

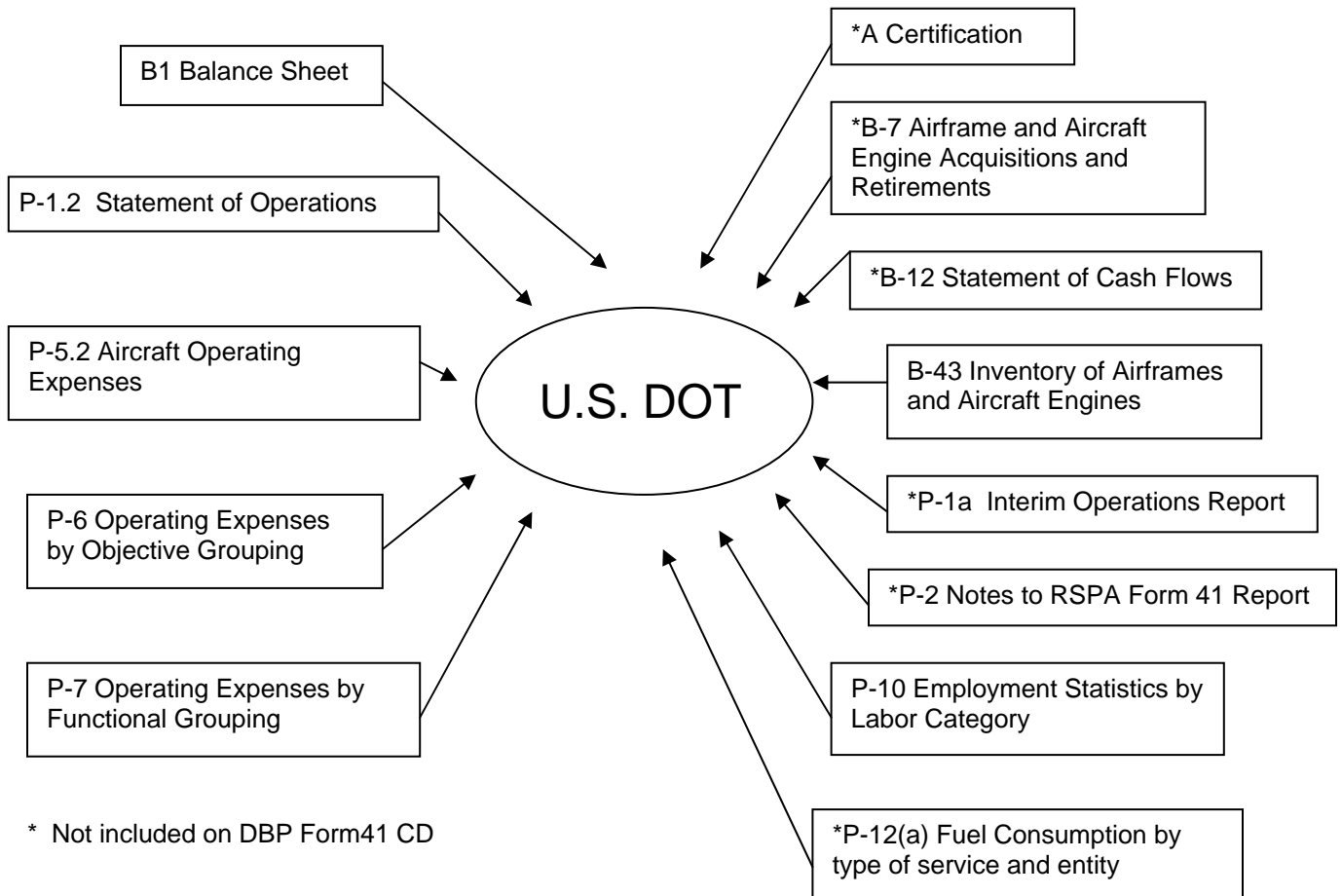


## Data Base Products, Inc.

### Form 41 Financial P and B Schedules

Filed Electronically by  
Group III Carriers

Filed on Hard Copy by  
Group III Carriers



<u>Carrier Groups</u>	<u>Total Annual Operating Revenues:</u>
I	0-\$100,000,000
II	\$100,000,001-\$1,000,000,000
III	\$1,000,000,001 +



Example of Form41 Financial Data  
As Reported to the U.S. DOT



U.S. Department of Transportation  
Research and Special Programs  
Administration

REPORT OF FINANCIAL  
AND OPERATING STATISTICS FOR  
LARGE CERTIFICATED  
AIR CARRIERS

Period ended March 31, 2003

AMERICA WEST AIRLINES, INC.  
(Full name of reporting company)

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CERTIFICATION\*

I, the undersigned Michael R. Carreon, Vice President and Controller  
(Title of Officer in charge of accounts)

of the AMERICA WEST AIRLINES, INC.  
(Full name of reporting company)

do certify that this report and all schedules, ADP-media submissions, Passenger Origin-Destination Survey submissions and supporting documents which are submitted herewith or have been submitted heretofore as parts of this report filed for the above indicated period have been prepared under my direction; that I have carefully examined them and declare that they correctly reflect the accounts and records of the company, and to the best of my knowledge and belief are a complete and accurate statement, after adjustments to reflect full accruals, of the operating revenues and expenses, income items, assets, liabilities, capital, retained earnings, and operating statistics for the periods reported in the several schedules, the Schedule T-100 ADP-media submissions, and the Passenger Origin-Destination Survey; that the various items herein reported were determined in accordance with the Uniform System of Accounts and Reports for Large Certificated Air Carriers prescribed by the Department of Transportation; and that the data contained herein are reported on a basis consistent with that of the preceding report except as specifically noted in the financial and statistical statements.



\_\_\_\_\_  
(Signature)

4000 East Sky Harbor Blvd  
Phoenix, Arizona 85034

\_\_\_\_\_  
(Air Carrier Post Office Address)

Dated May 8, 2003

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\*Title 18 U.S.C. Sec. 1001, Crimes and Criminal Procedure, makes it a criminal offense subject-to a maximum fine of \$10,000 or imprisonment for not more than 5 years, or both, to knowingly and willfully make or cause to be made any false or fraudulent statements or representations in any matter within jurisdiction of any agency of the United States.

AIRFRAME AND AIRCRAFT ENGINE ACQUISITIONS AND RETIREMENTS												
										AMERICA WEST AIRLINES, INC.		
										QUARTER ENDED: MARCH 2003		
L	YEAR OF	AIRFRAME		ACQ		# OF						
I	FIRST	MFG	DATE	OR	AIRFRAME	ENGINES		MAX		AMORTIZED/		
N	DELIVERY	SERIAL	ACQUIRE	RETIRE	LICENSE	ACQUIRE	TYPE, MODEL,	SEATING		DEPRECIATED	ACQUIRED FROM/	
E	AIRFRAME	NUMBER	RETIRED	(A OR R)	NUMBER	RETIRED	CABIN DESIGN	CAPACITY	COST	COST	REALIZATION	DISPOSITION
1	ADDITIONS - OWNED											
2												
3												
4	TOTAL ADDITIONS - OWNED								\$	\$		
5												
6	RETIREMENTS - OWNED ENGINES											
7												
B												
9	TOTAL RETIREMENTS - OWNED								\$	\$		
1												
1	ADDITIONS- LEASED											
1	Mar-92	V0211	02/06/03	A	SPARE	1	V2500-A1		-	-	N/A	WILMINGTON TRUST
1	Mar-92	V0213	02/06/03	A	SPARE	1	V2500-A1		-	-	N/A	WILMINGTON TRUST
1	TOTAL ADDITIONS - LEASED								\$	\$		
15												
16	RETIREMENTS - LEASED ENGINES											
1	Mar-92	V0211	02/06/03	R	N643AW	1	V2500-A1		-	-	N/A	WILMINGTON TRUST
1	Mar-92	V0213	02/06/03	R	N643AW	1	V2500-A1		-	-	N/A	WILMINGTON TRUST
1	TOTAL RETIREMENTS - LEASED								\$	\$		
2												
2	ADDITIONS - OWNED AIRCRAFT											
2	Feb-90	092	02/06/03	A	N635AW	2	A320	150	1,184,843	1,184,843	N/A	WILMINGTON TRUST
2	Jul-92	317	02/06/03	A	N644AW	2	A320	150	2,862,458	2,862,458	N/A	WILMINGTON TRUST
2	TOTAL ADDITIONS - OWNED								\$ 1,184,843.00	\$ 1,184,843.00		
2												
2												
2												
2												

AMERICA WEST AIRLINES, INC.  
STATEMENT OF CASH FLOWS  
For the quarter ended: March 31, 2003

Cash flows from operating activities:

Net loss	\$ (62,710,948)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	17,659,036
Amortization of capitalized maintenance	28,056,647
Amortization of deferred credits	(4,379,479)
Amortization of deferred rent	3,825,545
Amortization of warrant obligation	2,025,000
Amortization of debt issue costs	8,589,093
Amortization of bond discount	800,107
Nonrecurring special charge	(101,954)
Other	4,498,796
Changes in operating assets and liabilities:	
Increase in accounts receivable, net	(34,209,710)
Increase in spare parts and supplies, net	(4,264,575)
Increase in prepaid expenses	(52,861,950)
Increase in other assets	(9,279,801)
Increase in accounts payable	9,202,840
Increase in accrued salaries, wages and vacation pay	4,172,091
Increase in accrued interest	778,213
Increase in accrued taxes	3,962,646
Increase in air traffic liability	51,904,244
Increase in other accrued liabilities	3,079,266
Increase in other liabilities	<u>5,662,833</u>
Net cash used in operating activities	(23,592,060)
Cash flows from investing activities:	
Purchases of property and equipment	(44,838,432)
Purchases of short-term investments	-
Sales of short-term investments	24,737,589
Proceeds from disposition of aircraft	-
Proceeds from disposition of other assets	<u>23,457,151</u>
Net cash provided by investing activities	3,356,308
Cash flows from financing activities:	
Repayment of debt	(5,790,909)
Proceeds from issuance of debt	-
Payments of debt issue cost	-
Other	-
Net cash used in financing activities	(5,790,909)
Net decrease in cash and cash equivalents	<u>(26,026,661)</u>
Cash and Cash Equivalents at Beginning of Period	326,612,425
Cash and Cash Equivalents at End of Period	\$ <u>300,585,764</u>
Cash, cash equivalents and short-term investments at end of period	\$ <u>300,585,764</u>
Cash paid (refunded) for:	
Interest, net of amounts capitalized	\$ <u>5,765,761</u>
Income taxes paid (refunded)	\$ <u>26,330</u>
Non-cash investing and financing activities:	
Payment in Kind Notes issued, net of returns	\$ <u>374,411</u>

Air Carrier: \_\_\_\_\_ Date 

Y	Y	M	M	

  
Month Ended: \_\_\_\_\_ Carrier Code \_\_\_\_\_

**INTERIM OPERATIONS REPORT**

			(\$000)
<b><u>Financial</u></b>			
(1)	Total Operating Revenues	4999	_____
(2)	Total Operating Expenses	7199	_____
(3)	Operating Profit or Loss	7999	_____
(4)	Net Income (Loss)	9899	_____
(5)	Passenger Revenues - Scheduled Service	3901	_____
(6)	Public Service Revenues (Subsidy)	4808	_____
<b><u>Other</u></b>			
(7)	Number of Full-Time Employees		_____
(8)	Number of Part-time Employees		_____

**RSPA Form 41 Schedule P-1(a) (1-85)  
Formerly CAB Form 41 Schedule P-1(a)**

U S Department of  
Transportation  
Research and Special  
Programs Administration

AIR CARRIER: AMERICA WEST AIRLINES, INC.  
OPERATION: ALL  
PERIOD ENDED: MARCH 31, 2003

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**NOTES TO RSPA FORM 41 REPORT**

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**1. BASIS OF PRESENTATION**

The unaudited condensed financial statements included herein have been prepared by AWA, a wholly owned subsidiary of Holdings, pursuant to the rules and regulations of the Securities and Exchange Commission and, in accordance with those rules and regulations, certain information and footnotes required by generally accepted accounting principles have been omitted. In the opinion of management, the condensed financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation. Certain prior year amounts have been reclassified to conform with current year presentation. The accompanying condensed financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

**2. ADVANCES TO PARENT COMPANY AND AFFILIATE**

As of March 31, 2003, AWA had net advances to Holdings of \$223.7 million, which were classified in "Other Assets" on AWA's condensed balance sheet due to certain restrictions related to the timing of repayment under the \$429 million government guaranteed loan and the \$73.2 million term loan. In addition, AWA had a net payable of \$27.2 million due principally to TLC, a wholly owned subsidiary of Holdings. This payable, which is primarily related to credit card receipts collected by AWA for vacation packages sold by TLC, was classified in AWA's condensed balance sheet as a current liability.

**3. STOCK OPTIONS**

Certain of AWA's employees are eligible to participate in the stock option plans of Holdings. Holdings accounts for its stock option plans in accordance with the provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Accordingly, no compensation cost has been recognized for stock options in Holdings' condensed consolidated financial statements. Had Holdings determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, "Accounting for Stock-Based Compensation," and allocated the compensation expense to AWA for its employees participating in the stock option plans, AWA's net loss would have been reduced to the pro forma amounts indicated below:

	<b>Three Months Ended</b>
	<u>March 31, 2003</u>
	<b>(in thousands)</b>
<b>Net loss, as reported</b>	<b>\$ (62,711)</b>
<b>Stock-based compensation, expense net of income taxes</b>	<u><b>(1,186)</b></u>
<b>Pro forma net loss</b>	<u><b>\$ 63,897</b></u>

Pro forma net loss reflects only options granted during the years 1995 through 2002. Therefore, the full impact of calculating compensation cost for stock options under SFAS No. 123 is not reflected in the pro forma net loss amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to January 1, 1995 is not considered.

**RSPA FORM 41 SCHEDULE P-2 (1-85)**

U S Department of  
Transportation  
Research and Special  
Programs Administration

AIR CARRIER: .AMERICA WEST AIRLINES, INC.  
OPERATION: ALL  
PERIOD ENDED: MARCH 31, 2003

#### NOTES TO RSPA FORM 41 REPORT

#### 4. COMPREHENSIVE LOSS

Comprehensive loss includes changes in the fair value of derivative financial instruments that qualify for hedge accounting. For the three months ended March 31, 2003, AWA recorded a total comprehensive loss of \$50.0 million. The difference between net loss and comprehensive loss for the three months ended March 31, 2003 is detailed in the following table:

	<b>ThreeMonths Ended</b> <b>March 31, 2003</b> <b>(in thousands)</b>
Net loss	\$ (62,711)
Unrealized gains on derivative instruments	21,888
Reclassification adjustment to net loss of previously reported unrealized losses on derivative	<u>(9,210)</u>
Total other comprehensive income	<u>\$ 12,678</u>
Comprehensive loss	

#### 5. SPECIAL CHARGES

In February 2003, AWA announced that it is eliminating hub operations in Columbus, Ohio and, as a result, will be phasing 12 regional jets, all of which are currently operated by Chautauqua Airlines under the America West Express banner, out of the fleet. Between early April and mid-June of 2003, AWA will gradually downsize the hub from 49 daily departures to 15 destinations to a planned four mainline flights per day to Phoenix and Las Vegas. With the downsizing of Columbus, AWA must eliminate service to New York City LaGuardia Airport because perimeter rules at the airport prohibit flights beyond 1,500 miles. This precludes service from AWA's hubs in Phoenix and Las Vegas. In the first quarter of 2003, AWA recorded a special charge of \$1.0 million resulting from the elimination of its Columbus hub operations. The charge is related to the costs to terminate certain contracts and employee transfer and severance expenses. In the second and third quarters of 2003, AWA expects to record additional special charges of approximately \$8 to \$10 million related to contract termination costs and the write-off of leasehold improvements in Columbus.

In the first quarter of 2003, the Company recorded a \$1.1 million reduction in special charges related to the earlier-than-planned return of certain leased aircraft in 2001 and 2002, as all payments related to these aircraft returns have been made.

The following table presents the payments and other settlements made during the first quarter of 2003 related to the special charge accruals.

	<u>Sale- Leaseback</u>	<u>Fleet Restructuring</u>	<u>Reductions- in-force</u>	<u>Contract Term Costs</u>	<u>Total</u>
			(in thousands)		
Balance at December 31, 2002.	<u>\$ 2,476</u>	<u>\$ 3,357</u>	<u>\$ ----</u>	<u>\$ ---</u>	<u>\$ 5,833</u>
Special charges.....	--	(1,072)	470	500	(102)
Payments .....	--	(271)	----	----	(271)
Loss on sale-leasebacks.....	<u>(6)</u>	<u>---</u>	<u>----</u>	<u>----</u>	<u>(6)</u>
Balance at March 31, 2003 .....	<u>\$ 2,470</u>	<u>\$ 2,014</u>	<u>\$ 470</u>	<u>\$ 500</u>	<u>\$ 5,454</u>

AWA expects to make payments related to these special charges through the fourth quarter of 2005.

#### 6. SEGMENT DISCLOSURES

AWA is one reportable operating segment. Accordingly, the segment reporting financial data required by SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information" is included in the accompanying condensed balance sheets and statements of operations.

RSPA FORM 41 SCHEDULE P-2 (1-85)

U S Department of  
 Transportation  
 Research and Special  
 Programs Administration

AIR CARRIER: .AMERICA WEST AIRLINES, INC.  
 OPERATION: ALL  
 PERIOD ENDED: MARCH 31, 2003

**NOTES TO RSPA FORM 41 REPORT**

**7. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN 46 requires that companies that control another entity through interests other than voting interests should consolidate the controlled entity. FIN 46 is effective for variable interest entities created after January 31, 2003 and to any variable interest entities in which the Company obtains an interest after that date. FIN 46 is effective for the quarter ending September 30, 2003 for variable interest entities in which the Company held a variable interest that it acquired before February 1, 2003. The Company has evaluated the provisions of FIN 46 and does not believe it to be reasonably possible that adoption would have a material effect on its financial condition or results of operations.

**8. SUBSEQUENT EVENT**

*Aviation-Related Assistance*

In April 2003, the Senate and House of Representatives of the United States of America passed, and the President signed, a supplemental appropriations bill to provide certain aviation-related assistance. The bill includes the following key provisions:

- \$2.3 billion of the appropriation is for grants to be made by the Transportation Security Administration ("TSA") to U.S. air carriers based on the proportional share each carrier has paid or collected as of the date of enactment of the legislation for passenger security and air carrier security fees. These amounts will be distributed not later than 30 days after the date of enactment of the legislation.
- The TSA will not impose passenger security fees during the period beginning June 1, 2003 and ending September 30, 2003.
- \$100 million of the appropriation will be available to compensate air carriers for the direct costs associated with the strengthening of flight deck doors and locks on aircraft.
- Aviation war risk insurance provided by the federal government is extended until August 2004.
- Certain airlines that receive the aviation-related assistance must agree to limit the total cash compensation for certain executive officers during the 12-month period beginning April 1, 2003 to an amount equal to the annual salary paid to that officer during the air carrier's fiscal year 2002. Any violation of this agreement will require the carrier to repay to the government the amount reimbursed for airline security fees.

The Company estimates that the amount of reimbursement it will receive under the legislation will be approximately \$80 million.

**9. EQUIPMENT PURCHASE DEPOSIT FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003**

Aircraft.....	\$ 46,050,000
Other Deposits.....	-----
Total.....	<u>\$ 46,050,000</u>

**10. SPECIAL FUNDS FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003**

Aircraft Security Deposits.....	\$ 20,733,890
Other .....	<u>8,621,106</u>
Total.....	<u>\$ 29,354,996</u>

U S Department of  
 Transportation  
 Research and Special  
 Programs Administration

AIR CARRIER: .AMERICA WEST AIRLINES, INC.  
 OPERATION: ALL  
 PERIOD ENDED: MARCH 31, 2003

**NOTES TO RSPA FORM 41 REPORT**

**11. PASSENGER FACILITY CHARGE ACTIVITY FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003**

PFC amount in account 2190 at beginning of quarter.....	\$ 4,887,939
Total amount collected in trust for public agencies .....	21,501,950
Total amount remitted to public agencies .....	(19,560,974)
Adjustments (collection compensation, PFC refunds, other misc) .....	<u>(185,959)</u>
PFC amount in account 2190 at end of quarter.....	<u>\$ 6,642,956</u>

**12. SECURITY SERVICE FEE ACTIVITY FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2003**

Fees imposed on passengers.....	<u>\$14,829,685</u>
Fees collected from passengers.....	14,829,685
Fees refunded to passengers.....	<u>178,544</u>
Fees remitted to the TSA.....	<u>\$14,651,141</u>

FUEL CONSUMPTION BY TYPE OF SERVICE AND ENTITY

Month Ended: March 31, 2004  
Schedule P-12(a)

Air Carrier: XYZ Airlines  
Operation: Domestic

LINE#	DESCRIPTION	GALLONS	AMOUNT
-----			
SCHEDULED SERVICE			
DOMESTIC			
Line 1	Intra-Alaska	0	0
Line 2	Domestic (Excluding Intra-Alaska)	958,492	1,085,804
Line 3	Domestic Subtotal	958,492	1,085,804
INTERNATIONAL			
Line 4	Atlantic	0	0
Line 5	Pacific	0	0
Line 6	Latin America	675,322	827,106
Line 7	International Subtotal	675,322	827,106
Line 8	Total Scheduled Service	1,633,814	1,912,910
NONSCHEDULED SERVICE			
DOMESTIC			
Line 9	Intra-Alaska	0	0
Line 10	Domestic (Excluding Intra-Alaska)	0	0
Line 11	MAC Operations	0	0
Line 12	Domestic Subtotal	0	0
INTERNATIONAL			
Line 13	Atlantic	0	0
Line 14	Pacific	0	0
Line 15	Latin America	1,701,687	2,360,095
Line 16	MAC Operations	0	0
Line 17	International Subtotal	1,701,687	2,360,095
Line 18	Total Nonscheduled Service	1,701,687	2,360,095

**RSPA Form 41 Schedule P-12(a) (1-85)**  
**Formerly CAB Form 41 Schedule P-12(a)**

## BALANCE SHEET

As At: March 31, 2003

Air Carrier: AMERICA WEST AIRLINE

Schedule B-1

Operation :Domestic HPD

ACCT#	DESCRIPTION	AMOUNT
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
1010	Cash	300,585,764
1100	Short-Term Investments	0
1200	Notes Receivable	0
1270	Accounts Receivable	96,976,675
1290	Less Allow. for Bad Debts	5,900,564
1299	Net Notes & Accounts Receivable	91,076,111
1399	Net Spare Parts & Supplies	60,158,852
1410	Prepaid Items	160,170,775
1420	Other Current Assets	0
1499	Total Current Assets	611,991,502
<b>INVESTMENTS IN SPECIAL FUNDS</b>		
1510	Inv.in Associated Companies	0
1530	Other Investments & Receivables	0
1550	Special Funds	29,354,996
1599	Total Inv. & Special Funds	29,354,996
<b>OPERATING PROPERTY &amp; EQUIPMENT</b>		
1609	Flight Equipment	850,530,403
1649	Ground-Property and Equipment	199,985,961
1668	Less Allowance for Depreciation	559,060,588
1675	Property & Equipment - Net	491,455,776
1679	Land	0
1685	Purchase Dep. & Adv. Payments	46,050,000
1689	Construction Work-in-progress	36,346,674
1695	Leased Property - Cap. Leases	17,749,054
1696	Accum. Amort. Capital Leases	874,724
1699	Total Oper. Prop.& Equipment	590,726,780
<b>NONOPERATING PROP. &amp; EQUIPMENT</b>		
1791	NONOPERATING PROP. & EQUIPMENT	0
1792	Less Allow. for Depr. - Nonop.	0
1799	Net Nonoperating Prop. & Eqmt.	0
<b>OTHER ASSETS</b>		
1820	Long-term Prepayments	0
1830	Unamort. Dev. & Preop. Costs	0
1890	Other Assets and Def. Charges	418,850,809
1895	Total Other Assets	418,850,809
1899	<b>TOTAL ASSETS</b>	<b>1,650,924,087</b>

## BALANCE SHEET

As At: March 31, 2003

Air Carrier: AMERICA WEST AIRLINE

Schedule B-1

Operation : Domestic HPD

ACCT#	DESCRIPTION	AMOUNT
<b>LIABILITIES &amp; STOCKHOLDERS' EQ.</b>		
<b>CURRENT LIABILITIES</b>		
2000	Curr. Maturities of L-T Debt	60,794,999
2005	Notes Payable - Banks	0
2015	Notes Payable - Others	0
2021	Trade Accts. Payable	0
2025	Accts. Payable - Other	15,531,615
2080	Curr. Oblig. Under Cap. Leases	3,210,521
2110	Accrued Salaries & Wages	12,863,071
2120	Accrued Vacation Pay	30,791,709
2125	Accrued Interest	3,274,396
2130	Accrued Taxes	10,900,944
2140	Dividends Declared	0
2160	Air Traffic Liability	221,995,093
2190	Other Current Liabilities	230,524,662
2199	Total Current Liabilities	589,887,010
<b>NONCURRENT LIABILITIES</b>		
2210	Long-term Debt	654,954,083
2240	Advances from Assoc. Companies	0
2250	Pension Liability	0
2280	Noncurrent Obgl.-Capital Leases	11,644,154
2290	Other Noncurrent Liabilities	86,322,264
2299	Total Noncurrent Liabilities	752,920,501
<b>DEFERRED CREDITS</b>		
2340	Deferred Income Taxes	0
2345	Deferred Investment Tax Credits	0
2390	Other Deferred Credits	58,933,603
2399	Total Deferred Credits	58,933,603
<b>STOCKHOLDERS' EQUITY</b>		
2820	Preferred Shares Issued	0
2840	Common Shares Issued	10
2860	Subscribed & Unissued	0
2869	Total Capital Stock	10
2890	Additional Capital Invested	555,131,860
2899	Total Paid in Capital	555,131,870
2900	Retained Earnings	-305,948,897
2959	Total Stockholders' Equity	249,182,973
2990	Less Treasury Stock	0
2995	Net Stockholders' Equity	249,182,973
2999	Total Liab. & Stockholders' Eq.	1,650,924,087
2820A	No. of Preferred Shares Issued	0
2840A	No. of Common Shares Issued	1,000

## STATEMENT OF OPERATIONS

Quarter Ended: March 31, 2003  
 Schedule P1.2

Air Carrier: AMERICA WEST AIRLINE  
 Operation : Domestic HPD

ACCT#	DESCRIPTION	AMOUNT
OPERATING REVENUES		
3901.1	Passenger - First Class	0
3901.2	Passenger - Coach	0
3901	Transport Revenues - Passenger	478,489,607
3905	Mail	2,859,484
3906.1	Property - Freight	4,155,042
3906.2	Property - Excess Baggage	706,706
3907.1	Charter - Passenger	1,104,462
3907.2	Charter - Property	0
3919.1	Reserv. Cancellation Fees	0
3919.2	Misc. Operating Revenues	-11,166,627
4808	Public Service Subsidy	0
4898	Transport Related	19,587,172
4999	Total Operating Revenue	495,735,846
OPERATING EXPENSES		
5100	Flying Operations	233,033,847
5400	Maintenance	84,398,949
5500	Passenger Service	40,601,644
6400	Aircraft & Traffic Servicing	100,322,732
6700	Promotion & Sales	38,590,989
6800	General & Administrative	26,158,079
7000	Depreciation & Amortization	16,672,590
7100	Transport Related Expenses	2,311,294
7199	Total Operating Expenses	542,090,124
7999	Operating Profit or Loss	-46,354,278
NONOPERATING EXPENSE (INCOME)		
8181	Int. Exp. (Inc.) on L-T-D & Cap.Leases	20,555,059
8182	Other Interest Expense (Income)	-406,248
8185	Foreign Exchange Gain or Loss	0
8188.5	Capital (Gains)/Losses- Op.Prop.	-121,658
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	-4,155,052
8199	Nonoperating Expense (Income)	15,872,101
8999	Income Before Income Taxes	-62,226,379
9100	Income Tax Expense	0
9199	Inc. Bf. Disc. Ops & Other Items	-62,226,379
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord.Item	0
9799	Income Before Account. Changes	-62,226,379
9800	Accounting Changes	0
9899	Net Income	-62,226,379

## STATEMENT OF OPERATIONS

Quarter Ended: March 31, 2003  
 Schedule P1.2

Air Carrier: AMERICA WEST AIRLINE  
 Operation : Latin HPL

ACCT#	DESCRIPTION	AMOUNT
<b>OPERATING REVENUES</b>		
3901.1	Passenger - First Class	13,083,374
3901.2	Passenger – Coach	7,897,005
3901	Transport Revenues – Passenger	20,980,379
3905	Mail	0
3906.1	Property - Freight	0
3906.2	Property - Excess Baggage	0
3907.1	Charter - Passenger	0
3907.2	Charter - Property	0
3919.1	Reserv. Cancellation Fees	0
3919.2	Misc. Operating Revenues	0
4808	Public Service Subsidy	0
4898	Transport Related	0
4999	Total Operating Revenue	20,980,379
<b>OPERATING EXPENSES</b>		
5100	Flying Operations	8,571,623
5400	Maintenance	4,483,304
5500	Passenger Service	1,467,039
6400	Aircraft & Traffic Servicing	3,952,773
6700	Promotion & Sales	499,388
6800	General & Administrative	1,597,267
7000	Depreciation & Amortization	801,036
7100	Transport Related Expenses	0
7199	Total Operating Expenses	21,372,430
7999	Operating Profit or Loss	-392,051
<b>NONOPERATING EXPENSE (INCOME)</b>		
8181	Int. Exp. (Inc.) on L-T-D & Cap.Leases	92,518
8182	Other Interest Expense (Income)	0
8185	Foreign Exchange Gain or Loss	0
8188.5	Capital (Gains)/Losses- Op.Prop.	0
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	0
8199	Nonoperating Expense (Income)	92,518
8999	Income Before Income Taxes	-484,569
9100	Income Tax Expense	0
9199	Inc. Bf. Disc. Ops & Other Items	-484,569
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord.Item	0
9799	Income Before Account. Changes	-484,569
9800	Accounting Changes	0
9899	Net Income	-484,569

## STATEMENT OF OPERATIONS

Quarter Ended: March 31, 2003  
 Schedule P1.2  
 ACCT# DESCRIPTION

Air Carrier: AMERICA WEST AIRLINE  
 Operation : System HPS

AMOUNT

ACCT#	DESCRIPTION	AMOUNT
	<b>OPERATING REVENUES</b>	
3901.1	Passenger - First Class	13,083,374
3901.2	Passenger – Coach	7,897,005
3901	Transport Revenues - Passenger	499,469,986
3905	Mail	2,859,484
3906.1	Property – Freight	4,155,042
3906.2	Property - Excess Baggage	706,706
3907.1	Charter – Passenger	1,104,462
3907.2	Charter – Property	0
3919.1	Reserv. Cancellation Fees	0
3919.2	Misc. Operating Revenues	-11,166,627
4808	Public Service Subsidy	0
4898	Transport Related	19,587,172
4999	Total Operating Revenue	516,716,225
	<b>OPERATING EXPENSES</b>	
5100	Flying Operations	241,605,470
5400	Maintenance	88,882,253
5500	Passenger Service	42,068,683
6400	Aircraft & Traffic Servicing	104,275,505
6700	Promotion & Sales	39,090,377
6800	General & Administrative	27,755,346
7000	Depreciation & Amortization	17,473,626
7100	Transport Related Expenses	2,311,294
7199	Total Operating Expenses	563,462,554
7999	Operating Profit or Loss	-46,746,329
	<b>NONOPERATING EXPENSE (INCOME)</b>	
8181	Int. Exp. (Inc.) on L-T-D & Cap.Leases	20,647,577
8182	Other Interest Expense (Income)	-406,248
8185	Foreign Exchange Gain or Loss	0
8188.5	Capital (Gains)/Losses- Op.Prop.	-121,658
	Capital (Gains)/Losses- Other	
8189	Other Expense (Income) - Net	-4,155,052
8199	Nonoperating Expense (Income)	15,964,619
8999	Income Before Income Taxes	-62,710,948
9100	Income Tax Expense	0
9199	Inc. Bf. Disc. Ops & Other Items	-62,710,948
9600	Discontinued Operations	0
9796	Extraordinary Items	0
9797	Inc. Tax Appl. To Extraord.Item	0
9799	Income Before Account. Changes	-62,710,948
9800	Accounting Changes	0
9899	Net Income	-62,710,948

AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: March 31, 2003

Air Carrier: AMERICA WEST AIRLINES

ACCT #	DESCRIPTION	Operation: Domestic		HPD			A319 Code
		Total Eqp Code 9999	H-737-3 Code 6191	B-737-1/2 Code 6201	H-757-200 Code 6221	A320-1/2 Code 6941	
<b>FLYING OPERATIONS</b>							
5123	Pilots and Copilots	37,852,434	9,193,645	2,511,225	3,473,004	13,234,922	9,439,638
5124	Other Flight Personnel	0	0	0	0	0	0
5128.1	Trainees and Instructors	0	0	0	0	0	0
5136	Personnel Expenses	3,670,198	785,405	218,957	256,667	1,406,556	1,002,613
5141	Prof & Tech Fees & Fxn	0	0	0	0	0	0
5143.7	Aircraft Interch. -Outside	0	0	0	0	0	0
5145.1	Aircraft Fuel	98,939,091	20,351,800	6,108,320	9,309,369	37,963,453	25,206,149
5145.2	Aircraft Oil	107,442	23,265	6,307	7,401	41,141	29,328
5147	Aircraft Rentals	72,851,376	11,117,164	833,658	6,690,804	35,483,566	18,726,184
5153	Other Supplies	0	0	0	0	0	0
5155.1	Insur. Purch. - General	983,476	192,759	42,074	99,338	413,049	236,256
5157	Emol. Benefits and Pensions	11,410,998	2,813,874	751,474	1,065,377	3,957,799	2,822,474
5158	Injuries, Loss and Damage	0	0	0	0	0	0
5168	Taxes-Payroll	0	0	0	0	0	0
5169	Taxes-Other Than Payroll	7,218,833	1,208,689	430,580	569,944	3,082,420	1,927,200
5171	Other Expense	0	0	0	0	0	0
5199	Total Flying Operations	233,033,848	45,686,601	10,902,595	21,471,904	95,582,906	59,389,842
<b>DIRECT MAINTENANCE-FLIGHT EQUIP</b>							
5225.1	Maint Airf. Labor	11,795,163	2,755,966	673,931	890,135	4,364,342	3,110,789
5225.2	Maint Eng. Labor	570,764	133,385	32,596	43,066	211,194	150,523
5243.1	Maint Airf. Outside Rep.	31,752,429	11,726,037	1,800,343	3,961,109	12,707,923	1,557,017
5243.2	Maint Eng. Outside Rep.	23,416,685	7,590,298	1,703,285	6,963,556	7,097,340	62,206
5243.7	Maint AC Interch. Chras-O/S	0	0	0	0	0	0
5246.1	Maint Materials - Airframe	4,288,081	923,844	145,216	753,890	1,919,385	545,746
5246.2	Maint Materials - Engines	662,921	68,248	-20,973	137,048	353,844	124,754
5272.1	Maint Airfrm Airworth. Provs.	0	0	0	0	0	0
5272.3	Maint Airfrm O/H Deferred	0	0	0	0	0	0
5272.6	Maint AC Eng. Airworth. Prov	0	0	0	0	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	0	0	0	0	0	0
5278	Total Dir Maint-Fl.Eqpt	72,486,043	23,197,778	4,334,398	12,748,804	26,654,028	5,551,035
5279.6	APPL. MAINT BURDEN FLT. EQ.	8,339,033	1,814,043	490,659	579,664	3,183,744	2,270,923
5299	Total Flt. Eq. Maint. (Memo)	80,825,076	25,011,821	4,825,057	13,328,468	29,837,772	7,821,958
7073.9	NET OBSL & DETER.- EXP. PARTS	0	0	0	0	0	0
<b>DEPRECIATION - FLIGHT EQUIPMENT</b>							
7075.1	Depr. Airframes	1,776,761	1,125,238	411,668	239,137	542	176
7075.2	Depr. Aircraft Engines	800,214	111,743	71,089	32,955	540,274	44,153
7075.3	Depr. Airframe Parts	1,868,990	425,329	234,152	262,784	822,310	124,415
7075.4	Depr. Engine Parts	861,002	116,298	61,353	100,218	581,091	2,042
7075.5	Depr. Other Flt Eqp.	4,208,487	1,458,130	800,441	407,569	1,496,613	45,734
7076.1	Amort. Cap. Leases F1t.Eqpt.	108,582	0	0	108,582	0	0
<b>EXPENSE OF INTERCHANGE AIRCRAFT</b>							
7098.1	Exp. of Interch. AC- Flt. Ops	0	0	0	0	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0	0	0	0	0
7098.9	Total Aircraft Operating Expense	323,482,960	73,935,160	17,306,355	35,951,617	128,861,508	67,428,320
Z630	Total Block Hours	125,551	27,145	7,402	8,649	48,071	34,284
Z810	Aircraft Davs Assianed	12.534	3.184	1.074	1.050	4.349	2.877
Z921	Aircraft Fuels Issued (gallons)	100,037,521	20,504,958	6,209,527	9,381,347	38,511,569	25,430,120
<b>OTHER DEPRECIATION &amp; AMORTIZATION</b>							
7074.1	Amortization Developmental &Pre	0					
7074.2	Amortization Other Intangibles	2,117,767					
7075.8	Depreciation Hangar & Maint. Ea	80,006					
7075.9	Depreciation Ground Property	4,780,446					
7076.2	Amort. Capital Leases Other	70,335					

AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: March 31, 2003

Air Carrier: AMERICA WEST AIRLINES

ACCT #	DESCRIPTION	Operation: Latin		HPL			
		Total Eqp Code	H-737-3 Code	B-737-1/2 Code 6201	H-757-200 Code 6221	A320-1/2 Code	A319 Code
5123	FLYING OPERATIONS						
	Pilots and Copilots	1,594,288	1,103,977	7,463	460,517	17,563	4,768
5124	Other Flight Personnel	0	0	0	0	0	0
5128.1	Trainees and Instructors	0	0	0	0	0	0
5136	Personnel Expenses	146,104	108,786	671	34,246	1,891	510
5141	Prof. & Tech. Fees & Exp.	0	0	0	0	0	0
5143.7	Aircraft Interch. -Outside	0	0	0	0	0	0
5145.1	Aircraft Fuel	3,870,776	2,559,305	19,077	1,225,719	46,741	19,934
5145.2	Aircraft Oil	3,887	2,811	19	980	61	16
5147	Aircraft Rentals	2,302,358	1,349,729	2,559	892,720	47,850	9,500
5153	Other Supplies	0	0	0	0	0	0
5155.1	Insur. Purch. - General	37,470	23,429	130	13,233	556	122
5157	Empl. Benefits and Pensions	382,628	264,954	1,791	110,524	4,215	1,144
5158	Injuries, Loss and Damage	0	0	0	0	0	0
5168	Taxes-Pavroll	0	0	0	0	0	0
5169	Taxes-Other Than Pavroll	234,112	153,745	1,480	78,887	0	0
5171	Other Expense	0	0	0	0	0	0
5199	Total Flying Operations	8,571,623	5,566,736	33,190	2,816,826	118,877	35,994
	DIRECT MAINTENANCE-FLIGHT EQUIP						
5225.1	Maint Airf. Labor	0	0	0	0	0	0
5225.2	Maint Eng. Labor	0	0	0	0	0	0
5243.1	Maint Airf. Outside Rep.	1,981,033	1,422,116	6,529	534,079	17,410	899
5243.2	Maint Eng. Outside Rep.	1,866,472	921,425	5,212	930,187	9,616	32
5243.7	Maint AC Interch. Chros-0/S	0	0	0	0	0	0
5246.1	Maint Materials - Airframe	212,213	107,876	465	101,109	2,478	285
5246.2	Maint Materials - Engines	27,759	8,238	-107	18,493	1,072	63
5272.1	Maint Airfrm Airworth. Provs.	0	0	0	0	0	0
5272.3	Maint Airfrm O/H Deferred	0	0	0	0	0	0
5272.6	Maint AC Eng. Airworth. Prov	0	0	0	0	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	0	0	0	0	0	0
5278	Total Dir Maint-F1t.Eqpt	4,087,477	2,459,655	12,099	1,583,868	30,576	1,279
5279.6	APPL. MAINT BURDEN FLT. EQ.	277,079	200,203	1,356	70,137	4,233	1,150
5299	Total Flt. Eq. Maint. (Memo)	4,364,556	2,659,858	13,455	1,654,005	34,809	2,429
7073.9	NET OHSL & DETER.- EXP. PARTS	0	0	0	0	0	0
	DEPRECIATION - FLIGHT EQUIPMENT						
7075.1	Depr. Airframes	169,814	136,612	1,264	31,937	1	0
7075.2	Depr. Aircraft Engines	18,930	13,567	218	4,401	722	22
7075.3	Depr. Airframe Parts	88,618	51,647	720	35,098	1,090	63
7075.4	Depr. Engine Parts	28,473	14,121	190	13,389	772	1
7075.5	Depr. Other Flt Eqpt.	235,453	176,791	2,441	54,419	1,780	22
7076.1	Amort. Cap. Leases F1t.Eqpt.	3,939	0	0	3,939	0	0
	EXPENSE OF INTERCHANGE AIRCRAFT						
7098.1	Exp. of Interch. AC- Flt. Ops	0	0	0	0	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0	0	0	0	0
7098.9	Total Aircraft Operating Expense	13,481,406	8,619,332	51,478	4,614,014	158,051	38,531
Z630	Total Block Hours	4,559	3,299	23	1,153	66	18
Z810	Aircraft Davs Assianed	472	326	5	130	8	3
Z921	Aircraft Fuels Issued (gallons)	3,716,084	2,447,712	17,509	1,178,917	50,413	21,533
	OTHER DEPRECIATION & AMORTIZATION						
7074.1	Amortization Developmental &Pre	0					
7074.2	Amortization Other Intangibles	77,059					
7075.8	Depreciation Handar & Maint. Ea	2,903					
7075.9	Depreciation Ground Property	173,294					
7076.2	Amort. Capital Leases Other	2,553					

AIRCRAFT OPERATING EXP. - Sch. P-5.2 Grp II & III Qtr: March 31, 2003

Air Carrier: AMERICA WEST AIRLINES

ACCT #	DESCRIPTION	Operation: System HPS					
		Total Eqp Code 9999	H-737-3 Code 6191	B-737-1/2 Code 6201	H-757-200 Code 6221	A320-1/2 Code 6941	A319 Code 6981
<b>FLYING OPERATIONS</b>							
5123	Pilots and Copilots	39,446,722	10,297,622	2,518,688	3,933,521	13,252,485	9,444,406
5124	Other Flight Personnel	0	0	0	0	0	0
5128.1	Trainees and Instructors	0	0	0	0	0	0
5136	Personnel Expenses	3,816,302	894,191	219,628	290,913	1,408,447	1,003,123
5141	Prof. & Tech. Fees & Exp.	0	0	0	0	0	0
5143.7	Aircraft Interch. -Outside	0	0	0	0	0	0
5145.1	Aircraft Fuel	102,809,867	22,911,105	6,127,397	10,535,088	38,010,194	25,226,083
5145.2	Aircraft Oil	111,329	26,076	6,326	8,381	41,202	29,344
5147	Aircraft Rentals	75,153,734	12,466,893	836,217	7,583,524	35,531,416	18,735,684
5153	Other Supplies	0	0	0	0	0	0
5155.1	Insur. Purch. - General	1,020,946	216,188	42,204	112,571	413,605	236,378
5157	Empl. Benefits and Pensions	11,793,626	3,078,828	753,265	1,175,901	3,962,014	2,823,618
5158	Injuries, Loss and Damage	0	0	0	0	0	0
5168	Taxes-Pavroll	0	0	0	0	0	0
5169	Taxes-Other Than Pavroll	7,452,945	1,362,434	432,060	648,831	3,082,420	1,927,200
5171	Other Expense	0	0	0	0	0	0
5199	Total Flying Operations	241,605,471	51,253,337	10,935,785	24,288,730	95,701,783	59,425,836
<b>DIRECT MAINTENANCE-FLIGHT EQUIP</b>							
5225.1	Maint Airf. Labor	11,795,163	2,755,966	673,931	890,135	4,364,342	3,110,789
5225.2	Maint Eng. Labor	570,764	133,385	32,596	43,066	211,194	150,523
5243.1	Maint Airf. Outside Rep.	33,733,462	13,148,153	1,806,872	4,495,188	12,725,333	1,557,916
5243.2	Maint Eng. Outside Rep.	25,283,157	8,511,723	1,708,497	7,893,743	7,106,956	62,238
5243.7	Maint AC Interch. Chras-0/S	0	0	0	0	0	0
5246.1	Maint Materials - Airframe	4,500,294	1,031,720	145,681	854,999	1,921,863	546,031
5246.2	Maint Materials - Engines	690,680	76,486	-21,080	155,541	354,916	124,817
5272.1	Maint Airfrm Airworth. Provs.	0	0	0	0	0	0
5272.3	Maint Airfrm O/H Deferred	0	0	0	0	0	0
5272.6	Maint AC Eng. Airworth. Prov	0	0	0	0	0	0
5272.8	Maint AC Eng. O/H Def. (cr.)	0	0	0	0	0	0
5278	Total Dir Maint-F1t.Eqpt	76,573,520	25,657,433	4,346,497	14,332,672	26,684,604	5,552,314
5279.6	APPL. MAINT BURDEN FLT. EQ.	8,616,112	2,014,246	492,015	649,801	3,187,977	2,272,073
5299	Total Flt. Eq. Maint. (Memo)	85,189,632	27,671,679	4,838,512	14,982,473	29,872,581	7,824,387
7073.9	NET OBSL & DETER.- EXP. PARTS	0	0	0	0	0	0
<b>DEPRECIATION - FLIGHT EQUIPMENT</b>							
7075.1	Depr. Airframes	1,946,575	1,261,850	412,932	271,074	543	176
7075.2	Depr. Aircraft Engines	819,144	125,310	71,307	37,356	540,996	44,175
7075.3	Depr. Airframe Parts	1,957,608	476,976	234,872	297,882	823,400	124,478
7075.4	Depr. Engine Parts	889,475	130,419	61,543	113,607	581,863	2,043
7075.5	Depr. Other Flt Eqp.	4,443,940	1,634,921	802,882	461,988	1,498,393	45,756
7076.1	Amort. Cap. Leases F1t.Eqpt.	112,521	0	0	112,521	0	0
<b>EXPENSE OF INTERCHANGE AIRCRAFT</b>							
7098.1	Exp. of Interch. AC- Flt. Ops	0	0	0	0	0	0
7098.2	Exp. of Interch. AC- Maint.	0	0	0	0	0	0
7098.9	Total Aircraft Operating Expense	336,964,366	82,554,492	17,357,833	40,565,631	129,019,559	67,466,851
2630	Total Block Hours	130,110	30,444	7,425	9,802	48,137	34,302
Z810	Aircraft Davs Assigned	13,006	3,510	1,079	1,180	4,357	2,880
Z921	Aircraft Fuels Issued (gallons)	103,753,605	22,952,670	6,227,036	10,560,264	38,561,982	25,451,653
<b>OTHER DEPRECIATION &amp; AMORTIZATION</b>							
7074.1	Amortization Developmental &Pre	0					
7074.2	Amortization Other Intanables	2,194,826					
7075.8	Depreciation Hangar & Maint. Eq	82,909					
7075.9	Depreciation Ground Property	4,953,740					
7076.2	Amort. Capital Leases Other	72,888					

## OPERATING EXPENSES BY OBJECTIVE GROUPING

As At: March 31, 2003  
Schedule P6Air Carrier: AMERICA WEST AIRLINE  
Operation : Domestic HPD

LINE#	DESCRIPTION	AMOUNT
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	2,654,479
Line 4	Flight Personnel	53,834,191
Line 5	Maintenance Labor	10,368,317
Line 6	Aircr. & Traffic Hndl. Per.	24,295,615
Line 7	Other Personnel	26,433,411
Line 8	Total Salaries	117,586,013
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	9,381,461
Line 11	Empl. Benefits & Pensions	28,721,071
Line 12	Payroll Taxes	8,439,252
Line 13	Total Fringe Benefits	46,541,784
Line 14	Total Salaries & Benefits	164,127,797
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	106,265,366
Line 17	Maintenance Materials	6,089,224
Line 18	Passenger Food	3,850,514
Line 19	Other Materials	4,773,849
Line 20	Total Materials	120,978,953
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	3,118,099
Line 23	Communications	3,257,140
Line 24	Insurance	8,959,248
Line 25	Outside Flight Eqpt. Maint.	55,169,113
Line 26	Traffic Commissions - Passenger	6,191,419
Line 27	Traffic Commissions - Cargo	0
Line 28	Other Services	53,693,959
Line 29	Total Services	130,388,978
Line 30	LANDING FEES	10,840,306
Line 31	RENTALS	99,979,753
Line 32	DEPRECIATION	14,375,905
Line 33	AMORTIZATION	2,296,685
Line 34	OTHER	-3,209,547
Line 35	TRANSPORT RELATED EXPENSES	2,311,294
Line 36	TOTAL OPERATING EXPENSES	542,090,124

## OPERATING EXPENSES BY OBJECTIVE GROUPING

As At: March 31, 2003  
Schedule P6Air Carrier: AMERICA WEST AIRLINE  
Operation : Latin HPL

LINE#	DESCRIPTION	AMOUNT
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	105,979
Line 4	Flight Personnel	2,204,801
Line 5	Maintenance Labor	30,665
Line 6	Aircr. & Traffic Hndl. Per.	895,620
Line 7	Other Personnel	1,006,485
Line 8	Total Salaries	4,243,550
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	368,585
Line 11	Empl. Benefits & Pensions	1,142,258
Line 12	Payroll Taxes	335,274
Line 13	Total Fringe Benefits	1,846,117
Line 14	Total Salaries & Benefits	6,089,667
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	4,108,775
Line 17	Maintenance Materials	281,226
Line 18	Passenger Food	139,455
Line 19	Other Materials	191,377
Line 20	Total Materials	4,720,833
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	17,727
Line 23	Communications	646,454
Line 24	Insurance	228,611
Line 25	Outside Flight Eqpt. Maint.	3,847,505
Line 26	Traffic Commissions -Passenger	0
Line 27	Traffic Commissions - Cargo	0
Line 28	Other Services	1,048,249
Line 29	Total Services	5,788,546
Line 30	LANDING FEES	563,211
Line 31	RENTALS	3,530,306
Line 32	DEPRECIATION	717,485
Line 33	AMORTIZATION	83,551
Line 34	OTHER	-121,169
Line 35	TRANSPORT RELATED EXPENSES	0
Line 36	TOTAL OPERATING EXPENSES	21,372,430

## OPERATING EXPENSES BY OBJECTIVE GROUPING

As At: March 31, 2003

Air Carrier: AMERICA WEST AIRLINE

Schedule P6

Operation : System HPS

LINE#	DESCRIPTION	AMOUNT
	SALARIES & REL. FRINGE BENEFIT	
	SALARIES:	
Line 3	General Mgmt. Per.	2,760,458
Line 4	Flight Personnel	56,038,992
Line 5	Maintenance Labor	10,398,982
Line 6	Aircr. & Traffic Hndl. Per.	25,191,235
Line 7	Other Personnel	27,439,896
Line 8	Total Salaries	121,829,563
	RELATED FRINGE BENEFITS	
Line 10	Personnel Expense	9,750,046
Line 11	Empl. Benefits & Pensions	29,863,329
Line 12	Payroll Taxes	8,774,526
Line 13	Total Fringe Benefits	48,387,901
Line 14	Total Salaries & Benefits	170,217,464
	MATERIALS PURCHASED	
Line 16	Aircraft Fuel & Oil	110,374,141
Line 17	Maintenance Materials	6,370,450
Line 18	Passenger Food	3,989,969
Line 19	Other Materials	4,965,226
Line 20	Total Materials	125,699,786
	SERVICES PURCHASED	
Line 22	Advertising & Other Promotion	3,135,826
Line 23	Communications	3,903,594
Line 24	Insurance	9,187,859
Line 25	Outside Flight Eqpt. Maint.	59,016,618
Line 26	Traffic Commissions -Passenger	6,191,419
Line 27	Traffic Commissions - Cargo	0
Line 28	Other Services	54,742,208
Line 29	Total Services	136,177,524
Line 30	LANDING FEES	11,403,517
Line 31	RENTALS	103,510,059
Line 32	DEPRECIATION	15,093,390
Line 33	AMORTIZATION	2,380,236
Line 34	OTHER	-3,330,716
Line 35	TRANSPORT RELATED EXPENSES	2,311,294
Line 36	TOTAL OPERATING EXPENSES	563,462,554

## OPERATING EXPENSES BY FUNCTIONAL GROUPING

As At: March 31, 2003

Air Carrier: AMERICA WEST AIRLINE

Schedule P7

Operation : Domestic HPD

LINE#	DESCRIPTION	AMOUNT
	AIRCRAFT OPER. EXPENSES (DIRECT)	
Line 2	Aircraft Operating Expenses	323,482,960
	SERV., SALES & GEN.OP.(INDIRECT)	
	PASSENGER SERVICE EXPENSE:	
Line 5	Flight Attendant Expense	13,206,978
Line 6	Food Expense	3,850,514
Line 7	Other In-Flight Expense	23,544,152
Line 8	Total Passenger Service Exp.	40,601,644
	PASSENGER SERVICING EXPENSE:	
Line 10	Line Servicing Expense	1,026,739
Line 11	Control Expense	14,479,366
Line 12	Landing Fees	10,840,306
Line 13	Total Aircraft Servicing Exp.	26,346,411
	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly Assignable- Psgr.	16,645,947
Line 16	Directly Assignable- Cargo	16,483,027
Line 17	Not Directly Assignable	40,847,348
Line 18	Total Traffic Servicing Exp.	73,976,322
	RESERVATIONS AND SALES EXPENSE:	
Line 20	Directly Assignable- Psgr.	7,186,281
Line 21	Directly Assignable- Cargo	0
Line 22	Not Directly Assignable	33,193,648
Line 23	Total Reservat. & Sales Exp.	40,379,929
	ADVERTISING & PUBLICITY EXPENSE:	
Line 25	Directly Assignable- Psgr.	1,603,334
Line 26	Directly Assignable- Cargo	0
Line 27	Not Directly Assignable	-3,392,274
Line 28	Total Advertising & Prom. Exp	-1,788,940
Line 29	GENERAL & ADMINISTRATIVE EXPENSE	26,158,079
	MAINT. & DEPREC. -GROUND PROP.&EQ.	
Line 31	Maintenance Ground Prop.&Eqpt.	3,573,873
Line 32	Depreciation Ground Prop.&Eqpt	4,780,446
Line 33	Total Maint.&Depr.- Ground P&E	8,354,319
Line 34	DEPR. EXPENSE - MAINTENANCE EQ.	80,006
Line 35	AMORT. (OTHER THAN FLIGHT EQ.)	2,188,100
Line 36	TOTAL SVCING,SALES & GEN.OP.EXP.	216,295,870
Line 37	TRANSPORT RELATED EXPENSES	2,311,294
Line 38	TOTAL OPERATING EXPENSES	542,090,124

## OPERATING EXPENSES BY FUNCTIONAL GROUPING

As At: March 31, 2003

Air Carrier: AMERICA WEST AIRLINE

Schedule P7

Operation : Latin HPL

LINE#	DESCRIPTION	AMOUNT
	AIRCRAFT OPER. EXPENSES (DIRECT)	
Line 2	Aircraft Operating Expenses	13,481,406
	SERV., SALES & GEN.OP.(INDIRECT)	
	PASSENGER SERVICE EXPENSE:	
Line 5	Flight Attendant Expense	453,315
Line 6	Food Expense	139,455
Line 7	Other In-Flight Expense	874,269
Line 8	Total Passenger Service Exp.	1,467,039
	PASSENGER SERVICING EXPENSE:	
Line 10	Line Servicing Expense	20,397
Line 11	Control Expense	290,066
Line 12	Landing Fees	563,211
Line 13	Total Aircraft Servicing Exp.	873,674
	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly Assignable- Psgr.	650,257
Line 16	Directly Assignable- Cargo	582,123
Line 17	Not Directly Assignable	1,846,718
Line 18	Total Traffic Servicing Exp.	3,079,098
	RESERVATIONS AND SALES EXPENSE:	
Line 20	Directly Assignable- Psgr.	34,147
Line 21	Directly Assignable- Cargo	0
Line 22	Not Directly Assignable	632,483
Line 23	Total Reservat. & Sales Exp.	666,630
	ADVERTISING & PUBLICITY EXPENSE:	
Line 25	Directly Assignable- Psgr.	59,797
Line 26	Directly Assignable- Cargo	0
Line 27	Not Directly Assignable	-227,039
Line 28	Total Advertising & Prom. Exp	-167,242
Line 29	GENERAL & ADMINISTRATIVE EXPENSE	1,597,267
	MAINT. & DEPREC. -GROUND PROP.&EQ.	
Line 31	Maintenance Ground Prop.&Eqpt.	118,748
Line 32	Depreciation Ground Prop.&Eqpt	173,294
Line 33	Total Maint.&Depr.- Ground P&E	292,042
Line 34	DEPR. EXPENSE - MAINTENANCE EQ.	2,903
Line 35	AMORT. (OTHER THAN FLIGHT EQ.)	79,613
Line 36	TOTAL SVCING,SALES & GEN.OP.EXP.	7,891,024
Line 37	TRANSPORT RELATED EXPENSES	0
Line 38	TOTAL OPERATING EXPENSES	21,372,430

## OPERATING EXPENSES BY FUNCTIONAL GROUPING

As At: March 31, 2003  
Schedule P7

Air Carrier: AMERICA WEST AIRLINE  
Operation : System HPS

LINE#	DESCRIPTION	AMOUNT
	AIRCRAFT OPER. EXPENSES (DIRECT)	
Line 2	Aircraft Operating Expenses	336,964,366
	SERV., SALES & GEN.OP.(INDIRECT)	
	PASSENGER SERVICE EXPENSE:	
Line 5	Flight Attendant Expense	13,660,293
Line 6	Food Expense	3,989,969
Line 7	Other In-Flight Expense	24,418,421
Line 8	Total Passenger Service Exp.	42,068,683
	PASSENGER SERVICING EXPENSE:	
Line 10	Line Servicing Expense	1,047,136
Line 11	Control Expense	14,769,432
Line 12	Landing Fees	11,403,517
Line 13	Total Aircraft Servicing Exp.	27,220,085
	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly Assignable- Psgr.	17,296,204
Line 16	Directly Assignable- Cargo	17,065,150
Line 17	Not Directly Assignable	42,694,066
Line 18	Total Traffic Servicing Exp.	77,055,420
	RESERVATIONS AND SALES EXPENSE:	
Line 20	Directly Assignable- Psgr.	7,220,428
Line 21	Directly Assignable- Cargo	0
Line 22	Not Directly Assignable	33,826,131
Line 23	Total Reservat. & Sales Exp.	41,046,559
	ADVERTISING & PUBLICITY EXPENSE:	
Line 25	Directly Assignable- Psgr.	1,663,131
Line 26	Directly Assignable- Cargo	0
Line 27	Not Directly Assignable	-3,619,313
Line 28	Total Advertising & Prom. Exp	-1,956,182
Line 29	GENERAL & ADMINISTRATIVE EXPENSE	27,755,346
	MAINT. & DEPREC. -GROUND PROP.&EQ.	
Line 31	Maintenance Ground Prop.&Eqpt.	3,692,621
Line 32	Depreciation Ground Prop.&Eqpt	4,953,740
Line 33	Total Maint.&Depr.- Ground P&E	8,646,361
Line 34	DEPR. EXPENSE - MAINTENANCE EQ.	82,909
Line 35	AMORT. (OTHER THAN FLIGHT EQ.)	2,267,713
Line 36	TOTAL SVCING,SALES & GEN.OP.EXP.	224,186,894
Line 37	TRANSPORT RELATED EXPENSES	2,311,294
Line 38	TOTAL OPERATING EXPENSES	563,462,554

**EMPLOYMENT STATISTICS BY LABOR CATEGORY**

US Department  
of Transportation

Research and  
Special Programs  
Administration

**AIR CARRIER:     ABC AIRLINES, INC.**  
**OPERATION:         DOMESTIC**  
**CALENDAR YEAR ENDED: DECEMBER 31, 2003**

Acct. No.	Description	Weighted Average Number of Full-time <u>Employees</u>
21	General Management Personnel.....	50
23	Pilots and Co-pilots .....	1,727
24	Other Flight Personnel.....	
24.1	Flying Operations <sup>1</sup>	
24.2	Passenger/General Services and Administration <sup>2</sup> ...	2,395
25	Maintenance Labor <sup>3</sup> .....	899
26	Aircraft and Traffic Handling Personnel <sup>4</sup> .....	
26.1	General Aircraft and Traffic Handling Personnel ..	104
26.2	Aircraft Control Personnel .....	36
26.3	Passenger Handling Personnel.....	2,385
26.4	Cargo Handling Personnel .....	2,199
28.1	Trainees and Instructors .....	73
31	Record Keeping and Statistical personnel.....	1,090
33	Traffic Solicitors.....	1,048
99.1	Other Personnel.....	952
99.2	Transport-Related.....	
99	Total.....:	12,958
	1 Include personnel in Function 5100 2 Include personnel in Functions 5500 and 6900 3 Include unallocated maintenance shop labor. 4 Group 1 air carriers.	

Substitute RSPA Form 41 Schedule P-10

U.S. Department of Transportation

Research and Special Programs

INVENTORY OF AIRFRAMES AND AIRCRAFT ENGINES

Air Carrier: XYZ Airlines, Inc.

Year Ended December 31, 2003

LINE	Year of First Delivery (Airframe)	Airframe Manufacturer's Serial Number	Airframe License Number	Data Acquired	Usual Seat Configuration	Number of Aircraft Engines (by Type)	Manufacturer	Type, Model and Cabin Design	Available Capacity (Weight)	Acquired Cost or Capitalized Value	Allowance for Depreciation Amortization	Depreciated Cost or Amortized Value	Estimated Residual Value	Estimated Depreciable or Amortizable Life (Months)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	1959	1084	N282F	10/21/74		3	Lockheed	L188 Cargo	35,200	800,000	700,000	100,000	100,000	
2	1959	1104	N284F	09/23/74		3	Lockheed	L188 Cargo	35,400	800,000	700,000	100,000	100,000	
3	1960	1146	N286F	10/08/74		3	Lockheed	L188 Cargo	35 000	800,000	700,000	100,000	100,000	
4	1960	1133	N290F	05/29/92		3	Lockheed	L188 Cargo	35,500	975,000-	875,000	100,000	100,000	
5	1958	1012	N5507	08/08/79		3	Lockheed	L188 Cargo	31,200	719,898	619,898	100,000	100,000	
6	1958	1014	N5510L	07/19/78		3	Lockheed	L188 Cargo	31,000	698,471	598,471	100,000	100,000	
7	1958	1017	N5512	08/08/78		3	Lockheed	L188 Cargo	30,800	676,604	576,604	100,000	100,000	
8	1959	1033	N5522	03/02/78		3	Lockheed	L188 Cargo	31,200	827,823	727,823	100,000	100,000	
9	1959	1035	N341HA	09/02/80		3	Lockheed	L188 Cargo	31,700	1,600,000	1,500,000	100,000	100,000	
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														

RSPA Form 41 Schedule B-43

\* Denotes airframe currently equipped under FAA Regulation Part 121 for operation over water.

Air Carrier Traffic Statistics Monthly  
Carrier <Midwest Express Airlines> <YXD>  
Equipment <All Equipment Types>

T-1

	2003 10	2003 11	2003 12	TOTAL		
ALL SERVICES (000)					YXD	0000
Revenue Passenger Miles	189,369	175,547	196,318	561,234	YXD	0000
Passenger Revenue Ton Miles	18,937	17,555	19,632	56,123	YXD	0000
Freight, Express & Mail Ton Miles	478	613	543	1,634	YXD	0000
Total Revenue Ton Miles Data	19,415	18,168	20,175	57,757	YXD	0000
Total Available Ton Miles	35,285	32,964	36,017	104,266	YXD	0000
NonScheduled as a % of Total Avail.	3	4	4	3	YXD	0000
SCHEDULED SERVICES					YXD	0000
Rev. Pass. Miles First Class (000)	187,680	173,720	192,165	553,565	YXD	0000
Rev. Passenger Miles Coach (000)	-	-	-	-	YXD	0000
Total Rev. Passenger Miles (000)	187,680	173,720	192,165	553,565	YXD	0000
ASM's First Class (000)	278,768	258,329	283,998	821,095	YXD	0000
ASM's Coach Plus Economy (000)	-	-	-	-	YXD	0000
Total ASMs (000)	278,768	258,329	283,998	821,095	YXD	0000
First Class Load Factor (%)	67	67	68	67	YXD	0000
Coach Load Factor (%)	-	-	-	-	YXD	0000
Total Load Factor (%)	67	67	68	67	YXD	0000
Revenue Passenger Enplanements	196,047	180,016	195,128	571,191	YXD	0000
Revenue Ton-Miles Passenger (000)	18,768	17,372	19,216	55,356	YXD	0000
Revenue Ton-Miles Freight (000)	370	275	272	918	YXD	0000
Revenue Ton-Miles Express (000)	-	-	-	-	YXD	0000
Revenue Ton-Miles US Mail (000)	107	338	271	716	YXD	0000
Revenue Ton-Miles Foreign (000)	-	-	-	-	YXD	0000
Total Revenue Ton-Miles (000)	19,246	17,985	19,760	56,990	YXD	0000
Total Available Ton-Miles (000)	34,323	31,749	34,618	100,691	YXD	0000
Total Revenue Load Factor (%)	56	57	57	57	YXD	0000
Aircraft Rev. Miles Passenger (000)	2,645	2,405	2,609	7,659	YXD	0000
Aircraft Rev. Miles All-Cargo (000)	-	-	-	-	YXD	0000
Total Aircraft Revenue Miles (000)	2,645	2,405	2,609	7,659	YXD	0000
Total Aircraft Revenue Hours	5,987	5,581	5,975	17,543	YXD	0000
Aircraft Miles Scheduled (000)	2,664	2,414	2,671	7,749	YXD	0000
Sched. Aircraft Miles Completed (000)	-	-	-	-	YXD	0000
% Scheduled Aircraft Miles Complete	-	-	-	-	YXD	0000
Aircraft Revenue Departures Performed	3,124	2,831	3,016	8,971	YXD	0000
Revenue Passenger Per Aircraft Mile	71	72	74	72	YXD	0000
Available Seats Per Aircraft Mile	105	107	109	107	YXD	0000
Revenue Load Per Aircraft Mile (Tons)	7	7	8	7	YXD	0000
Capacity Per Aircraft Mile (Tons)	13	13	13	13	YXD	0000
Overall Flight Stage Length (Miles)	847	850	865	854	YXD	0000
On-Flight Pass. Trip Length (Miles)	957	965	985	969	YXD	0000
NON-SCHEDULED SERVICES					YXD	0000
Civilian Rev. Passenger Miles (000)	1,690	1,828	4,153	7,671	YXD	0000
Military Rev. Passenger Miles (000)	-	-	-	-	YXD	0000
Total Revenue Passenger Miles (000)	1,690	1,828	4,153	7,671	YXD	0000
Total Available Seat Miles (000)	6,138	7,055	8,455	21,648	YXD	0000
Passenger Revenue Ton-Miles (000)	169	183	415	767	YXD	0000
Civ./Freight/Oth. Rev. Ton-Miles(000)	-	-	-	-	YXD	0000
Mil./Freight/Oth. Rev. Ton-Miles(000)	-	-	-	-	YXD	0000
Total Revenue Ton-Miles (000)	169	183	415	767	YXD	0000
Civilian Available Ton-Miles (000)	962	1,215	1,398	3,574	YXD	0000
Military Available Ton-Miles (000)	-	-	-	-	YXD	0000
Total Available Ton Miles (000)	962	1,215	1,398	3,574	YXD	0000
Aircraft Revenue Miles (000)	79	92	104	275	YXD	0000
Aircraft Revenue Hours	199	219	245	663	YXD	0000
Aircraft Revenue Departures	158	138	149	445	YXD	0000
Revenue Passenger Enplanements	3,397	2,951	4,404	10,752	YXD	0000

TRAFFIC, CAPACITY, AIRCRAFT OPERATIONS, AND MISCELLANEOUS STATISTICS  
BY TYPE OF AIRCRAFT

	ALL TYPES 9999	A320-1/2 6941	B757-200 6221	B737-1/2 6201	B737-300 6191
<b>SCHEDULED SERVICES</b>					
REVENUE PASSENGER MILES TOTAL (000) ..... K140	3888087	1159662	887422	548531	1292472
AVAILABLE SEAT MILES (000) ..... K320	5326017	1577760	1176846	741348	1830063
REVENUE TON MILES TOTAL ..... K240	413812064	123677243	96715443	57689201	135730177
ALL CARGO SERVICE ..... G240					
PASSENGER/CARGO SERVICE ..... F240	413812064	123677243	96715443	57689201	135730177
AVAILABLE TON MILES TOTAL ..... K280	667262081	202163629	149541179	89812864	225744409
ALL CARGO SERVICE ..... G280					
PASSENGER/CARGO SERVICE ..... F280	667262081	202163629	149541179	89812864	225744409
REVENUE AIRCRAFT MILES FLOWN TOTAL ..... K410	37319814	10518399	6207266	6593359	14000790
ALL CARGO SERVICE..... G410					
PASSENGER/CARGO SERVICE..... F410	37319814	10518399	6207266	6593359	14000790
REVENUE AIRCRAFT DEPARTURES PERFORMED TOTAL ..... K510	50837	10900	5225	11961 -	22751
ALL CARGO SERVICE ..... G510					
PASSENGER/CARGO SERVICE ..... F510	50837	10900	5225	11961	22751
<b>NONSCHEDULED SERVICES</b>					
REVENUE AIRCRAFT DEPARTURES PERFORMED ..... V510	394	218	86	1	89
<b>ALL SERVICES</b>					
REVENUE PASSENGER MILES (000) ..... Z140	3903272	1167676	893278	548531	1293787
AVAILABLE SEAT MILES (000) ..... Z320	5382230	1608231	1194636	741410	1837953
REVENUE TON MILES TOTAL ..... 2240	415330294	124478533	97300938	57689201	135861622
FREIGHT REVENUE TON MILES ..... Z247	11478096	3873486	3670850	1102956	2830804
MAIL REVENUE TON MILES ..... Z249	13525246	3837539	4302398	1733123	3652186
AVAILABLE TON MILES ..... Z280	674406852	206067922	151799413	89820439	226719078
REVENUE AIRCRAFT MILES FLOWN ..... Z410	37677690	10721536	6300821	6593913	14061420
REVENUE AIRCRAFT DEPARTURES PERFORMED ..... Z510	51231	11118	5311	11962	22840
<b>AIRCRAFT HOURS FLOWN</b>					
REVENUE AIRCRAFT HOURS (AIRBORNE)..... Z610	87546	23483	13571	16479	34013
NON REVENUE AIRCRAFT HOURS (AIRBORNE)..... Z620	540	172	121	87	160
TOTAL AIRCRAFT HOURS (AIRBORNE)..... Z650	88086	23655	13692	16566	34173
<b>MISCELLANEOUS OPERATING FACTORS</b>					
AIRCRAFT DAYS ASSIGNED - CARRIER EQUIPMENT ..... Z810	8730	2205	1288	1840	3397
AIRCRAFT DAYS ASSIGNED - CARRIER ROUTES ..... Z820	8730	2205	1288	1840	3397
AIRCRAFT HOURS (RAMP TO RAMP) ..... Z630	104863	27435	15674	20239	41515
AIRCRAFT FUELS ISSUED (GALLONS)..... 2921	87490719	22343131	17468852	16560550	31118186



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## REGULATIONS

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An electronic version of Part 241 Regulations is available on the Form 41 CD in a subdirectory entitled "Part241".



