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**411.4 Investment Tax Credit Adjustments,
Utility Operations**

This account shall include the amount of those investment tax credit adjustments related to property used in Utility Operations (by department).

**411.5 Investment Tax Credit Adjustments,
Nonutility Operations**

This account shall include the amount of those investment tax credit adjustments related to property used in Nonutility Operations.

**411.6 Gains from Disposition of Utility
Plant**

This account shall include, as approved by RUS, amounts relating to gains from the disposition of future use utility plant including amounts which were previously recorded in and transferred from Account 105, Electric Plant Held for Future Use, under the Provisions of Paragraphs B, C, and D thereof. Income taxes relating to gains recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

**411.7 Losses from Disposition of Utility
Plant**

This account shall include, as approved by RUS, amounts relating to losses from the disposition of future use utility plant including amounts which were previously recorded in and transferred from Account 105, Electric Plant Held for Future Use, under the provisions of Paragraphs B, C, and D thereof. Income taxes relating to losses recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

411.8 Gains from Disposition of Allowances

This account shall be credited with the gain on the sale, exchange, or other disposition of allowances in accordance with §1767.15 (u)(8). Income taxes relating to gains recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

411.9 Losses from Disposition of Allowances

This account shall be debited with the loss on the sale, exchange, or other disposition of allowances in accordance with §1767.15 (u)(8). Income taxes relating to losses recorded in this account shall be recorded in Account 409.1, Income Taxes, Utility Operating Income.

**412 Revenues from Electric Plant Leased to
Others**

This account shall include revenues from electric property constituting a distinct operating unit or system leased by the utility to others, and which property is properly in-

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cludible in Account 104, Electric Plant Leased to Others.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.1, Income Taxes, Utility Operating Income, as appropriate.

**413 Expenses of Electric Plant Leased to
Others**

A. This account shall include expenses from electric property constituting a distinct operating unit or system leased by the utility to others, and which property is properly includible in Account 104, Electric Plant Leased to Others.

B. The detail of expenses shall be kept or supported so as to show separately the following:

- 1. Operation.
- 2. Maintenance.
- 3. Depreciation.
- 4. Amortization.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.1, Income Taxes, Utility Operating Income, as appropriate.

414 Other Utility Operating Income

A. This account shall include the revenues received and expenses incurred in connection with the operations of utility plant, the book cost of which is included in Account 118, Other Utility Plant.

B. The expenses shall include every element of cost incurred in such operations, including depreciation, rents, and insurance.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.1, Income Taxes, Utility Operating Income, as appropriate.

[58 FR 59825, Nov. 10, 1993, as amended at 62 FR 42290, Aug. 6, 1997]

§ 1767.22 Other income and deductions.

The other income and deductions accounts identified in this section shall be used by all RUS borrowers.

OTHER INCOME AND DEDUCTIONS

- 415 Revenues from Merchandising, Jobbing, and Contract Work
- 416 Costs and Expenses of Merchandising, Jobbing, and Contract Work
- 417 Revenues from Nonutility Operations
- 417.1 Expenses of Nonutility Operations
- 418 Nonoperating Rental Income
- 418.1 Equity in Earnings of Subsidiary Companies
- 419 Interest and Dividend Income
- 419.1 Allowance for Funds Used During Construction
- 420 Investment Tax Credits
- 421 Miscellaneous Nonoperating Income
- 421.1 Gain on Disposition of Property

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- 421.2 Loss on Disposition of Property
- 422 Nonoperating Taxes
- 423 Generation and Transmission Cooperative Capital Credits
- 424 Other Capital Credits and Patronage Capital Allocations
- 425 Miscellaneous Amortization
- 426 [Reserved]
- 426.1 Donations
- 426.2 Life Insurance
- 426.3 Penalties
- 426.4 Expenditures for Certain Civic, Political, and Related Activities
- 426.5 Other Deductions

OTHER INCOME AND DEDUCTIONS

415 Revenues from Merchandising, Jobbing and Contract Work

A. This account shall include all revenues derived from the sale of merchandise and jobbing or contract work, including any profit or commission accruing to the utility on jobbing work performed by it as agent under contracts whereby it does jobbing work for another for a stipulated profit or commission. Interest related income from installment sales shall be recorded in Account 419, Interest and Dividend Income.

