Office of Governmentwide Policy

# U.S. Government Aircraft Cost Accounting Guide

**Developed by**

**The Interagency Committee for Aviation Policy**

**and the**

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# 1.0 INTRODUCTION

The purpose of this U.S. Government Aircraft Cost Accounting Guide (CAG) is two-fold:

- To assist Federal agencies in implementing an accounting system to collect, analyze, and report cost data related to operating aircraft.
- To give agencies direction on how to employ the cost data they collect to justify the use of aircraft to support travel, recover the cost of operating aircraft on behalf of others, justify the acquisition and in-house operation of aircraft, and determine aircraft program cost-effectiveness, as required by 41 Code of Federal Regulations 102-33 and mandated by Office of Management and Budget (OMB) Circulars A-126 and A-76.

If properly implemented, the cost accounting system described in this guide can become a valuable tool to help aviation managers make sound decisions for acquiring, managing, and disposing of aircraft.

This CAG adopts widely accepted aviation cost accounting practices and incorporates guidance contained in Attachments A and B of OMB Circular A-126 (revised May 1992). An accounting system developed following the guidance in this CAG will enable Federal agencies to report to the Federal Aviation Interactive Reporting System (FAIRS), do the calculations necessary to comply with other direction in 41 Code of Federal Regulations 102-33 and OMB Circulars A-126 and A-76, and produce financial statements (balance sheets, income/expense statements, and cash flow statements) as well as various management reports.

In addition, this CAG shows how the financial information generated by the proposed accounting system would correlate with the U.S. Government's existing Object Class Code system of budgeting as well as with the U.S. Government Standard General Ledger (SGL) System of accounting.

Intended users of this guide include aviation managers in Federal agencies, as well as accounting, finance, and acquisition personnel of any Federal agency that operates aircraft in support of its assigned function. To implement the accounting system described in this CAG will require the use of trained financial and accounting personnel. This guide is therefore designed to do the following:

- Assist Federal managers in understanding and complying with the required processes,
- Give guidance to Federal finance and accounting personnel in establishing and operating the accounting system, and
- Facilitate communication between program management, accounting, and finance staffs by establishing a common base of understanding.

# 2.0 GOVERNMENT AIRCRAFT COST ACCOUNTING REQUIREMENTS

OMB Circular A-126 directs the General Services Administration (GSA) and the Federal agencies to minimize costs and improve the management and use of Government aviation resources. The circular prescribes cost accounting guidance that Federal agencies must follow in acquiring, managing, and disposing of aircraft.

Also through Circular A-126, OMB has charged GSA with specific responsibilities:

- Operating a Government-wide aircraft management information system,
- Developing generic aircraft information systems standards and software,
- Providing technical assistance to agencies in establishing automated aircraft information and cost accounting systems and conducting the cost analyses required by Circular A-126,
- Providing statistical reports and studies related to the information collected through the Government-wide management information system.

In 41 Code of Federal Regulations 102-33, "Management of Government Aircraft," GSA (with advice from the Federal agencies) has codified the direction contained in OMB Circular A-126. 41 CFR 102-33 directs Federal agencies to report cost information through the Federal Aviation Interactive Reporting System (FAIRS).

OMB Circular A-76, "Performance of Commercial Activities," directs Federal agencies to compare the costs of owning and operating aircraft with the costs of hiring aircraft as commercial aviation services (CAS).

## 2.1 Reporting Government Aircraft Costs

### 2.1.1 Federal Aviation Interactive Reporting System (FAIRS)

To comply with direction in OMB Circular A-126, GSA has developed the Federal Aviation Interactive Reporting System (FAIRS) to collect and analyze data on the inventories, cost, and usage of Government aircraft. **Government aircraft** are (1) **Federal aircraft** (i.e., owned, borrowed, loaned, or bailed) or are (2) **aircraft hired as commercial aviation services (CAS)** (i.e., leased, lease-purchased, rented, chartered, hired under full service contracts, or hired under inter-service support agreements).

The Federal agencies that are members of the Interagency Committee for Aviation Policy (ICAP) worked closely with GSA to develop the data elements, functional specifications, and business rules for FAIRS. FAIRS is a highly secure, Internet-based system that consists of a basic application for entering and approving data, an Oracle database to store the data, and a powerful query tool that allows users to retrieve and analyze data from the database.

Through the basic FAIRS application, agencies report on their Federal aircraft inventories and the cost, missions, and flying hours (i.e., hours flown) of their Federal aircraft as well as the cost, missions, and flying hours of aircraft they hire as commercial aviation services (CAS). The FAIRS business rules establish the frequency and format for this reporting.

FAIRS cost data elements are defined in Appendix D. **The Cost Accounting Guide (CAG) Correlation Matrix on page 24-A shows the relationships among the elements as defined in FAIRS, Circulars A-76 and A-126, and the Chart of Accounts**.

### 2.1.2 Federal Agencies' Accounting Systems

The quality of the data collected in FAIRS is a direct reflection of the quality of the reporting agencies' cost accounting and statistical data gathering. To report to FAIRS accurately and completely, Federal agencies need their own accounting systems that can track costs by model, tail number, location, and contract assignment. They need accounting systems that are based on standard accounting principles and concepts and that are automated to facilitate handling the large quantities of data involved. The model accounting system described in this guide incorporates standard accounting practices, is applicable to any Government organization because it is based on the U.S. Government Standard General Ledger System (SGL), and should fulfill agencies' needs for reporting and management information.

Central to any accounting system is the use of a set of definitions for financial elements and a Chart of Accounts that groups and assigns a number to each asset, liability, cost element, and sub-element. The elements are selected and defined by each operator in such a way that they:

- Cover all areas of asset, liability, owner's equity, expense, and revenue for that operator,
- Can be collected without undue difficulty by that operator,
- Provide the basis for generating the required reports in the required format.

This guide recommends a set of Federal Government Aircraft Cost Elements (see Section 2.4), a standard Chart of Accounts (see Section 3.2.1) and shows how that Chart of Accounts can be expanded as required for different types of operations. The guide also identifies how agencies can obtain needed data through the use of standard forms (see Appendix C). The forms are also available in Excel format for incorporation in a digital data collection system.