# Chapter I

## CFR Part 241 List of Section Numbers



[Code of Federal Regulations]  
[Title 14, Volume 4]  
[Revised as of January 1, 2003]  
From the U.S. Government Printing Office via GPO Access  
[CITE: 14CFR241]

[Page 101-192]

TITLE 14--AERONAUTICS AND SPACE

CHAPTER II--OFFICE OF THE SECRETARY, DEPARTMENT OF TRANSPORTATION  
(AVIATION PROCEEDINGS)

PART 241--UNIFORM SYSTEM OF ACCOUNTS AND REPORTS FOR LARGE CERTIFICATED AIR CARRIERS

Sec.

- 01 Authority Under Which Accounting and Reporting Rules and Regulations  
Are Prescribed and Administered.
- 02 [Reserved]
- 03 Definitions for Purposes of This System of Accounts and Reports.
- 04 Air Carrier Groupings.

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- 1-1 Applicability of system of accounts and reports.

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- 1-3 General description of system of accounts and reports.
- 1-4 System of accounts coding.
- 1-5 Records.
- 1-6 Accounting entities.
- 1-7 Interpretation of accounts.
- 1-8 Address for reports and correspondence.
- 2 General Accounting Policies.
- 2-1 Generally accepted accounting principles.
- 2-2 Basis of allocation between entities.
- 2-3 Distribution of revenues and expenses within entities.
- 2-4 Accounting period.
- 2-5 Revenue and accounting practices.

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- 3 Chart of Balance Sheet Accounts.
- 4 General.
- 5 [Reserved]
- 6 Objective Classification of Balance Sheet Elements.

Profit and Loss Classification

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- 8 General.
- 9 Functional Classification--Operating Revenues.
- 10 Functional Classification--Operating Expenses of Group I Air  
Carriers.

- 11 Functional Classification--Operating Expenses of Group II and Group III Air Carriers.
- 12 Objective Classification--Operating Revenues and Expenses.
- 14 Objective Classification--Nonoperating Income and Expense.
- 15 Objective Classification--Income Taxes for Current Period.
- 16 Objective Classification--Discontinued Operations.
- 17 Objective Classification--Extraordinary Items.
- 18 Objective Classification--Cumulative Effect of Changes in Accounting Principles.

#### Operating Statistics Classifications

- 19 Uniform Classification of Operating Statistics.
- 19-1 Applicability.
- 19-2 Maintenance of data.
- 19-3 Accessibility and transmittal of data.
- 19-4 Service classes.
- 19-5 Air transport traffic and capacity elements.
- 19-6 Public disclosure of traffic data.
- 19-7 Passenger origin-destination survey.

#### General Reporting Provisions--Large Certificated Air Carriers

- 21 Introduction to System of Reports.
- 22 General Reporting Instructions.

#### Financial Reporting Requirements

- 23 Certification and Balance Sheet Elements.
- 24 Profit and Loss Elements.

#### Traffic Reporting Requirements

- 25 Traffic and Capacity Elements.

Authority: 49 U.S.C. 329 and chapters 401, 411, 417.

Source: ER-755, 37 FR 19726, Sept. 21, 1972, unless otherwise noted.

## Chapter II

### Section 01 - Authority



Section 01 Authority Under Which Accounting and Reporting Rules and Regulations are Prescribed and Administered

This Uniform System of Accounts and Reports for Large Certificated Air Carriers is issued, prescribed and administered under the following provisions of the Federal Aviation Act of 1958, as amended (72 Stat. 731, 49 U.S.C. 1301):

general powers

Sec. 204. (a) The Board is empowered to perform such acts, to conduct such investigations, to issue and amend such orders, and to make and amend such general or special rules, regulations, and procedure, pursuant to and consistent with the provisions of this Act, as it shall deem necessary to carry out the provisions of, and to exercise and perform its powers and duties under, this Act.

filing of reports

Sec. 407. (a) The Board is empowered to require annual, monthly, periodical, and special reports from any air carrier; to prescribe the manner and form in which such reports shall be made; and to require from any air carrier specific answers to all questions upon which the Board may deem information to be necessary. Such reports shall be under oath whenever the Board so requires. The Board may also require any air carrier to file with it a true copy of each or any contract, agreement, understanding, or arrangement, between such air carrier and any other carrier or person, in relation to any traffic affected by the provisions of this Act.

disclosure of stock ownership

Sec. 407. (b) Each air carrier shall submit annually, and at such other times as the Board shall require, a list showing the names of each of its stockholders or members holding more than 5 per centum of the entire capital stock or capital, as the case may be, of such air carrier, together with the name of any person for whose account, if other

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than the holder, such stock is held; and a report setting forth a description of the shares of stock, or other interest, held by such air carrier, or for its account, in persons other than itself.

form of accounts

Sec. 407. (d) The Board shall prescribe the forms of any and all accounts, records, and memoranda to be kept by air carriers, including the accounts, records, and memoranda of the movement of traffic, as well as of the receipts and expenditures of money, and the length of time such accounts, records, and memoranda shall be preserved; and it shall be unlawful for air carriers to keep any accounts, records, or memoranda other than those prescribed or approved by the Board: Provided, That any air carrier may keep additional accounts, records, or memoranda if they do not impair the integrity of the accounts, records, or memoranda prescribed or approved by the Board and do not constitute an undue financial burden on such air carrier.

inspection of accounts and property

Sec. 407. (e) The Board shall at all times have access to all lands, buildings, and equipment of any carrier and to all accounts, records, and memoranda, including all documents, papers, and correspondence, now or hereafter existing, and kept or required to be kept by air carriers; and it may employ special agents or auditors, who shall have authority under the orders of the Board to inspect and examine any and all such lands, buildings, equipment, accounts, records, and memoranda. The provisions of this section shall apply, to the extent found by the Board to be reasonably necessary for the administration of this Act, to persons having control over any air carrier, or affiliated with any air carrier within the meaning of section 5(8) of the Interstate Commerce Act, as amended.

classification

Sec. 416. (a) The Board may from time to time establish such just and reasonable classifications or groups of air carriers for the purposes of this title as the nature of the services performed by such air carriers shall require; and such just and reasonable rules and regulations, pursuant to and consistent with the provisions of this title, to be observed by each such class or group, as the Board finds necessary in the public interest.

safety, economic and postal offenses

Sec. 901. (a)(1) Any person who violates (A) any provision of Title III, IV, V, VI, VII, or XII of this Act, or any rule, regulation, or order issued thereunder, or under section 1002(i), or any term, condition or limitation of any permit or certificate issued under Title IV, or (B) any rule or regulation issued by the Postmaster General under this Act, shall be subject to a civil penalty of not to exceed \$1,000 for each such violation. If such violation is a continuing one, each day of such violation shall constitute a separate offense: Provided, That this subsection shall not apply to members of the Armed Forces of the United States, or those civilian employees of the Department of Defense who are subject to the provisions of the Uniform Code of Military Justice, while engaged in the performance of their official duties; and the appropriate military authorities shall be responsible for taking any necessary disciplinary action with respect thereto and for making to the Administrator or Board, as appropriate, a timely report of any such action taken.

(2) Any such civil penalty may be compromised by the Administrator in the case of violations of Titles III, V, VI, or XII, or any rule, regulation, or order issued thereunder, or by the Board in the case of violations of Titles IV or VII, or any rule, regulation or order issued thereunder, or under section 1002(i), or any term, condition, or limitation of any permit or certificate issued under Title IV, or by the Postmaster General in the case of regulations issued by him. The amount of such penalty, when finally determined, or the amount agreed upon in compromise, may be deducted from any sums owing by the United States to the person charged.

failure to file reports; falsification of records

Sec. 902. (e) Any air carrier, or any officer, agent, employee, or

representative thereof, who shall, knowingly and willfully, fail or refuse to make a report to the Board or Administrator as required by this Act, or to keep or preserve accounts, records, and memoranda in the form and manner prescribed or approved by the Board or Administrator, or shall, knowingly and willfully, falsify, mutilate, or alter any such report, account, record, or memorandum, or shall knowingly and willfully file any false report, account, record, or memorandum, shall be deemed guilty of a misdemeanor and, upon conviction thereof, be subject for each offense to a fine of not less than \$100 and not more than \$5,000.

refusal to testify

Sec. 902. (g) Any person who shall neglect or refuse to attend and testify, or to answer any lawful inquiry, or to produce books, papers, or documents, if in his power to do so, in obedience to the subpoena or lawful requirement of the Board or Administrator, shall be guilty of a misdemeanor and, upon conviction thereof, shall be subject to a fine of not less than \$100 nor more than \$5,000, or

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imprisonment for not more than one year, or both.

filing of complaints authorized

Sec. 1002. (a) Any person may file with the Administrator or the Board, as to matters within their respective jurisdictions, a complaint in writing with respect to anything done or omitted to be done by any person in contravention of any provisions of this Act, or of any requirement established pursuant thereto. If the person complained against shall not satisfy the complaint and there shall appear to be any reasonable ground for investigating the complaint, it shall be the duty of the Administrator or the Board to investigate the matters complained of. Whenever the Administrator or the Board is of the opinion that any complaint does not state facts which warrant an investigation or action, such complaint may be dismissed without hearing. In the case of complaints against a member of the Armed Forces of the United States acting in the performance of his official duties, the Administrator or the Board, as the case may be, shall refer the complaint to the Secretary of the department concerned for action. The Secretary shall, within ninety days after receiving such a complaint, inform the Administrator or the Board of his disposition of the complaint, including a report as to any corrective or disciplinary actions taken.

investigations on initiative of administrator or board

Sec. 1002. (b) The Administrator or Board, with respect to matters within their respective jurisdictions, is empowered at any time to institute an investigation, on their own initiative, in any case and as to any matter or thing within their respective jurisdictions, concerning which complaint is authorized to be made to or before the Administrator or Board by any provision of this Act, or concerning which any question may arise under any of the provisions of this Act, or relating to the enforcement of any of the provisions of this Act. The Administrator or the Board shall have the same power to proceed with any investigation instituted on their own motion as though it had been appealed to by complaint.

entry or orders for compliance with act

Sec. 1002. (c) If the Administrator or the Board finds, after notice and hearing, in any investigation instituted upon complaint or upon their own initiative, with respect to matters within their jurisdiction, that any person has failed to comply with any provision of this Act or any requirement established pursuant thereto, the Administrator or the Board shall issue an appropriate order to compel such person to comply therewith.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1400, 50 FR 11, Jan. 2, 1985]

## Chapter III

### Section 03 - Definitions



Section 02 [Reserved]

Section 03 Definitions for Purposes of This System of Accounts and Reports

Account, clearing. An account used as a medium for the temporary accumulation of costs that are redistributed to appropriate applicable accounts.

Acquisition, date of. The date on which the title to owned property or equipment (or the right to use or control the reassignment of leased property or equipment) passes to the air carrier.

Act. The Federal Aviation Act of 1958, as amended.

Addition, property. Additional equipment, land, structures, and other tangible property; extensions of fuel, water, and oil distribution equipment; additions to buildings and other structures; and additional safety devices applied to equipment not previously thus equipped. (See also Modification.)

Affiliated group. A combination of companies comprised of the air carrier, any person controlling the air carrier or under common control with the air carrier, and organizational divisions (as defined in sections 1-6) of and persons controlled by the air carrier.

Agency, cargo. Any person (other than the air carrier performing the direct air transportation or one of its bona fide regular employees or an indirect air carrier lawfully engaged in air transportation under authority conferred by any applicable part of the Economic Regulations of the Department) who for compensation or profit: (1) Solicits, obtains, receives or furnishes directly or indirectly property or consolidated shipments of property for transportation upon the aircraft of an air carrier subject to this part, or (2) procures or arranges for air transportation of property upon aircraft of an air carrier subject to this part by charter, lease, or any other arrangement.

Agent, ticket. Any person (other than the air carrier performing the direct air transportation or one of its bona fide regular employees, or an air carrier which subcontracts the performance of charter air transportation which it has contracted to perform) who for compensation or profit: (1) Solicits, obtains, receives, or furnishes directly or indirectly passengers or groups of passengers for transportation upon the aircraft of an air carrier subject to this part, or (2) procures or arranges for air transportation of passengers or groups of passengers upon aircraft of an air carrier subject to this part by charter, lease, or any other arrangement.

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Agreement. Any oral or written agreement, contract, understanding, or arrangement, and any amendment, revision, modification, renewal, extension, cancellation or termination thereof.

Air carrier. Any citizen of the United States who undertakes, whether directly or indirectly or by a lease or any other arrangement, to engage in air transportation.

Air carrier, charter. An air carrier holding a certificate issued under 49 U.S.C. 41102(a)(3).

Air carrier, large certificated. An air carrier holding a certificate issued under 49 U.S.C. 41102, as amended, that: (1) Operates aircraft designed to have a maximum passenger capacity of more than 60 seats or a maximum payload capacity of more than 18,000 pounds; or (2) conducts operations where one or both terminals of a flight stage are outside the 50 states of the United States, the District of Columbia,

the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

Air carrier, surviving. An entity (air carrier) which, as the result of a business combination, has acquired the net assets, and carries on the operations of, one or more predecessor air carriers, and which may be newly organized at the time of the combination or may be one of the predecessor air carriers.

Aircraft. Any contrivance now known or hereafter invented, used or designed for navigation of or flight in the air.

Aircraft days assigned to service-carrier's equipment means the number of days that aircraft owned or acquired through rental or lease are in the possession of the reporting air carrier and are available for service on the reporting carrier's routes plus the number of days such aircraft are in service on routes of others under wet-lease agreements. Includes days in overhaul, or temporarily out of service due to schedule cancellations. Excludes days that newly acquired aircraft are on hand but not available for productive use, days dry-leased or rented to others, and days in possession but formally withdrawn from air transportation service.

Aircraft days assigned to service-carrier routes--same as aircraft days assigned to service carrier's equipment but excluding the number of days owned or rented equipment are in the possession of others under interchange agreements and including the number of days aircraft of others are in the possession of the air carrier under interchange agreements.

Aircraft, leased (rented). Aircraft obtained from (or furnished to) others under lease or rental arrangements. Leased and rented aircraft do not include those used under interchange agreements designed to provide oneplane service over the routes of the air carriers involved.

Aircraft type. A distinctive model as designated by the manufacturer.

Airport. A landing area regularly used by aircraft for receiving or discharging passengers or cargo.

Airport, alternate. An approved airport to which a flight may proceed if a landing at the airport to which the flight was dispatched becomes inadvisable.

Airport-to-airport distance. The great circle distance between airports, measured in statute miles in accordance with part 247 of this chapter.

Air transportation. The carriage by aircraft of persons, property, or mail.

Air transportation, charter. Air transportation authorized pursuant to section 401(d)(3).

Airworthiness (or Airworthy). When applied to a particular aircraft or component part, it denotes the ability of such aircraft or component part to perform its function satisfactorily through a range of operations determined by the Federal Aviation Administration.

Allocate. To assign an item or group of items of investment, revenue, or cost to an object, activity, process, or operation, in accordance with cost responsibilities, benefits received, or other measure of apportionment.

Allocation, bases of. Bases of distribution whereby revenues, expenses, and/or costs are equitably apportioned among revenue, expense, property and equipment, and other accounts.

Amortization. The gradual extinguishment of an amount in an account by distributing such amount over a fixed period, over the life of the asset or liability to which it applies or over the period during which it is anticipated the benefit will be realized.

Asset, contingent. An asset the existence, value, or ownership of

which depend upon the occurrence or nonoccurrence of a specific event or upon the performance or nonperformance of a specified act.

Associated company. A company in which the accounting air carrier holds 5 percent or more of the outstanding proprietary interest; or a company which holds 5 percent or more of the outstanding proprietary interest of the accounting air carrier; or a company that, directly or through one or more intermediaries, controls or is controlled by, or is under common control with the accounting air carrier. Companies owned or controlled jointly with other air carriers shall be regarded as associated companies for purposes of this system of accounts. (See also Control.)

Betterment. Any improvement to property or equipment through the substitution of superior parts for inferior parts retired, the object of which is to make such property more useful or of greater capacity than at the

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time of acquisition or installation. (See also Modification.)

BTS. The Bureau of Transportation Statistics.

Cargo. All traffic other than passengers.

Cargo transported. Cargo on board each flight stage.

Certificated point. A city, place or population center authorized to receive scheduled air service under a Certificate of Public Convenience and Necessity or under an exemption issued to an air carrier.

Certificate of Public Convenience and Necessity. A certificate issued to an air carrier under 49 U.S.C. 41102, by the Department of Transportation authorizing the carrier to engage in air transportation.

Company, predecessor. An air carrier whose net assets and operations have been taken over by one or more other air carriers.

Compensation (of personnel). Remuneration to air carrier employees for personal services. Includes salaries, wages, overtime pay, cost-of-living differentials, bonuses, etc., as distinguished from per diem allowances or reimbursement for expenses incurred by personnel for the benefit of the air carrier.

Continental United States. The 48 contiguous States and the District of Columbia.

Control (including the terms Controlling, Controlled by, and Under common control). The possession, directly or indirectly, of the power positively to direct, or cause the direction of or negate the direction of, the management and policies of a company, whether such power is through one or more intermediary companies or alone or in conjunction with or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, associated companies, contract, or any other direct or indirect means.

Controlling person. (See Person Controlling an air carrier)

Cost. The amount of cash (or its equivalent) actually paid for property, materials and supplies, and services, including that amount paid to put the property or materials and supplies in readiness for use. It includes such items as transportation charges, installation charges, and customs duties, less any cash or other discounts.

Cost, book. The amount at which an asset is recorded in an account without the deduction of amounts in related allowances or other accounts.

Cost, depreciated. The cost of property and equipment less the related allowances for depreciation.

Cost, removal. The cost of demolishing, dismantling, tearing down,

or otherwise removing property and equipment, including the cost of related transportation and handling.

Debt, expense on. Expenses incurred by or for the air carrier in connection with the issuance and sale of evidences of debt (exclusive of the sale of reacquired securities), such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; cost of engraving and printing bonds, certificates of indebtedness, and other commercial paper; specific costs of obtaining governmental authority for issuance and filing notices thereunder; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt; fees and expenses of listing on exchanges; and other like costs.

Deferred taxes. Tax effects which are deferred for allocation to income tax expense of future periods.

Department. Department of Transportation.

Departures completed, percent scheduled. The percent of scheduled departures that were performed.

Departures completed, scheduled. The number of takeoffs performed at each airport pursuant to published schedules, exclusive of extra sections to scheduled departures.

Departure performed. A takeoff made at an airport.

Departure, scheduled. A takeoff scheduled at an airport, as set forth in published schedules.

Depreciation (of depreciable property and equipment). The loss in service value, not restored by current maintenance, incurred in the course of service from causes known to be in current operation, against which the carrier is not protected by insurance, and the effect of which can be forecast with reasonable accuracy. The causes of depreciation include wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and requirements of public authorities.

Discount (of securities issued or assumed by the air carrier). The excess of (1) the par or stated value of securities over (2) the then current money value of the consideration received from their sale less the amount included for dividends or for interest accrued.

DOT. Department of Transportation.

Equipment. Tangible property other than land, structures, and improvements.

Equity security. Any instrument representing ownership shares (for example, common, preferred, and other capital stock), or the right to acquire (for example, warrants, rights, and call options) or dispose of (for example, put options) ownership shares in an enterprise at fixed or determinable prices. The term does not encompass preferred stock that by its terms either must be redeemed by the issuing enterprise or is redeemable at the option of the investor, nor does it include treasury stock or convertible bonds.

Equivalent unit. A new unit substituted for an existing unit that is worn out, is damaged beyond repair, or has become inadequate in

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service, the substituted unit having substantially no greater capacity than the unit for which substituted.

Estimated economic life of leased property. The estimated remaining period during which the property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

Expense, capital stock. Expenses incurred by or for the air carrier in connection with the initial issuance and sale of capital stock (exclusive of the sale of reacquired capital stock), such as fees and commissions paid to promoters, underwriters, brokers, and salesmen; fees for legal services; cost of soliciting subscriptions for capital stock; including fees, commissions, and advertising; specific costs of obtaining governmental authority for issuance and filing notices thereunder; fees and taxes for issuance of capital stock and listing on exchanges; and the cost of preparing, engraving, printing, issuing, and distributing prospectuses and stock certificates.

Flight, developmental. A flight for (1) the development of a new route either prior or subsequent to certification by the Department of Transportation; (2) the extension of an existing route; or (3) the integration of a new type of aircraft or service.

Flight, extra section. A flight, conducted as an integral part of scheduled service, that has not been provided for in published schedules and is required for transportation of traffic that cannot be accommodated on a regularly scheduled flight. Flights made in ferrying aircraft to meet schedules, or for similar operational reasons, are not extra sections and are classified as nonrevenue flights even if an occasional shipment, as a matter of special accommodation, is on board.

Flight, ferry. A flight for the purpose of returning an aircraft to base, equipment equalization, or moving an aircraft to and from a maintenance base.

Flight, paid positioning. A flight for the purpose of positioning an empty aircraft in connection with a charter flight for which a specific charge is set forth in a tariff or contract for application directly to the positioning miles operated. Such flights are considered revenue flights for Form 41 reporting purposes.

Flight, personnel training. A flight for the purpose of obtaining flying time for flight personnel or a flight in connection with a personnel training program.

Flight stage. The operation of an aircraft from takeoff to landing. For purposes of classifying flight stages as between ``domestic'', ``territorial'', and ``international'', technical stops are disregarded. (See Steps, technical.)

Freight. Property, other than mail, transported by air.

Generally accepted accounting principles (GAAP). The body of authoritative accounting knowledge governing the recording, presenting and disclosing of financial transactions, as incorporated in the pronouncements of the Financial Accounting Standards Board.

Group basis (in depreciation accounting). A plan under which (1) depreciation is based upon the application of a single depreciation rate to the total book cost of all property included in a given depreciable property and equipment account or class, despite differences in service life of individual items of property and equipment, (2) the full original cost, less any salvage realized, of an item of depreciable property or equipment retired is charged to the allowance for depreciation regardless of the age of the item, and (3) no gain or loss is recognized on the retirement of individual items of property or equipment.

Horsepower, maximum continuous for reciprocating engines. The brake horsepower developed in standard atmosphere at a specified altitude and under the maximum conditions of crankshaft rotational speed and engine manifold pressure, and approved for use during periods of unrestricted duration.

Horsepower, maximum continuous for turbine engines. The brake horsepower developed at specified altitudes, atmospheric temperatures,

and flight speeds and under the maximum conditions of rotor shaft rotational speed and gas temperature, and approved for use during periods of unrestricted duration.

Thrust, maximum continuous for turbine engines. The jet thrust developed at specified altitudes, atmospheric temperatures, and flight speeds and under the maximum conditions of rotor shaft rotational speed and gas temperature, and approved for use during periods of unrestricted duration.

Hours, aircraft. The airborne hours of aircraft computed from the moment an aircraft leaves the ground until it touches the ground at the end of a flight.

Hours flown, revenue aircraft. The aircraft hours of flights performed in revenue service.

Hours in capitalized projects, aircraft. Aircraft hours applicable to ferrying newly acquired aircraft from the factory, to capitalized extension and development preoperating projects and to other costs which have been capitalized.

Hours per aircraft per day--carrier's equipment, revenue. Average hours of productive use per day in revenue service of reporting carrier's equipment determined by dividing (1) Aircraft days assigned to service--carrier's equipment into (2) Revenue aircraft hours minus Revenue hours on other carrier's interchange equipment plus Total hours by others on the carrier's interchange equipment.

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Hours per aircraft per day--carrier's routes, revenue. Average hours of productive use per day in revenue service on reporting carrier's routes determined by dividing (1) Aircraft days assigned to service--carrier's routes into (2) Revenue aircraft hours.

Hours, ramp-to-ramp. The aircraft hours computed from the moment the aircraft first moves under its own power for purposes of flight, until it comes to rest at the next point of landing.

Improvement. An addition or alteration to land, a building, or a unit of equipment that results in a better piece of property, in the sense of greater durability, or in increased productivity or efficiency. (See also Modification.)

Income tax expense. The amount of income taxes (whether or not currently payable or refundable) allocable to a period in the determination of net income.

Income taxes. Taxes based on income determined under provisions of the United States Internal Revenue Code and foreign, State, and other taxes (including franchise taxes) based on income.

Insurance, self. The assumption by an air carrier of a risk of loss or liability arising from an accident or other contingent event.

Interchange agreement. An agreement under which aircraft of one air carrier are utilized to provide one-plane service over its own routes and the routes of other air carriers.

Interperiod tax allocation. The process of apportioning income taxes among periods.

Inventory, perpetual. A book inventory kept in continuous agreement with stock on hand by means of a detailed record.

Investor controlled company (for purposes of applying the equity method of accounting). Any business entity in which the accounting air carrier is able to exercise significant influence over operating and financial policies of the issuing company. Significant influence will be presumed, unless established to the contrary by waiver request, with ownership of 20 percent or more of the outstanding voting capital stock.

Ability to exercise influence may be indicated in several ways, such as representation on the Board of Directors, participation in policy-making processes, material intercompany transactions, interchange of managerial personnel, or technological dependency. Investor controlled companies shall also be regarded as associated companies for purposes of this system of accounts (see also Associated company).

Item, delayed. An item relating to transactions that occurred during a prior accounting period and that requires further accounting treatment for a true statement of financial condition or operating results. It includes adjustments of errors in the operating revenue, operating expense, and other income accounts for prior periods.

Liability, contingent. A possible source of obligation of an air carrier dependent upon the fulfillment of conditions regarded as uncertain.

Load, available. Represents the maximum salable load. It is the allowable gross weight less the empty weight, less all justifiable aircraft equipment, and less the operating load (consisting of minimum fuel load, oil, flight crew, steward's supplies, etc.). For passenger aircraft, the available load must not exceed the weight of the maximum number of passengers who can be accommodated in the seats installed in the aircraft plus the weight of the traffic that can be accommodated in the cargo space.

Load, average revenue. The average total revenue tons carried in revenue services, determined by dividing total revenue ton-miles by aircraft miles flown in revenue services.

Load, average revenue passenger. Average number of revenue passengers carried in passenger services, determined by dividing revenue passenger-miles by aircraft miles flown in revenue passenger services.

Load factor, over-all revenue. The percent that total revenue ton-miles (passenger plus nonpassenger) are of available ton-miles in revenue services.

Load factor, revenue passenger. The percent that revenue passenger-miles are of available seat-miles in revenue passenger services.

Load, minimum fuel. The minimum quantity of fuel with which an aircraft may be dispatched in accordance with the safety operating needs of the air carrier.

Load, salable. (See Load, available.)

Mail, nonpriority. All mail for which transportation by air is provided on a space available basis.

Mail, priority. All mail for which transportation by air is provided on a priority basis.

Mile. A statute mile (5,280 feet).

Miles completed, percent scheduled aircraft. The percent of scheduled aircraft miles which were performed.

Miles completed, scheduled aircraft. The aircraft miles performed on scheduled flights computed between only those scheduled points actually served.

Miles flown, aircraft. The miles (computed in airport-to-airport distances) for each flight stage actually completed, whether or not performed in accordance with the scheduled pattern. For this purpose, operation to a flag stop is a stage completed even though a landing is not actually made. In cases where the interairport distances are inapplicable, aircraft miles flown are determined by multiplying the normal cruising speed for the aircraft type by the airborne hours.

Miles flown, nonrevenue aircraft. The aircraft miles flown on nonrevenue flights, such as ferry (including empty backhauls to MAC one-way charters), personnel training, extension and development, and abortive revenue flights.

Miles, revenue aircraft. The aircraft miles flown in revenue service.

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Miles, scheduled aircraft. The sum of the airport-to-airport distances of all flights scheduled to be performed over the air carrier's certificated routes pursuant to published flight schedules. Flights listed in the published schedules for operation only as extra sections, when traffic warrants, are excluded.

Modification. An alteration in a structure or unit of equipment that changes its design and is made to correct an error, increase production, improve efficiency of operation, or for some other reason.

Obsolescence. The process of becoming out of date due to progress of the arts and sciences, changed economic conditions, legislation, etc., which ultimately results in the retirement or other disposition of property.

Off-Line. Installations maintained or facilities used for other than scheduled certificated air services.

On-Line. Installations maintained or facilities used in conducting scheduled certificated air services.

Domestic. Flight stages with both terminals within the 50 States of the United States and the District of Columbia.

Territorial. Flight stages with both terminals within territory under U.S. jurisdiction where at least one of the terminals is not within a State or the District of Columbia.

International. Flight stages with one or both terminals outside of territory under U.S. jurisdiction.

Operations, systems. The over-all operations of an air carrier including all of the operating entities of an air carrier having multiple operations.

Passenger-mile. One passenger transported 1 mile. Passenger-miles are computed by multiplying the aircraft miles flown on each flight stage by the number of passengers transported on that stage.

Passenger-mile, nonrevenue. One nonrevenue passenger transported one mile.

Passenger-mile, revenue. One revenue passenger transported one mile.

Passenger, nonrevenue. A person traveling free or under token charges, except those expressly named in the definition of revenue passenger; a person traveling at a fare or discount available only to employees or authorized persons of air carriers or their agents or only for travel on the business of the carriers; and an infant who does not occupy a seat. (This definition is for 14 CFR part 241 traffic reporting purposes and may differ from the definitions used in other parts by the Federal Aviation Administration and the Transportation Security Administration for the collection of Passenger Facility Charges and Security Fees.)

The definition includes, but is not limited to following examples of passengers when traveling free or pursuant to token charges:

(1) Directors, officers, employees, and others authorized by the air carrier operating the aircraft;

(2) Directors, officers, employees, and others authorized by the air carrier or another carrier traveling pursuant to a pass interchange agreement;

(3) Travel agents being transported for the purpose of familiarizing themselves with the carrier's services;

(4) Witnesses and attorneys attending any legal investigation in which such carrier is involved;

(5) Persons injured in aircraft accidents, and physicians, nurses, and others attending such persons;

(6) Any persons transported with the object of providing relief in cases of general epidemic, natural disaster, or other catastrophe;

(7) Any law enforcement official, including any person who has the duty of guarding government officials who are traveling on official business or traveling to or from such duty;

(8) Guests of an air carrier on an inaugural flight or delivery flights of newly-acquired or renovated aircraft;

(9) Security guards who have been assigned the duty to guard such aircraft against unlawful seizure, sabotage, or other unlawful interference;

(10) Safety inspectors of the National Transportation Safety Board or the FAA in their official duties or traveling to or from such duty;

(11) Postal employees on duty in charge of the mails or traveling to or from such duty;

(12) Technical representatives of companies that have been engaged in the manufacture, development or testing of a particular type of aircraft or aircraft equipment, when the transportation is provided for the purpose of in-flight observation and subject to applicable FAA regulations;

(13) Persons engaged in promoting air transportation;

(14) Air marshals and other Transportation Security officials acting in their official capacities and while traveling to and from their official duties; and

(15) Other authorized persons, when such transportation is undertaken for promotional purpose.