B. Records in support of this account shall be so kept as to permit ready summarization of revenues by such major items as are feasible.

NOTE: The classification of revenues of merchandising, jobbing, and contract work as nonoperating, and thus included in this account, is for accounting purposes. It does not preclude consideration of justification to the contrary for ratemaking or other purposes.

Items

- 1. Revenues from sale of merchandise and from jobbing and contract work.
- 2. Discounts and allowances made in settlement of bills for merchandise and jobbing work.

416 Costs and Expenses of Merchandising, Jobbing and Contract Work

A. This account shall include all expenses derived from the sale of merchandise and jobbing or contract work.

B. Records in support of this account shall be so kept as to permit ready summarization of costs and expenses by such major items as are feasible.

NOTE: The classification of costs and expenses of merchandising, jobbing, and contract work as nonoperating, and thus included in this account, is for accounting purposes. It does not preclude consideration of justification to the contrary for ratemaking or other purposes.

Items

Labor:

- 1. Canvassing and demonstrating appliances in homes and other places for the purpose of selling appliances.
- 2. Demonstrating and selling activities in sales rooms.
- 3. Installing appliances on customer premises where such work is done only for purchasers of appliances from the utility.
- 4. Installing wire, piping, or other property work, on a jobbing or contract basis.
- 5. Preparing advertising materials for appliance sales purposes.
- 6. Receiving and handling customer orders for merchandise or for jobbing services.
- 7. Cleaning and tidying sales rooms.
- 8. Maintaining display counters and other equipment used in merchandising.
- 9. Arranging merchandise in sales rooms and decorating display windows.
- 10. Reconditioning repossessed appliances.
- 11. Bookkeeping and other clerical work in connection with merchandise and jobbing activities.
- 12. Supervising merchandise and jobbing operations.
- 13. Advertising in newspapers, periodicals, radio, and television.
- 14. Cost of merchandise sold and of materials used in jobbing work.
- 15. Stores expenses on merchandise and jobbing stocks.
- 16. Fees and expenses of advertising and commercial artists' agencies.
- 17. Printing booklets, dodgers, and other advertising data.
- 18. Premiums given as inducement to buy appliances.
- 19. Light, heat, and power.
- 20. Depreciation on equipment used primarily for merchandise and jobbing operations.
- 21. Rent of sales rooms or of equipment.
- 22. Transportation expense in delivery and pick-up of appliances by utility's facilities or by others.
- 23. Stationery and office supplies and expenses.
- 24. Losses from uncollectible merchandise and jobbing accounts.

417 Revenues from Nonutility Operations

This account shall include revenues applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of an ice department where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income

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Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

417.1 Expenses of Nonutility Operations

A. This account shall include expenses applicable to operations which are nonutility in character but nevertheless constitute a distinct operating activity of the enterprise as a whole, such as the operation of an ice department where applicable statutes do not define such operation as a utility, or the operation of a servicing organization for furnishing supervision, management, engineering, and similar services to others.

B. The expenses shall include all elements of costs incurred in such operations, and the accounts shall be maintained so as to permit ready summarization as follows:

1. Operation.
2. Maintenance.
3. Rents.
4. Depreciation.
5. Amortization.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

418 Nonoperating Rental Income

A. This account shall include all rent revenues and related expenses of land, buildings, or other property included in Account 121, Nonutility Property, which is not used in operations covered by Account 417 or Account 417.1.

B. The expenses shall include all elements of costs incurred in the ownership and rental of property and the accounts shall be maintained so as to permit ready summarization as follows:

1. Operation.
2. Maintenance.
3. Rents.
4. Depreciation.
5. Amortization.

NOTE: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

418.1 Equity in Earnings of Subsidiary Companies

This account shall include the utility's equity in the earnings or losses of subsidiary companies for the year.

419 Interest and Dividend Income

A. This account shall include interest revenues on securities, loans, notes, advances, special deposits, tax refunds, and all other interest-bearing assets, and dividends on stocks of other companies, whether the securities on which the interest and dividends are received are carried as investments or in-

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cluded in sinking or other special fund accounts.