Because no two aviation operations are identical, this guide focuses on underlying principles, and the model system based on these principles can be adapted. The concepts and approaches are applicable to any sized operation regardless of how many aircraft, operating locations, and contracts are involved. Management and accounting personnel will have to work together to adapt the system described in this

CAG to meet the needs of their operation. The key to a successful accounting system is first to define what output is required and then work backwards from that point to ensure that the system has the right input to produce the required output.

## 2.2 Accounting for Government Aircraft Costs (OMB Circular A-126)

Federal agencies need accounting systems whose output helps them comply with the requirements in OMB Circular A-126. Circular A-126 directs Federal agencies to accumulate the costs associated with their aircraft programs and use those costs to do the following: (1) justify the use of Government aircraft in lieu of commercially available aircraft to support travel, and the use of one Government aircraft in lieu of another to support travel; (2) recover the costs of operating Government aircraft, when appropriate; (3) determine the cost-effectiveness of various aspects of Federal agencies' aircraft programs; and (4) conduct the cost comparisons required by OMB Circular A-76.

Agencies should use the Federal Government Aircraft Cost Elements defined in this CAG (see section 2.4) to comply with these requirements, as described in detail below.

### 2.2.1 Justifying the Use of Aircraft to Support Travel

Before authorizing the use of a Government aircraft to support travel, on a trip-by-trip basis, Federal agencies must compare the costs of using a Federal aircraft (if applicable), a CAS aircraft, and scheduled airline service (if available) and select the most advantageous alternative for the trip.

Agencies that propose to use their Government aircraft to support recurring travel between locations are encouraged to develop standard trip cost justifications. These justifications should summarize the projected costs of using Government aircraft and scheduled airlines between those locations. The justifications should also show comparative costs for varying passenger loads. Agencies that choose this approach would be able to see at a glance the minimum number of official travelers needed to justify the use of a particular aircraft or aircraft type for a trip between locations.

Cost comparisons must be calculated as follows:

> Federal aircraft trip cost: the projected hourly cost times the number of hours flown for the trip.
>
> *Projected hourly cost is the variable cost of operating the aircraft for the past 12 months, adjusted for inflation (as prescribed in OMB Circular A-76) and for any known upcoming cost changes over the next 12 months, divided by the projected hours flown for the aircraft for the next 12 months.*

*Hours flown are calculated as the elapsed time from takeoff to landing for each trip flown during the year.*

Agencies should develop a projected hourly cost for each of their Federal aircraft at the beginning of each fiscal year.

The specific components of what constitutes the "variable cost" are as follows (see information on these Federal Government Aircraft Cost Elements in Section 2.4):

Variable Crew Costs
Scheduled and Unscheduled Maintenance Labor – Variable
Scheduled and Unscheduled Maintenance Parts – Variable
Scheduled Maintenance Contract Out – Variable
Scheduled Engine Overhaul, Refurbishment, Major Comp. Repair—Variable
Fuel, Other Fluids, Oxygen
Variable Lease Costs
Flight Support
Ground Servicing

CAS aircraft trip cost**:** the amount that the agency will be charged for the trip by the organization that provides the aircraft. If another Federal agency provides the aircraft at no charge, the comparison number to use is the owning agency's Federal aircraft cost as defined above (i.e., projected hourly cost times the number of hours flown for the trip).

Commercial airline service cost**:** for all official travelers only (do not include costs for space available passengers in this calculation), the sum of the current Government contract fare (or the lowest fare available) for the trip in question plus the costs of any additional (i.e., beyond what is required for travel on Federal or CAS aircraft) ground or air travel, per diem, miscellaneous related costs (e.g., taxis, parking, etc.), and any lost work time (computed at gross hourly costs to the Government, including benefits). Travel by Federal or CAS aircraft is presumed to be the baseline against which the use of commercial airline travel is measured.

### 2.2.2 Recovering the Cost of Operations When Appropriate

Under the Economy Act of 1932, as amended (31 USCS 1535) and various acts appropriating funds or establishing working funds to operate aircraft, Federal agencies are required to recover the costs of operating their aircraft for use by other Federal agencies, other governments (e.g., state, local, or foreign), or non-official travelers. Depending on the statutory authorities under which an agency acquired or operates an

aircraft, that agency may use either of two methods for establishing the rates charged for using its aircraft:

Variable Cost Recovery Rate: This is the same as the Federal Aircraft Trip Cost in Section 2.2.1 above (Justifying the Use of Government Aircraft for Travel). If an agency decides to base the charge for using its aircraft solely on this rate, it must recover any associated fixed costs separately from the appropriation that supports the mission for which the procurement of the aircraft was justified. As stated, the variable costs are as discussed above. The fixed costs are as follows (see information on the Federal Government Aircraft Cost Elements shown in Section 2.4):

Fixed Crew Costs
Scheduled (Calendar) Maintenance Labor -- Fixed
Scheduled (Calendar) Maintenance Parts – Fixed
Scheduled (Calendar) Maintenance Refurb -- Fixed
Scheduled (Calendar) Maintenance Contract Out – (Fixed)
Fixed Lease Costs
Operations Overhead
Administrative Overhead
Insurance Premium Costs (or Self-Insurance Costs)
Depreciation

Full Cost Recovery Rate: This includes
Fixed costs directly attributable to the aircraft or aircraft type and adjusted for inflation, as prescribed in OMB Circular A-76, and for any known upcoming cost changes
*plus* any insurance premium costs (or self-insurance costs) and annual depreciation or replacement costs
*plus* operations and administrative overhead allocated to the aircraft or aircraft type based on the percentage of annual flying hours projected for the aircraft or aircraft type
*divided* by the annual hours flown projected for the aircraft or aircraft type
*then add to the result* the Variable Cost Recovery Rate
*then multiply that result by* the estimated number of hours flown for the trip.

So, Full Cost Recovery Rate =

$$\text{Hours flown for trip} \left(\text{Var Cost RR} + \frac{\text{Adj Fixed Costs + Insur+ AnnDeprec + Allocated Ops \& Admin Overhead)}}{\text{Projected Annual Hours Flown}}\right)$$

See Appendices D, E, and F for definitions and the CAG Correlation Matrix on page 24-A for correlation with the Chart of Accounts.

2.2.3 Determining Aircraft Program Cost-Effectiveness

Although cost data are not the only measures of effectiveness of a Federal agency's aircraft program, they can be very useful in identifying opportunities to reduce aircraft operational costs. These opportunities might include changing maintenance practices, purchasing fuel at lower costs, and the replacement of old, inefficient aircraft with aircraft that are more fuel-efficient and have lower operations and maintenance costs.