Passenger, revenue. A passenger for whose transportation an air carrier receives commercial remuneration. (This definition is for 14 CFR part 241 traffic reporting purposes and may differ from the definitions used in other parts by the Federal Aviation Administration and the Transportation Security Administration for the collection of Passenger Facility Charges and Security Fees.) This includes, but is not limited to, the following examples:

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(1) Passengers traveling under publicly available tickets including promotional offers (for example two-for-one) or loyalty programs (for example, redemption of frequent flyer points);

(2) Passengers traveling on vouchers or tickets issued as compensation for denied boarding or in response to consumer complaints or claims;

(3) Passengers traveling at corporate discounts;

(4) Passengers traveling on preferential fares (Government, seamen, military, youth, student, etc.);

(5) Passengers traveling on barter tickets; and

(6) Infants traveling on confirmed-space tickets.

Passengers transported. Passengers on board each flight stage.

Person controlling an air carrier. Any person, as defined in 49 U.S.C. 40102, whom the Department has found, in any proceeding, to control an air carrier, or who holds, directly or indirectly, the legal or beneficial ownership of more than 50 percent of the outstanding voting capital stock or capital of an air carrier, and who does not make a proper showing to the Department that he or she does not control the carrier despite such stock ownership, shall be deemed to be a person controlling the carrier for the purpose of this part. A brokerage firm which holds record ownership of securities merely for the convenience of

the customer beneficially owning the stock shall not be deemed a person controlling an air carrier.

Premium (as applied to securities issued or assumed by the air carrier). The excess of (1) the then current money value of the consideration received from their sale, less the amount included therein for dividends or interest accrued, over (2) their par or stated value.

Pretax accounting income. Income or loss for a period exclusive of related income tax expense.

Property (as applied to traffic). (See Cargo.)

Replacement. Substitution of new for existing facilities that are worn out, damaged beyond repair, or have become inadequate in service.

Reporting carrier for T-100 purposes means the air carrier in operational control of the flight, i.e., the carrier that uses its flight crew under its own FAA operating authority.

Residual value. The predetermined portion of the cost of a unit of property or equipment excluded from depreciation. It shall represent a fair and reasonable estimate of recoverable value as at the end of the service life over which the property or equipment is depreciated and shall give due consideration to the proceeds anticipated from disposition of the property or equipment and the extent to which costs attaching to property or equipment are otherwise recoverable through charges against income.

Retirement. The permanent withdrawal of assets from services of the corporate entity through sale, abandonment, demolition, or other disposal.

Retirement, date of. The date on which property or equipment is permanently withdrawn from services of the corporate entity.

Route, certificated. The route(s) over which an air carrier is authorized to provide air transportation by a Certificate of Public Convenience and Necessity issued by the Department of Transportation pursuant to section 401(d) (1) or (2) of the Act.

Salvage value. The amount received for property retired, less the expenses incurred in connection with the sale or in the preparation of the property for sale; or, if retained, the amount at which the material recovered is charged to materials and supplies or other appropriate account.

Seats available. Installed seats in an aircraft (including seats in lounges) exclusive of any seats not offered for sale to the public by the carrier; provided that in no instance shall any seat sold be excluded from the count of available seats.

Seats, average available. The average number of seats available for passengers, determined by dividing available seat-miles by revenue aircraft miles flown in passenger service.

Seat-miles available, revenue. The aircraft miles flown on each flight stage multiplied by the number of seats available for revenue use on that stage.

Section 41103 cargo operations. The carriage, pursuant to 49 U.S.C. 41103, by aircraft of property and/or mail as a common carrier for compensation or hire in commerce between a place in any State of the United States, or the District of Columbia, or Puerto Rico, or the U.S. Virgin Islands, and a place in any other of those entities, or between places in the same State or other entity through the air-space over any place outside thereof, or between places within the District of Columbia, Puerto Rico, or the U.S. Virgin Islands. This includes commerce moving partly by aircraft and partly by other forms of transportation, as well as commerce moving wholly by aircraft.

Segment, service. A pair of points served or scheduled to be served by a single stage of at least one flight within any given time period.

Service, charter. Nonscheduled air transport service in which the party receiving transportation obtains exclusive use of an agreed upon portion of the total capacity of an aircraft with the remuneration paid by the party receiving transportation accruing directly to, and the responsibility for providing transportation is that of, the accounting air carrier.

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Service, coach (tourist). Transport service specifically established for the carriage of passengers at special reduced passenger fares that are predicated on both the operation of specifically designated aircraft space and a reduction in the quality of service regularly and ordinarily provided.

Service, first class. Transport service established for the carriage of passengers moving at either standard fares or premium fares, or at reduced fares not predicated upon the operation of specifically allocated aircraft space, and for whom standard or premium quality services are provided.

Service life. The period between the date of installation of property or equipment and its date of retirement.

Service, mixed. Transport service for the carriage of both first-class and coach passengers on the same aircraft.

Service, nonpassenger. Transport service established for the carriage of traffic other than passengers.

Service, nonscheduled. Includes transport service between points not covered by Certificates of Public Convenience and Necessity issued by the Department of Transportation to the air carrier; services pursuant to the charter or hiring of aircraft; other revenue services not constituting an integral part of the services performed pursuant to published schedules; and related nonrevenue flights.

Service, passenger-cargo. Transport service established for the carriage of passengers which may also be used jointly for the transportation of cargo.

Service, scheduled. Transport service operated pursuant to published flight schedules, including extra sections and related nonrevenue flights.

Service, transport. The operation of facilities for the carriage of traffic by air.

Services, all. The total of scheduled and nonscheduled transport services.

Stop, flag. A point on an air carrier's operating system that is scheduled to be served only when traffic is to be picked up or discharged.

Stops, technical. Aircraft landing made for purposes other than enplaning or deplaning traffic. For purposes of identifying reporting entities, landings made for stopover passengers are regarded as technical stops.

Tariff, published. A publication containing fares and rates applicable to the transportation of persons or cargo and rules relating to or affecting such fares or rates of transportation, filed with the Department of Transportation.

Taxable income. The excess of revenues over deductions or the excess of deductions over revenues to be reported for income tax purposes for a period.

Tax effects. Differentials in income taxes of a period attributable to (1) revenue or expense transactions which enter into the determination of pretax accounting income in one period and into the

determination of taxable income in another period, (2) deductions or credits that may be carried backward or forward for income tax purposes, and (3) adjustments of prior periods (or of the opening balance of retained earnings) and direct entries to other stockholders' equity accounts which enter into the determination of taxable income in a period but which do not enter into the determination of pretax accounting income of that period. A permanent difference does not result in a ``tax effect'' as the term is used in this System of Accounts and Reports.

Ton. A short ton (2,000 pounds).

Ton-mile. One ton transported 1 mile. Ton-miles are computed by multiplying the aircraft miles flown on each flight stage by the number of tons transported on that stage.

Ton-mile, nonrevenue. One ton of nonrevenue traffic transported 1 mile.

Ton-mile, passenger. One ton of passenger weight (including all baggage) transported 1 mile. (See also Weight, passenger.)

Ton-mile, revenue. One ton of revenue traffic transported 1 mile.

Ton-miles available, revenue. The aircraft miles flown on each flight stage multiplied by the ton capacity available for use on that stage.

Traffic, deplaned. A count of the number of passengers getting off and tons of cargo unloaded from an aircraft. For this purpose, passengers and cargo on aircraft leaving a carrier's system on interchange flights are considered as deplaning and the interchange point; and passengers and cargo moving from one operation to another operation of the same carrier, for which separate reports are required by the Department of Transportation, are considered as deplaning at the junction point.

Traffic, enplaned. A count of the number of passengers boarding and tons of cargo loaded on an aircraft. For this purpose, passengers and cargo on aircraft entering a carrier's system on interchange flights are considered as enplaning at the interchange point; and passengers and cargo moving from one operation to another operation of the same carrier, for which separate reports are required by the Department of Transportation, are considered as enplaning at the junction point.

Traffic, nonrevenue. Passengers and cargo transported by air for which no remuneration or token service charges are received by the air carrier. 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 are also considered nonrevenue traffic.

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Traffic office. A facility where air transportation is sold, and related processes of documentation and reservation confirmation are performed.

Traffic, revenue. Passengers and cargo transported by air for which remuneration is received by the air carrier. 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, travel agents, cargo agents, and tour conductors traveling at reduced fares, and other passengers and cargo carried for token service charges, are not considered as revenue traffic.

Transportation, free. The carriage of any person or cargo (other

than cargo owned by the air carrier) without compensation.

Unit basis (in depreciation accounting). A plan under which depreciation expenses is accrued upon the basis of the book cost of the individual item of property in relation to the service life and salvage value of the particular item.

Value, service. The difference between the book cost and the residual value of property and equipment.

Weight, allowable gross. The maximum gross weight (of the aircraft and its contents) which an aircraft is licensed to carry into the air on each flight stage.

Weight, average available. The average capacity available for revenue traffic, determined by dividing available ton-miles by aircraft miles in revenue service.

Weight, empty. The weight of the airframe, engines, propellers, and fixed equipment of an aircraft. Empty weight excludes the weight of the crew and payload, but includes the weight of all fixed ballast, unusable fuel supply, undrainable oil, total quantity of engine coolant, and total quantity of hydraulic fluid.

Weight, passenger. For the purposes of this part, a standard weight of 200 pounds per passenger (including all baggage) is used for all civil operations and classes of service. Other weights may be prescribed in specific instances upon the initiative of the Department of Transportation or upon a factually supported request by an air carrier.

Wet-Lease Agreement means an agreement under which one carrier leases an aircraft with flight crew to another air carrier.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by Amdt. 241-58, 54 FR 5590, Feb. 89, 1989]

Editorial Note: For Federal Register citations affecting part 241, section 03, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.



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## Chapter IV

### Section 04 – Groups



Section 04 Air Carrier Groupings

(a) All large certificated air carriers are placed into three basic air carrier groupings based upon their level of operations and the nature of these operations. In order to determine the level of operations, total operating revenues for a twelve-month period are used. The following operating revenue ranges are used to establish air carrier groupings:

Carrier Group	Total Annual Operating Revenues
I.....	0-\$100,000,000
II.....	\$100,000,001-\$1,000,000,000
III.....	\$1,000,000,001 +

For reporting purposes, Group I air carriers are further divided into two subgroups: (1) Air carriers with total annual operating revenues from \$20,000,000 to \$100,000,000 and (2) Air carriers with total annual operating revenues below \$20,000,000.

(b) Both the criteria for establishing air carrier groupings and the assignment of each air carrier to a specific group of carriers will be reviewed periodically by the Director, Office of Airline Information, to assure the maintenance of appropriate standards for the grouping of carriers. When an air carrier's level of operations passes the upper or lower limit of its currently assigned carrier grouping, the carrier is not automatically transferred to a different group and a new level of reporting. The Office of Airline Statistics will issue an updated listing of the carrier groups on an annual basis. A carrier may petition for reconsideration of its assigned carrier grouping or request a waiver from the accounting and reporting requirements that are applicable to a particular group under the provisions of section 1-2 of this Uniform System of Accounts and Reports.

[Amdt. 241-60, 56 FR 12658, Mar. 27, 1991, as amended at 60 FR 66723, Dec. 26, 1995]



## Chapter V

### General Accounting Provisions

#### Section - 1 Introduction

#### Section - 2 Acct. Policies

## General Accounting Provisions

### Section 1 Introduction to System of Accounts and Reports

#### Sec. 1-1 Applicability of system of accounts and reports.

Each large certificated air carrier shall keep its books of account, records and memoranda and make reports to the BTS in accordance with this system of accounts and reports. The BTS reserves the right, however, under the provisions of sections 49 U.S.C. 41701 and 41708, to expand or otherwise modify the classes of carriers subject to this system of accounts and reports.

[ER-1400, 50 FR 11, Jan. 2, 1985, as amended at 60 FR 66723, Dec. 26, 1995]

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#### Sec. 1-2 Waivers from this system of accounts and reports.

A waiver from any provision of this system of accounts or reports may be made by the BTS upon its own initiative or upon the submission of written request therefor from any air carrier, or group of air carriers, 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 reports; and the application of such alternative procedure will maintain or improve uniformity in substantive results as between air carriers.

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

#### 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.

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

#### 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.

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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 recordkeeping 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 amended 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 prescribed 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 organization tables and charts, internal accounting manuals and revisions thereto, minute books, stock books, reports, cost distributions and other accounting work sheets, correspondence, memoranda, etc., which may constitute necessary 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 representatives of the DOT. All books, records, and memoranda shall be housed or stored in such manner as to afford protection 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 conformance with 14 CFR part 249 for the preservation of records.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended 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 Reports, each nontransport entity conducting an activity which is not related to the air carrier's transport activities and each transport-related activity or group of activities qualifying as a nontransport venture pursuant to paragraph (b) of this section, whether or not formally organized within a distinct organizational unit, shall be treated as a separately operated organizational division; except that provisions 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 transport-related service provided for in transport-related revenue and expense accounts 09 through 18 shall be considered 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 revenue rate, as determined in section 2-1(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 revenues, or (3) the aggregate annual expense rate, as determined in section 2-1(d), during either of the prior two years exceeds the greater of \$1 million or one percent of the carrier's total annual operating expenses: Provided, That revenues and expenses from in-flight sales, and interchange sales shall be considered related to air transportation and accounted for accordingly, regardless of the revenue or expense standard set forth above.

(c) The records for each required accounting entity shall be maintained

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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 amended by ER-841, 39 FR 11994, Apr. 2, 1974; ER-1022, 42 FR 46495, Sept. 15, 1977; ER-1027, 42 FR 60127, Nov. 25, 1977; 60 FR 66723, Dec. 26, 1995]

Sec. 1-7 Interpretation of accounts.

To the end that uniform accounting may be maintained, questions involving matters of accounting significance which are not clearly provided for should be submitted to the Director, Office of Airline Information, K-25, Bureau of Transportation Statistics, for explanation, interpretation, or resolution.

[Amdt. **241**-58, 54 FR 5591, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]

Sec. 1-8 Address for reports and correspondence.

All reports required under this part and related correspondence shall be addressed to: Office of Airline Information, K-25, Room 4125, U.S. Department of Transportation, 400 Seventh St., SW., Washington, DC 20590.

[[Amdt. **241**-58, 54 FR 5592, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]

## Section 2 General Accounting Policies

### Sec. 2.1 Generally accepted accounting principles.

(a) The accounting provisions contained in this part are based on generally accepted accounting principles (GAAP). Persons subject to this part are authorized to implement, as prescribed by the Financial Accounting Standards Board, newly issued GAAP pronouncements until and unless the Director, Office of Airline Information (OAI), issues an Accounting Directive making an initial determination that implementation of a new pronouncement would adversely affect the Department's programs.

(b) The Director, OAI, shall review each newly issued GAAP pronouncement to determine its affect on the Department's regulatory programs. If adopting a specific change in GAAP would adversely affect the Department's programs, the Director will issue the results of the review in the form of an Accounting Directive. The directive will state the reasons why the particular change should not be incorporated in the uniform system of accounts and contain accounting guidance for maintaining the integrity of the Department's air carrier accounting provisions.

(c) Objections and comments relating to the Department's decision not to implement a change in generally accepted principles may be addressed to Director, Office of Airline Information, K-25, Room 4125, U.S. Department of Transportation, 400 Seventh St., SW., Washington, DC 20590. If significant objections are raised urging adoption of a particular GAAP pronouncement, the Department will institute a rulemaking.

[[Amdt. 241-58, 54 FR 5592, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]]

### Sec. 2-2 Basis of allocation between entities.

(a) The provisions of this section shall apply to each person controlling an air carrier, each person controlled by the air carrier, as well as each transport entity and organizational division of the air carrier for which separate records must be maintained pursuant to section 1-6.

(b) Each transaction shall be recorded and placed initially under accounting controls of the particular air transport entity or organizational division of the air carrier or member of an affiliated group to which directly traceable. If applicable to two or more accounting entities, a proration shall be made from the entity of original recording to other participating entities on such basis that the statements of financial condition and operating results of each entity are comparable to those of distinct legal entities. The allocations involved shall include all debits and credits associated with each entity.

(c) For purposes of this section, investments by the air carrier in resources or facilities used in common by the regulated air carrier and those transport-related revenue services defined as separate nontransport ventures under section 1-6(b) shall not be allocated between such entities but

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shall be reflected in total in the appropriate accounts of the entity which predominately uses those investments. Where the entity of

predominate use is a nontransport venture, the air carrier shall reflect the investment in account 1510.3, Advances to Associated Companies.

(d) For purposes of this Uniform System of Accounts and Reports, all revenues shall be assigned to or apportioned between accounting entities on bases which will fully recognize the services provided by each entity, and expenses, or costs, shall be apportioned between accounting entities on such bases as will result: (1) With respect to transport-related services, in the assignment thereto of proportionate direct overheads, as well as direct labor and materials, of the applicable expense functions prescribed by this system of accounts and reports, and (2) with respect to separate ventures, in the assignment thereto of proportional general and administrative overheads as well as the direct overheads, labor, and materials.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-841, 39 FR 11994, Apr. 2, 1974; ER-1401, 50 FR 238, Jan. 3, 1985. Redesignated and further amended by Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

Sec. 2-3 Distribution of revenues and expenses within entities.

(a) Revenues and expenses attributable to a single natural objective account or functional classification shall be assigned accordingly.

(b) Revenue and expense items which are common to two or more natural objective accounts shall be recorded in the objective accounts to which they predominantly relate.

(c) Expense items contributing to more than one function shall be charged to the general overhead functions to which applicable except that where only incidental contribution is made to more than a single function an item may be included in the function to which primarily related, provided such function is not distorted by including an aggregation of amounts applicable to other functions. When assignment of expense items on the basis of the primary activity to which related does not in the aggregate result in a fair presentation of the expenses applicable to each function, apportionment shall be made between functions based upon a study of the contribution to each function during a representative period.

[ER-755, 37 FR 19726, Sept. 21, 1972. Redesignated by Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

Sec. 2-4 Accounting period.

(a) The accounting year of each air carrier subject to this Uniform System of Accounts shall be the calendar year unless otherwise approved by the BTS.

(b) Each air carrier shall keep its financial accounts and records on a full accrual basis for each quarter so that all transactions, as nearly as may reasonably be ascertained, shall be fully reflected in the air carrier's books for the quarter in which revenues have been earned and the costs attaching to the revenues so earned in each quarter have been incurred independently of the incidence of sales or purchases and settlement with debtors or creditors.

(c) Expenditures incurred during the current accounting year which demonstrably benefit operations to be performed during subsequent accounting years to a significant extent shall be deferred and amortized to the period in which the related operations are performed when of sufficient magnitude to distort the accounting results of the year in which incurred.

(d) Expenditures charged directly or amortized to operations within one accounting year shall not be reversed in a subsequent accounting year and reamortized or charged directly against operations of subsequent years except that retroactive adjustments are permitted where necessary to conform with adjustments required by the DOT for ratemaking purposes.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-1027, 42 FR 60127, Nov. 25, 1977; ER-1188, 45 FR 48870, July 22, 1980; 60 FR 66723, 66725, Dec. 26, 1995]

Sec. 2-5 Revenue and accounting practices.

(a) Revenue accounting practices shall conform to the provisions of account 2160, Air Traffic Liability.

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(b) Each route air carrier shall physically verify the reliability of its passenger revenue accounting practice at least once each accounting year.

(c) For those carriers who use the yield or average-fare method to determine earned revenue, the analysis supporting the verification shall include:

(1) The cutoff date for the liability to be verified; such cutoff date shall be at the end of a calendar month.

(2) The number of months after the cutoff date during which documents were examined to verify the liability; the number of months after the cutoff date during which documents are examined shall not exceed the maximums set forth below:

Class of carrier	Maximum months \1\
TWA.....	18
Trunks (except TWA).....	12
All other route air carriers.....	6

\1\ Applies only to carriers on a yield or average-fare basis.

(3) The nature of the documents which were examined for purposes of the verification.

(4) The totals for each of the various types of documents examined, on actual or sampling basis.

(5) A description of the sampling technique and conversion to totals, if sampling was employed.

(6) The amount and basis for all estimates employed in the verification.

(7) The amount of resulting adjustments and the quarter in which such adjustments were, or are to be, made in the accounts.

(d) For those carriers who use the sales-lift match method to determine earned revenue, the analysis supporting the physical inventory verification shall include:

(1) The cutoff date for the liability to be verified; such cutoff date shall be at the end of a calendar month.

(2) A trial balance as of the cutoff date of all subaccounts supporting the Air Traffic Liability control account; the subsidiary

trial balance must agree with the Air Traffic Liability control account or a reconciliation statement furnished.

(3) A statement to the effect that a sales listing of the value of all unmatched auditor coupons has been compiled and compared to the general ledger control figure; the statement required by this subparagraph shall indicate whether or not the value of the unmatched coupons is in agreement with the general ledger. If the sales listing is not in agreement with the Air Traffic Liability control account, the amount of such difference shall be shown on such statement.

[ER-948, 41 FR 12290, Mar. 25, 1976, as amended by ER-1401, 50 FR 238, Jan. 3, 1985. Redesignated at Amtd. 241-58, 54 FR 5592, Feb. 6, 1989; 60 FR 66725, Dec. 26, 1995]





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## Chapter VI

### General Reporting Provisions

#### Section 21 - Introduction

#### Section 22 - Reporting Instructions

## General Reporting Provisions--Large Certificated Air Carriers

### Section 21 Introduction to System of Reports

(a) Each large certificated air carrier subject to the Federal Aviation Act of 1958, as amended, shall file with the BTS, monthly, quarterly, semiannually, and annually BTS Form 41 Reports of financial and operating statistics as prescribed herein unless waiver has been made by the Civil Aeronautics Board.

(b) The system prescribed provides for the submission by each air carrier of four classes of financial and operating statistics, on individual schedules of the BTS Form 41 Report, grouped as follows:

- A. Certification.
- B. Balance Sheet Elements.
- P. Profit and Loss Elements.
- T. Traffic and Capacity Elements.

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(c) The prescribed system of reports provides that the frequency of reporting shall be monthly for some schedules, quarterly for some, semiannually for some and annually for others. It also provides in some areas for the classification of large certificated air carriers into Group I, Group II, and Group III with the form and content differentiated as between groups.

(d) Each schedule of the prescribed BTS Form 41 Report has been assigned a specific code. The prefix alphabetical codes A, B, P and T, respectively, have been employed to denote certification, balance sheet, profit and loss, and traffic and capacity. The digits immediately following the alphabetical prefix designate the particular schedule.

(e) Upon approval by the Director, Office of Airline Information, a carrier may:

(1) Supply its own computer prepared formats provided each schedule conforms with the size and format of the forms prescribed in this part.

(2) Use telefacsimile, or fax, equipment to submit the forms prescribed by this part; however, forms transmitted by fax must conform to an 8\1/2\ x 14 inch size. With prior approval, larger forms may be reduced in size of 8\1/2\ x 14 for transmission to the Department.

(f) In submitting each schedule prescribed by this part to the Department, each reporting air carrier shall adhere to the following guidelines:

(1) A good quality black ribbon shall be used in preparing the original copy of each schedule.

(2) In no event shall any information be typed on the reverse side of copies submitted to the Department.

(3) Except as provided for in paragraph (e) of this section, no photocopy or similar process shall be used.

(g) Four separate air carrier entities shall be established for large certificated air carriers conducting scheduled service for the purpose of submitting the prescribed reports. They are as follows: (1) Domestic operations; (2) operations via the Atlantic Ocean; (3) operations via the Pacific Ocean; and (4) operations in Latin American areas. With respect to the first classification, the domestic entity shall embrace all operations within and between the 50 States of the United States, the District of Columbia, the Commonwealth of Puerto Rico

and the U.S. Virgin Islands, and shall also include Canadian transborder operations. The reports to be submitted by each entity shall be comparable to those required of a distinct legal entity whether the reporting entity constitutes such an entity, a semiautonomous physically separated operating division of the carrier, or an entity established for reporting purposes only.

(h) Two separate entities shall be established for large certificated air carriers predominantly engaged in conducting charter activities for the purpose of submitting the prescribed reports: (1) Domestic operations; and (2) international operations. The domestic entity includes all operations within and between the 50 States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands. All other operations will be in the international entity.

(i) The entities for which separate reports shall be made by the different route and charter air carriers will be set semiannually by the Office of Airline Information.

(j) As a general rule separate reports shall be filed for the air carrier and for each associated company air carriers as defined in section 03 which is an air carrier. However, transactions of associated companies in which 100 percent equity control resides in the reporting air carrier shall be consolidated with transactions of the reporting air carrier when such associated companies perform services related to the transport operations of the reporting air carrier almost exclusively and are not engaged in air transportation for their own account.

(k) Generally, route air carriers' nonscheduled services shall be treated as an integral part of the reporting entity to which most closely related without regard to the geographic area in which such nonscheduled services may actually be performed. However, supplemental reports shall be made of nonscheduled services (including service for the Department of Defense) in areas not encompassed by the prescribed reporting entity in any month in which

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the available ton-miles of such nonscheduled services exceed 5 percent of the available ton-miles of the reporting entity. Such supplemental reports shall continue until waived by the BTS upon a showing that such nonscheduled operations will not in the subsequent 12-month period exceed the 5-percent limit. The supplemental reports to be filed each month or calendar quarter, as applicable, shall be comprised of report Schedules P-5, T-1, and T-2. Transport and nontransport revenues pertaining to such separately reported nonscheduled services shall be reported on Schedule P-2 each quarter.

(l) When and as required in the national interest, any air carrier which performs nonscheduled transport services for the Department of Defense shall, when directed by the Department, make separate reports for such services as if they were conducted by a physically separate transport entity, such reports shall consist of Schedules P-1 through P-7, T-1, and T-2. The letter ``D'' shall be inserted on such reports, following the schedule number of each P and T schedule. When a carrier has more than one reporting entity, nonscheduled transport and nonscheduled Defense services shall be assigned to the reporting entity to which more closely related.

[ER-1027, 42 FR 60128, Nov. 25, 1977, as amended by ER-1073, 43 FR 40453, Sept. 12, 1978; ER-1073, 44 FR 1970, Jan. 9, 1979; ER-1188, 45 FR 48871, July 22, 1980; ER-1297, 47 FR 32919, July 30, 1982; ER-1400, 50

FR 12, Jan. 2, 1985; ER-1401, 50 FR 247, Jan. 3, 1985; Amdt. No. 241-56, 52 FR 9130, Mar. 23, 1987; Amdt. 241-60, 56 FR 12658, Mar. 27, 1991; 60 FR 66724, Dec. 26, 1995]

Section 22 General Reporting Instructions

(a) One copy of each schedule in the BTS Form 41 report shall be filed with the BTS and shall be received on or before the due date indicated for each such schedule in the list titled ``Due Dates of Schedules in BTS Form 41 Report.''

List of Schedules in BTS Form 41 Report  
[See footnotes at end of table]

Schedule No.	Title	Filing frequency	Applicability by carrier group		
			I	II	III
A.....	Certification...	Q	(1)	X	X
B-1.....	Balance sheet...	Q	(1)	X	X
B-1.1.....	Balance sheet...	SA	(2)	NA	NA
B-7.....	Airframe and aircraft engine acquisitions and retirements.	Q	NA	X	X
B-12.....	Statement of changes in financial position.	Q	(1)	X	X
B-43.....	Inventory of airframes and aircraft engines.	A	X	X	X
P-1.1.....	Statement of operations.	SA	(2)	NA	NA
P-1.2.....	Statement of operations.	Q	(1)	X	X
P-1(a).....	Interim operations report.	M	X	X	X
P-2.....	Notes to RSPA Form 41 report.	Q	(1)	X	X
P-5.1.....	Aircraft operating expenses.	Q(1), SA(2)	X	NA	NA
P-5.2.....	Aircraft operating expenses.	Q	NA	X	X
P-6.....	Operating expenses by objective groupings.	Q	(1)	X	X
P-7.....	Operating expenses by functional groupings-- Group III air	Q	NA	NA	X

	carriers.				
P-10.....	Employment statistics by labor category.	A	(1)	X	X
P-12(a).....	Fuel consumption by type of service and entity.	M	(1)	X	X
T-100.....	U.S. air carrier traffic and capacity data by nonstop segment and on-flight market.	M	X	X	X
T-100(f).....	Foreign air carrier traffic data by nonstop segment and on-flight market. (see 14 CFR 217)	M			
T-8.....	Report of all-cargo operations.	A	(3)	(3)	(3)

-----  
M=Monthly, Q=Quarterly, SA=Semiannually, A=Annually, NA=Not Applicable, X=All Carriers.  
(1) Applicable to Group I Air Carriers with annual operating revenues of \$20 million or more.  
(2) Applicable to Group I Air Carriers with annual operating revenues below \$20 million.  
(3) Applicable to Air Carriers conducting 49 U.S.C. 41103 all-cargo operations.

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Due Dates of Schedules in BTS Form 41 Report

Due dates \1\	Financial data on schedule No.	Traffic and capacity data on schedule No.
January 20.....	P-12(a)	
January 30.....	P-1(a)	T-100, T-100(f)
February 10 \2\.....	A, B-1, B-1.1, B-7, B-12, P-1.1, P-1.2, P-2, P-5.1, P-5.2, P-6, P-7, P-10.	
February 20.....	P-12(a)	
March 1.....	P-1(a)	T-100, T-100(f),
March 20.....	P-12(a)	
March 30.....	B-43, P-1(a).	T-100, T-100(f), T-8
April 20.....	P-12(a)	
April 30.....	P-1(a)	T-100, T-100(f)
May 10.....	A, B-1, B-7, B-12, P-1.2, P-2, P-5.1, P-5.2, P-6, P-7.	
May 20.....	P-12(a)	

May 30.....	P-1(a)	T-100, T-100(f)
June 20.....	P-12(a)	
June 30.....	P-1(a)	T-100, T-100(f)
July 20.....	P-12(a)	
July 30.....	P-1(a)	T-100, T-100(f)
August 10.....	A, B-1, B-1.1, B-7, B-12, P-1.1, P-1.2, P-2, P-5.1, P-5.2, P-6, P-7.	
August 20.....	P-12(a)	
August 30.....	P-1(a)	T-100, T-100(f)
September 20.....	P-12(a)	
September 30.....	P-1(a)	T-100, T-100(f)
October 20.....	P-12(a)	
October 30.....	P-1(a)	T-100, T-100(f)
November 10.....	A, B-1, B-7, B-12, P- 1.2, P-2, P-5.1, P- 5.2, P-6, P-7.	
November 20.....	P-12(a)	
November 30.....	P-1(a)	T-100, T-100(f)
December 20.....	P-12(a)	
December 30.....	P-1(a)	T-100, T-100(f)

\1\ Due dates falling on a Saturday, Sunday or national holiday will become effective the first following work day.

\2\ Reporting due dates on Form 41 Schedules B and P are extended to March 30 if preliminary schedules are filed at the Department by February 10

(b) Each large certificated air carrier shall file the applicable schedules of the BTS Form 41 Report with the BTS in accordance with the above instructions with the following exceptions:

(1) The time for filing B and P report schedules for the final quarter or semiannual period of each calendar year may be extended to the following March 30 if the preliminary Schedules B-1 or B-1.1 and P-1.1 or P-1.2 are submitted, as applicable, and are received on or before their respective due dates.

(2) For the third month of any calendar quarter, Schedule P-1(a) need not be filed if Schedule P-1.1 or P-1.2 for the quarter or semiannual period, as applicable, is received on the due date prescribed for Schedule P-1(a).

(3) Income and expense data on Schedule P-1(a) for each month will be withheld by the BTS from public disclosure, until such time as (i) the semiannual or quarterly financial reports are due, (ii) the semiannual or quarterly financial reports are filed, or (iii) information covered by monthly reports is publicly released by the carrier concerned, whichever occurs first. Before that time, income and expense data reported on Schedule P-1(a) will be disclosed to parties to any proceeding before the DOT to the extent that such data are relevant and material to the issues in the proceeding upon a determination to this effect by the administrative law judge assigned to the case or by the DOT. Any data to which access is granted may be introduced into evidence, subject to the normal rules of admissibility of evidence. The DOT will make other disclosure of these data upon its own motion or upon application of any interested person, when the DOT finds the public interest so requires. The BTS may, from time to time, publish summary information compiled from Schedule P-1(a) in a form which will not identify the individual carrier. At the request of an air carrier, and

upon a showing by such air carriers that public disclosure of its preliminary year-end report would adversely affect its interests and would not be in the public interest, the BTS will withhold such preliminary year-end report from public disclosure until such time as (i) the final report is filed, (ii) the final report is due, or (iii) information covered by the preliminary report is publicly released by the carrier concerned, whichever occurs first.

(c) If circumstances prevent the filing of a report on or before the prescribed due date, consideration will be given to the granting of an extension

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upon receipt of a written request therefor. To provide ample time for consideration and communication to the air carrier of the action taken, such a request must be delivered to the Board in writing at least three (3) days in advance of the due date, setting forth good and sufficient reason to justify the granting of the extension and the date when the report can be filed. Except in cases of emergency, no such request will be entertained which is not in writing and received by the BTS at least three (3) days before the prescribed due date. If a request is denied, the air carrier remains subject to the filing requirements to the same extent as if no request for extension of time had been made.

(d) [Reserved]

(e) All financial data reported on B, P and G schedules shall reflect the status of the air carrier's books of account for the period for which the report is being made and shall conform to the instructions contained in this Uniform System of Accounts and Reports. At the option of the air carrier, Group III air carriers may round reported financial data to the nearest thousands of dollars by typing ``(\$000)'' at the top of each amount column. All Group I and Group II air carriers may, at their option, round reported financial data to the nearest whole dollars by dropping the cents. All rounded amounts must be balanced within and between schedules. This option applies only to the submission of hardcopy reports. Instructions for the submission of data in ADP format are contained in the Accounting and Reporting Directives, which are available from OAI.

(f) Traffic and other operational statistics included in schedules of the BTS Form 41 reports shall reflect data pertaining to the month, quarter or 12-months-to-date period for which the report is being made.

(g) Adjustments correcting errors in previously reported traffic and other operational statistics shall not be included in data reported in schedules for the current period but shall be effected by submission of corrected schedules for the period to which applicable or, if only a few items are involved, by written notice and authorization to the BTS to correct previously filed reports except that any correction which amounts to less than one-half of one percent (0.5%) of the corrected amount for the month to which related may be included in the report for the current month provided the amount of the correction is clearly noted on the Form 41 Report.

(h) All letters and statements of correction or revision of reported data shall be a part of the BTS Form 41 reports.

(i) All changes in accounting methods having a material impact upon the particular financial elements involved, and all changes in methods of computing and reporting traffic and capacity statistics having a material impact upon the particular statistic involved shall be adequately explained and identified in the report first reflecting such changes. Such explanations related to financial position or financial

results shall be made on BTS Form 41 Schedule P-2. Changes in methods for computing or reporting traffic and capacity statistics shall be identified and explained on a separate sheet attached to the first report affected. (See sec. 2-16.) The reporting requirements shall not be construed, in any sense, as relieving the air carrier of the responsibility for conforming its procedures to those otherwise prescribed in this system of accounts and reports.