NOTE A: Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

NOTE B: Interest accrued, the payment of which is not reasonably assured, dividends receivable which have not been declared or guaranteed, and interest or dividends upon reacquired securities issued or assumed by the utility shall not be credited to this account.

419.1 Allowance for Funds Used During Construction

This account shall include concurrent credits for allowance for funds other than borrowed funds used for construction purposes during the period of construction, based upon a reasonable rate. (See §1767.16 (c)(17).)

420 Investment Tax Credits

This account shall be credited as follows with investment tax credit amounts not passed on to customers:

1. By amounts equal to debits to Account 411.4, Investment Tax Credit Adjustments, Utility Operations, and Account 411.5, Investment Tax Credit Adjustments, Non-utility Operations, for investment tax credits used in calculating income taxes for the year when the company's accounting provides for non-deferral of all or a portion of such credits.

2. By amounts equal to debits to Account 255, Accumulated Deferred Investment Tax Credits, for proportionate amounts of tax credit deferrals allocated over the average useful life of the property to which the tax credits relate, or such lesser period of time as may be adopted and consistently used by the company.

421 Miscellaneous Nonoperating Income

This account shall include all revenue and expense items, except taxes properly includible in the income account, not provided for elsewhere. Related taxes shall be recorded in Account 408, Taxes Other Than Income Taxes, or Account 409.2, Income Taxes, Other Income and Deductions, as appropriate.

Items

1. Profit on sale of timber. (See §1767.16 (g)(3).)

2. Profits from operations of others realized by the utility under contracts.

3. Gains on disposition of investments. Also, gains on reacquisition and resale or retirement of the utility's debt securities when the gain is not amortized or used by a jurisdictional regulatory agency to reduce embedded debt credit in establishing rates. (See §1767.15 (q).)

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421.1 Gain on Disposition of Property

This account shall be credited with the gain on the sale, conveyance, exchange, or transfer of utility or other property to another. Amounts relating to gains on land and land rights held for future use recorded in Account 105, Electric Plant Held for Future Use, will be accounted for as prescribed in Paragraphs B, C, and D thereof. (See §1767.16 (e)(6), (g)(5), and (j)(5).) Income taxes on gains recorded in this account shall be recorded in Account 409.2, Income Taxes, Other Income and Deductions.

421.2 Loss on Disposition of Property

This account shall be charged with the loss on the sale, conveyance, exchange, or transfer of utility or other property to another. Amounts relating to losses on land and land rights held for future use recorded in Account 105, Electric Plant Held for Future Use, will be accounted for as prescribed in Paragraphs B, C, and D thereof. (See §1767.16 (e)(6), (g)(5), and (j)(5).) The reduction in income taxes relating to losses recorded in this account shall be recorded in Account 409.2, Income Taxes, Other Income and Deductions.

422 Nonoperating Taxes

This account shall be charged with taxes relating to nonoperating income.

423 Generation and Transmission Cooperative Capital Credits

This account shall be credited with the annual capital furnished the power supply cooperative through payment of power bills. The amount of capital furnished the power supply cooperative should be recorded in the applicable year even though, in most cases, the power supplier's notice of the allocation will not have been received until after the close of the year to which it relates.

424 Other Capital Credits and Patronage Capital Allocations

This account shall be credited with the capital furnished in connection with patronage of cooperative or mutual-type service organization such as CFC and other financing cooperatives, and insurance, oil product, telephone, and data processing cooperatives. This account should be credited in the year in which the notice of the capital credit or patronage capital allocation is received.

425 Miscellaneous Amortization

This account shall include amortization charges not includible in other accounts which are properly deductible in determining the income of the utility before interest charges. Charges includible herein, if significant in amount, must be in accordance with an orderly and systematic amortization program.

Items

1. Amortization of utility plant acquisition adjustments, or of intangibles included in utility plant in service when not authorized to be included in utility operating expenses by RUS.

2. Other miscellaneous amortization charges allowed to be included in this account by RUS.

426 [Reserved]

SPECIAL INSTRUCTIONS

Accounts 426.1, 426.2, 426.3, 426.4, and 426.5

These accounts shall include miscellaneous expense items which are nonoperating in nature but which are properly deductible before determining total income before interest charges.