The most common measures used to evaluate the cost-effectiveness of various aspects of an aircraft program are expressed as the cost per flying hour or per passenger mile for certain types of aircraft costs. These measures include, but are not limited to maintenance costs/flying hour; fuel and other fluids cost/flying hour; accident repair costs/flying hour (or per aircraft); and variable cost per passenger mile. Agencies should use the Federal Government Aircraft Cost Elements (see Section 2.4) to develop their own cost-effectiveness measures.

## 2.3 Justifying Acquisition and In-House Operation of Aircraft (OMB Circular A-76)

OMB Circular A-76, "Performance of Commercial Activities" requires Federal agencies to conduct cost comparisons of commercial activities they perform and, where appropriate, to determine the most economical way to perform the work—whether by private commercial source or using in-house Government resources. The guidelines for conducting these cost comparisons for aircraft are presented in Supplement 6 (Aviation Competitions) to the circular. The A-76 cost element definitions are included in Appendix F of this CAG. Circular A-76 can also be obtained at the OMB website: www.whitehouse.gov/omb/circulars/.

## 2.4 Federal Government Aircraft Cost Elements

Following is a listing of the Federal Government Aircraft Cost Elements, which include all the cost elements required by FAIRS as well as other costs that agencies need to accumulate. These Federal Government Aircraft Cost Elements are generally the same as the cost data elements in FAIRS and follow FAIRS' definitions (see Appendix D). However, some of the elements that agencies need to collect are not captured in FAIRS. The tables below cross-reference the Federal Government Aircraft Cost Elements to the specific requirements in FAIRS and OMB Circulars A-126 and A-76. (Also, see the CAG Correlation Matrix on page 24-A for a cross-reference that includes the Chart of Accounts. Definitions for A-126 and A-76 elements are in Appendices E and F, respectively.)

**The Federal Government Aircraft Cost Element matrix** is divided into four sections, as follows:

VARIABLE COSTS: The variable costs of operating aircraft are those costs that vary depending on how much the aircraft are used. For instance, variable maintenance

costs include unscheduled maintenance costs and costs of maintenance scheduled on the basis of actual flying time because these vary with aircraft usage:

VARIABLE COSTS:

| Federal Government Aircraft Cost Elements | Needed to Report to FAIRS | Needed for Cost Comparisons (A-126) | Needed for A-76 Calculation |
|---|---|---|---|
| Variable Crew – Commercial | X (101) | X (Crew Costs Variable) | X (2, 19g) |
| Variable Crew – Federal | X (102) | X (Crew Costs Variable) | X (2, 19g) |
| Sched Maintenance Labor--Commercial | X (87) | X (Maint Labor Variable) | X (5a) |
| Sched Maintenance Labor—Federal | X (88) | X (Maint Labor Variable) | X (5a) |
| Unsched Maint & Repairs Labor—Commercial | X (97) | X (Maint Labor Variable) | X (5a) |
| Unsched Maint & Repairs Labor—Federal | X (98) | X (Maint Labor Variable) | X (5a) |
| Sched Maintenance Parts—Commercial | X (89) | X (Maint Parts Variable) | X (5b) |
| Sched Maintenance Parts—Federal | X (90) | X (Maint Parts Variable) | X (5b) |
| Unsched Maint & Repairs Part—Commercial | X (99) | X (Maint Parts Variable) | X (5b) |
| Unsched Maint & Repairs Part—Federal | X (100) | X (Maint Parts Variable) | X (5b) |
| Sched Maint Contract Out—Commercial | X (83) | X (Maint Contracts Variable) | X (5c) |
| Sched Maint Contract Out—Federal | X (84) | X (Maint Contracts Variable) | X (5c) |
| Sched Maint Engine Overhaul—Commercial | X (85) | X (Eng Overhaul, Refurb, Major Component Repair) | X (5d, e) |
| Sched Maint Engine Overhaul—Federal | X (86) | X (Eng Overhaul, Refurb, Major Component Repair) | X (5d, e) |
| Sched Maint Refurb—Commercial | X (91) | X (Eng Overhaul, Refurb, Major Component Repair) | X (5d, e) |
| Sched Maint Refurb—Federal | X (92) | X (Eng Overhaul, Refurb, Major Component Repair) | X (5d, e) |
| Sched Maint TBO Comp—Commercial | X (93) | X (Eng Overhaul, Refurb, Major Component Repair) | X (5d, e) |
| Sched Maint TBO Comp—Federal | X (94) | X (Eng Overhaul, Refurb, Major Component Repair) | X (5d, e) |
| Fuel—Commercial | X (40) | X (Fuel and Other Fluids) | X (1, 19j) |
| Fuel—Federal | X (41) | X (Fuel and Other Fluids) | X (1, 19j) |
| Lubricant—Commercial | X (56) | X (Fuel and Other Fluids) | X (1, 19j) |
| Lubricant—Federal | X (57) | X (Fuel and Other Fluids) | X (1, 19j) |

| | | | |
|---|---|---|---|
| Oxygen—Commercial | X (69) | X (Fuel and Other Fluids) | X (1) |
| Oxygen—Federal | X (70) | X (Fuel and Other Fluids) | X (1) |
| Variable Lease Cost—Commercial | X (103) | X (Lease Costs Variable) | X (3, 18) |
| Variable Lease Cost—Federal | X (104) | X (Lease Costs Variable) | X (3, 18) |
| Flight Support—Commercial | X (38) | X (Landing & Tie Down Fees) | X (4, 19i) |
| Flight Support—Federal | X (39) | X (Landing & Tie Down Fees) | X (4, 19i) |
| Ground Servicing—Commercial | X (42) | X (Landing & Tie Down Fees) | X (19f) |
| Ground Servicing—Federal | X (43) | X (Landing & Tie Down Fees) | X (19f) |