(j) All financial statements released by carriers to the public reflecting a financial position or operating results for dates or reporting periods not covered by reports on file with the Board shall be filed with the Board simultaneously with their public release.

(Approved by the Office of Management and Budget under control number 2138-0013)

[ER-755, 37 FR 19726, Sept. 21, 1972]

Editorial Note: For Federal Register citations affecting part **241**, section 22, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.

## Chapter VII

Financial Reporting Requirements

Section - 23 Balance Sheet Items

Section - 24 P&L Items



Financial Reporting Requirements

Section 23 Certification and Balance Sheet Elements

Schedule A--Certification

(a) The certification of the BTS Form 41 Report shall be signed by an elective corporate officer, executive, or director. Other persons may be authorized by the carrier to sign the certification provided a written authorization disclosing the individual's name and title is forwarded to the Department of Transportation. Since corrections or revisions of reported data are a part of the BTS Form 41 Report, all correspondence relating to such matters shall be signed only by the person(s) authorized to sign the certification.

(b) The certification of the Form 41 reports, embodied in Schedule A thereof, shall read as follows:

I, the undersigned (Title of officer in charge of accounts) ----- of the (Full name of the reporting company) ----- do certify that this report and all schedules, ADP-media submissions, Passenger Origin-Destination Survey submissions and supporting documents which are submitted herewith or have been submitted heretofore as parts of this report filed for the above indicated period have been prepared under my direction; that I have carefully examined them and declare that they correctly reflect the accounts and records of the company, and to the best of my knowledge and belief are a complete and accurate statement, after adjustments to reflect full accruals, of the operating revenues and expenses, income items, assets, liabilities, capital, retained earnings, and operating statistics for the periods reported in the several schedules, the Schedule T-100 ADP-media submissions, and the Passenger Origin-Destination Survey; that the various items herein reported were determined in accordance with the Uniform System of Accounts and Reports for Large Certificated Air Carriers prescribed by the Department of Transportation; and that the data contained herein are reported on a basis consistent with that of the preceding report except as specifically noted in the financial and statistical statements.

Schedule B-1 Balance Sheet

(a) This schedule shall be filed by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) This schedule shall reflect the balances at the close of business on the last day of each calendar quarter for the overall or system operations of each air carrier in conformance with the provisions of sections 4, 5 and 6.

(c) Individual proprietors or partners shall report the aggregate capital contributed by the proprietor or partners in account 2890 Additional Capital Invested.

Schedule B-1.1--Balance Sheet

(a) This schedule shall be filed semiannually by Group I air carriers with annual operating revenues below \$20 million.

(b) Each carrier shall insert in the space provided for ``OAG Code'' its carrier code as contained in the Official Airlines Guide (OAG). If the OAG does not contain a carrier code for the reporting carrier, a code will be provided by the Office of Airline Information upon request. This code will then be inserted in the space provided for ``carrier

code.'

(c) This schedule shall show the account balances at the close of business on June 30 or December 31, as applicable, of each semiannual reporting period.

(d) ``Current Assets'' shall include all resources that may reasonably be expected to be realized in cash or sold or consumed within one year. This group of assets is classified into three basic accounts:

(1) ``Cash and Equivalents'' shall include cash on hand and on deposit, U.S. Government securities, and other temporary cash investments.

(2) ``Notes and Accounts Receivable-Net'' shall include general traffic accounts receivable, government receivables, notes and receivables from associated companies, officers, employees and others, and a deduction for a reasonable allowance for bad debts.

(3) ``Other Current Assets'' shall contain all other current assets not provided for in the above classifications. This account shall include, but is not limited to, short-term prepayments, expendable spare parts, supplies and other inventories of flight equipment replacement parts that are usually replaced rather than repaired, and materials and supplies held in stock, such as fuel and oil, expendable tools, office supplies and food service supplies. Spare parts may be reduced by an allowance for obsolescence to provide for losses in value.

(e) ``Property and Equipment'' shall be segregated into that which is owned and that which is leased under capital leases. All property and equipment, with the exception of land, shall be reported net of accumulated depreciation or amortization.

(f) ``Other Assets'' shall include all assets not included in the above categories, such as long-term investments, long-term prepayments, long-term receivables, deferred charges, intangible assets, equipment purchase deposits, and construction work in progress.

(g) ``Current Liabilities'' shall include all obligations, the liquidation of which is reasonably expected to require the use of existing resources within one year. This group of liabilities is classified into three basic accounts:

(1) ``Notes and Accounts Payable'' shall include any payments on long-term debt, short-term notes and accounts payable, and accrued expenses that are payable within one year.

(2) ``Accrued Taxes'' shall include tax liabilities, such as those imposed on income,

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property and payroll, which are reasonably expected to be liquidated within one year.

(3) ``Other Current Liabilities'' shall include all current liabilities which are not provided for elsewhere, such as air traffic liabilities for unused transportation sold (includes sales of transportation on both the reporting carrier and other carriers).

(h) ``Long-Term Debt'' shall include all obligations which are not reasonably expected to be liquidated within one year. Typical examples include bonds payable, long-term notes payable, lease obligations, and pension obligations.

(i) ``Other Liabilities'' shall include any debts or obligations which are not properly listed in the ``Current Liabilities'' or ``Long-Term Debt'' sections.

(j) ``Deferred Credits'' shall include all credit balances of a general clearing nature, including credits held in suspense pending receipt of further information necessary for final disposition. Included

in this account are deferred income taxes and deferred investment tax credits.

(k) ``Stockholder's Equity'' shall be reported as follows:

(1) ``Capital Stock'' shall be segregated as between common and preferred. The number of shares outstanding, along with the par or stated value of the stock, shall be reported. In the case of no-par stock without stated value, the full consideration received shall be reported.

(2) ``Other Paid-In Capital'' shall include the difference between the price at which the capital stock is sold and the par or stated value of the stock.

(3) ``Retained Earnings'' shall represent the net income or loss from all operations of the corporate entity less dividends.

(4) ``Treasury Stock'' shall represent the cost of stock issued by the carrier and reacquired by it but not retired or cancelled.

(1) The statement of certification shall be signed by the carrier's chief accounting officer.

(m) All substantive matters that may materially influence interpretations or conclusions in regard to the financial condition or the earnings position of the air carrier which are not clearly identified in the body of the schedule or which represent information that cannot be expressed adequately in monetary terms shall be completely and clearly stated in a note attached to this schedule and cross-referenced to the affected account or accounts.

#### Schedule B-7 Airframe and Aircraft Engine Acquisitions and Retirements

(a) This schedule shall be filed by all Group II and Group III air carriers.

(b) Data applicable to acquisitions and data applicable to retirements shall be grouped and reported separately. The data reported within each group (acquisitions; retirements) shall be further subgrouped and reported as follows:

(1) Acquisitions: the indicated data shall be reported for each individual airframe, identified by type, model, and design of cabin as to use for passengers exclusively, cargo exclusively, or both passengers and cargo in combination. Data pertaining to aircraft engines shall be reported in aggregate for each type or model; however, leased aircraft engines shall be separately reported under captions entitled: Capital Leases--Aircraft Engines; and Operating Leases--Aircraft Engines. Airframe units leased from others for a period of more than 90 days shall be reported in a separate subsection of this schedule, captioned as follows: Capital Leases--Airframe Units; and Operating Leases--Airframe Units. In addition, a notation shall be made by license number of airframe units of the air carrier returned after lease to others for a period of more than 90 days. Airframe units obtained through interchange lease arrangements shall not be so reported.

(2) Retirements: The indicated data shall be reported for the sale or retirement of each airframe, each type of aircraft engine (stating the number of units retired) and, to the extent retired along with airframes and engines, in aggregates by accounts, operating property and equipment included in accounts 1607 and 1608 and nonoperating property and equipment included in accounts 1707 and 1708. Disposition of properties in accounts 1608 and 1708 not related to airframe and aircraft engine retirements shall be reported in a separate group for each account. Airframe units leased from others for a period of more than 90 days shall be reported, upon return to the lessor, in a separate subsection of this schedule and captioned as follows: Capital Leases--

Airframe Units; and Operating Leases--Airframe Units. In addition, a notation shall be made by license number and name of lessee of airframe units leased to others for a period of more than 90 days; moreover, airframe units leased to others under sales-type or direct financing leases shall be separately captioned and reported on this schedule. Airframe units leased under interchange arrangements shall not be so reported. Aircraft engines leased from others for a period of more than 90 days shall be reported, upon return to the lessor, in a separate subsection of this schedule and captioned as follows: Capital Leases--Aircraft Engines; and Operating Leases--Aircraft Engines. In addition, a notation shall be made by model number, number of units, and name of lessee of aircraft engines leased to others for a period of more than 90 days; moreover, aircraft engines leased to others under sales-type or direct financing leases shall be separately captioned and reported on this schedule. Aircraft engines leased under interchange arrangements shall not be so reported.

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(c) All dates shall indicate the day, the month and the year; shall be provided on a unit basis for airframes only, and, shall be reported for each aircraft engine group by date of transaction.

(d) Column 1, ``Year of First Delivery--Airframe,'' shall reflect, for each reported airframe, the year that the airframe was first delivered by its manufacturer.

(e) Column 2, ``Airframe Manufacturer's Serial Number,'' shall reflect the serial number assigned to each reported airframe by its manufacturer.

(f) Column 4, ``Acquisitions or Retirements,'' shall be used to indicate, for each item entered, whether it represents an acquisition or retirement. This shall be indicated by inserting in Column 4 an ``A'' for acquisition or an ``R'' for retirement.

(g) Column 8, ``Maximum Seating Capacity,'' shall reflect the number of passenger seats installed in each airframe acquired. When airframes are designed for multiple adjustable seating configurations, the maximum number of seats for which designed shall be reported. When the seating configuration of airframes is modified subsequent to original acquisition, the revised passenger capacity of each airframe shall be reported in the quarter in which modified and referenced to identify original capacity reported.

(h) Column 9, ``Cost,'' shall reflect the book cost of reported airframe and aircraft engine acquisitions and retirements.

(i) Column 10, ``Amortization/Depreciated Cost,'' shall reflect the book cost, less amortization or depreciation expense, for airframes and aircraft engines that have been retired.

(j) Column 11, ``Realization,'' shall reflect the proceeds from the disposition of airframes and aircraft engines, including any insurance proceeds.

(k) Column 12, ``Acquired From/Disposition,'' shall reflect: (1) for acquisitions: the name of the person or organization from which airframes and aircraft engines are acquired and (2) for dispositions (retirements): the name of the person or organization to which airframes and aircraft engines are sold or a notation as to the nature of the retirement and the account to which any depreciated cost has been charged, if not sold. Items included in accounts 1607, 1608, 1707, and 1708, sold as a part of an airframe or aircraft sales transaction, shall also be identified by the name of the buyer. Other sales of items included in these accounts shall be reported in a separate group in

aggregate for each property account affected.

#### Schedule B-12--Statement of Cash Flows

(a) This Schedule shall be filed quarterly by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) This schedule shall be filed for the overall or system operations of the air carrier.

(c) The statement of cash flows shall separately disclose the amount of net cash provided or used during the reporting period from the carrier's operating activities, investing activities and financing activities. The effect on cash and cash equivalents of the total amount of net cash provided or used during the quarter from each of the above activities shall be clearly disclosed so as to reconcile beginning and ending cash and cash equivalents.

(d) Carriers may use either the direct or indirect method of reporting cash flows. Under either method, the reporting of cash flows from investing and financing activities will remain the same. However, the reporting of cash flows from operating activities does differ between the two methods.

(e) For carriers electing to use the direct method, cash flows from operating activities are reported as gross amounts of the principal components of cash receipts and cash payments from operating activities, such as cash received from passengers and shippers, cash paid to suppliers, and cash paid to employees. Each carrier using the direct method shall provide as part of its statement of cash flows, a separate schedule that reconciles net income (as reported on Schedule P-1.2 in Account 9899) to cash flow from operating activities.

(f) For carriers electing to use the indirect method, cash flows from operating activities shall reflect net income (as reported on Schedule P-1.2 in Account 9899) along with the adjustments necessary to reconcile net income (Account 9899) to net cash for the period (Net Cash Provided or Used By Operating Activities).

(g) Regardless of the method used, the statement of cash flows shall reflect the amount of net cash flow provided or used by operating activities during the reporting period.

(h) The balance of ``Cash and Cash Equivalents,' ' at the beginning and ending of the quarterly period covered by the report, should equal the sum of Accounts 1010, ``Cash,' ' and 1100, ``Short-term Investments,' ' as reported on the immediately preceding and current quarterly Schedule B-1, ``Balance Sheet.' ' If the sum of these two accounts does not equal the total ``Cash and Cash Equivalents' ' reported on the statement of cash flows, then a footnote explaining the difference shall be provided as part of the statement of cash flows.

#### Schedule B-43--Inventory of Airframes and Aircraft Engines

(a) This schedule shall be filed by all Group I, Group II and Group III air carriers.

(b) The indicated data shall be reported for each individual airframe, identified by type, model and design of cabin (main deck) as to

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use for passengers exclusively, cargo exclusively, or both passengers and cargo in combination. Type and model refers to aircraft models such

as B-707-100, B-707-200, DC-10-40, Beech-18, Piper PA-32, etc. Aircraft type designations are prescribed in Accounting and Reporting Directive No. 178, ``List of Aircraft Type Numeric Codes.'' Copies of this directive and subsequent updates to the list of aircraft type codes are available from the Department's Office of Airline Information. Airframes that are authorized for operation over water under FAA regulation FAR 121 shall be so indicated by asterisk.

(c) Data pertaining to aircraft engines shall be reported on a group basis by type of engine and by type of aircraft to which related.

(d) Data in this schedule shall be grouped and subtotaled as data pertaining to airframes and data pertaining to aircraft engines. Data pertaining to nonoperating airframes and aircraft engines shall be reported in a group below the data for operating equipment. Data pertaining to airframes and aircraft engines obtained under operating and capital leases shall be reported, by type of lease, in a separately captioned grouping below nonoperating airframes and aircraft engines and subgrouped within those groups according to operating and nonoperating equipment.

(e) Column 1, ``Year of First Delivery--Airframe,'' shall reflect, for each reported airframe, the year that the airframe was first delivered by its manufacturer.

(f) Column 2, ``Airframe Manufacturer's Serial Number,'' shall reflect the serial number assigned to each reported airframe by its manufacturer.

(g) Data pertaining to airframes and aircraft engines obtained under operating leases shall be listed in Columns 1 through 9; the cost of improvements to equipment under operating leases shall be reported in Columns 10 through 12.

(h) Column 9, ``Available Capacity (Weight),'' shall reflect, for each reported aircraft type, the available capacity (stated in pounds) that is used in computing the available ton-miles reported on Schedules T-100, T-1, and T-2.

(i) Column 10, ``Acquired Cost or Capitalized Value,'' shall include (1) the acquisition cost of owned airframes and aircraft engines; (2) the total capitalized cost of obtaining airframes and engines under capital leases; and (3) the cost of improvements to airframes and engines obtained under operating leases.

(j) Column 11, ``Allowance for Depreciation or Amortization,'' shall include (1) the accumulations of all provisions for losses due to use and obsolescence that are applicable to owned airframes and aircraft engines, (2) the amount of amortization recorded for amortizing the value of airframes and engines obtained under capital leases, and (3) the amount of amortization recorded for amortizing the value of improvements to airframes and aircraft engines obtained under operating leases.

(k) Column 12, ``Depreciated Cost or Amortized Value,'' shall be calculated as either (1) Acquired Cost (Column 10) less the Allowance for Depreciation (Column 11) or (2) Capitalized Value (Column 10) less Amortization (Column 11).

(l) Column 13, ``Estimated Residual Value,'' shall state, in dollars, the residual value assigned to owned and capital-leased airframes and aircraft engines, including any overhaul value not subject to depreciation.

(m) Column 14, ``Estimated Depreciable or Amortizable Life (Months),'' shall state the estimated depreciable or amortizable life from the date of acquisition of each airframe and each group of aircraft engines.

[ER-755, 37 FR 19726, Sept. 21, 1972]

Editorial Note: For Federal Register citations affecting part 241, section 23, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.

## Section 24 Profit and Loss Elements

### Schedule P-1.1--Statement of Operations

(a) This schedule shall be filed semiannually by Group I air carriers with annual operating revenues below \$20 million. Data reported on this schedule shall be for the overall or system operations of the air carrier.

(b) This schedule shall show the results of operations for six-month periods ending June 30 and December 31. Data reported in the ``12 Months-to-Date'' column shall represent for each individual item the sum of the amount reported in the ``Current Period'' column and the next previous six-month period.

(c) Each carrier shall insert in the space provided for ``OAG Code'' its carrier code as contained in the Official Airlines Guide (OAG). If the OAG does not contain a carrier code for the reporting carrier, a code will be provided by the Office of Airline Information upon request. This code will then be placed in the space provided for ``carrier code.''

(d) ``Operating Revenue'' shall be put in categories as follows:

(1) ``Transport Revenue'' shall include the revenue generated by the performance of air transportation services. This category shall be subdivided as follows:

(i) ``Scheduled Service'' shall include all transport revenue derived from operations between pairs of points which are served on a regularly scheduled basis. Transport revenue received from scheduled service operations shall be subdivided as follows:

(A) Passengers. Revenue generated from the transportation of passengers shall be included in this category.

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(B) Other. Revenue generated by the transportation of property and mail shall be included in this category.

(ii) ``Nonscheduled Service'' shall include all transport revenue derived from operations between pairs of points which are not served on a regularly scheduled basis.

(2) ``Transport-Related Revenue'' shall include monies received for providing air transportation facilities associated with the performance of services which flow from and are incidental to air transportation services performed by the air carrier. This category shall be subdivided as follows:

(i) Public Service Revenue. This category shall include amounts of compensation paid to the carrier under 49 U.S.C 41733.

(ii) Other. This category shall include other transport-related revenue such as in-flight sales, restaurant and food service (ground), rental of property or equipment, limousine service, interchange sales, and cargo pick-up and delivery charges.

(e) ``Operating Expense'' shall be segregated as follows:

(1) ``Flying Operations'' shall include expenses incurred directly in the in-flight operation of aircraft and expenses incurred in the holding of aircraft and aircraft operation personnel in readiness for

assignment to an in-flight status.

(2) ``Maintenance'' shall include all expenses which are specifically identifiable with the repair and upkeep of property and equipment used in the performance of air transportation.

(3) ``General and Administrative'' shall include that portion of all expenses of a general corporate nature and all other expenses not provided for elsewhere which are related to air transport operations either directly or indirectly.

(4) ``Depreciation and Amortization'' shall include all depreciation and amortization expenses applicable to property and equipment used in providing air transportation services. These expenses shall be segregated between those applicable to owned property and equipment and those applicable to property and equipment which is leased.

(5) ``Transport-Related Expense'' shall include all expenses associated with the transport-related revenues reported on line 5 of this schedule.

(f) ``Operating Profit (Loss)'' shall be computed by subtracting the total operating expenses from the total operating revenues.

(g) ``Nonoperating Income and Expense'' shall include all revenues and expenses resulting from commercial ventures which are not inherently related to the performance of air transport services. For example, the revenues and expenses related to operating a hotel or motel would be reported under this category. This category shall also include the total interest expense incurred from all sources and shall be subdivided as follows:

(1) Interest Expense.

(2) Other Nonoperating (Net).

(h) ``Income Tax'' shall reflect the provisions for accruals of Federal, State, local, and foreign taxes based upon taxable income, and computed at the normal and surtax rates in effect during the current accounting year.

(i) ``Discontinued Operations, Extraordinary Items or Accounting Changes'' shall reflect any earnings or losses from discontinued operations, the net of the tax amount of extraordinary items, and the cumulative effect of any changes in accounting principles.

(j) Any air carrier that does not file Schedule P-1(a) in accordance with the filing option described in section 22--General Reporting Instructions shall, for the sixth month of any semi-annual period during which the option is exercised, type in the bottom margin of this statement of operations the total number of full-time and part-time employees to be labeled as such and calculated in accordance with paragraph (d) of the reporting instructions for Schedule P-1(a).

#### Schedule P-1.2--Statement of Operations

(a) This schedule shall be filed quarterly by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) Route and charter carriers shall file separate statements of operations for each separate operating entity and for the overall, or system operations.

(c) Data reported on this schedule shall conform with the instructions pertaining to profit and loss classifications within this Uniform System of Accounts and Reports.

(d) Data reported in the ``12 Months-to-Date'' column shall represent for each item the sum of amounts reported in the ``Quarter'' column for the current and next previous three quarters.

(e) Group III air carriers shall subdivide total Transport Revenues-

Passenger (Account 3901) between Accounts 3901.1, Passenger-Flight Class and Account 3901.2 Passenger-Coach, only for operations that are reported in the international entity (Atlantic, Pacific and Latin American). First class and coach passenger revenues associated with transport operations reported in the domestic entity shall be reported as a combined total in Account 3901 Transport Revenues-Passenger.

(f) All Group I and Group II air carriers shall report first class and coach passenger revenues as a combined total in Account 3901 Transport Revenues-Passenger, for both domestic and international entity operations. However, U.S. air carriers in any carrier group that elect to do so may continue to report first class and coach revenue data, if they consider such voluntary reporting to be less burdensome than changing their existing financial reporting system.

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(g) Any air carrier that does not file Schedule P-1(a) in accordance with the filing option described in section 22--General Reporting Instructions shall, for the third month of any calendar quarter during which the option is exercised, type in the bottom margin of the system statement of operations the total number of full-time and part-time employees to be labeled as such and calculated in accordance with paragraph (d) of the reporting instructions for Schedule P-1(a).

#### Schedule P-1(a) Interim Income Statement

(a) This schedule shall be filed by all air carriers.

(b) This schedule shall be filed for the overall or system operations of the air carrier.

(c) Data reported on this schedule shall reflect the results of operations for the month covered by the report and shall conform to the instructions pertaining to profit and loss classifications within this Uniform System of Accounts and Reports.

(d) Air carriers shall report on this schedule:

- (1) Total operating revenues,
- (2) Total operating expenses,
- (3) Operating profit or loss,
- (4) Net income,

(5) Passenger revenues--scheduled service,

(6) Public service revenues (subsidy) and other information on

(7) The total number of full-time and

(8) Part-time employees. Total number of full-time employees and

total number of part-time employees shall reflect for the overall or system operations of the air carrier the total number of full-time and part-time employees, respectively, who worked or received pay for any part of the pay period(s) ending nearest the 15th day of the month. For the purposes of this part, ``part-time employees'' means those employees hired to work less than the number of hours that is customary or standard for their occupational specialty.

(e) In the event of a labor strike, the ``number of employees'' to be reported on this schedule shall be determined on an actual payroll basis. Actual payroll shall be determined in accordance with paragraph (d) of these reporting instructions. An air carrier that on October 24, 1978, held a certificate issued under 49 U.S.C. 41102 shall also report in a footnote on this schedule the number of full-time employees who were deprived of employment because of a strike (i.e., the number of full-time employees who, but for a strike, would have been included in the number reported in accordance with paragraph (d)(7)).

Schedule P-2--Notes to BTS Form 41 Report

(a) This schedule shall be filed quarterly by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) Route and charter air carriers shall file this schedule for each separate operating entity and for the overall, or system operations of the carrier.

(c) All substantive matters which may influence materially interpretations or conclusions in regard to the financial condition or the earnings position of the air carrier which are not clearly identified in the body of the Form 41 report or which represent information that cannot be expressed adequately in monetary terms shall be completely and clearly stated in this schedule and cross-referenced to the affected account or accounts. The informative disclosure on this schedule for the system operations of the air carrier shall conform, at the end of each carrier's fiscal or calendar year, with the footnotes prepared for audited financial statements.

(d) The amounts and estimated delivery dates of any purchase commitments of material size and not of a recurrent routine character shall be explained on this schedule. In the case of commitments involving flight equipment, the amount for each equipment type may be given in total, including any engines, airframes and spares; but the number of airframes and the number of engines by type shall be given, as well as the estimated delivery date for each complete aircraft. Reports on commitments other than for flight equipment are required only in the December 31 report of each calendar year.

(e) Each scheduled air carrier shall include on this schedule a description of each interruption in air transport operations, the aggregate effect of which is ten (10) percent or more of the scheduled revenue plane-miles which, except for the interruption, would have been operated during the month or either of 2 consecutive months affected. The information to be reported for each such interruption in operations shall consist of:

(1) For the report period in which partial or complete interruption first occurs, the nature of the interruption and dates of partial and/or complete cessation of operations, as applicable;

(2) For each report period until full resumption of operations, an estimate of the revenue plane-miles canceled in each month of the quarter because of the interruption; and

(3) For the report period in which scheduled operations are resumed, dates of partial and/or complete resumption, as applicable.

Schedule P-5.1--Aircraft Operating Expenses

(a) This schedule shall be filed by all Group I air carriers. Group I air carriers that have annual operating revenues of \$20 million or more shall file this schedule quarterly and only report direct operating expense data (lines 1 thru 9). Group I air carriers with annual operating revenues below \$20 million

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shall file this schedule semiannually and report both direct and indirect operating expense data (lines 1 thru 16).

(b) Subject to the provisions of Section 22(a), quarterly reports are due on May 10, August 10, November 10 and February 10 for the first,

second, third and fourth calendar quarters, respectively. Semiannual reports are due on August 10 and February 10.

(c) Each carrier shall indicate in the space provided its full corporate name and an 'X' shall be inserted in the appropriate box to indicate whether the data being reported are quarterly or six months data. The period-ending data shall be indicated in the space provided.

(d) Route and charter air carriers subject to the quarterly filing requirement shall file this schedule for each operating entity of the air carrier. Air carriers subject to the semiannual filing requirement shall file this schedule for the overall or system operations of the air carrier.

(e) This schedule shall show the direct and indirect expenses incurred in aircraft operations plus total aircraft hours, gallons of fuel issued, and aircraft days assigned to service. Direct expense data applicable to each aircraft type operated by the carrier shall be reported in separate columns of this schedule. Each aircraft type reported shall be identified at the head of each column in the space provided. 'Aircraft Type' refers to aircraft models such as B-707-100, B-707-200, DC-10-40, Beech-18, Piper PA-32, etc, Aircraft Type designations are prescribed in the Accounting and Reporting Directives, which is available from the Board's Information Management Division. In the space provided for 'Aircraft Code' carriers shall insert the four digit code which is prescribed in the Accounting and Reporting Directives for the reported aircraft type.

(f) Direct aircraft operating expenses shall be reported in the following categories:

(1) Line 2 'Flying Operations (Less Rental)' shall be subdivided as follows:

(i) Line 3 'Pilot and Copilot' expense shall include pilots' and copilots' salaries, and related employee benefits, pensions, payroll taxes and personnel expenses.

(ii) Line 4 'Aircraft Fuel and Oil' expense shall include the cost of fuel and oil used in flight operations and nonrefundable aircraft fuel and oil taxes.

(iii) Line 5 'Other' expenses shall include general (hull) insurance, and all other expenses incurred in the in-flight operation of aircraft and holding of aircraft and aircraft operational personnel in readiness for assignment to an in-flight status that are not provided for otherwise on this schedule.

(2) Line 6 'Total Flying Operations (Less Rentals)' shall equal the sum of lines 3, 4 and 5.

(3) Line 7 'Maintenance-Flight Equipment' shall include the cost of labor, material and related overhead expended by the carrier to maintain flight equipment, general services purchased for flight equipment maintenance from associated or other outside companies, and provisions for flight equipment overhauls.

(4) Line 8 'Depreciation and Rental-Flight Equipment' expense shall include depreciation of flight equipment, amortization of capitalized leases for flight equipment, provision for obsolescence and deterioration of spare parts, and rental expense of flight equipment.

(5) Line 9 'Total Direct Expense' shall equal the sum of lines 6, 7 and 8.

(g) Line 10 Indirect aircraft operating expenses shall be reported only in total for all aircraft types and shall be segregated according to the following categories:

(1) Line 11 'Flight Attendant Expense' shall include flight attendants' salaries, and related employee benefits, pensions, payroll taxes and personnel expenses.

(2) Line 12 ``Traffic Related Expense'' shall include traffic solicitor salaries, traffic commissions, passenger food expense, traffic liability insurance, advertising and other promotion and publicity expenses, and the fringe benefit expenses related to all salaries in this classification.

(3) Line 13 ``Departure Related (Station) Expense'' shall include aircraft and traffic handling salaries, landing fees, clearance, customs and duties, related fringe benefit expenses and maintenance and depreciation on ground property and equipment.

(4) Line 14 ``Capacity Related Expense'' shall include salaries and fringe benefits for general management personnel, recordkeeping and statistical personnel, lawyers, and law clerks, and purchasing personnel; legal fees and expenses; stationery; printing; uncollectable accounts; insurance purchased-general; memberships; corporate and fiscal expenses; and all other expenses which cannot be identified or allocated to some other specifically identified indirect cost category.

(h) Line 15 ``Total Indirect Expense'' shall equal the sum of lines 11, 12, 13 and 14.

(i) Line 16 ``Total Operating Expense'' shall equal the sum of lines 9 and 15.

(j) Line 17 ``Total Aircraft Hours'' shall equal the sum of revenue and nonrevenue aircraft hours.

(k) Line 18 ``Gallons of Fuel Issued'' shall equal the aircraft fuels issued (account Z921).

(l) Line 19 ``Aircraft Days Assigned to Service'' equals the number of days that aircraft owned or acquired through rental or lease are in the possession of the reporting air carrier and are available for service on the reporting carrier's routes plus the number of days such aircraft are in service on routes of others under wet-lease agreements. Includes days in overhaul, or temporarily out of service due to schedule cancellations. Excludes days that newly acquired aircraft

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are on hand but not available for productive use, days dry-leased or rented to others, and days in possession but formally withdrawn from air transportation service.

#### Schedule P-5.2--Aircraft Operating Expenses and Related Statistics

(a) This schedule shall be filed by all Group II and Group III air carriers.

(b) Route and charter air carriers shall file this schedule for each operating entity of the air carrier.

(c) Data applicable to each aircraft type operated by the air carrier shall be reported in separate columns of this schedule.

``Aircraft Type'' refers to aircraft models (such as B-707-100, B-707-300, DC-9-30, etc.) that are prescribed in the Accounting and Reporting Directives, which is available from the Office of Airline Information. In the space provided for ``Aircraft Code'' carriers shall insert the four digit code which is prescribed in the Accounting and Reporting Directives for the reported aircraft type. For route air carriers, expenses of operating aircraft provided by other carriers under interchange agreements shall be separately reported in total for all such aircraft as if for a distinct aircraft type. Interchange expenses applicable to aircraft of the same type as those owned or operated by the air carrier shall be distributed in summary memo form as item 98.1 and 98.2 to each aircraft type owned or operated by that air carrier.

Aircraft types not generally used in revenue service shall be separately reported. If more than one type of aircraft is involved, a separation of data relating to each type of aircraft shall not be required.

(d) Each aircraft type for which a report is being made shall be identified at the head of each column in the space provided. Data applicable to aircraft designed primarily for cargo services and only incidentally used for passenger services shall be reported in separate columns, and the word ``cargo'' shall be inserted after the aircraft type at the head of the column. The prescribed reporting by aircraft types may be reviewed from time to time upon request by individual air carriers, or upon the initiative of the BTS, and groupings of aircraft types for reporting purposes may be prescribed or amended in specific instances.

(e) Italicized codes and item titles do not constitute accounts or account numbers prescribed for air carrier accounting, but shall be used for reporting purposes only.

(f) Item 79.6 ``Applied Maintenance Burden'' shall reflect a memorandum allocation by each air carrier of the total expenses included in subfunction 5300 ``Maintenance Burden'' between maintenance of flight equipment, by aircraft type, and maintenance of ground property and equipment. The allocation of subfunction 5300 (maintenance burden) shall include the net effect of charges and credits to profit and loss account 5272 Flight Equipment Airworthiness Provisions.

(g) Item 73 ``Obsolescence and Deterioration--Expendable Parts'' shall reflect (for obsolescence and deterioration of flight equipment expendable parts) the gross provisions for losses in value of expendable parts during the current accounting period offset by any credits applicable to the current period for adjustments for excess inventory levels determined pursuant to section 6-1311.

(h) The total of function 5100 ``Flying Operations'' reported on this schedule shall agree with corresponding amounts reported on Schedule P-1.2.

#### Schedule P-6--Operating Expenses by Objective Groupings

(a) This schedule shall be filed quarterly by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) Route and charter air carriers shall file this schedule for each separate operating entity.

(c) Line 36 ``Total Operating Expenses'' shall agree with the corresponding amount reported on Schedule P-1.

#### Schedule P-7--Operating Expenses by Functional Groupings--Group III Air Carriers

(a) This schedule shall be filed by all Group III air carriers.

(b) Route and charter air carriers shall file this schedule for each operating entity of the air carrier.

(c) Line 38 ``Total Operating Expenses'' shall agree with the corresponding amount reported on Schedule P-1.2.

#### Schedule P-10--Employment Statistics by Labor Category

(a) This schedule shall be filed annually by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) Separate sets of this schedule shall be filed for each operating

entity of the air carrier. Employees will be allocated to the reporting entities on a basis consistent with that used in the allocation of salaries for Form 41 financial reporting purposes.

(c) Column 3, ``Number of Employees,' shall reflect, for each category in column 1, the weighted average number of full-time employees who received pay for any part of the calendar year. In determining the weighted average, all temporary or part-time employees shall be restated, based on their hours paid, as an equivalent number of full-time employees. The calculation shall be based on a standard full-time 2,080/hour year with overtime hours excluded from the computation.

(d) Labor category description--``Other personnel' shall include all employees whose

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salary is chargeable to accounts 30, 32, 34 and 35 in this Uniform System of Accounts and Reports.

(e) Labor category description--``Transport-related' shall include all employees whose salary is not chargeable to one of the various salary accounts contained in the Uniform System of Accounts and Reports. For example, this category would include those employees who work in transport-related operations and other activities for which a separate payroll account is not prescribed. The number of employees reported as transport-related shall be calculated in accordance with paragraph (c) of these reporting instructions.

#### Schedule P-12(a)--Fuel Consumption by Type of Service and Entity

(a) This schedule shall be filed monthly by all Group II and Group III air carriers and Group I air carriers that have annual operating revenues of \$20 million or more.

(b) A single copy (original only) of this schedule shall be filed to report monthly fuel consumption data by type of service and entity.

