increases in revenue occur, amounts recorded in this account shall be reduced with a credit entry and a debit entry to Account 4340, Net Noncurrent Deferred Operating Income Taxes.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance. If the cumulative effect of such adjustments reduce the account to a net credit balance, such balance shall be reclassified to Account 4361.

§ 32.1438 Deferred maintenance and retirements.

(a) This account shall include such items as the unprovided-for loss in service value of telecommunications plant for extraordinary non-recurring retirement not considered in depreciation and the cost of extensive replacements of plant normally chargeable to the current period Plant Specific Operations Expense accounts.

(b) Charges provided for in paragraph (a) above shall be included in this account only upon direction or approval from this Commission. However, the company's application to this Commission for such approval shall give full particulars concerning the property retired, the extensive replacements, the amounts chargeable to operating expenses and the period over which in its judgement the amount of such charges should be distributed.

§ 32.1439 Deferred charges.

(a) This account shall include all deferred charges not provided for in Accounts 1438, Deferred Maintenance and Retirements. Such charges include unaudited amounts and other debit balances in suspense that cannot be cleared and disposed of until additional information is received; the amount, pending determination of loss, of funds on deposit with banks which have failed; revenue, expense, and income items held in suspense; amounts paid for options pending final disposition.

(b) This account shall include the cost of preliminary surveys, plans, investigation, etc., made for construction projects under contemplation. If the projects are carried out, the preliminary costs shall be included in the cost of the plant constructed. If the projects are abandoned, the preliminary costs shall be charged to Account 7300, Nonoperating Income and Expense.

(c) This account shall include also the cost of valuations, inventories, and appraisals taken in connection with the acquisition or sale of property. If the property is subsequently acquired, the preliminary costs shall be accounted for as part of the cost of acquisition, or if it is sold, such costs shall be deducted from the sale price in accounting for the property sold. If purchases or sales are abandoned, the preliminary costs included herein (including options paid, if any) shall be charged to Account 7300. Nonoperating Income and Expense

§ 32.2000 Instructions for telecommunications plant accounts.

(a) Purpose of telecommunications plant accounts

(1) The telecommunications plant accounts (2001 to 2007 inclusive) are designed to show the investment in the company's tangible and intangible telecommunications plant which ordinarily has a service life of more than one year, including such plant whether used by the company or others in providing telecommunications service.

(2) The telecommunications plant accounts shall not include the cost or other value of telecommunications plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of telecommunications plant shall be credited to the accounts charged with the cost of such construction. Amounts of non-recurring reimbursements based on the cost of plant or equipment furnished in rendering service to a customer shall be credited to the accounts charged with the cost of the plant or equipment. Amounts received for construction which are ultimately to be repaid wholly or in part, shall be credited to Account 4360, Other Deferred Credits; when final determination has been made as to the amount to be returned any unrefunded amounts shall be credited to the accounts charged with the cost of such construction. Amounts received for the construction of plant, the ownership of which rests with or will revert to others, shall be credited to the accounts charged with the cost of such construction. (Note also Account 7100, Other Operating Income and Expense).

(3) When telecommunications plant ordinarily having a service life of more than one year is installed for temporary use in providing telecommunications service, it shall be accounted for in the same manner as plant having a service life of more than one year.

(4) The cost of individual items of equipment, costing $2,000 or less or having a life less than one year shall be charged to the applicable Plant Specific Operations Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable materials and supplies account until the items are used.

(b) The accounting for property, plant and equipment is to be recorded at original cost.

Depreciation and amortization of plant acquired shall be credited to Account 3100, Accumulated Depreciation, or Account 3200 Accumulated Depreciation-Held for Future Telecommunications Use, 3400, Accumulated Amortization-Tangible, 3500, Accumulated Amortization-Intangibles, and 3600, Accumulated Amortization-Other, and debited to Account 1439.

(c) Cost of construction.