FIXED COSTS: The fixed costs of operating aircraft are those that result from owning and support of the aircraft and that do not vary according to aircraft usage. These include maintenance and inspection costs that are incurred on a calendar basis, as well as the cost of maintenance labor that is not incurred as a result of specific maintenance actions on specific aircraft:

| **Federal Government Aircraft Cost Elements** | **Needed to Report to FAIRS** | **Needed for Cost Comparisons (A-126)** | **Needed for A-76 Calculation** |
|---|---|---|---|
| Fixed Crew—Commercial | X (34) | X (Crew Costs Fixed) | X (9, 19b) |
| Fixed Crew-Federal | X (35) | X (Crew Costs Fixed) | X (9, 19b) |
| Sched (Calendar) Maint Labor—Commercial | X (77) | X (Maint Labor Fixed) | X (10a) |
| Sched (Calendar) Maint Labor—Federal | X (78) | X (Maint Labor Fixed) | X (10a) |
| Sched (Calendar) Maint Parts—Commercial | X (79) | X (Maint Parts Fixed) | X (10b) |
| Sched (Calendar) Maint Parts—Federal | X (80) | X (Maint Parts Fixed) | X (10b) |
| Sched (Calendar) Maint Contract Out—Comm | X (81) | X (Maint Contracts Fixed) | X (10c, 19c) |
| Sched (Calendar) Maint Contract Out—Federal | X (82) | X (Maint Contracts Fixed) | X (10c, 19c) |
| Sched (Calendar) Maint Refurb---Comm | X (106) | X (Maint Costs Fixed) | X (5d,e) |
| Sched (Calendar) Maint Refurb—Federal | X (107) | X (Maint Costs Fixed) | X (5d,e) |
| Fixed Lease—Commercial | X (36) | X (Lease Costs Fixed) | X (11, 19a) |
| Fixed Lease—Federal | X (37) | X (Lease Costs Fixed) | X (11, 19a) |
| Operations Overhead Cost | X (65) | X (Operations Overhead) | X (14, 20) |
| Other Commercial Costs | X (66) | X (Operations Overhead | X (14, 20) |
| Other Federal Costs | X (66) | X (Operations Overhead | X (14, 20) |
| Administrative Overhead Cost | X (8) | X (Administrative Overhead) | X (14) |
| Insurance Premium Cost | X (52) | | |
| Self-Insurance Cost | | X (Self-Insurance Cost) | X (13) |
| Litigation Settlement Cost | X (55) | | |
| Depreciation | | X (Depreciation) | X (12) |

MISCELLANEOUS COSTS: Agencies should record certain other costs of their aircraft, including the cost of acquisition and modification. These costs are used in the calculations required by Circulars A-126 and A-76:

| Federal Government Aircraft Cost Elements | Needed to Report to FAIRS | Needed for Cost Comparisons (A-126) | Needed for A-76 Calculation |
|---|---|---|---|
| Accident Repair Costs | | X (Accident Repair Costs) | |
| Acquisition Value | X (6) | X (Aircraft Cost) | X (19d, e) |
| Modification Cost | X (62) | X (Aircraft Cost) | X (19d, e) |
| Cost of Capital | | X (Cost of Capital) | X (15) |

OTHER REQUIRED DATA: Certain other, non-cost data must also be recorded (such as hours flown) to assist with the analysis of aviation operations.

# 3.0 A STANDARD GOVERNMENT AIRCRAFT COST ACCOUNTING SYSTEM, BASED ON A 'CHART OF ACCOUNTS'

The **chart of accounts** is a systematic listing of all accounts used by the organization. The chart of accounts helps to organize the accounting records of an organization and to ensure consistent reporting of similar transactions.

It is impossible to forecast future needs beyond perhaps one or two years. It is therefore important to set up an accounting system that has as much flexibility as possible so that it can support all management levels within the organization and change as the organization grows. In practical terms, this means it is worthwhile to set up a system that has significantly more capability than needed at present. The chart of accounts is the place where flexibility can be built into your accounting system. Generally, the accounts on a chart of accounts are grouped by type in order of their appearance on the organization's financial statements. The first digit of the account number will indicate the major heading of the account (for example, any asset account usually begins with a "1"; a "2" normally indicates liabilities). The second digit of the account number normally indicates the major account within a heading (for example, "11" is a cash asset account). The third digit in the account number indicates the sub account within the major account classification. The account numbers 111 and 112 could represent cash assets on hand in bank A and bank B. In this manner, the subsidiary accounts can be "rolled up" into their major accounts and the major accounts can be "rolled up" into their proper headings.

## 3.1 Federal Standard General Ledger System (SGL) (Chart of Accounts)

Below are sections taken directly from the SGL and which explain its background and objectives.

**Background**:

In early 1984, an interagency group was formed at the direction of the Office of Management and Budget (OMB) under the leadership of the Department of Transportation. OMB tasked the interagency group to develop a standard general ledger chart of accounts for Government-wide use by modifying the currently existing Department of Defense Uniform Chart of Accounts. The criteria provided by OMB to the interagency group was that the standard general ledger chart of accounts should:

- Provide control over all financial transactions and resource balances,
- Satisfy basic OMB and Treasury reporting requirements (Program and Financing Report, Budget Execution Report, and related Treasury Reports), and
- Integrate proprietary and budgetary accounting.

**Purpose and Scope**:
This standard general ledger is intended to be complete at a high level. All Federal agency transactions and resource balances will generally be captured in the accounts provided or in subsidiary accounts that roll up to the accounts provided.

The purpose of the U.S. Government Standard General Ledger is to provide a uniform chart of accounts and supporting transactions to be used to standardize federal agency accounting and to support the preparation of standard external reports.

The U.S. Government Standard General Ledger includes accounts and transactions, which can be incorporated into individual agency general ledger systems. The accounts presented meet the basic financial statement and budget execution reporting requirements of departments and agencies. *All agencies within the government will not need to use all of the general ledger accounts provided. Only those accounts that are applicable should be used in a given situation. Likewise, the transactions provided do not include all transactions that may occur in an agency*. The U.S. Government Standard General Ledger provides agencies the flexibility to establish such sub accounts and transactions as necessary.

**The Chart of Accounts**:
The chart of accounts provides the basic structure of the U.S. Government Standard General Ledger. It incorporates both the traditional proprietary accounts and budgetary accounts. Both the proprietary and budgetary sections are self-balancing within themselves. A four-digit account numbering system has been provided using the following basic structure:

1000 Assets,
2000 Liabilities,
3000 Equity,
4000 Revenue (Budgeted),
5000 Revenue (Other),
6000 Expenses, and
7000 Gains, Losses and Extraordinary Items.

Agencies may expand this numbering system to as many digits as are needed to accommodate agency specific needs with the provision that any expansion continues to roll-up to the basic account structure provided. The chart of accounts does not include statistical or memorandum accounts as these accounts are primarily agency specific. For consistency, it is recommended that the agencies use the 90000 series for their statistical/memorandum accounts.