(c) For the purposes of this schedule, type of service shall be either scheduled service or nonscheduled service as those terms are defined in section 03 of part **241**.

(d) For the purpose of this schedule, scheduled service shall be reported separately for: (1) Intra-Alaskan operations; (2) domestic operations, which shall include all operations within and between the 50 States of the United States (except Intra-Alaska), the District of Columbia, the Commonwealth of Puerto Rico and the United States Virgin Islands and Canadian transborder operations; (3) Atlantic operations (excluding Bermuda); (4) Pacific operations which shall include the North/Central Pacific, South Pacific (including Australia) and the Trust Territories; and (5) Latin American operations which shall include the Caribbean (including Bermuda and the Guianas), Mexico and South/Central America.

(e) For the purpose of this schedule, nonscheduled service shall be reported separately for domestic operations and international operations as defined in paragraph (d) above, except that domestic and international MAC operations shall be reported on separate lines.

(f) The cost data reported on each line shall represent the average cost of fuel, as determined at the station level, consumed in that entity.

(g) The cost of fuel shall include shrinkage but exclude (1) ``through-put' and ``in to plane' fees, i.e., service charges or gallonage levies assessed by or against the fuel vendor or concessionaire and passed on to the carrier in a separately identifiable

form and (2) nonrefundable Federal and State excise taxes. However, ``through-put'' and ``in to plane'' charges that cannot be identified or segregated from the cost of fuel shall remain a part of the cost of fuel as reported on this schedule.

(h) Each air carrier shall maintain records for each station showing the computation of fuel inventories and consumption for each fuel type. The periodic average cost method shall be used in computing fuel inventories and consumption. Under this method, an average unit cost for each fuel type shall be computed by dividing the total cost of fuel available (Beginning Inventory plus Purchases) by the total gallons available. The resulting unit cost shall then be used to determine the ending inventory and the total consumption costs to be reported on this schedule.

(i) Where amounts reported for a specific entity include other than Jet A fuel, a footnote shall be added indicating the number of gallons and applicable costs of such other fuel included in amounts reported for that entity.

(j) Where any adjustment(s) recorded on the books of the carrier results in a material distortion of the current month's schedule, carriers shall file a revised schedule P-12(a) for the month(s) affected.

(k) Data reported on this schedule shall be withheld from public release until the quarterly Form 41 P schedules for the calendar quarter to which the monthly schedules relate are due at the BTS. However, aggregate data may be released before that time without identifying individual carriers. Provisions governing the due dates for submitting the quarterly P schedules are contained in paragraphs (a) and (b) of section 22 of this part. Individual carrier fuel data withheld from public disclosure may be disclosed by the BTS to:

(1) Parties to any proceeding before the DOT to the extent such material is relevant and material to the issues in the proceeding upon a determination to this effect by the administrative law judge assigned to the case or by the DOT;

(2) Agencies and other components of the Federal Government for their internal use only; and

(3) Such persons and in such circumstances as the BTS determines to be in the public interest or consistent with its regulatory functions and responsibilities.

(Approved by the Office of Management and Budget under control number 2138-0013)

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by 241-58, 54 FR 5597, Feb. 6, 1989]

Editorial Note: For Federal Register citations affecting part 241, section 24, see the List of CFR Sections Affected, which appears in the Finding Aids section of the printed volume and on GPO Access.



## Chapter VIII

### Sections - 3, 4 and 6 Chart of Balance Sheet Accounts



Balance Sheet Classifications

Section 3 Chart of Balance Sheet Accounts

[See footnotes at end of table]

Name of account	General classification	
Current assets:		
Cash.....	.....	1010
Short-term investments.....	.....	1100
Notes receivable.....	.....	1200
Accounts receivable.....	.....	1270
Allowance for uncollectible accounts.....	.....	1290
Spare parts and supplies.....	.....	1300
Allowance for obsolescence--Spare parts and supplies.....	.....	1311
Prepaid items.....	.....	1410
Other current assets.....	.....	1420
Investments and special funds:		
Investments in associated companies.....	.....	1510
Investments in investor controlled companies.....	.....	1510.1
Investments in other associated companies.....	.....	1510.2
Advances to associated companies.....	.....	1510.3
Other investments and receivables.....	.....	1530
Special funds.....	.....	1550
Property and equipment.....	.....	1600-1700
	Operating .....	Nonoperat- ing
Airframes.....	1601	1701
Airframes.....	1601.1	1701.1
Unamortized airframe overhauls.....	1601.2	1701.2
Aircraft engines.....	1602	1702
Aircraft engines.....	1602.1	1702.1
Unamortized aircraft engine overhauls.....	1602.2	1702.2
Improvements to leased flight equipment.....	1607	1707
Flight equipment rotatable parts and assemblies.....	1608	1708
Airframe parts and assemblies.....	\1\ 1608.1	\1\ 1708.1
Aircraft engine parts and assemblies.....	\1\ 1608.5	\1\ 1708.5
[[Page 118]]		
Other parts and assemblies.....	\1\ 1608.9	\1\ 1708.9
Flight equipment.....	1609	1709
Allowance for depreciation:		
Airframes.....	1611	1711
Aircraft engines.....	1612	1712
Improvements to leased flight equipment...	1617	1717
Flight equipment rotatable parts and	1618	1718

assemblies.....		
Flight equipment airworthiness allowance....	\2\ 1629	\2\ 1729
Equipment.....	1630	1730
Furniture, fixtures and office equipment....	1636	1736
Improvements to leased buildings and equipment.....	1639	1739

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General classification  
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Buildings.....	1640	1740
Maintenance buildings and improvements....	1640.1	1740.1
Other buildings and improvements.....	1640.9	1740.9
Ground property and equipment.....	1649	1749
Allowance for depreciation:		
Equipment.....	1650	1750
Improvements to leased buildings and equipment.....	1654	1754
Furniture, fixtures, and office equipment.	1656	1756
Buildings.....	1660	1760
Maintenance buildings and improvements..	1660.1	1760.1
Other buildings and improvements.....	1660.9	1760.9
Allowance for depreciation of flight equipment and ground property and equipment, and amortization of overhaul and airworthiness costs.....	1668	1768
Land.....	1679	1779
Equipment purchase deposits and advance payments.....	1685	1785
Construction work in progress.....	1689	1789
Leased property under capital leases.....	1695	1795
Capital leases--flight equipment.....	1695.1	1795.1
Capital leases--other property and equipment.....	1695.2	1795.2
Leased property under capital leases, accumulated amortization.....	1696	1796
Accumulated amortization--capitalized flight equipment.....	1696.1	1796.1
Accumulated amortization--capitalized other property and equipment.....	1696.2	1796.2
Property on operating-type lease to others and property held for lease.....		1797
Property on operating-type lease to others and property held for lease, accumulated depreciation.....		1798
Other assets:		
Long-term prepayments.....		1820
Unamortized developmental and preoperating costs.....		1830
Other assets and deferred charges.....		1890
Current liabilities:		
Current maturities of long-term debt.....		2000
Notes payable:		
Banks.....		2005
Other.....		2015
Trade accounts payable.....		2021
Accounts payable--other.....		2025

Current obligations under capital leases.. .. .	2080
Accrued salaries, wages.....	2110
Accrued vacation liability.....	2120
Accrued interest.....	2125
Accrued taxes.....	2130
Dividends declared.....	2140
Air traffic liability.....	2160
Other current liabilities.....	2190
Noncurrent liabilities:	
Long-term debt.....	2210
Advances from associated companies.....	2240
Pension liability.....	2250
Noncurrent obligations under capital leases.....	2280
Other noncurrent liabilities.....	2290
Deferred credits:	
Deferred income taxes.....	2340
Deferred investment tax credits.....	2345
Other deferred credits.....	2390
Stockholders' equity:	
Preferred stock.....	2820
Common stock.....	2840
Additional capital invested.....	2890
Premium on capital stock.....	2890.1
Discount on capital stock.....	2890.2
Other capital stock transactions.....	2890.3
Retained earnings.....	2900
Subscribed and unissued stock.....	2860
Treasury stock.....	2990

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\1\ Prescribed for group II and group III air carriers only.

\2\ At the option of the air carrier, these accounts may be assigned Nos. 2629 and 2729, respectively, for accounting purposes.

Note: Digits to right of decimals and italicized codes established for BTS control purposes only.

[ER-1401, 50 FR 239, Jan. 3, 1985, as amended by Amdt. 248-58, 54 FR 5592, Feb. 6, 1989; 60 FR 66723, Dec. 26, 1995]

#### Section 4 General

(a) The balance sheet accounts are designed to show the financial condition of the air carrier as at a given date, reflecting the asset and liability balances carried forward subsequent to the closing or constructive closing of the air carrier's books of account.

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(b) The balance sheet accounts prescribed in this system of accounts for each air carrier group are set forth in Section 3, Chart of Balance Sheet Accounts. The balance sheet elements to be included in each account are presented in section 6.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

Section 5 [Reserved]

Section 6 Objective Classification of Balance Sheet Elements

Source: ER-980, 42 FR 29, Jan. 3, 1977, unless otherwise noted.

Current Assets

1010 Cash.

(a) Record here all general and working funds available on demand as of the date of the balance sheet which are not formally restricted or earmarked for specific objectives. Funds deposited for special purposes which are to be satisfied within one year shall be included in account 1100 Short-term Investments and funds restricted as to general availability, which are not offset by current liabilities, shall be included in account 1550 Special Funds.

(b) Each air carrier shall subdivide this account in such manner that the balance can be readily segregated as between balances in United States currency and the balances in each foreign currency.

1100 Short-term Investments.

(a) Record here the cost of short-term investments such as special deposits and United States Government securities, any other temporary cash investments, and the allowance for unrealized gain or loss on current marketable equity securities.

(b) Special deposits for more than one year, not offset by current liabilities, shall not be included in this account but in account 1550 Special Funds.

(c) This account should be charged or credited for discount or premium on United States Government securities or other securities which should be amortized to profit and loss account 80 Interest Income.

1200 Notes Receivable.

(a) Record here current notes receivable including those from associated companies, company personnel, and all other sources.

(b) Balances of notes payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included in this account but in balance sheet account 1510.3 Advances to Associated Companies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

1270 Accounts Receivable.

(a) Record here current accounts receivable including those due from the United States Government, foreign governments, associated companies, company personnel, and other amounts due for the performance of air transportation.

(b) Amounts due from the United States Government shall be maintained in such fashion as will clearly and separately identify service mail pay receivables, subsidy receivables and other than mail transportation receivables.

(c) Amounts due for the performance of air transportation shall include gross amounts due whether settled through airline clearing houses or with individual carriers. Amounts payable collected as agent shall not be credited to this account, but should be included in account 2190 Other Current Liabilities.

(d) Balances payable to associated companies shall not be offset against amounts carried in this account. Balances with associated companies which are not normally settled currently shall not be included

in this account but in balance sheet account 1510.3 Advances to Associated Companies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

1290 Allowance for Uncollectible Accounts.

(a) Record here accruals for estimated losses from uncollectible accounts.

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(b) All accounts against which allowances have been established shall be examined quarterly for the purpose of redetermining the basis of accruals to be applied to subsequent accounting periods and the reasonableness of allowances already provided.

1300 Spare parts and supplies.

(a) Record here the cost of:

(1) Flight equipment replacement parts of a type which ordinarily would be recurrently expended and replaced rather than repaired and reused;

(2) Unissued fuel inventories for use in the overall or system operations of the carrier. Adjustments of inventories for aircraft fuel due to retroactive price increases and decreases shall not be entered in this account but in profit and loss account 45, Aircraft Fuels and Oils; and

(3) Unissued and unapplied materials and supplies held in stock such as unissued shop materials, expendable tools, stationery and office supplies, passenger service supplies, and restaurant and food service supplies.

(b) Costs paid by the air carrier such as transportation charges and customs duties; excise, sales, use and other taxes; special insurance; and other charges applicable to the cost of spare parts and supplies shall be charged to this account when they can be definitely allocated to specific items or units of property. If such costs cannot be so allocated, or if of minor significance in relation to the cost of such property, such amounts may be charged to balance sheet account 1890 Other Assets and Deferred Charges and cleared either by a suitable "loading charge" as the parts are used or by current charges to appropriate expense or property accounts; so long as the method of application does not cause material distortion in operating expenses from one accounting period to another.

(c) Reusable spare parts and supplies recovered in connection with construction, maintenance, or retirement of property and equipment shall be included in this account at fair and reasonable values but in no case shall such values exceed original cost. Recoveries of normally repairable and reusable parts of a type for which losses in value may be covered on a practical basis through valuation allowance provisions shall be included in this account on an original cost basis. Scrap and nonusable parts, expensed from this account and recovered, shall be included at net amounts realizable therefrom with contra credit to the expense accounts initially charged.

(d) The cost of rotatable parts and assemblies of material value included in this account which ordinarily are repaired and reused and possess a service life approximating that of the primary property types to which related shall not be recorded in this account but in balance sheet account 1608 Flight Equipment Rotatable Parts and Assemblies. For purposes of identifying rotatable parts and assemblies of insignificant unit value which may be included in this account, a reasonable maximum

unit value limitation may be established.

(e) Any losses sustained or gains realized upon the abandonment or other disposition of flight equipment expendable parts shall be taken up as capital gains or losses in the periods in which sustained or realized. (See balance sheet account 1311.)

(f) Items in this account shall be charged to appropriate expense accounts as issued for use. Profit and loss on sales of inventory items as a routine service to others shall be included in profit and loss accounts 14 General Service Sales--Associated Companies, or 16 General Service Sales--Outside, and the parts sold shall be removed from this accounts at full cost.

(g) Materials and supplies held in small supply and purchased currently may be charged to appropriate expense accounts when purchased.

(h) An allowance for inventory adjustment applicable to materials and supplies is prohibited. Items in this account shall be charged to appropriate expense accounts as issued for use.

(i) Subaccounts shall be established within this account for the separate recording of each class or type of spare parts and supplies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

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1311 Allowance for Obsolescence--Spare Parts and Supplies.

(a) Accruals shall be made to this account when allowances are established for losses in the value of expendable parts. The accruals to this account shall be made by charges to profit and loss account 73 Provisions for Obsolescence and Deterioration--Expendable Parts. Records shall be maintained with sufficient detail to permit association of the allowances with each class or type of expendable parts.

(b) The accruals to this account shall be based upon a predetermination by the air carrier of that portion of the total inventory of each class and type of expendable parts against which an allowance for loss is to be accrued. Expendable parts issued for use in operations shall be charged to operating expenses as issued and shall not be charged to this account. If at the end of any calendar year the amount of the allowance exceeds the product of the applicable inventory for the year determined consistently on a year-end or average basis, and the sum of the standard percentage accrual rates for all prior years including the current, the allowance shall be adjusted downward by the amount of the excess. Such adjustments shall be charged to this account and credited to profit and loss account 73 Provisions for Obsolescence and Deterioration--Expendable Parts.

(c) Where changing conditions necessitate a revision or adjustment in rates of accrual, such revision or adjustment shall be made applicable to current and subsequent accounting periods and shall not be applied retroactively to prior accounting periods. Following retirement of airframe or aircraft engine types to which related, any balance remaining in this account shall be offset against related balances carried in balance sheet account 1300 Spare Parts and Supplies and the net cleared to profit and loss accounts 88.5 Capital Gains and Losses--Operating Property or 88.6 Capital Gains and Losses--Other.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1401, 50 FR 241, Jan. 3, 1985]

1410 Prepaid Items.

Record here prepayments of obligations which if not paid in advance

would require the expenditure of working capital within one year, such as prepaid rent, insurance, taxes, interest, etc. Unexpired insurance and miscellaneous prepayments applicable to periods extending beyond one year where significant in amount shall be charged to balance sheet account 1820 Long-Term Prepayments.

1420 Other Current Assets.

Record here current assets not provided for in balance sheet accounts 1010 to 1410, inclusive.

#### Investments and Special Funds

1510 Investments in Associated Companies.

(a) Record here net investments in associated companies.

(b) [Reserved]

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

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1027, 42 FR 60128, Nov. 25, 1977; ER-1188, 45 FR 48870, July 22, 1980]

1510.1 Investments in Investor Controlled Companies.

Record here the cost of investments in investor controlled companies except that permanent impairment in the value of securities may be reflected through charges to profit and loss classification 8100, Nonoperating Income or Expense--Net. This account shall also include the equity in undistributed earnings or losses since acquisition. In the event dividends are declared by such companies, the air carrier shall credit this account for its share in dividends declared and debit balance sheet account 1270 Accounts Receivable. This account shall separately state: (a) The cost of such investments at date of acquisition and (b) the equity in undistributed earnings or losses since acquisition.

[Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

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1510.2 Investments in Other Associated Companies.

Record here the cost of investments in associated companies other than investor controlled companies. Cost shall represent the amount paid at the date of acquisition without regard to subsequent changes in the net assets through earnings or losses of such associated companies. However, permanent impairment in the value of securities may be reflected through charges to profit and loss classification 8100, Nonoperating Income or Expense--Net.

[Amdt. 241-58, 54 FR 5592, Feb. 6, 1989]

1510.3 Advances to Associated Companies.

(a) Record here advances, loans, and other amounts not settled currently with investor controlled and other associated companies and nontransport divisions. Balances receivable from and payable to different associated companies and different nontransport divisions shall not be offset.

(b) In the case of nontransport divisions three subaccounts shall be maintained:

(1) Net investment;

(2) current net profit or loss; and

(3) current accounts receivable or payable between the air carrier and the nontransport division.

(c) Each nontransport division shall be accounted for separately in net amounts receivable which shall be included in this account or net amounts payable which shall be included in balance sheet account 2240 Advances from Associated Companies.

[ER-980, 42 FR 29, Jan. 3, 1977. Redesignated by ER-1401, 50 FR **241**, Jan. 3, 1985]

1530 Other Investments and Receivables.

Record here notes and accounts receivable not due within one year, investments in securities issued by others, investments in leveraged leases, the noncurrent net investment in direct financing and sales-type leases, and the allowance for unrealized gain or loss on noncurrent marketable equity securities. Securities held as temporary cash investments shall not be included in this account but in balance sheet account 1100 Short-Term Investments. Investments in and receivables from associated companies which are not settled currently shall be included in balance sheet account 1510 Investments in Associated Companies.

[Amdt. **241**-58, 54 FR 5592, Feb. 6, 1989]

1550 Special Funds.

Record here special funds not of a current nature and restricted as to general availability. Include items such as sinking funds, cash and securities posted with courts of law, employee's funds for purchase of capital stock, pension funds under the control of the air carrier and equipment purchase funds.

#### Operating Property and Equipment

``Operating Property and Equipment'' shall encompass items used in air transportation services and services related thereto.

1601 Airframes.

(a) Record here the total cost to the air carrier of airframes of all types and classes together with the full complement of instruments, appurtenances and fixtures comprising complete airframes including accessories necessary to the installation of engines and flight control and transmission systems, except as specifically provided otherwise in accounts 1602 and 1607. Also record here in separate subaccounts the costs of airframes overhauls accounted for on a deferral and amortization basis.

(b) Airframes designed to permit multiple payload configurations shall be recorded in this account at the total cost of the maximum complement of instruments, appurtenances, and fixtures used in the air carrier's operations.

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

1601.1 Airframes.

1601.2 Unamortized Airframe Overhauls.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. **241**-58, 54 FR 5593, Feb. 6, 1989]

1602 Aircraft Engines.

(a) Record here the total cost to the air carrier of complete units of aircraft

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engines of all types and classes together with a full complement of accessories, appurtenances, parts and fixtures comprising fully

assembled engines as delivered by the engine manufacturer ready for operation in test but without the accessories necessary to its installation in airframes. Also record here in separate subaccounts the costs of aircraft engine overhauls accounted for on a deferral and amortization basis.

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

1602.1 Aircraft Engines.

1602.2 Unamortized Aircraft Engine Overhauls.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1607 Improvements to Leased Flight Equipment.

Record here the total cost incurred by the air carrier for modification, conversion or other improvements to leased flight equipment. Also record here, in separate subaccounts, the costs of airframe and aircraft engine overhauls of leased aircraft accounted for on a deferral and amortization basis.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1608 Flight Equipment Rotable Parts and Assemblies.

(a) Record here the total cost to the air carrier of all spare instruments, parts, appurtenances and subassemblies related to the primary components of flight equipment units provided for in balance sheet accounts 1601 through 1607, inclusive. This account shall include all parts and assemblies of material value which are rotatable in nature, are generally reserviced or repaired, are used repeatedly and possess a service life approximating that of the property type to which they relate. Items of an expendable nature which generally may not be repaired and reused, shall not be recorded in this account but in account 1300 Spare Parts and Supplies. Except for recurrent service sales, flight equipment parts recorded in this account shall not be charged to operating expenses as retired. Profit or loss on sales of parts as a routine service to others shall be included in profit and loss account 14 General Service Sales, and parts sold shall be removed from this account at full cost irrespective of any allowance for depreciation which has been provided.

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

1608.1 Airframe Parts and Assemblies.

1608.5 Aircraft Engine Parts and Assemblies.

1608.9 Other Parts and Assemblies.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1609 Flight Equipment.

This classification is established only for purposes of control by the BTS and shall reflect the total cost of property and equipment of all types and classes used in the in-flight operations of aircraft.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended at 60 FR 66723, Dec. 26, 1995]

1629 Flight Equipment Airworthiness Allowances.

(a) Record here accumulated provisions for overhauls of flight equipment.

(b) Separate subaccounts shall be established for recording accumulated provisions related to each type of airframe and aircraft

engine, respectively.

Note: At the option of the air carrier, the number ``2629'' may be assigned to this account for accounting purposes. However, for purposes of reporting on BTS Form 41, the balance in this account shall be reported under account ``1629.''

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989; 60 FR 66723, Dec. 26, 1995]  
1630 Equipment.

Record here the total cost to the air carrier of ground equipment to include the following:

(a) Equipment assigned to aircraft or active line operations as opposed to items held in stock for servicing passengers such as broilers, bottlenware, dishes, food boxes, thermos jugs, blankets, first aid kits, etc. Spare items shall be carried in balance sheet account 1300 Spare Parts and Supplies

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and shall be charged directly to expense upon withdrawal from stock for replacing original complements.

(b) Equipment used in restaurants and kitchens.

(c) Equipment of all types and classes used in enplaning and handling traffic and in handling aircraft while on ramps, including motorized vehicles used in ramp service. Classes of equipment used interchangeably between handling aircraft on ramps and in maintaining aircraft may be classified in accordance with normal predominant use.

(d) Nonairborne equipment of all types and classes used in meteorological and communication services which is not a part of buildings.

(e) Equipment of all types and classes including motorized vehicles used in engineering and drafting services and in maintaining, overhauling, repairing and testing other classes of property and equipment.

(f) Property and equipment of all types and classes used in ground and marine transportation services.

(g) Property and equipment of all types and classes used in storing and distributing fuel, oil and water, such as fueling trucks, tanks, pipelines, etc.

(h) All other ground equipment of all types and classes such as medical, photographic, employees' training equipment, and airport and airway lighting equipment.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]  
1636 Furniture, Fixtures, and Office Equipment.

Record here the total cost to the air carrier of furniture, fixtures and office equipment of all types and classes wherever used or located.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1639 Improvements to Leased Buildings and Equipment.

Record here the total cost to the air carrier incurred in connection with modification, conversion, or other improvements to leased buildings and equipment.

1640 Buildings.

Record here the total cost to the air carrier of owned buildings, structures and equipment and related improvements. Each air carrier

shall maintain the following subaccounts in which the values fairly assignable to maintenance and other operations shall be separately recorded:

1640.9 Other Buildings and Improvements.

1640.1 Maintenance Buildings and Improvements.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

1649 Ground Property and Equipment.

This classification is established only for purposes of control by the BTS and shall reflect the total cost of property and equipment of all types and classes other than flight equipment, equipment purchase deposits and advance payments, land, and work in progress.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended at 60 FR 66723, Dec. 26, 1995]

1668 Allowance for Depreciation of Flight Equipment and Ground Property and Equipment and Amortization of Overhaul and Airworthiness Costs.

(a) Record in accounts 1611 and 1618, inclusive, and 1650 through 1660, inclusive, accruals for depreciation of flight equipment and ground property and equipment.

(b) As set forth in section 3, Chart of Balance Sheet Accounts, separate accounts shall be established for depreciation allowances to parallel balance sheet accounts 1601 through 1608 established for recording the cost of flight equipment and accounts 1630 through 1640 established for recording the cost of ground property and equipment.

(c) This account shall be used as a control account and shall reflect the total amounts recorded in balance sheet accounts 1611 through 1618 and 1650 through 1660 in addition to account 1629 Flight Equipment Airworthiness Allowance.

1679 Land.

Record here the initial cost and the cost of improving land.

[Amdt. 241-58, 54 FR 5593, Feb. 6, 1989]

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1685 Equipment Purchase Deposits and Advance Payments.

Record here the amount of purchase deposits and advance payments made to acquire operating property and equipment under outstanding purchase commitments. Funds set aside but not deposited or used as advance payments should not be included in this account but in Account 1550 Special Funds.

1689 Construction Work in Progress.

(a) Record here all direct and indirect costs of the air carrier that are expended for constructing and readying property and equipment of all types and classes for installation in operations. The amount reported shall reflect all such expenses that are accumulated to the balance sheet date. Where properly includable in the property and equipment classification, record here also the accumulated costs for uncompleted overhauls of airframes, aircraft engines, or other material units of property.

(b) At the option of the air carrier this account may be used as a clearing account for recording the cost of property and equipment acquisitions prior to a distribution thereof to the appropriate property accounts, whether or not conditioning or modification is necessary before placing in service.

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

1695 Leased Property Under Capital Leases.

(a) Record here the total costs to the air carrier for all property obtained under capital leases.

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

1695.1 Capital Leases--Flight Equipment.

1696.2 Capital Leases--Other Property and Equipment.

[ER-1401, 50 FR 241, Jan. 3, 1985, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

1696 Leased Property Under Capital Leases--Accumulated Amortization.

(a) Record here accruals for amortization of leased property obtained under capital leases.

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

1696.1 Accumulated Amortization--Capitalized Flight Equipment.

1696.2 Accumulated Amortization--Capitalized Other Property and Equipment.

[ER-1401, 50 FR 241, Jan. 3, 1985, as amended by Amdt. 241-58, 54 FR 5594,]

#### Non-operating Property and Equipment

'Nonoperating Property and Equipment' includes investments in property and equipment not separately accounted for within a nontransport division but assigned to other than air transportation and transport-related services, and property and equipment held for future use.

1700 Non-operating Property and Equipment.

The total cost to the air carrier of nonoperating property and equipment and related allowances for depreciation shall be recorded in balance sheet accounts 1701 through 1796 which, as set forth in section 3, Chart of Balance Sheet Accounts, parallel balance sheet accounts 1601 through 1689, for recording the cost of operating property and equipment. In addition to these accounts, Account 1797 has been established for recording the cost of property on operating-type leases to others and property held for lease; any accumulated depreciation applicable to the assets contained in Account 1797 shall be recorded in Account 1798.

[ER-1013, 42 FR 37515, July 21, 1977]

1797 Property on Operating-type Lease to Others and Property Held for Lease.

Record here the total cost to the air carrier of property on operating-type lease to others and property held for lease.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

1798 Property on Operating-type Lease to Others and Property Held for Lease--Accumulated Depreciation.

Record here accruals for depreciation of property on operating-type leases to others and property held for lease.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

Other Assets

1820 Long-Term Prepayments.

Record here prepayments of obligations applicable to periods extending beyond one year such as payments on leased property and equipment and other payments and advances for rents, rights, or other privileges.

1830 Unamortized Developmental and Preoperating Costs.

(a) Record here costs accumulated and deferred by the air carrier pertaining to the development of new routes or extension of existing routes, preparation for operation of new routes subsequent to certification by the DOT, the integration of new types of aircraft or services, and other preparations for substantial alterations in operational characteristics.

(b) Costs chargeable to this account shall include items directly related to each specific developmental or preoperating project, such as travel and incidental expenses, legal expenses, flight crew training expenses, and regulatory proceedings expenses. Expenses which would be otherwise incurred in the normal air transport operations conducted by the air carrier during the current accounting period shall not be allocated to developmental or preoperating projects and charged to this account. Nor shall this account be credited for revenues from aircraft flights of a developmental or preoperating character the operating costs of which are charged to this account. Any such revenues shall be included in the profit and loss account for the respective type of revenue. This account shall include charges for only those costs associated with projects directed at obtaining new operating authority or expanding the physical capacity of the air carrier and shall not include costs incurred for the purpose of generating revenues through rate adjustment. Accordingly, costs associated with regulatory proceedings involving route awards or amendments, whether successful or unsuccessful to the carrier, shall be included in this account whereas costs associated with regulatory proceedings involving rate or other revenue generation matters shall be charged to appropriate expense accounts.

(c) Records shall be established for new routes or extensions of existing routes to record separately: (1) Costs incurred in acquiring or applying for the routes, including all costs incurred prior to certification by the DOT and inauguration of service by the air carrier, and (2) costs incurred after revenue operations begin over the new routes or extensions.

(d) Subclassifications shall be established to record for each developmental project the period covered and the purpose of each item of expense. Each air carrier shall classify the costs of all projects included in this account between: (1) Those related and contributing to the normal air transportation services currently conducted by the air carrier; (2) those related to services conducted by the air carrier which are extraneous to or are not otherwise related to the air transportation services currently conducted; and (3) those held in suspense pending status determination in terms of possible contribution to the air transportation services and inauguration of the service or operation to which related.

(e) Amounts included in this account which contribute to or protect the position of the normal air transportation services currently conducted by the carrier shall be amortized to profit and loss account

74 Amortization, unless otherwise approved or directed by the DOT. Other amounts included in this account shall be amortized or charged to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended at 60 FR 66723, Dec. 26, 1995]

1890 Other Assets and Deferred Charges.

(a) Record here other assets and deferred charges not provided for elsewhere.

(b) Record here debits, the proper final disposition of which cannot be determined until additional information has been received. This account shall include the accumulated cost of labor, materials and outside services used in the process of manufacturing flight

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equipment expendable parts and materials and supplies for stock, the accumulated cost of jobs in process for others, projects to be charged to expense upon completion. This account shall also include unamortized debt expense, property acquisition adjustments and intangible assets.

(c) This account shall be charged with property loss and other costs related to casualties and credited with recoveries from purchased insurance and salvage. A debit or credit balance in this account related to property retired as a result of a casualty shall be recorded in profit and loss account 88.5 Capital Gains and Losses--Operating Property or 88.6 Capital Gains and Losses--Other; however, any balances related to property not retired or to other casualties shall be recorded in profit and loss account 58 Injuries, Loss and Damage. Proceeds from purchased insurance for property damage, received prior to repair of such damage, shall not be credited to this account but to balance sheet account 2390 Other Deferred Credits pending repair. The records for each major casualty shall be kept in such manner as to clearly disclose insurance recoveries and the total costs, which shall include charges for the depreciated cost of property damaged or destroyed, costs for clearing wrecks and damaged property and equipment, including salaries and wages for the repair thereof, and payments for damages to property of others. The cost of casualties shall not be charged directly against retained earnings or appropriations thereof, but shall be cleared through the applicable profit and loss accounts in accordance with the foregoing.

(d) Record here the unamortized debt expense related to the assumption by the air carrier of debt of all types and classes. Amounts recorded shall be amortized to profit and loss account 84 Amortization of Debt Discount, Premium and Expense.

(e) Unamortized debt expense shall not include the excess of the par value of debt securities over the cash value of consideration received. Instead, discounts shall be recorded in a subaccount of the related liability.

(f) Record here the cost of patents, copyrights and other intangible properties, rights and privileges acquired as a part of a business from other air carriers and other intangibles not provided for elsewhere. This account shall be subdivided to reflect the nature of each intangible asset included in this account.

(g) Record here the difference between the purchase price to the air carrier of property and equipment acquired as a part of a business from another air carrier through consolidation, merger, or reorganization, pursuant to a plan approved by the DOT, and the depreciated cost to the predecessor company at date of acquisition. Record here also such

differences relating to purchases of property and equipment from associated companies unless other treatment is approved by the BTS. Separate subaccounts shall be established to record the amounts applicable to each such acquisition.

(h) Balances in this account relating to property acquisition adjustments shall be amortized by charges to profit and loss account 89.9 Other Miscellaneous Nonoperating Debits unless otherwise directed or approved by the BTS.

[ER-1401, 50 FR 242, Jan. 3, 1985, as amended at 60 FR 66723, Dec. 26, 1995]

#### Current Liabilities

2000 Current Maturities of Long-term Debt.

Record here the face value or principal amount of debt securities issued or assumed by the air carrier which is payable within 12 months of the balance sheet date unless such debt is to refinance, or where payment is to be made from assets of a type not properly classifiable as current.

2005 Notes Payable--Banks.

Record here the face value of all notes, drafts, acceptances, or other similar evidences of indebtedness payable on demand or within one year to a bank or another financial institution with the exception of current maturities of long-term debt which should be included in account 2000.

2015 Notes Payable--Other.

Record here the face value of all notes, drafts, acceptances, or other

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similar evidences of indebtedness payable on demand or within one year to an associated company or party other than a financial institution.  
2021 Trade Accounts Payable.

Record here all accounts payable within one year which accrued from generally recognized trade practices.

2025 Accounts Payable--Other.

Record here all accounts payable within one year which are not provided for in accounts 2000 to 2021, inclusive.

2080 Current Obligations Under Capital Leases.

Record here the total current liability applicable to property obtained under capital leases.

[ER-1013, 42 FR 37515, July 21, 1977; 42 FR 38555, July 29, 1977; Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2110 Accrued Salaries, Wages.

Record here amounts accrued for unpaid compensation to personnel, which have been charged to profit and loss or capitalized, as compensation for the period in which accrued.

2120 Accrued Vacation Liability.

(a) Record here accruals of liabilities for personnel vacations. All vacation policies, plans, or agreements whether oral or written shall be accounted for on an accrual basis whenever a lag exists between vacations earned and vacations taken, thereby resulting in a liability against the carrier under the applicable policy, plan or agreement.

(b) This account shall be credited and the applicable personnel compensation expense account concurrently charged with the cost of any

lag between vacations accrued and vacations taken. Accruals may be based upon standard rates of lag, if such standard rates are verified by physical inventory and adjusted accordingly at least once each calendar year. Adjustments of balances in this account shall be cleared to applicable compensation expense accounts.

[ER-980, 42 FR 29, Jan. 3, 1977, as amended by ER-1027, 42 FR 60128, Nov. 25, 1977; ER-1188, 45 FR 48870, July 22, 1980; Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2125 Accrued Interest.