Telecommunications plant represents an economic resource which will be used to provide future services, the cost of which will be allocated in a rational and systematic manner to the future periods in which it provides benefits. In accounting for construction costs, the utility shall charge to the telecommunications plant accounts, where applicable, all direct and indirect costs: Labor, Engineering, Material and Supplies, Transportation, Contract Work, Protection, Privileges, Taxes, Allowance for Funds Used During Construction, and Other Related Costs.

(d) Telecommunications plant retired

(1) Telecommunications plant accounts shall at all times disclose the original cost of all property in service. When any item of property subject to plant retirement accounting is worn out, lost, sold, destroyed, abandoned, surrendered upon lapse of title, becomes permanently unserviceable, is withdrawn or for any other reason is retired from service. the plant accounts applicable to that item shall be credited with the original cost of the plant retired whether replaced or not (except as provided for minor items).

(2) The accounting for the retirement of property, plant and equipment shall be as provided above except:

(i) Minor Items: This group includes any part or element of plant which is not designated as a retirement unit. However, if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, of greater durability, of greater capacity, or more economical in operation), the excess cost of such a replacement, over the estimated cost at the then current prices of replacement without betterment of the minor items being retired, shall be charged to the applicable telecommunications plant account.

(ii) Amounts included in Account 2005, Telecommunications Plant Adjustment; Account 2680, Amortizable Tangible Assets; and any amounts associated with amortizable leaseholds, easements;, and similar rights in land included in Account 2111, Land, shall be debited, as appropriate, to Accounts 3410, 3420, 3500, or 3600, and credited to the applicable accounts.

(iii) Amounts in Account 2111, Land, and amounts for works of art recorded in Account 2122, Furniture, shall be treated at disposition as a gain or loss and shall be credited or debited to Account 7150, Gains and Losses from Disposition of Land and Artwork, as applicable. If land or artwork is retained by the company and held for sale, the cost shall be charged to Account 2006, Nonoperating Plant.

(3) When the telecommunications plant is sold together with traffic associated therewith, the original cost of the property shall be credited to the applicable plant accounts and the estimated amounts carried with respect thereto in the accumulated depreciation and amortization accounts shall be charged to such accumulated accounts. The difference, if any between the net amount of such debit and credit items and the consideration received (less commissions and other expenses of making the sale) for the property shall be included in Account 7350, Gains and Losses from Disposition of Certain Property. The accounting for depreciable telecommunications plant sold without the traffic associated therewith shall be in accordance with the accounting provided in § 32.3100(c) of this subpart.

(e) The basic property records must be

(i) subject to internal accounting controls

(ii) auditable,

(iii) equal in the aggregate to the total investment reflected in the financial property control accounts as well as the total of the cost allocations supporting the determination of cost-of-service at any particular point in time, and

(iv) maintained throughout the life of the property.

(f) Standards for maintaining continuing property records

Property records shall be maintained by original cost where appropriate. Otherwise averaging or estimates as described below shall be used.

(2) Averaging. Average costs may be developed for plant consisting of a large number of similar units. Units of similar size and type within each specified account may be grouped.

(3) Estimates. In cases where the actual original cost of property cannot be ascertained, such as pricing an inventory for the initial entry of a continuing property record or the pricing of an acquisition for which the continuing property record has not been maintained, the original cost may be estimated. Any estimated original cost shall be consistent with the accounting practices in effect at the time the property was constructed.

(g) Depreciation accounting

(1) Computation of depreciation rates.

Depreciation percentage and/or amortization rates shall be computed in conformity with a group plan of accounting for depreciation and shall be such that the loss in service value of the property, except for losses excluded under the definition of depreciation, may be distributed under the straight-line method during the service life of the property

(2) Depreciation charges.

(i) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges. Exceptions will be in accordance with (iii) below

(ii) Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts.

In certain circumstances, monthly charges may be determined in total or in part through the use of other amortization methods whereby selected plant balances or portions thereof are ratably distributed over appropriate periods.

(h) Plant Accounts to be Maintained by Class A and Class B telephone companies as indicated:

Account Title	Account
REGULATED PLANT	
Property, plant and equipment:	
Telecommunications plant in service	20011
Property held for future telecommunications use	2002
Telecommunications plant under	