### 3.1.1 Collection of Statistical Data

Much of the information needed for the effective management of aircraft is based on the usage of each aircraft. This statistical data along with the costs on each aircraft, or major component of an aircraft, allows the manager to determine the cost per hour one needs to charge to break even on the Income Statement. This cost per hour is often the rate needed to do a quick review of outside resources to ensure that the Government rate is in line with what the private sector would charge for the same or equal service. Also, most of the required upward (GSA, and OMB) reporting demands that hours, by individual aircraft, be maintained (i.e., hours flown or block-to-block).

The entry of the hours flown in the 90000 series accounts could, and probably should, be the data that causes the generation of the hours revenues information required for the 52000 (Revenue) series accounts.

## 3.2 Setting Up the Chart of Accounts

The standard accounts and sub accounts contained in the SGL are the basis for the chart of accounts illustrated in this cost accounting guide. Each agency needs to expand these accounts and sub accounts in order to meet its reporting and management requirements. When agencies begin setting up their own charts of accounts, they should consider consulting the SGL because it contains a great deal of information regarding basic accounts and transactions.

A complete copy of the SGL account number account summary may be obtained by contacting:

Department of the Treasury
Financial Management Service
Liberty Center (UCP 734)
401 14th Street, SW
Washington, DC 20227
(Tel: (202) 208-1751

Alternatively, the information can be obtained at the Department of the Treasury website: www.fms.treas.gov/ussgl/

3.2.1 Sample Chart of Accounts

A sample chart of accounts supporting most aspects of a typical aviation operation is illustrated in this section. The basis for this chart of accounts is the SGL. Every attempt has been made to match the typical aviation operation chart of accounts and the SGL chart of accounts. Accounts and sub accounts that are the same in both are shown in bold.

The chart of accounts shown on the following pages can be used as a model no matter what the size of the operation. Agencies with many aircraft, locations, etc., may have more sub account numbers. They will also have a decimal system with additional digits to distinguish between aircraft, locations, and contracts; however, the basic accounts and sub accounts will not change. The illustrated chart of accounts offers the greatest detail for expense items (account 60000) because OMB cost comparisons and FAIRS focus primarily on the reporting of expenses. In other areas, detail is shown where an aviation operation will have a specific expense or income. The chart of accounts shown can be expanded in other areas, as required, using the SGL as a guide. Note that an agency has a great deal of latitude in assigning account numbers to account descriptions. If the aviation accounting system is internally complex or resides as a subset of accounts in a general accounting system, compound account numbers may be necessary for data processing. ***The numbers assigned to the accounts in this guide are for illustration purposes only and do not dictate the form or format for account numbers in any particular agency.***

On the following chart of accounts, the letters “P” and “S” are used to denote the type of account for each account number. An account number marked with a “P” means that it is a “posting” account and data can be entered (“posted”) into that account number. If the account number is marked with an “S” it means that it is a “summary” account that sums the cost data in one or more sub-accounts.

**SAMPLE CHART OF ACCOUNTS - AVIATION OPERATION**

| Account Number | Account Description | Type of Account | Normal Balance |
|---|---|---|---|
| | | | |

Note: "S" denotes a summary account. "P" denotes a posting account.
"CR" = Credit, "DR" = Debit, "DC" = Debit or Credit
Items in **Bold** correspond directly to the same item on the US Government Standard General Ledger

| | | | |
|---|---|---|---|
| **10000** | **Assets** | | |
| **10100** | **Fund Balance with Treasury (Cash)** | P | DR |
| **13100** | **Accounts Receivables** | P | DR |
| **15000** | **Inventories** | S | DR |
| 15100 | Inventory for Agency Operations | S | DR |
| 15110 | Fuel | P | DR |
| 15120 | Parts | P | DR |
| **17000** | **Fixed Assets (Property, Plant & Equip)** | S | DR |
| **17300** | **Buildings, Improvements & Renovations** | P | DR |
| **17390** | **Accumulated Depreciation** | P | CR |
| **17400** | **Other Structures and Facilities** | P | DR |
| **17490** | **Accumulated Depreciation** | P | CR |
| **17500** | **Equipment** | S | DR |
| 17510 | Aircraft | P | DR |
| 17520 | Aircraft Modifications | P | DR |
| 17530 | Equipment Other Than Aircraft | P | DR |
| **17590** | **Accumulated Depreciation** | P | CR |
| **18100** | **Assets Under Capital Lease** | S | DR |
| 18110 | Aircraft | P | DR |
| 18120 | Other Assets | P | DR |
| **18190** | **Accumulated Depreciation** | P | CR |
| **20000** | **Liabilities** | | |
| **21000** | **Accrued Liabilities - Other** | S | CR |
| **21100** | **Accounts Payable** | **P** | **CR** |
| **21140** | **Interest Payable** | **P** | **CR** |
| 21500 | Reserves | S | CR |
| 21510 | Engine Overhaul Reserve | P | CR |
| 21520 | Aircraft Refurbishment Reserve | P | CR |
| 21530 | Major Comp. Rebuild/Overhaul Reserve | P | CR |
| 21540 | Life Limited Item Reserve | P | CR |
| **22100** | **Accrued Liabilities Funded Payroll and Leave** | P | CR |
| **23100** | **Unearned Revenues - Advance from Others** | P | CR |
| **29000** | **Other Liabilities** | S | CR |
| 29200 | Self Insurance Reserves | P | CR |
| **29300** | **Capital Lease Liability** | P | CR |
| **30000** | **Net Position** | | |
| **31000** | **Unexpended appropriations** | P | CR |

| | | | | | |
|---|---|---|---|---|---|
| **32000** | **Transfer in/out of assets** | **S** | | **CR** | |
| 32200 | Transfer - in from others Without Reimburs. | | P | | CR |
| 32300 | Transfer - out to others Without Reimburs. | | P | | DR |
| **33000** | **Equity - Cumulative Results of Operations** | | P | | CR |

**40000 Budgetary**

The agencies should use the same account numbers here as are shown in the US Government Standard Federal Ledger Chart of Accounts.