Record here interest payable within one year for all outstanding obligations.

2130 Accrued Taxes.

(a) Record here accruals for currently payable income and other forms of taxes which constitute a charge borne by the air carrier as opposed to those collected as an agent for others.

(b) Each air carrier shall disclose in the footnotes of its BTS Form 41 for each calendar quarter whether utilized credits are accounted for by the flow-through method or the deferred method. The method selected shall be consistently followed by the carrier.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]

2140 Dividends Declared.

Record here in separate subdivisions for each class and series of capital stock, all dividends declared but unpaid on capital stock.

2160 Air Traffic Liability.

(a) Record here balances representing the value of unused transportation sold. Transportation sold includes both sales for transportation to be provided by the air carrier and transportation to be provided by another air carrier.

(b) Earned revenue, determined by the yield or average fare method or by the sales-lift-match method, shall be consistently and periodically cleared by debit to this account, and by credit to the appropriate profit and loss revenue account. Amounts receivable for transportation to be provided by the air carrier shall be debited to balance sheet account 1270 Accounts Receivable.

(c) Carriers who determine earned revenue on a yield or average fare method may not accrue income during

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the accounting year in anticipation of a favorable annual physical inventory determination, nor for unused or unrepresented tickets.

(d) Subaccounts to this account shall be established to record balances pertaining to passenger and cargo transportation sold, respectively, and separately to sales in scheduled and non-scheduled services.

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

2190 Other Current Liabilities.

Record here current and accrued liabilities, including amounts payable collected as an agent, not provided for in accounts 2110 to 2160, inclusive.

Non-current Liabilities

2210 Long-Term Debt.

(a) Record here the face value of principal amount of debt securities issued or assumed by the air carrier and held by other than associated companies, which has not been retired or cancelled and is not payable within 12 months of the balance sheet date.

(b) In cases where debt coming due within 12 months is to be refunded, or where payment is to be made from assets of a type not properly classifiable as current, the amount payable shall not be removed from this account. In addition, this account shall include short-term debt obligations when both the intent to refinance the short-term obligations on a long-term basis is established and the ability to consummate this refinancing can be demonstrated.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2240 Advances from Associated Companies.

Record here net amounts due associated companies and nontransport divisions for notes, loans and advances which are not settled currently. Balances payable to and receivable from different associated companies shall not be offset.

2250 Pension Liability.

Record here the liability of the air carrier under employee pension plans, to which either or both employees and the air carrier contribute, if the plan is administered by the air carrier.

2280 Noncurrent Obligations under Capital Leases.

Record here the total noncurrent liability applicable to property obtained under capital leases.

[ER-1013, 42 FR 37515, July 21, 1977, as amended by Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2290 Other Noncurrent Liabilities.

Record here noncurrent liabilities not provided for in balance sheet accounts 2210 to 2280, inclusive, such as the liability for installments received on capital stock from company personnel who are not bound by legally enforceable subscription contracts, accruals for personnel dismissal liability, and accruals of other demonstrable miscellaneous noncurrent liabilities.

[ER-1401, 50 FR 242, Jan. 3, 1985]

#### Deferred Credits

2340 Deferred Income Taxes.

Record here credits and debits representing the net tax effect of material timing differences originating and reversing in the current accounting period, giving appropriate recognition to the portion of investment tax credits which would have been allowed if taxes were based on pretax accounting income by a reduction of the deferred tax provision.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2345 Deferred Investment Tax Credits.

Record here investment tax credits utilized as reduction of tax liabilities, when the carrier exercises the option to defer such credits for amortization over the service life of the related equipment.

[Amdt. 241-58, 54 FR 5594, Feb. 6, 1989]

2390 Other Deferred Credits.

Record here credits, not provided for elsewhere, the proper final

disposition of which cannot be effected until additional information has been received.

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### Stockholders' Equity

#### 2820 Preferred Stock.

Record here in separate subdivisions for each class and series, the par or stated value of preferred capital stock issued or in the case of no-par stock without stated value, the full consideration received.

#### 2840 Common Stock.

Record here in separate subdivisions for each class and series, the par or stated value of common stock issued or in case of no-par stock without stated value, the full consideration received.

#### 2860 Subscribed and Unissued Stock.

Record here in separate subdivisions for each class and series, the par or stated value, or the subscription price in the case of stock without par or stated value, of legally enforceable subscriptions to the capital stock of the air carrier.

#### 2890 Additional Capital Invested.

(a) Record herein separate subdivisions for each class and series, the difference between the price at which capital stock is sold and the par or stated value of the stock; gains or losses arising from the reacquisition and the resale or retirement of each class and series of capital stock; donations; the excess of retained earnings capitalized over par or stated value of capital stock issued; adjustments in capital resulting from reorganization or recapitalization; and proceeds attributable to detachable stock purchase warrants related to debt issues. This account shall also include balances of contributions to the business enterprise of individual proprietors or partners.

(b) Each air carrier shall maintain the following subaccounts:

2890.1 Premium on capital stock. Record here in separate subdivisions for each class and series of capital stock issued the excess of the cash value of consideration received over the par or stated value and accrued dividends of stock issued together with assessments against stockholders representing payments required in excess of par or stated value.

2890.2 Discount on capital stock. Record here in separate subdivisions for each class and series of capital stock issued, the excess of the par or stated value over the cash value of consideration received, less accrued dividends. Discounts applicable to a particular class and series of capital stock may be offset against premiums from the same class and series of capital stock. Discounts and premiums on different classes and series of capital stock shall not be offset. The air carrier may, at its option, record in this subaccount commissions and expenses incurred in the issuance of capital stock and may charge balance sheet account 2900 Retained Earnings to the extent capital stock expense may exceed any existing balance of paid-in capital over the par or stated value of capital stock.

2890.3 Other Capital Stock Transactions. Record here in separate subdivisions for each class and series, the balance of credits arising from the reacquisition and resale or cancellation of capital stock, credits arising from a reduction in the par or stated value of capital stock or the net balance of credits or debits resulting from other paid-in capital transactions such as proceeds attributable to detachable stock purchase warrants related to debt issues, not provided for elsewhere, which is identified with a particular class and series of

capital stock.

2900 Retained Earnings.

(a) Record here the net income or loss from operations of the air carrier and dividends declared on capital stock.

(b) This account shall not be charged with dividends on treasury stock. If a dividend is not payable in cash, the values entered in this account shall be completely described.

(c) Delayed credits or charges to income shall not be entered in this account directly but in appropriate profit and loss accounts.

(d) Net income or loss accounted for during the current fiscal year shall not be entered in this account until the close of the fiscal year. Individual proprietorships or partnerships may clear net income or loss accounted for during the year directly to balance sheet account 2890 Additional Capital Invested, or optionally, to this account for subsequent transfer to balance sheet account 2890 Additional Capital Invested.

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

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the balance in this subaccount represents a net unrealized loss as of the current balance sheet date.

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

2990 Treasury Stock.

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

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

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





## Chapter IX

Sections - 7-18

Profit and Loss Classifications



Profit and Loss Classification

Section 7 Chart of Profit and Loss Accounts

Objective classification of profit and loss elements	Functional or financial activity to which applicable (00)		
	Group I carriers	Group II carriers	Group III carriers
-----			
operating revenues and expenses			
Transport revenues:			
01 Passenger:			
01.1 Passenger--first class.....	31, 32.....	31, 32.....	31, 32.
01.2 Passenger--coach.....	31, 32.....	31, 32.....	31, 32.
05 Mail:			
05.1 Priority.....	31, 32.....	31, 32.....	31, 32.
05.2 Nonpriority.....	31, 32.....	31, 32.....	31, 32.
05.3 Foreign.....	31, 32.....	31, 32.....	31, 32.
06 Property:			
06.1 Freight.....	31, 32.....	31, 32.....	31, 32.
06.2 Excess passenger baggage.....	31, 32.....	31, 32.....	31, 32.
07 Charter:			
07.1 Passenger.....	32.....	32.....	32.
07.2 Property.....	32.....	32.....	32.
19 Air transport--other:			
19.1 Reservation cancellation fees	31, 32.....	31, 32.....	31, 32.
19.2 Miscellaneous operating revenues.	31, 32.....	31, 32.....	31, 32.
08 Public service revenues (subsidy)	48.....	48.....	48.
Transport-related revenues and expenses:			
09 In-flight sales:			
09.1 Liquor and food--gross revenues.	48.....	48.....	48.
09.2 Movies and stereo--gross revenues.	48.....	48.....	48.
09.3 Other--gross revenues.....	48.....	48.....	48.
09.4 Liquor and food--depreciation expense.	71.....	71.....	71.
09.5 Liquor and food--other expense.	71.....	71.....	71.
09.6 Movies and stereo-- depreciation expense.	71.....	71.....	71.
09.7 Movies and stereo--other	71.....	71.....	71.

expense.			
09.8 Other--depreciation expense..	71.....	71.....	71.
09.9 Other--expense.....	71.....	71.....	71.
10 Restaurant and food service (ground):			
10.1 Gross revenues.....	48.....	48.....	48.
10.2 Depreciation expense.....	71.....	71.....	71.
10.3 Other expenses.....	71.....	71.....	71.
11 Rents:			
11.1 Gross revenues.....	48.....	48.....	48.
11.2 Depreciation expense.....	71.....	71.....	71.
11.3 Other expenses.....	71.....	71.....	71.
12 Limousine service:			
12.1 Gross revenues.....	48.....	48.....	48.
12.2 Depreciation expense.....	71.....	71.....	71.
12.3 Other expenses.....	71.....	71.....	71.
13 Interchange sales:			
13.1 Associated companies--gross revenues.	48.....	48.....	48.
13.2 Outside--gross revenues.....	48.....	48.....	48.
13.3 Associated companies-- depreciation expense.	71.....	71.....	71.
13.4 Associated companies--other expense.	71.....	71.....	71.
13.5 Outside--depreciation expense	71.....	71.....	71.
13.6 Outside--other expense.....	71.....	71.....	71.
14 General service sales:			
14.1 Associated companies--gross revenues.	48.....	48.....	48.
14.2 Outside--gross revenues.....	48.....	48.....	48.
14.3 Associated companies-- depreciation expense.	71.....	71.....	71.
14.4 Associated companies--other expense.	71.....	71.....	71.
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14.5 Outside--depreciation expense	71.....	71.....	71.
14.6 Outside--other expense.....	71.....	71.....	71.
16 Substitute (replacement) service:			
16.1 Gross revenues.....	48.....	48.....	48.
16.2 Expense.....	71.....	71.....	71.
17 Air cargo service:			
17.1 Gross revenues.....	48.....	48.....	48.
17.2 Depreciation expense.....	71.....	71.....	71.
17.3 Other expense.....	71.....	71.....	71.
18 Other transport related items:			

18.1	Gross revenues.....	48.....	48.....	48.....
18.2	Depreciation expense.....	71.....	71.....	71.....
18.3	Other expense.....	71.....	71.....	71.....
19	Other operating revenues:			
19.1	Reservations cancellation fees.	31, 32.....	31, 32.....	31, 32.
19.9	Miscellaneous operating revenues.	31, 32, 41.....	31, 32, 41.....	31, 32, 41.
Transport expenses:				
21	General management personnel.....	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65, 66, 68.
23	Pilots and copilots.....	51.....	51.....	51.
24	Other flight personnel.....	51, 69.....	51, 55.....	51, 55.
25	Maintenance labor:			
25.1	Labor--airframes and other flight equipment.	.....	52.....	52.
25.2	Labor--aircraft engines.....	.....	52.....	52.
25.6	Labor--flight equipment.....	52.....	.....	.....
25.9	Labor--ground property and equipment.	52, 53.....	52, 53.....	52, 53.
26	Aircraft and traffic handling personnel.	69.....	.....	.....
26.1	General aircraft and traffic handling personnel.	.....	64, 67.....	61, 62, 63, 65.
26.2	Aircraft control personnel...	.....	64.....	61.
26.3	Passenger handling personnel.	.....	64, 67.....	62, 65.
26.4	Cargo handling personnel.....	.....	64, 67.....	62, 65.
28	Trainees, instructors and unallocated shop labor:			
28.1	Trainees and instructors.....	51, 53, 69.....	51, 53, 55, 64, 67, 68..	51, 53, 55, 61, 62, 63, 65, 66, 68.
28.2	Unallocated shop labor.....	53.....	53.....	53.
30	Communications personnel.....	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65, 66, 68.
31	Recordkeeping and statistical personnel.	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65, 66, 68.
32	Lawyers and law clerks.....	69.....	68.....	68.
33	Traffic solicitors.....	69.....	67.....	65.
34	Purchasing personnel.....	53, 69.....	53, 68.....	53, 68.
35	Other personnel.....	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65, 66, 68.
36	Personnel expenses.....	51, 53, 69.....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
37	Communications purchased.....	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65, 66, 68.
38	Light, heat, power, and water....	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65,

			66, 68.
39	Traffic commissions.....	69.....	.....
39.1	Commissions--passenger.....	67.....	65.
39.2	Commissions--property.....	67.....	65.
40	Legal fees and expenses.....	69.....	68.
41	Professional and technical fees and expenses.	51, 53, 69.....	51, 53, 55, 61, 62, 63, 65, 66, 68
43	General services purchased:		
43.1	Airframe and other flight equipment repairs.	52.....	52
43.2	Aircraft engine repairs.....	52.....	.....
43.6	Flight equipment repairs.....	52.....	.....
43.7	Aircraft interchange charges..	51, 52.....	51, 52
43.8	General interchange service charges.	52, 69.....	52, 55, 61, 62, 63, 65, 66, 68
43.9	Other services.....	52, 53, 69.....	52, 53, 55, 61, 62, 63, 65, 66, 68
44	Landing fees.....	69.....	64.....
45	Aircraft fuels and oils.....	51.....	.....
45.1	Aircraft fuels.....	51.....	51.
45.2	Aircraft oils.....	51.....	51.
46	Maintenance materials:		
46.1	Airframes and other flight equipment.	52.....	52

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46.2	Aircraft engines.....	52.....	52.
46.6	Flight equipment.....	52.....	.....
46.9	Ground property and equipment	52, 53.....	52, 53.
47	Rentals.....	51, 53, 69.....	51, 53, 55, 61, 62, 63, 65, 66, 68.
49	Shop and servicing supplies.....	53, 69.....	53, 64.....
50	Stationery, printing, and office supplies.	53, 69.....	53, 55, 61, 62, 63, 65, 66, 68.
51	Passenger food expense.....	69.....	55.....
53	Other supplies.....	51, 53, 69.....	51, 53, 55, 61, 62, 63, 65, 66, 68.
54	Inventory adjustments.....	53, 69.....	53, 55.....
55	Insurance--general.....	51, 53, 69.....	51, 53, 68.....
56	Insurance--traffic liability.....	69.....	55, 64.....
57	Employee benefits and pensions...	51, 53, 69.....	51, 53, 55, 61, 62, 63, 65, 66, 68.
58	Injuries, loss and damage.....	51, 53, 69.....	51, 53, 55, 61, 62, 63, 65, 66, 68.
59	Schedules and timetables.....	69.....	67.....
60	Advertising.....	69.....	67.....

61	Foreign exchange gains and losses	69.....	68.....	68.
62	Other promotional and publicity expenses.	69.....	67.....	66.
63	Interrupted trips expense.....	69.....	55.....	55.
64	Memberships.....	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65, 66, 68.
65	Corporate and fiscal expenses....	69.....	68.....	68.
66	Uncollectible accounts.....	69.....	68.....	68.
67	Clearance, customs and duties....	69.....	64.....	61, 62.
68	Taxes--payroll.....	51, 53, 69.....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66, 68.
69	Taxes--other than payroll.....	51, 69.....	51, 68.....	51, 68.
71	Other expenses.....	51, 53, 69.....	51, 53, 55, 64, 67, 68.	51, 53, 55, 61, 62, 63, 65, 66 68.
72	Aircraft overhauls.....	52, 53.....	52, 53.....	52, 53.
72.1	Airworthiness allowance provisions--airframes.	52, 53.....	52, 53.....	52, 53.
72.3	Airframe overhauls deferred..	52, 53.....	52, 53.....	52, 53.
72.6	Airworthiness allowance provisions--aircraft engines.	52, 53.....	52, 53.....	52, 53.
72.8	Aircraft engine overhauls deferred.	52, 53.....	52, 53.....	52, 53.
73	Provisions for obsolescence and deterioration--expendable parts:			
73.1	Current provisions.....	70.....	70.....	70.
73.2	Inventory decline credits....	70.....	70.....	70.
74	Amortizations:			
74.1	Developmental and preoperating expenses.	70.....	70.....	70.
74.2	Other intangibles.....	70.....	70.....	70.
75	Depreciation:			
75.1	Airframes.....	70.....	70.....	70.
75.2	Aircraft engines.....	70.....	70.....	70.
75.3	Airframe parts.....	70.....	70.....	70.
75.4	Aircraft engine parts.....	70.....	70.....	70.
75.5	Other flight equipment.....	70.....	70.....	70.
75.6	Flight equipment.....	70.....	70.....	70.
75.8	Maintenance equipment and hangars.	70.....	70.....	70.
75.9	General ground property.....	70.....	70.....	70.
76	Amortization expense, capital leases:			
76.1	Amortization--capitalized flight equipment.	70.....	70.....	70
76.2	Amortization--capitalized other property and equipment.	70.....	70.....	70
77	Uncleared expense credits:			
77.8	Uncleared interchange expense	53, 69.....	53, 55, 64, 67, 68.....	53, 55, 61, 62, 63, 65,

credits.				66, 68.
77.9 Other uncleared expense credits.	53, 69.....	53, 55, 64, 67, 68.....		53, 55, 61, 62, 63, 65, 66, 68.
78 Direct maintenance--flight equipment.	52.....	52.....		52.
79 Applied burden Dr/Cr:				
79.6 Flight equipment.....	52 Dr, 53 Cr.....	52 Dr, 53 Cr.....		52 Dr, 53 Cr.
79.8 General ground property.....	52 Dr, 53 Cr.....	52 Dr, 53 Cr.....		52 Dr, 53 Cr.

nonoperating income and expense

81 Interest on long-term debt and capital leases:				
81.1 Interest expense, long-term debt.	81.....	81.....		81
81.2 Interest expense, capital leases.	81.....	81.....		81
82 Other interest:				
82.1 Interest expense, short-term debt.	81.....	81.....		81

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83.1 Imputed interest capitalized--credit.	81.....	81.....		81
83.2 Imputed interest deferred--debit.	81.....	81.....		81
83.3 Imputed interest deferred--credit.	81.....	81.....		81
83.4 Interest capitalized--credit.	81.....	81.....		81
84.1 Amortization of discount and expense on debt.	81.....	81.....		81
84.2 Amortization of premium on debt.	81.....	81.....		81
85 Foreign exchange gains and losses.	81.....	81.....		81
89 Other nonoperating income and expense-net:				
80.0 Interest income.....	81.....	81.....		81
86.0 Income from nontransport ventures.	81.....	81.....		81
87.0 Equity in income of investor controlled companies.	81.....	81.....		81
88.1 Intercompany transaction adjustment-credit.	81.....	81.....		81
88.2 Dividend income.....	81.....	81.....		81
88.3 Net unrealized gain or loss on marketable equity securities.	81.....	81.....		81.

88.4	Net realized gain or loss on marketable equity securities.	81.....	81.....	81.
88.5	Capital gains and losses--operating property.	81.....	81.....	81.
88.6	Capital gains and losses--other.	81.....	81.....	81.
88.7	Unapplied cash discounts.....	81.....	81.....	81.
88.9	Other miscellaneous nonoperating credits.	81.....	81.....	81.
89.1	Intercompany transaction adjustment--debit.	81.....	81.....	81.
89.9	Other miscellaneous nonoperating debits.	81.....	81.....	81.
income taxes				
91	Provision for income taxes:			
91.1	Income taxes before investment tax credits.	91.....	91.....	91.
91.2	Investment tax credits utilized.	91.....	91.....	91.
92	Provisions for deferred income taxes:			
92.1	Current provisions for deferred taxes.	91.....	91.....	91.
92.2	Application of deferred taxes	91.....	91.....	91.
92.3	Adjustment of deferred taxes.	91.....	91.....	91.
93	Investment tax credits deferred and amortized:			
93.1	Investment tax credits deferred.	91.....	91.....	91.
93.2	Amortization of deferred investment tax credits.	91.....	91.....	91.
94	Excess profits taxes.....	91.....	91.....	91.
discontinued operations				
95	Discontinued operations:			
95.1	Income from discontinued operations.	96.....	96.....	96.
95.2	Loss on disposal of discontinued operations.	96.....	96.....	96.
extraordinary items				
96	Extraordinary items.....	97.....	97.....	97.
97	Income taxes applicable to extraordinary items.	97.....	97.....	97.

changes in accounting principles

98 Cumulative effects of change in accounting principles.	98.....	98.....	98.
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[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-781, 37 FR 25223, Nov. 29, 1972; 37 FR 28277, Dec. 22, 1972; ER-797, 38 FR 10926, May 3, 1973; ER-841, 39 FR 11995, Apr. 2, 1974; ER-948, 41 FR 12295, Mar. 25, 1976; ER-980, 42 FR 35, Jan. 3, 1977; ER-1013, 42 FR 37515, July 21, 1977; ER-1401, 50 FR 242, Jan. 3, 1985; Amdt. **241**-56, 52 FR 9129, Mar. 23, 1987; Amdt. **241**-58, 54 FR 5594, Feb. 6, 1989]

## Section 8 General

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

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

(c) The detailed objective accounts established for each air carrier group, by the dual subdivision of profit and loss elements in terms of both natural objectives and functional activities,

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are set forth in section 7, Chart of Profit and Loss Accounts.

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

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

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

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

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

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

(4) Income taxes for current period. This primary classification (9100) shall include provisions for Federal, state, local, and foreign taxes which are based upon the net income of the air carrier for the current period together with refunds for excess profits credits or carryback of losses and increases or reductions of income taxes of prior years of a magnitude which will not distort net income of the current accounting year. Income taxes applicable to special income credits or debits recorded in profit and loss classification 9700 Extraordinary Items, and other material income tax items not allocable to income of the current accounting year, shall not be included in this classification but in profit and loss classification 9700 Extraordinary Items.

(5) Discontinued operations. This primary classification (9600)

shall include earnings and losses of discontinued nontransport operations and gains or losses from the disposal of nontransport operations the result of which are customarily accounted for through profit and loss objective accounts 86, 87 and 88.2.

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

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

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

## Section 9 Functional Classification--Operating Revenues

### 3900 Transport Revenues.

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

#### 3100 Scheduled Services.

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

#### 3200 Nonscheduled Services.

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

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as extra sections to published flight schedules, which shall be reported in the subclassification 3100 Scheduled Services).

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

### 4800 Transport-Related Revenues.

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

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

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

Section 10 Functional Classification--Operating Expenses of Group I Air Carriers

5100 Flying Operations.

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

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

5400 Maintenance.

(a) This function shall include all expenses, both direct and indirect, specifically identifiable with the repair and upkeep of property and equipment as may be required to meet operating and safety standards; in inspecting or checking property and equipment in accordance with prescribed operational standards; and in polishing or cleaning property and equipment when such polishing or cleaning is not an incidental routine in connection with the normal productive use of property and equipment.

(b) This function shall include the cost of direct labor, materials, and outside services and maintenances overhead or other costs specifically associated with maintenance operations regardless of the location at which incurred.

(c) This function shall not include costs incurred in the construction, improvement, or modification of property and equipment even when necessitated to meet new or changed operating or safety standards. Such costs shall be charged to appropriate property and equipment accounts.

(d) Costs incurred by aircraft handling personnel in visual inspection, minor check and servicing of aircraft, while in line service, shall not be included in this function when performed as an incidental routine during the normal productive use of aircraft but shall be included in function 6900 General Services and Administration.

(e) Each Group I air carrier shall maintain the following subfunctions:

5200 Direct Maintenance.

a. This subfunction shall include the costs of labor, materials and outside services consumed directly in periodic maintenance operations and the maintenance and repair of property and equipment, of all types and classes, regardless of the location at which incurred, exclusive of costs specifically identified with maintenance property and equipment expenses in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1640.1 Maintenance Buildings and Improvements which shall be included in subfunction 5300 Maintenance Burden.

b. The cost of direct labor, materials and supplies, as well as outside repairs, used in the maintenance and repair of property and equipment shall be recorded on running job orders or tickets covering repairs and periodic inspections except servicing. Where a number of like items are maintained on a

group basis, it will be necessary to maintain only one job order for each group.

c. When supervisory personnel such as crew chiefs, inspectors and foremen are engaged in direct labor in connection with equipment maintenance, a proportionate part of their salaries and wages shall be charged to the appropriate direct labor accounts. The cost of transporting property to and from shops for repair and maintenance shall be included as a part of the cost of the materials and supplies used in the repair or maintenance of such property and equipment. Transportation charges, customs and duties, etc.; shall be included in the cost of repairs and maintenance operations when made by outside parties.

#### 5300 Maintenance Burden.

a. This subfunction shall include all overhead or general expenses which are specifically identified with activities involved in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, including the cost of direct labor, materials and outside services identified with the maintenance and repair of maintenance property and equipment included in balance sheet accounts 1630 Equipment, 1639 Improvements to Leased Buildings and Equipment, and 1604.1 Maintenance Buildings and Improvements. It shall include expenses specifically related to the administration of maintenance stocks and stores, the keeping of pertinent maintenance operations records, and the scheduling, controlling, planning and supervision of maintenance operations.

b. This subfunction shall not include expenses related to financial accounting, purchasing or other overhead activities which are of general applicability to all operating functions. Such expenses shall be included in function 6900 General Services and Administration.

c. This subfunction shall include only those expenses attributable to the current air transport operations of the air carrier. Maintenance burden associated with capital projects of the air carrier, other than overhauls of airframes and aircraft engines shall be allocated to such projects. Maintenance burden incurred in common with services to other companies and operating entities shall be allocated to such services on a pro rata basis unless the services are so infrequent in performance or small in volume as to result in no appreciable demands upon the air carrier's maintenance facilities. When overhauls of airframes or aircraft engines are as a consistent practice accounted for on an accrual basis instead of being expensed directly, maintenance burden shall be allocated to such overhauls on a pro rata basis. Standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at the close of each calendar year. When the actual burden rate for the year differs materially from the standard burden rate applied, adjustment shall be made to reflect the actual cost incurred for the full accounting year. Allocations of maintenance burden to capital projects, and service sales to others shall be made through the individual maintenance burden objective accounts, except that the air carrier may make such allocations by credits to profit and loss account 77 Uncleared Expense Credits provided that use of that account will not undermine the significance of the individual maintenance burden objective accounts in terms of the expense levels associated with the air carrier's air transport services. Maintenance burden allocated to overhauls shall be credited to profit and loss subaccounts 5372.1 or 5372.6 Airworthiness Allowance Provisions.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 36, Jan. 3, 1977; ER-1027, 42 FR 60128, Nov. 25, 1977; ER-1188, 45 FR 48870, July 22, 1980; Amdt. 241-58, 54 FR 5595, Feb. 6, 1989]  
6900 General Services and Administration.

This function shall include expenses incurred on the ground in controlling and protecting the in-flight movement of aircraft; landing, handling, or servicing aircraft on the ground; selling transportation; servicing and handling traffic of all classes; promoting the development of traffic; administering operations generally; and all other expenses not otherwise provided for in functions 5100 Flying Operations, 5400 Maintenance and 7000 Depreciation and Amortization.  
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 current repairs, as well as losses in serviceability caused by obsolescence, supersession, discoveries, change in demand or actions 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]

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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 243, Jan. 3, 1985]

Section 11 Functional Classification--Operating Expenses of Group II  
and Group III Air Carriers

5100 Flying Operations.

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

to an in-flight status.

(b) This function shall not include expenses incurred in repairing, servicing or storing aircraft, expenses incurred on the ground in protecting and controlling the in-flight movement of aircraft, or compensation of ground personnel and other expenses incurred in scheduling or preparing aircraft or aircraft operational personnel for flight assignment. Such expenses shall be included in function 5400 Maintenance, or function 6400 Aircraft and Traffic Servicing.  
5400 Maintenance.

(a) This function shall include all expenses, both direct and indirect, incurred in the repair and upkeep of property and equipment as may be required to meet operating and safety standards; in inspecting or checking property and equipment in accordance with prescribed operational standards; and in polishing or cleaning property and equipment when such polishing or cleaning is not an incidental routine in connection with the normal productive use of property and equipment.

(b) This function shall include the cost of direct labor, materials, and outside services and maintenance overhead or other costs associated with maintenance operations regardless of the location at which incurred.

(c) This function shall not include costs incurred in the construction, improvement, or modification of property and equipment even when necessitated to meet new or changed operating or safety standards. Such costs shall be charged to appropriate property and equipment accounts.

(d) Costs incurred by aircraft handling personnel in visual inspection, minor check and servicing of aircraft, while in line service, shall not be included in this function when performed as an incidental routine during the normal productive use of aircraft but shall be included in function 6400 Aircraft and Tariff Servicing.

(e) Both Group II air carriers and Group III air carriers shall maintain the following subfunctions:

5200 Direct Maintenance.

a. This subfunction shall include the costs of labor, materials and outside services consumed directly in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, regardless of the location at which incurred, exclusive 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, which shall be included in subfunction 5300 Maintenance Burden.

b. The cost of direct labor, materials and supplies, as well as outside repairs, used in the maintenance and repair of property and equipment shall be recorded on running job

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orders or tickets covering repairs and periodic inspections except servicing. Where a number of like items are maintained on a group basis, it will be necessary to maintain only one job order for each group.

c. When supervisory personnel such as crew chiefs, inspectors and foremen are engaged in direct labor in connection with equipment maintenance, a proportionate part of their salaries and wages shall be charged to the appropriate direct labor accounts. The cost of transporting property to and from shops for repair and maintenance shall be included as a part of the cost of the materials and supplies used in the repair or maintenance of such property and equipment. Transportation

charges, customs and duties, etc., shall be included in the cost of repairs and maintenance operations when made by outside parties.

5300 Maintenance Burden.

a. This subfunction shall include all overhead or general expenses used directly in the activities involved in periodic maintenance operations and the maintenance and repair of property and equipment of all types and classes, including the cost of direct labor, materials and outside services used in the maintenance and repair 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. It shall include expenses related to the administration of maintenance stocks and stores, the keeping of pertinent maintenance operation records, and the scheduling, controlling, planning and supervision of maintenance operations.

b. This subfunction shall not include expenses related to financial accounting, purchasing or other overhead activities which are of general applicability to all operating functions. Such expenses shall be included in function 6800 General and Administrative.

c. This subfunction shall include only those expenses attributable to the current air transport operations of the air carrier. Maintenance burden associated with capital projects of the air carrier, other than overhauls of airframes and aircraft engines, shall be allocated to such projects. Maintenance burden incurred in common with services to other companies and operating entities shall be allocated to such services on a pro rata basis unless the services are so infrequent in performance or small in volume as to result in no appreciable demands upon the air carrier's maintenance facilities. When overhauls of airframes or aircraft engines are as a consistent practice accounted for on an accrual basis instead of being expensed directly, maintenance burden shall be allocated to such overhauls on a pro rata basis. Standard burden rates may be employed for quarterly allocations of maintenance burden provided the rates are reviewed at the close of each calendar year. When the actual burden rate for the year differs materially from the standard burden rate applied, adjustment shall be made to reflect the actual costs incurred for the full accounting year. Allocations of maintenance burden to capital projects, and service sales to others shall be made through the individual maintenance burden objective accounts, except that the air carrier may make such allocations by credits to profit and loss account 77 Uncleared Expense Credits under such circumstances in which the use of that account will not undermine the significance of the individual maintenance burden objective accounts in terms of the expense levels associated with the air carrier's air transport services. Maintenance burden allocated to overhauls shall be credited to profit and loss subaccounts 5372.1 or 5372.6 Airworthiness Allowance Provisions.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 36, Jan. 3, 1977; ER-1401, 50 FR 244, Jan. 3, 1985; Amdt. 241-58, 54 FR 5595, Feb. 6, 1989]

5500 Passenger Service.

This function shall include all expenses chargeable directly to activities contributing to the comfort, safety and convenience of passengers while in flight and when flights are interrupted. It shall not include expenses incurred in enplaning or deplaning passengers, or in securing and selling passenger transportation and caring for passengers prior to entering a flight status. Such expenses shall be included in functions 6400 Aircraft and Traffic Servicing and 6700

Promotion and Sales, respectively.

6400 Aircraft and Traffic Servicing.

(a) This function shall include the compensation of ground personnel and other expenses incurred on the ground incident to the protection and control of the in-flight movement of aircraft, scheduling and preparing aircraft operational crews for flight assignment, handling and servicing aircraft while in line operation, servicing and handling traffic on the ground, subsequent to the issuance of documents establishing the air carrier's responsibility to provide air transportation, and in-flight expenses of handling and protecting all nonpassenger traffic including passenger baggage.

(b) This function shall include only those aircraft servicing and cleaning

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expenses which are incurred as an incidental routine during the normal productive use of aircraft in line operations. It shall not include expenses incurred in the repair and maintenance of property and equipment, or in checking or inspecting property and equipment in accordance with prescribed operational standards when such activities are not an incidental routine during the normal productive use of aircraft. Such expenses shall be included in function 5400 Maintenance.

(c) This function shall not include expenses incurred in securing traffic, arranging aircraft space for traffic sold or in issuing documents confirming traffic sales and establishing the air carrier's responsibilities to provide air transportation. Such expenses shall be included in function 6700 Promotion and Sales. However, for purposes of this system of accounts, expenses attributable to the operation of airport traffic offices, excluding reservation centers, shall be included in this function. Expenses attributable to the operation of reservation or aircraft space control centers shall be included in function 6700 Promotion and Sales regardless of the location at which incurred.

(d) Group III air carriers shall further subdivide this function as follows:

6100 Aircraft Servicing.

a. This subfunction shall include the compensation of ground personnel and other expenses incurred on the ground incident to the protection and control of the in-flight movement of aircraft; scheduling or preparing aircraft operational crews for flight assignment; landing and parking aircraft; visual inspection, routine checking, servicing and fueling of aircraft; and other expenses incurred on the ground incident to readying for arrival and takeoff of aircraft.