NOTE: The classification of expenses as nonoperating and their inclusion in these accounts is for accounting purposes. It does not preclude RUS consideration of proof to the contrary for ratemaking or other purposes.

426.1 Donations

This account shall include all payments or donations for charitable, social, or community welfare purposes.

426.2 Life Insurance

This account shall include all payments for life insurance of officers and employees where the company is the beneficiary (net premiums less the increase in the cash surrender value of policies.)

426.3 Penalties

This account shall include payments by the company for penalties or fines for violation of any regulatory statutes by the company or its officials.

426.4 Expenditures for Certain Civic, Political, and Related Activities

This account shall include expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises; or for the purpose of influencing the decisions of public officials, but shall not include such expenditures which are directly related to appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations.

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426.5 Other Deductions

This account shall include other miscellaneous expenses which are nonoperating in nature, but which are properly deductible before determining total income before interest charges.

Items

1. Loss relating to investments in securities written-off or written-down.
2. Loss on sale of investments.
3. Loss on reacquisition, resale, or retirement of the utility's debt securities, when the loss is not amortized and used by a jurisdictional regulatory agency to increase embedded debt cost in establishing rates. (See §1767.15 (q).)
4. Preliminary survey and investigation expenses related to abandoned projects, when not written-off to the appropriate operating expense account.
5. Costs of preliminary abandonment costs recorded in Account 182.1, Extraordinary Property Losses, and Account 182.2, Unrecovered Plant and Regulatory Study Costs, not allowed to be amortized to Account 407, Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs.

§ 1767.23 Interest charges.

The interest charges accounts identified in this section shall be used by all RUS borrowers.

INTEREST CHARGES

- 427 Interest on Long-Term Debt
- 427.3 Interest Charged to Construction—Credit
- 428 Amortization of Debt Discount and Expense
- 428.1 Amortization of Loss on Reacquired Debt
- 429 Amortization of Premium on Debt—Credit
- 429.1 Amortization of Gain on Reacquired Debt—Credit
- 430 Interest on Debt to Associated Companies
- 431 Other Interest Expense
- 432 Allowance for Borrowed Funds Used During Construction—Credit

INTEREST CHARGES

427 Interest on Long-Term Debt

A. This account shall include the amount of interest on outstanding long-term debt issued or assumed by the utility, the liability for which included in Account 221, Bonds, or Account 224, Other Long-Term Debt.

B. This account shall be so kept or supported as to show the interest accruals on each class and series of long-term debt.

NOTE: This account shall not include interest on nominally issued or nominally out-

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standing long-term debt, including securities assumed.

427.3 Interest Charged to Construction—Credit

This account shall include concurrent credits for interest charged to construction based upon the net cost for the period of construction of borrowed funds used for construction purposes.

428 Amortization of Debt Discount and Expense

A. This account shall include the amortization of unamortized debt discount and expense on outstanding long-term debt. Amounts charged to this account shall be credited concurrently to Account 181, Unamortized Debt Expense, and Account 226, Unamortized Discount on Long-Term Debt—Debit.

B. This account shall be so kept or supported as to show the debt discount and expense on each class and series of long-term debt.

428.1 Amortization of Loss on Reacquired Debt

A. This account shall include the amortization of the losses on reacquisition of debt. Amounts charged to this account shall be credited concurrently to Account 189, Unamortized Loss on Reacquired Debt.

B. This account shall be maintained so as to allow ready identification of the loss amortized applicable to each class and series of long-term debt reacquired. (See §1767.15 (q).)

429 Amortization of Premium on Debt—Credit

A. This account shall include the amortization of unamortized net premium on outstanding long-term debt. Amounts credited to this account shall be charged concurrently to Account 225, Unamortized Premium on Long-Term Debt.

B. This account shall be so kept or supported as to show the premium on each class and series of long-term debt.

429.1 Amortization of Gain on Reacquired Debt—Credit

A. This account shall include the amortization of the gains realized from reacquisition of debt. Amounts credited to this account shall be charged concurrently to Account 257, Unamortized Gain on Reacquired Debt.

B. This account shall be maintained so as to allow ready identification of the amortized gains applicable to each class and series of long-term debt reacquired. (See §1767.15 (q).)