**50000 Revenues**

| | | | | | |
|---|---|---|---|---|---|
| **52000** | **Revenue from Services Provided** | | S | | CR |
| 52100 | Revenue from Government Agencies | | P | | CR |
| 52200 | Revenue from State Agencies | | P | | CR |
| 52300 | Revenue from Foreign Governments | | P | | CR |
| 52400 | Other Revenues | | P | | CR |

**60000 Expenses**

| | | | | | |
|---|---|---|---|---|---|
| **61000** | **Operating/Program Expenses** | | S | | DR |
| 61110 | Fuel and additives | | S | | DR |
| 61112 | Fuel and additives– Bulk (Commercial) | | P | | DR |
| 61113 | Fuel and additives – Bulk (Federal) | | P | | DR |
| 61114 | Fuel and additives – Retail (Commercial) | | P | | DR |
| 61115 | Fuel and additives – Retail (Federal) | | P | | DR |
| 61120 | Lubricants - Oil | | S | | DR |
| 61122 | Lubricants - Commercial | P | | DR | |
| 61124 | Lubricants – Federal | | P | | DR |
| 61130 | Variable Lease Costs | | S | | DR |
| 61132 | Variable Lease Costs (Commercial) | | P | | DR |
| 61134 | Variable Lease Costs (Federal) | | P | | DR |
| 61140 | Fixed Lease Costs | | S | | DR |
| 61142 | Fixed Lease Costs (Commercial) | | P | | DR |
| 61144 | Fixed Lease Costs (Federal) | | P | | DR |
| 61150 | Variable Crew Costs | | S | | DR |
| 61152 | Travel Expenses (Commercial) | | P | | DR |
| 61153 | Travel Expenses (Federal) | | P | | DR |
| 61154 | Wages -Hourly, Part-Time or Overtime (Comm) | | P | | DR |
| 61155 | Wages -Hourly, Part-Time or Overtime (Fed) | | P | | DR |
| 61160 | Fixed Crew Costs | S | | DR | |
| 61162 | Wages and Benefits (Commercial) | P | | DR | |
| 61163 | Wages and Benefits (Federal) | | P | | DR |
| 61164 | Training Costs (Commercial) | | P | | DR |
| 61165 | Training Costs (Federal) | | P | | DR |
| 61166 | Other Costs Associated with Crew (Comm) | P | | DR | |
| 61167 | Other Costs Associated with Crew (Federal) | | P | | DR |
| 61170 | Flight Support Costs | | S | | DR |
| 61172 | Flight Support Costs (Commercial) | P | | DR | |
| 61174 | Flight Support Costs (Federal) | | P | | DR |
| 61180 | Ground Servicing | | S | | DR |
| 61182 | Ground Servicing (Commercial) | | P | | DR |
| 61184 | Ground Servicing (Federal) | | P | | DR |
| 61186 | Oxygen Servicing (Commercial) | | P | | DR |
| 61188 | Oxygen Servicing (Federal) | | P | | DR |

| | | | |
|---|---|---|---|
| 61200 | Variable Maintenance Costs | S | DR |
| 61210 | Labor | S | DR |
| 61212 | Wages and Benefits - Scheduled Maintenance (Commercial) | P | DR |
| 61213 | Wages and Benefits - Scheduled Maintenance (Federal) | P | DR |
| 61214 | Wages and Benefits - Unscheduled Maintenance (Comm.) | P | DR |
| 61215 | Wages and Benefits - Unscheduled Maintenance (Federal) | P | DR |
| 61216 | Training (Commercial) | P | DR |
| 61217 | Training (Federal) | P | DR |
| 61218 | Other cost associated with labor (Comm.) | P | DR |
| 61219 | Other cost associated with labor (Federal) | P | DR |
| 61220 | Parts - Airframe | S | DR |
| 61221 | Scheduled (Commercial) | P | DR |
| 61223 | Scheduled (Federal) | P | DR |
| 61225 | Unscheduled (Commercial) | P | DR |
| 61227 | Unscheduled (Federal) | P | DR |
| 61230 | Parts - Avionics | S | DR |
| 61231 | Scheduled (Commercial) | P | DR |
| 61233 | Scheduled (Federal) | P | DR |
| 61235 | Unscheduled (Commercial) | P | DR |
| 61237 | Unscheduled (Federal) | P | DR |
| 61240 | Parts - Engine | S | DR |
| 61241 | Scheduled (Commercial) | P | DR |
| 61243 | Scheduled (Federal) | P | DR |
| 61245 | Unscheduled (Commercial) | P | DR |
| 61247 | Unscheduled (Federal) | P | DR |
| 61250 | Contracts | S | DR |
| 61252 | Contracts (Commercial) | P | DR |
| 61254 | Contracts (Federal) | P | DR |
| 61260 | Engine Overhaul Expense | S | DR |
| 61262 | Engine Overhaul Expense (Commercial) | P | DR |
| 61264 | Engine Overhaul Expense (Federal) | P | DR |
| 61270 | Aircraft Refurbishment Expense | S | DR |
| 61272 | Aircraft Refurbishment Expense (Commercial) | P | DR |
| 61274 | Aircraft Refurbishment Expense (Federal) | P | DR |
| 61280 | Major Component Rebuild and Overhaul Expense | S | DR |
| 61282 | Major Component Rebuild and Overhaul Expense (Commercial) | P | DR |
| 61284 | Major Component Rebuild and Overhaul Expense (Federal) | P | DR |
| 61290 | Life Limited Item Expense | S | DR |
| 61292 | Life Limited Item Expense (Commercial) | P | DR |
| 61294 | Life Limited Item Expense (Federal) | P | DR |
| 61300 | Fixed Maintenance Costs | S | DR |
| 61310 | Maintenance Labor | S | DR |
| 61312 | Maint. Wages and Benefits (Commercial) | P | DR |
| 61313 | Maint. Wages and Benefits (Federal) | P | DR |
| 61314 | Training (Commercial) | P | DR |
| 61315 | Training (Federal) | P | DR |
| 61316 | Other cost associated with labor (Comm.) | P | DR |
| 61317 | Other cost associated with labor (Federal) | P | DR |
| 61320 | Parts - Airframe | S | DR |