6200 Traffic Servicing.

a. This subfunction shall include the compensation of ground personnel and other expenses incurred on the ground incident to handling traffic of all types and classes on the ground subsequent to the issuance of documents establishing the air carrier's responsibility to provide air transportation. Expenses attributable to the operation of airport traffic offices shall also be included in this subfunction; expenses attributable to reservations centers shall be excluded. It shall include expenses incurred in both enplaning and deplaning traffic as well as expenses incurred in preparation for enplanement and all expenses subsequent to deplanement.

b. This subfunction shall also include costs incurred in handling

and protecting all nonpassenger traffic while in flight. It shall not include expenses incurred in contributing to the comfort, safety and convenience of passengers while in flight or when flights are interrupted. Such expenses shall be included in function 5500 Passenger Service.

6300 Servicing Administration.

a. This subfunction shall include expenses of a general nature incurred in performing supervisory or administrative activities relating solely and in common to subfunctions 6100 Aircraft Servicing and 6200 Traffic Servicing.

b. This subfunction shall not include supervisory or administrative expenses which can be charged directly to subfunction 6100 Aircraft Servicing or subfunction 6200 Traffic Servicing. Nor shall this subfunction include expenses of a general administrative character and of significant amount regularly contributing to operating functions generally. Such expenses shall be included in function 6800 General and Administrative.

c. The expenses in this subfunction shall be recorded separately for each geographic location at which incurred.

6700 Promotion and Sales.

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

(b) It shall also include the compensation of personnel and other expenses incident to documenting sales; expenses incident to controlling and arranging or confirming aircraft space for traffic sold; expenses incurred in direct sales solicitation and selling of aircraft space; and expenses incurred in developing tariffs and schedules for publication.

(c) This function shall not include expenses incurred in handling traffic subsequent to the issuance of documents establishing the air carrier's responsibility to provide air transportation which shall be included in functions 5500 Passenger Service and 6400 Aircraft and Traffic Servicing. However, for purposes of this system of accounts, expenses attributable to the operation of airport traffic offices, excluding reservation centers, shall be included in

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function 6400 Aircraft and Traffic Servicing. Expenses attributable to the operation of reservation or aircraft space control centers shall be included in function 6700 Promotion and Sales regardless of the location at which incurred.

(d) Group III air carriers shall subdivide this function as follows:

6500 Reservations and Sales.

This subfunction shall include expenses incident to direct sales solicitation, documenting sales, controlling and arranging or confirming aircraft space sold, and in developing tariffs and schedules for publication. It shall also include expenses attributable to 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 current 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

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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 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 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

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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.

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 Nontransport 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:

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.

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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:

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.

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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 sightseeing, aerial photography, advertising, or other special flights shall not 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

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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 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.

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.

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(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 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

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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.

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 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

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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 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 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

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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 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.

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.

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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]

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

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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. 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

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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]

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

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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

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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.

81.2 Interest expense--capital leases.

Record here for all capitalized leases, that portion of each lease payment which represents interest expense.

[ER-1013, 42 FR 37516, July 21, 1977]

82 Other Interest.

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

82.1 Interest Expense--Short-Term Debt.

Record here interest on all classes of short-term debt.

83.1 Imputed Interest Capitalized--Credit.

Record here credits related to imputed interest capitalized and recorded in asset accounts.

83.2 Imputed Interest Deferred--Debit.

Record here debits related to imputed interest deferred in balance sheet account 2390, Other deferred credits.

83.3 Imputed Interest Deferred--Credit.

Record here periodic credits for imputed interest, cleared to this account as the amount of such interest in the asset accounts is amortized.

83.4 Interest Capitalized--Credit.

Record here interest which is capitalized and recorded in asset accounts.

84.1 Amortization of discount and expense on debt.

Record here for all classes of debt the amortizations of discount and expense on short-term and long-term obligations.

84.2 Amortization of premium on debt.

Record here for all classes of debt the amortizations of premium on short-term and long-term obligations.

(b) [Reserved]

[ER-1401, 50 FR 245, Jan. 3, 1985, as amended by Amdt. 241-58, 54 FR 5596, Feb. 6, 1989]

83 Capitalized Interest.

Included under account 82 Other Interest.

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

84 Amortization of Debt Discount, Premium and Expense.

Included under account 82 Other Interest.

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

85 Foreign exchange gains and losses.

Record here gains and losses from transactions involving currency translations resulting from nonroutine abnormal changes in rates of foreign exchange and gains or losses which arise from translations of long-term debt principal and interest transactions.

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

86 Income from Nontransport Ventures.

Included under account 89 Other Non-Operating Income and Expense--Net.

[ER-980, 42 FR 38, Jan. 3, 1977]

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87 Equity in Income of Investor Controlled Companies.

Included under account 89 Other Nonoperating Income and Expense--

Net.

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

89 Other Nonoperating Income and Expense--Net.

(a) Record here all debits and credits of a nonoperating character which are not otherwise provided for in this section.

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

80.0 Interest Income.

(a) Record here interest income from all sources. This account shall include as an increase or reduction of interest received the proportionate amortization of any discount or premium on the purchase price of securities of others held by the air carrier.

(b) This account shall not include interest on securities issued or assumed by the air carrier and subsequently reacquired.

86.0 Income from Nontransport Ventures.

(a) Record here the gross revenues and expenses applicable to operations not reasonably considered as incidental to the commercial air transport services of the accounting entity; rents from nonoperating properties used by others; income or loss from nontransport divisions; and other income or loss from activities of the air carrier which are extraneous to the air transport and incidental services of the accounting entity.

(b) This account shall include revenues and expenses applicable to nonscheduled transport services performed for the defense establishment when separate reports for such services are required in accordance with section 21 ``Introduction to System of Reports.' ' Where the foregoing transport services are not required to be separately reported, gross revenues from such services shall be included in profit and loss account 07 Charter, or other appropriate revenue account, and gross expenses shall be included in the appropriate operating expense functions.

87.0 Equity in Income of Investor Controlled Companies.

Record here the equity in the current earnings or losses of investor controlled companies. Dividends declared on the stock of such companies shall not be included in this account as income but shall be entered in balance sheet subaccount 1510.1 Investments in Investor Controlled Companies as a return on investment.

88.1 Intercompany Transaction Adjustment--Credit.

Record here all intercompany credits for any differences between amounts at which transactions between the air carrier and its nontransport divisions or associated companies are initially recorded and are to be settled.

88.2 Dividend income.

Record here income from dividends declared on stocks of other than investor controlled companies. Dividends declared on stock of investor controlled companies shall not be included in this account but shall be entered in balance sheet subaccount 1510.1 Investments in Investor Controlled Companies.

88.3 Net Unrealized Gain or Loss on Marketable Equity Securities.

Record here the net unrealized gain or loss on the valuation of marketable equity securities.

88.4 Net Realized Gain or Loss on Marketable Equity Securities.

Record here the net realized gain or loss on the valuation of marketable equity securities.

88.5 Capital gains and losses--operating property.

Record here gains or losses on retirements of operating property and equipment, flight equipment expendable parts, or miscellaneous materials and supplies sold or otherwise retired in connection with a general retirement program as opposed to incidental sales performed as a service to others.

88.6 Capital gains and losses--other.

Record here gains or losses not required to be reported in accounts 88.3, 88.4 and 88.5 such as gains or losses on retirement of nonoperating property and equipment, investments in other than marketable equity securities, and the transfer of assets in a troubled debt restructuring.

88.7 Unapplied cash discounts.

Record here cash discounts on routine purchases of materials, repair parts or supplies. Cash discounts on classes of assets included in property and equipment accounts shall not be recorded in this account but shall be applied as a reduction of the cost of such accounts.

88.9 Other miscellaneous nonoperating credits.

Record here all credits of a nonoperating character not provided for otherwise, such as royalties from patents, gains from reacquisition and retirement or resale of debt securities issued by the air carrier, and gains resulting from troubled debt restructurings.

89.1 Intercompany Transaction Adjustment--Debit.

Record here all intercompany debits for any differences between amounts at which transactions between the air carrier and its nontransport divisions or associated companies are initially recorded and are to be settled.

89.9 Other Miscellaneous Nonoperating Debits.

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Record here all debits of a nonoperating character not provided for otherwise, such as the following:

- (a) Fines or penalties imposed by governmental authorities;
- (b) Costs associated with employment discrimination that include the following:
  - (1) Fines or penalties paid by the carrier as a result of a judicial or administrative decree; or the amount paid to the complainant in settling or securing a consent decree;
  - (2) Back pay awards as a result of a judicial or administrative decree or a compromise settlement regardless of admission of guilt;
  - (3) Attorneys' fees or court costs awarded to the complainant by a judicial or administrative decree or as a result of a compromise settlement regardless of admission of guilt;
  - (4) The fees of outside legal counsel or of experts retained in the unsuccessful defense of a discrimination suit or in securing a compromise settlement or consent decree, unless the amounts attributable to the discrimination are not reasonably identifiable; or
  - (5) Any other expenses, such as employee salaries, resulting from

employment practices that were found to be discriminatory or that were the subject of a compromise settlement or consent decree where the amounts attributable to discrimination are reasonably identifiable.

(c) Amortization expense attributable to capital leases recorded in balance sheet Account 1795, Leased Property under Capital Leases;

(d) Costs related to property held for future use;

(e) Donations for charitable, social or community welfare purposes;

(f) Losses on reacquired and retired or resold debt securities of the air carrier;

(g) Losses resulting from troubled debt restructurings;

(h) Losses on uncollectible nonoperating receivables; or

(i) Accruals to allowance for uncollectible nonoperating receivables.

(Secs. 204, 404, 407, and 1002 of the Federal Aviation Act of 1958, as amended, 72 Stat. 743, 760, 766, 788, (49 U.S.C. 1324, 1374, 1377, 1482))

[ER-980, 42 FR 38, Jan. 3, 1977, as amended by ER-1013, 42 FR 37516, July 21, 1977; ER-1027, 42 FR 60128, Nov. 25, 1977; ER-1076, 43 FR 46296, Oct. 6, 1978; ER-1401, 50 FR 245, Jan. 3, 1985; Amdt. 241-58, 54 FR 5596, Feb. 6, 1989]

## Section 15 Objective Classification--Income Taxes for Current Period

### 91 Provision for Income Taxes.

(a) Record here quarterly provisions for accruals of Federal, State, local, and foreign taxes based upon net income, computed at the normal tax and surtax rates in effect during the current accounting year. In general, this account shall reflect provisions within each period for currently accruing tax liabilities as actually or constructively computed on tax returns, and any subsequent adjustments. This account shall include credits for refund claims arising from the carryback of losses in the year in which the loss occurs, credits for the carry-forward of losses in the year to which the loss is carried, and investment tax credits in the year in which each credit is utilized to reduce the liability for income taxes.

(b) Income taxes shall be allocated among the transport entities of the air carrier, its nontransport divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by an air carrier and other members of an affiliated group, the income tax expense to be recorded by the air carrier shall be the same as would result if determined for the air carrier separately for all time periods, except that the tax effect of carryback and carryforward operating losses, investment tax credits, or other tax credits generated by operations of the air carrier shall be recorded by the air carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of members, of the affiliated group. Any difference between the income tax so recorded and the amount at which settlement is to be made shall be recorded in subaccount 88.1 Intercompany Transaction Adjustment--Credit or in subaccount 89.1 Intercompany Transaction Adjustment--Debit, as is appropriate.

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

#### 91.1 Income Taxes Before Investment Tax Credits.

Record here accruals of income taxes based upon taxable income of

the period.

91.2 Investment Tax Credits Utilized.

Record here investment tax credits utilized to reduce the accrued liability for income taxes.

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

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92 Provisions for Deferred Income Taxes.

(a) Record here income tax debits and credits deferred in accordance with the provisions of balance sheet account 2340 Deferred Income Taxes for all material timing differences.

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

92.1 Current Provisions for Deferred Taxes.

92.2 Application of Taxes Deferred.

92.3 Adjustments of Deferred Taxes.

[ER-948, 41 FR 12296, Mar. 25, 1976]

93 Investment Tax Credits Deferred and Amortized.

(a) Record here investment tax credits of the current period which are transferred to balance sheet account 2345 Deferred Investment Tax Credits in accordance with the provisions of balance sheet account 2130 Accrued Taxes. This account shall also include amounts for previously deferred investment tax credits amortized during the current period.

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

93.1 Investment Tax Credits Deferred.

93.2 Amortization of Deferred Investment Tax Credits.

[ER-755, 37 FR 19726, Sept. 21, 1972, as amended by ER-980, 42 FR 39, Jan. 3, 1977]

Section 16 Objective Classification--Discontinued Operations

95 Discontinued Operations.

(a) Record here the earnings (losses) of discontinued nontransport operations. For the purposes of this system of accounts and reports discontinued operations shall refer to the disposal of investor controlled companies and nontransport ventures whether sold, abandoned, spun off, or otherwise disposed of. This account shall not include earnings or losses from discontinued transport or transport-related operations.

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

95.1 Income from Discontinued Operations.

Record here the results of operations of the discontinued operations.

95.2 Loss of Disposal of Discontinued Operations.

Record here the gain or loss on the disposal of an operation. If loss is anticipated it should be provided for at the measurement date. If gain is anticipated it should be recognized when realized.

[ER-948, 41 FR 12296, Mar. 25, 1976]

Section 17 Objective Classification--Extraordinary Items

96 Extraordinary Items.

Record here material items characterized by their unusual nature and infrequent occurrence. Events or transactions which are material and either unusual or nonrecurring, but not both, shall be recorded in the profit and loss accounts to which they relate and disclosed on BTS Form 41 Schedule P-2 with identification as to their nature and financial effects.

[Amdt. 241-58, 54 FR 5596, Feb. 6, 1989, as amended at 60 FR 66723, Dec. 26, 1995]

97 Income Taxes Applicable to Extraordinary Items.

Record here income taxes allocable to items of income included in profit and loss account 96 Extraordinary Items and income tax assessments that do not constitute ordinary adjustments of a recurrent nature. Records supporting entries to this account shall be maintained with sufficient particularity to identify the nature and gross amount of each extraordinary credit and each extraordinary debit.

[ER-948, 41 FR 12296, Mar. 25, 1976]

Section 18 Objective Classification--Cumulative Effect of Changes in Accounting Principles

98 Cumulative Effect of Changes in Accounting Principles.

Record here the difference between the amount of retained earnings at the beginning of the period of a change in accounting principle and the amount of retained earnings that would have been reported at that date if the new accounting principle had been applied retroactively for all periods which would have been affected and by recognizing only the direct effects of a change and the related income tax effect.

[ER-948, 41 FR 12296, Mar. 25, 1976]

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## Chapter X

### Reporting Directive – Schedule P-6 and P-7



DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION OFFICE OF AVIATION

INFORMATION MANAGEMENT REPORTING DIRECTIVE

Effective

No. 93 Issue Date: April 27, 1987 Date: July 1, 1987 Part: 241

Section: Various

Subsection: Various

Paragraph: Various

Reporting of Air Carrier Operating Expenses and  
Inventories of Airframes and Aircraft Engines

On March 13, 1987 the Department of Transportation issued a final rule revising Part 241 of its Economic Regulations (See Amendment No. 241-56, enclosed). This action reduced the level of detailed operating expense data reported by large certificated air carriers. The reduction was accomplished by replacing the current RSPA Form 41 Schedules P-6 "Maintenance, Passenger Service and General Services and Administration Expense Functions," P-7 "Aircraft and Traffic Servicing, Promotion and Sales, and General and Administrative Expense Functions - Group II and Group III Air Carriers," and P-8 "Aircraft and Traffic Servicing, Promotion and Sales Expense Sub-functions" with revised Form 41 Schedules P-6 "Operating Expenses by Objective Groupings" and P-7 "Operating Expenses by Functional Groupings-- Group III Air Carriers."

Attachments A and B contain an accounting bridge between the old and new operating expense report schedules to assist carriers in summarizing their data for completing revised Schedules P-6 and P-7. Schedule P-6 is applicable to Group I air carriers with total annual operating revenues of over \$10 million, Group II air carriers and Group III air carriers. Schedule P-7 is applicable to only Group III air carriers.

The final rule also eliminates Form 41 Schedule B-8 "Flight Equipment Retired" and revises Form 41 Schedule B-7 "Airframes and Aircraft Engines Acquired" to accommodate the reporting of both acquisitions and retirements. Schedule B-7 has been retitled "Airframe and Aircraft Engine Acquisitions and Retirements." This action will enable reporting carriers to use a single quarterly schedule to update the annual Form 41 Schedule B-43 "Inventory of Airframes and Aircraft Engines."

To facilitate implementing the above change in reporting airframe and aircraft engine data, Attachment C contains a data format outline that categorizes the reporting of airframes and engines on Schedules B-7 and B-43. Specifically, the outline is a guide for segregating airframes and engines between: 1) operating vs. nonoperating equipment; 2) owned vs. leased equipment; and 3) leased equipment by type of lease.

It should be noted that the final rule also revises Form 41 Schedule P-10 "Employment Statistics by Labor Category" by eliminating, where applicable, the reporting of labor categories by individual functional account. For example, "Cargo Handling Personnel" (account 26.4) 18 currently reported as four separate functional categories: "Traffic Servicing" (account 6226.4),

"Aircraft and Traffic Servicing" (account 6426.4), "Reservation and Sales" (account 6526.4), and "Promotion and Sales" (account 6726.4). Under the provisions of the final rule, all of the above functional categories would be combined and reported as account 26.4 "Cargo Handling Personnel." Other minor changes were made to Schedule P-5.2 "Aircraft Operating Expenses" by combining some accounts and to Schedule T-2 "Traffic, Capacity, Aircraft Operation", and "Miscellaneous Statistics by Type of Aircraft" by eliminating a data element.

For your information and reference, we have enclosed a table of your revised reporting requirements that are effective July 1, 1987. This table does not include any supplemental reporting requirement that may be required based on the United States' treaty obligation to supply U.S. air carrier data to the International Civil Aviation Organization (ICAO). Each carrier will be subsequently notified of any ICAO reporting provisions that may be affected by this Form 41 revision.

A supply of the Form 41 schedules (B-7, P-5.2, P-6, P-7, P-10 and T-2) that are revised by this rulemaking will be subsequently mailed when received from the printer.

Questions regarding this directive may be directed to Clay Moritz, who can be reached on (202) 366-4385.

Robin A. Caldwell Director

OPERATING EXPENSES BY OBJECTIVE GROUPINGS

CARRIER: \_\_\_\_\_ OPERATION: \_\_\_\_\_  
QUARTER ENDING: \_\_\_\_\_

- Line 1 SALARIES AND RELATED FRINGE BENEFITS:
  - Line 2 SALARIES:
  - Line 3     General management personnel..... \_\_\_\_\_
  - Line 4     Flight personnel..... \_\_\_\_\_
  - Line 5     Maintenance labor..... \_\_\_\_\_
  - Line 6     Aircraft and traffic handling personnel..... \_\_\_\_\_
  - Line 7     Other personnel..... \_\_\_\_\_
  - Line 8     Total Salaries.... \_\_\_\_\_
  - Line 9 RELATED FRINGE BENEFITS:
  - Line 10    Personnel expense..... \_\_\_\_\_
  - Line 11    Employee benefits and pensions..... \_\_\_\_\_
  - Line 12    Payroll taxes..... \_\_\_\_\_
  - Line 13    Total Related Fringe Benefits..... \_\_\_\_\_
  - Line 14 Total Salaries and Related Fringe Benefits..... \_\_\_\_\_
  - Line 15 MATERIALS PURCHASED:
  - Line 16    Aircraft fuel and oil..... \_\_\_\_\_
  - Line 17    Maintenance material..... \_\_\_\_\_
  - Line 18    Passenger food..... \_\_\_\_\_
  - Line 19    Other materials..... \_\_\_\_\_
  - Line 20 Total materials..... \_\_\_\_\_
  - Line 21 SERVICES PURCHASED:
  - Line 22    Advertising and other promotion..... \_\_\_\_\_
  - Line 23    Communication..... \_\_\_\_\_
  - Line 24    Insurance..... \_\_\_\_\_
  - Line 25    Outside flight equipment maintenance..... \_\_\_\_\_
  - Line 26    Traffic commissions - Passenger..... \_\_\_\_\_
  - Line 27    Traffic commissions - Cargo..... \_\_\_\_\_
  - Line 28    Other services..... \_\_\_\_\_
  - Line 29 Total Services..... \_\_\_\_\_
  - Line 30 LANDING FEES..... \_\_\_\_\_
  - Line 31 RENTALS..... \_\_\_\_\_
  - Line 32 DEPRECIATION..... \_\_\_\_\_
  - Line 33 AMORTIZATION..... \_\_\_\_\_
  - Line 34 OTHER..... \_\_\_\_\_
  - Line 35 TRANSPORT RELATED EXPENSE..... \_\_\_\_\_
  - Line 36 TOTAL OPERATING EXPENSES..... \_\_\_\_\_
- RSPA Form 41 Schedule P-6

INSTRUCTIONS FOR SCHEDULE P-6

- Line 1 Salaries and related fringe benefits shall be reported in the following categories:
- Line 2 Salaries shall be subdivided as follows:
- Line 3 General Management Personnel = Sum of objective Account 21 for all functions
- Line 4 Flight Personnel = Sum of objective Accounts 23 and 24 for all functions
- Line 5 Maintenance Labor = Sum of objective Accounts 25.1 + 25.2 + 25.3 + 25.6 + 25.9 + 28.2 for all functions + proration for Line 5 (See footnote 2/)
- Line 6 Aircraft and Traffic Handling Personnel = Sum of objective Accounts 26 + 26.1 + 26.2 + 26.3 + 26.4 for all functions
- Line 7 Other Personnel = Sum of objective Accounts 28.1 + 30 + 31 + 32 + 33 + 34 + 35 for all functions
- Line 8 Total Salaries = Sum of Line 3 + 4 + 5 + 6 + 7
- Line 9 Related fringe benefits shall be subdivided as follows:
- Line 10 Personnel Expense - Sum of objective Account 36 for all functions
- Line 11 Employee Benefits and Pensions = Sum of objective Account 57 for all functions
- Line 12 Payroll Taxes = Sum of objective Account 68 for all functions
- Line 13 Total Related Fringe Benefits = Sum of Lines 10 + 11 + 12
- Line 14 Total Salaries and Related Fringe Benefits = Sum of Lines 8 + 13
- Line 15 Materials purchased shall be reported in the following categories:
- Line 16 Aircraft Fuel and Oil = Sum of objective Accounts 45 + 45.1 + 45.2 for all functions + objective Account 69 for 5100 function only
- Line 17 Maintenance Material = Sum of objective Accounts 46.1 + 46.2 + 46.3 + 46.6 + 46.9 + 49 + 54 for all functions + proration for Line 17 (See footnote 21)
- Line 18 Passenger Food = Sum of objective Account 51 for all functions
- Line 19 Other Materials = Sum of objective Accounts 38 + 50 + 53 for all functions

- Line 20      Materials = Sum of Lines 16 + 17 + 18 + 19
- Line 21      Services purchased shall be reported in the following categories:
- Line 22      Advertising and Other Promotion = Sum of objective Accounts 59 + 60 + 62  
                 for all functions
- Line 23      Communications = Sum of objective Account 37 for all functions
- Line 24      Insurance = Sum of objective Accounts 55 + 56 for all functions
- Line 25      Outside Flight Equipment Maintenance = Sum of objective Accounts 43.1 + 43.2  
                 + 43.3 + 43.6 + 43.7 + 43.8 + 43.9 for 5200 function only + proration for Line 25  
                 (See footnote 2/
- Line 26      Traffic Commissions - Passenger - Sum of objective Accounts 39  
                 (See footnote 1/) + 39.1 for all functions
- Line 27      Traffic Commissions - Cargo = Sum of objective Accounts 39  
                 (See footnote 1/) + 39.2 for all functions
- Line 28      Other Services = Sum of objective Accounts 40 + 41 for all functions + objective  
                 Accounts 43.7 + 43.8 + 43.9 for all functions except 5200
- Line 29      Total Services = Sum of Lines 22 + 23 + 24 + 25 + 26 + 27 + 28
- Line 30      Landing Fees = Sum of objective Account 44 for all functions
- Line 31      Rentals = Sum of objective Account 47 for all functions
- Line 32      Depreciation = Sum of objective Accounts 73.1 + 73.2 + 75.1 + 75.2 + 75.3 + 75.4  
                 + 75.5 + 75.8+ 75.9 for 7000 function
- Line 33      Amortization = Sum of objective Accounts 74.1 + 74.2 + 76 for  
                 7000 function
- Line 34      Other = Sum of objective Accounts 58 + 61 + 63 + 64 + 65 + 66 + 67 + 71 + 77.8 +  
                 77.9 for all functions + 69 for all functions except 5100
- Line 35      Transport Related Expenses = Total of 7100 function
- Line 36      Total Operating Expenses = Sum of Lines 14 + 20 + 29 + 30 + 31 +  
                 32+33+34+35

FOOTNOTES

1/ Under this Schedule P-6, Group I carriers are required to report a separate amount for Traffic Commissions - Passenger (6939.1) and Traffic Commissions - Cargo (6939.2). Previously, this group reported only Total Traffic Commissions (6939).

2/ For all groups, proration for Lines 5 and 17 and 25.

Step 1: Net of accounts    5272.1 5372.1  
   5272.2 5372.2  
   5272.3 5372.3  
   5272.4 5372.4  
   5272.6 5372.6  
   5272.7 5372.7  
   5272.8 5372.8  
   5272.9 5372.9

Step 2: Sum of Lines 5 + 17 + 25 before proration of amount in Step 1.

For proration applicable to Line 5

Step 3: Line 5 before proration - Sum of Lines 5 + 17 + 25 before proration

Step 4: Proration = Net (Step 1) X Ratio (Step 3)

For proration applicable to Line 17

Step 3A: Line 17 before proration - Sum of Lines 5 + 17 + 25 before proration

Step 4A: Proration = Net (Step 1) X Ratio (Step 3A)

For proration applicable to Line 25

Step 3B: Line 25 before proration - Sum of Lines 5 + 17 + 25 before proration

Step 4B: Proration = Net (Step 1) X Ratio (Step 3B)

Schedule P-7

OPERATING EXPENSES BY FUNCTIONAL GROUPINGS GROUP III AIR CARRIERS

CARRIER: \_\_\_\_\_ OPERATION: \_\_\_\_\_  
 QUARTER ENDING: \_\_\_\_\_

Line 1	AIRCRAFT OPERATING EXPENSES (DIRECT OPERATING COSTS):	
Line 2	Total	
Line 3	SERVICING, SALES, AND GENERAL OPERATING EXPENSES (INDIRECT COSTS):	
Line 4	PASSENGER SERVICE EXPENSES.....	_____
Line 5	Flight attendants expense.....	_____
Line 6	Food expense.....	_____
Line 7	Other in-flight expense.....	_____
Line 8	Total Passenger Service Expense.....	_____
Line 9	AIRCRAFT SERVICING EXPENSE:	
Line 10	Line servicing expense.....	_____
Line 11	Control expense .....	_____
Line 12	Landing fees .....	_____
Line 13	Total Aircraft Servicing Expense.....	_____
Line 14	TRAFFIC SERVICING EXPENSE:	
Line 15	Directly assignable to passenger.....	_____
Line 16	Directly assignable to baggage and cargo .....	_____
Line 17	Not directly assignable.....	_____
Line 18	Total Traffic Servicing Expense.....	_____
Line 19	RESERVATION AND SALES EXPENSE:	
Line 20	Directly assignable to passenger .....	_____
Line 21	Directly assignable to cargo.....	_____
Line 22	Not directly assignable.....	_____
Line 23	Total Reservation and Sales Expense .....	_____
Line 24	ADVERTISING AND PUBLICITY EXPENSE:	
Line 25	Directly assignable to passenger.....	_____
Line 26	Directly assignable to cargo.....	_____
Line 27	Institutional advertising expense.....	_____
Line 28	Total Advertising and Publicity Expense .....	_____
Line 29	GENERAL AND ADMINISTRATIVE EXPENSE	
Line 30	MAINTENANCE AND DEPRECIATION--GROUND PROPERTY AND EQUIPMENT:	
Line 31	Maintenance .....	_____
Line 32	Depreciation .....	_____
Line 33	Total Maintenance and Depr.--Ground Property and Equip .....	_____
Line 34	DEPRECIATION EXPENSE--MAINTENANCE EQUIPMENT .....	_____
Line 35	AMORTIZATION (OTHER THAN FLIGHT EQUIPMENT) .....	_____
Line 36	TOTAL SERVICING, SALES, AND GENERAL OPERATING EXPENSES.....	_____
Line 37	TRANSPORT RELATED EXPENSES .....	_____
Line 38	TOTAL OPERATING EXPENSES.....	_____

\*Detail by aircraft type on Schedule P-5.

INSTRUCTIONS FOR SCHEDULE P-7 (GROUP III CARRIERS ONLY)

Line 1 Aircraft operating expenses (direct operating costs) shall be reported as follows:

Line 2 Total = Account 7098.9 for total all aircraft types from Schedule P-5.2

Line 3 Servicing, sales and general operating expenses (indirect operating costs) shall be reported in the following categories:

Line 4 Passenger service expense shall be subdivided as follows:

Line 5 Flight Attendant Expense = Sum of Accounts 5521 + 5524 + 5528.1 + 5530  
+ 5531 + 5535 + 5536 + 5557 + 5568

Line 6 Food Expense = Account 5551

Line 7 In-flight Expense = Account 5599 - (Line 5 + Line 6)

Line 8 Total Passenger Service Expense = Sum of Lines 5 + 6 + 7

Line 9 Aircraft servicing expense shall be subdivided as follows:

Line 10 Line Servicing Expense = Account 6126.1

PLUS an allocation of the balance in the aircraft servicing expense function (Account 6100) after the following accounts have been excluded: Accounts 6126.1, 6126.2, 6130, 6137 and 6144. This allocation to Line 10 is based on the ratio of Account 6126.1 to the total of Accounts 6126.1 + 6126.2 + 6130.

PLUS an allocation of the servicing administration expense function (Account 6300), based on the ratio of total salary expenses included in Line 10 (both directly assigned and allocated as above) to total salary expenses in both the aircraft servicing expense function (Account 6100) and the traffic servicing expense function (Account 6200).

Line 11 Control Expense = Accounts 6126.2 + 6130 + 6137

PLUS an allocation of the balance in the aircraft servicing expense function (Account 6100) after the following accounts have been excluded: Accounts 6126.1, 6126.2, 6130, 6137 and 6144. This allocation to Line 11 is based on the ratio of the total of Accounts 6126.2 + 6130 to the total of Accounts 6126.1 + 6126.2 + 6130.

PLUS an allocation of the servicing administration expense function (Account 6300), based on the ratio of total salary expenses included in Line 11 (both directly assigned and allocated as above) to total salary expenses in both the aircraft servicing expense function (Account 6100) and the traffic servicing expense function (Account 6200).

Line 12 Landing Fees = Account 6144

Line 13 Total Aircraft Servicing Expense = Sum of Lines 10 + 11 + 12

Line 14 Traffic servicing expense shall be subdivided as follows:

Line 15 Directly Assignable to Passenger = Account 6226.3

PLUS all other expenses in the traffic servicing expense function (Account 6200) that can be directly assigned or is directly attributable to passenger service based on the carrier's own detailed system of accounts.

PLUS allocation of the servicing administration expense function (Account 6300), based on the ratio of total salary expenses included in Line 15 (before allocation) to total salary expenses in both the aircraft servicing expense function (Account 6100) and the traffic servicing expense function (Account 6200).

Line 16 Directly Assignable to Baggage and Cargo = Accounts 6226.4 + 6256

PLUS all other expenses in the traffic servicing expense function (Account 6200) that can be directly assigned or is directly attributable to baggage and/or cargo service based on the carrier's own detailed system of accounts.

PLUS an allocation of the servicing administration expense function (Account 6300), based on the ratio of total salary expenses included in Line 16 (before allocation) to total salary expenses in both the aircraft servicing expense function (Account 6100) and the traffic servicing expense function (Account 6200).

Line 17 Not directly Assignable =

The total of the traffic servicing expense function (Account 6200) less all 6200 related amounts in Lines 15 and 16.

PLUS an allocation of the servicing administration expense function (Account 6300), based on the ratio of total salary expenses included in Line 17 (before allocation) to total salary expenses in both the aircraft servicing expense function (Account 6100) and the traffic servicing expense function (Account 6200).

Line 18 Total Traffic Servicing Expense = Sum of Lines 15 + 16 + 17

Line 19 Reservation and sales expense shall be subdivided as follows:

Line 20 Directly Assignable to Passenger = Accounts 6526.3 + 6539.1 + 6563

PLUS all other expenses in the reservations and sales expense function (Account 6500) that can be directly assigned or is directly attributable to passenger service based on the carrier's own detailed system of accounts.

Line 21 Directly Assignable to Cargo = Accounts 6526.4 + 6539.2

PLUS all other expenses in the reservations and sales expense function (Account 6500) that can be directly assigned or is directly attributable to cargo service based on the carrier's own detailed system of accounts.

Line 22 Not Directly Assignable =

The total of the reservations and sales expense function (Account 6500) less Lines 20 + 21.

Line 23 Total Reservation and Sales Expense = Sum of Lines 20 + 21 + 22

Line 24 Advertising and publicity expense shall be subdivided as follows: Line 25

Directly Assignable to Passenger =

All expenses in the advertising and publicity expense function (Account 6600) that can be directly assigned or is directly attributable to passenger service based on the carrier's own detailed system of accounts.

Line 26 Directly Assignable to Cargo =

All expenses in the advertising and publicity expense function (Account 6600) that can be directly assigned or is directly attributable to cargo service based on the carrier's own detailed system of accounts.

Line 27 Institutional Advertising Expense = The total of the advertising and publicity expense function (Account 6600) less Lines 25 + 26.

Line 28 Total Advertising and Publicity Expense = Sum of Lines 25 + 26 + 27

Line 29 General and Administrative Expense = Total of 6800 function

Line 30 Maintenance and depreciation--ground property and equipment shall be subdivided as follows:

Line 31 Maintenance = The total of the maintenance expense function (Account 5400 less Account 5299 for total all aircraft types from Schedule P-5.2).

Line 32 Depreciation = Account 7075.9

Line 33 Total Maintenance and Depreciation--Ground Property and Equipment = Sum of lines 31 +32

Line 34 Depreciation Expense--Maintenance Equipment - Account 7075.8

Line 35 Amortization (other than flight equipment) = Accounts 7074.1 + 7074.2 + 7076 (less Account 7076 for total all aircraft types from Schedules P-5.2).

Line 36 Total Servicing, Sales and General Operating Expenses = Sum of Lines 8+13+18+23+28+29+33+34+35

Line 37 Transport Related Expenses = Total of 7100 function

Line 38 Total Operating Expenses = Sum of Lines 2 + 36 + 37