| | | | | |
|---|---|---|---|---|
| 61321 | Scheduled (Commercial) | P | | DR |
| 61323 | Scheduled (Federal) | P | | DR |
| 61330 | Parts - Avionics | S | | DR |
| 61331 | Scheduled (Commercial) | P | | DR |
| 61333 | Scheduled (Federal) | P | | DR |
| 61340 | Parts - Engine | S | | DR |
| 61341 | Scheduled (Commercial) | P | | DR |
| 61343 | Scheduled (Federal) | P | | DR |
| 61350 | Contracts | S | | DR |
| 61351 | Contracts (Commercial) | P | | DR |
| 61353 | Contracts (Federal) | P | | DR |
| 61400 | Depreciation Expense | S | | DR |
| 61410 | Aircraft | P | | DR |
| 61420 | Buildings | P | | DR |
| 61430 | Other Structures and Facilities | P | | DR |
| 61440 | Equipment | P | | DR |
| 61460 | Assets Under Capital Lease | P | | DR |
| 61500 | Operations Overhead | S | | DR |
| 61510 | Personnel Costs - Admin and Management | P | | DR |
| 61520 | Building and Ground Maintenance | P | | DR |
| 61530 | Janitorial Services | P | | DR |
| 61540 | Hangar Fees | P | | DR |
| 61550 | Tie Down Fees at Base | P | | DR |
| 61560 | Shop Equipment | P | | DR |
| 61570 | Shop Parts | P | | DR |
| 61580 | Aircraft Components | P | | DR |
| 61600 | Other Direct Costs | S | | DR |
| 61610 | Other Direct Costs (Commercial) | P | | DR |
| 61620 | Other Direct Costs (Federal) | P | | DR |
| 63000 | Interest Expense | S | | DR |
| **63100** | **Interest Expenses on Borrowing from Treasury** | P | | DR |
| **63200** | **Interest Expense on Borrowing from Commercial Sources** | **P** | | **DR** |
| **66000** | **Administrative Overhead** | S | DR | |
| 66010 | Indirect Administrative Costs | P | | DR |
| 68000 | Other Expenses | P | | DR |
| 69000 | WCF/Reserve Expenses | S | | DR |
| 69010 | Self-Insurance | S | | DR |
| 69011 | Hull Insurance | P | | DR |
| 69012 | Liability Insurance | P | | DR |
| 69500 | Reserve Contribution | S | | DR |
| 69510 | Variable Expense Reserve | S | | DR |
| 69512 | Engine Overhaul Reserve | P | | DR |
| 69514 | Major Component Rebuild and Ohaul Res. | P | | DR |
| 69516 | Life Limited Item Reserve | P | | DR |
| 69520 | Fixed Expense Reserves | S | | DR |
| 69522 | Aircraft Refurbishment Reserves | P | | DR |
| 69526 | Life Limited Item Reserve | P | | DR |
| **70000** | **Gains/Losses/Extraordinary Items** | S | | DC |
| **71000** | **Gains** | S | | CR |

| | | | | | |
|---|---|---|---|---|---|
| **71100** | **Gains on Disposition of Assets** | | P | | CR |
| **71900** | **Other Gains** | | P | | CR |
| **72000** | **Losses** | | S | | DR |
| **72100** | **Loss on Disposition of Assets** | P | | DR | |
| 72300 | Litigation Settlement Costs | | P | | DR |
| 72500 | Accident Repair Cost | | P | | DR |
| **72900** | **Other Losses** | | P | | DR |
| 74000 | Prior Period Adjustments | | P | | DC |

**90000 Aircraft Statistical Use**

| | | |
|---|---|---|
| 91000 | Fixed Wing Flying Hours (FW) | S |
| 91100 | FW Single Engine (SE) | S |
| 91110 | FW SE Reciprocating | P |
| 91120 | FW SE Turbine | P |
| 91130 | FW SE Jet | P |
| 91200 | FW Multi-Engine (ME) | S |
| 91210 | FW ME Reciprocating | P |
| 91220 | FW ME Turbine | P |
| 91230 | FW ME Jet | P |
| 92000 | Helicopter Flying Hours (HE) | S |
| 92100 | HE Single Engine (SE) | S |
| 92110 | HE SE Reciprocating | P |
| 92120 | HE SE Turbine | P |
| 92200 | HE Multi Engine (ME) | S |
| 92210 | HE ME Reciprocating | P |
| 92220 | HE ME Turbine | P |
| 93000 | Fixed Wing Block-to-block Hours (FW) | S |
| 93100 | FW Single Engine (SE) | S |
| 93110 | FW SE Reciprocating | P |
| 93120 | FW SE Turbine | P |
| 93130 | FW SE Jet | P |
| 93200 | FW Multi-Engine (ME) | S |
| 93210 | FW ME Reciprocating | P |
| 93220 | FW ME Turbine | P |
| 93230 | FW ME Jet | P |
| 94000 | Helicopter Block-to-block Hours (HE) | S |
| 94100 | HE Single Engine (SE) | S |
| 94110 | HE SE Reciprocating | P |
| 94120 | HE SE Turbine | P |
| 94200 | HE Multi Engine (ME) | S |
| 94210 | HE ME Reciprocating | P |
| 94220 | HE ME Turbine | P |

## 3.3 Expanding and Changing the Chart of Accounts

As mentioned earlier, flexibility is a major attribute of any well-designed accounting system. It allows for the uncertainties of the future. A well-designed chart of accounts must be able to change as the structure and objectives of the organization change. The following highlights areas Government agencies should consider when designing their own chart of accounts.

### 3.3.1 Expansion of the Account Numbering System

First, a Government agency might want to consider the number of digits used to identify the accounts. The SGL and many commercial charts of accounts use four digits; however, this may not be enough. The size of the organization, the amount of activity, and the level of detail required are factors to consider when determining the length of the account numbers. The chart of accounts illustrated in this guide uses five-digit account numbers because of the large number of sub accounts required in the expense section.

### 3.3.2 Spacing of Accounts

An organization should also consider the amount of numeric spaces left between account numbers when developing the chart of accounts. If no numeric spaces are left between sub accounts, adding a new sub account becomes a major problem since the entire chart of accounts will need to be redone. Therefore, most charts of accounts, including the one illustrated in this guide, insert numeric spaces between the sub accounts to allow for easy expansion and changes.

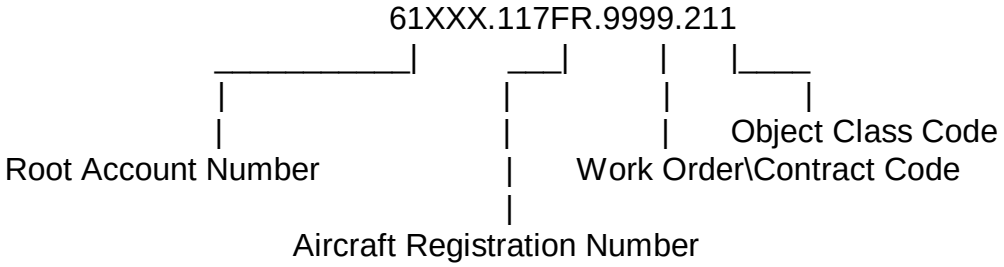
## 3.4 Maximizing Accounting Flexibility by Expanding the Chart of Accounts

In order to receive the maximum benefit from an accounting system, the information must be able to be consolidated and presented in formats that are useful to multiple management levels within the organization. The aviation operations manager will need and want to know the detailed costs for operating each aircraft in order to make sound fleet management decisions. On the other hand, the organization's administrative managers may only need summary information to support their management activities.

These various information needs must be accommodated by the chart of accounts. The chart of accounts must be structured so that it collects the financial data in account breakouts that meet the most detailed information requirements. It must also provide a mechanism that allows these detailed account breakouts to be rolled up into the summary information accounts

required by administrative users of the accounting data. Expanding the chart of accounts by adding suffixes attached to the root account number will provide the required mechanism.

The following example illustrates how agencies can build account numbers supporting data collection for a range of management requirements.




3.4.1 Accounting for Costs by Aircraft

Accounting systems are designed to provide financial information about an organization. Without additional manipulation, they do not provide information about a particular aircraft. Therefore, except where a one aircraft operation exists, a system of costing must be used that allows the accumulation of cost data for an individual aircraft as well as adding the costs for each individual aircraft into a total cost for the organization. This method of accounting is called "job costing" or "cost accounting." In this guide, the task is accomplished by adding additional digits to the account number.

For example, assume that an organization owns and operates three aircraft and needs to track all operating costs to a specific airframe. The root account number for fuel is 61110. Expanding the account number by adding a code that links the cost to a specific airframe is easy. Simply use the aircraft's registration numbers to expand the chart of account. Account 61110 becomes a summary account for three sub accounts (61110.105NA, 61110.108NA, and 61110.540FS). This allows the aviation manager to sort fuel cost data by specific airframe, and it also allows the aircraft specific costs to be summarized into one root account that can be reported to administrative management within the organization.

3.4.2 Accounting For Costs by Object Class Codes

Although the Federal Government is moving toward a general ledger system of accounting, the object class code system of appropriating and obligating funds is still in use. Agencies should consider expanding their chart of accounts to include object class code information. This will eliminate the need to operate dual accounting systems or to perform data conversions before reporting budgetary information to

required users. For example, the root account number for variable cost avionics parts is 61230 in the chart of accounts illustrated in this guide. The object class code 26.0 is designated for supplies and materials. Attaching the appropriate object class codes as suffixes to the account numbers results in account numbers (i.e., 61230.XXXXX.9999.260) that allow the accounting data to be easily sorted and reported by object class code.

Refer to the Office of Management and Budget's Circular A-11 which details the (i) purpose and (ii) reporting requirements and format for the object class codes. Your agencies' finance personnel are familiar with this process. The table on page 24-B gives a generic cross-reference for object class codes and cost elements.

### 3.4.3 Accounting for Costs by Work Order Number

Some agencies may find it beneficial to sort on all costs associated with a certain project. Again, this can be accomplished by adding a suffix to the end of the root account number. Imagine that an aircraft is undergoing an engine overhaul that has been assigned work order number 0123. At a minimum, an engine overhaul performed by in-house mechanics will require labor costs and parts costs. Assigning a unique work order number to the engine overhaul project will allow all of these costs to be consolidated into the total cost for completing the engine overhaul.

If agencies need to separate labor and parts expenditures, they will want to develop separate accounts (i.e., for organizations that do not have overhaul reserves in a working capital fund, change the illustrated chart of accounts to make 61261 engine overhaul expense parts - commercial and 61262 engine overhaul expense labor - commercial). The expanded account numbers would then be 61261.XXXXX.0123 and 61262.XXXXX.0123. The 0123 work order number will link the costs contained in separate accounts to a specific project. With a working capital fund, the engine overhaul would be charged to 21500.XXXXX.0123, or if you desire to have parts separate from labor 21501.XXXXX.0123 and 21502.XXXXX.0123.

### 3.4.4 Other Possibilities

Obviously, agencies can add any suffix to the root account numbers that will make the accounting data more useful for their purposes. Some other possibilities may include: mission activity, site location, and contract code. Agencies interested in tracking the accounting data in several ways will want to attach more than one suffix to the root account numbers. In deciding which options to include, remember to start by considering what output the system will have to produce and work backwards from there. Make sure to build flexibility into the system otherwise updating the chart of accounts will become a very difficult process.

## 3.5 Sample Chart of Account Definitions (Based on Federal Government Cost Elements)

This section shows supporting definitions for the sample chart of accounts outlined in the previous section. Government agencies can use these definitions to obtain more information on selected accounts. The explanation for each selected account contains a description of the account, the source document(s) that flow into the account, where the account information flows with respect to OMB cost comparisons, such as A-76, A-126 and FAIRS, and additional comments about the account and related sub accounts.

Reserve accounts are also described in the following pages. These can be used in Working Capital Fund (WCF) programs. These accounts cannot be incorporated into the accounting system for appropriated programs; however, managers should still calculate these reserve expenses in order to realize the true cost of operating the aviation program. These calculated reserve expenditures must also be incorporated into cost comparison studies and life cycle cost analyses. Examples of these reserve accounts include: reserve for engine overhaul, reserve for aircraft refurbishment, reserve for component rebuild and overhaul, and reserve for retirement items. Other expenses that may not be actual cash outlays (and therefore not tracked in all agencies' accounting systems) but that need to be included in cost comparisons are interest expense, depreciation and self-insurance expense.

Of particular interest is the source of labor, parts, supplies, materials and services that support aircraft operations or aviation programs. FAIRS requires that agencies report whether their aviation funds are spent with a commercial source or a federal source (which can be internally within the reporting agency or with another federal agency). Cost account records must be established for tracking the expenditures in these categories. For example, in account 61160 ‘Fixed Crew Costs’ requires separate accounting for salaries paid to Federal Employees (Federal source) or to contract employees (commercial source). If both types of costs exist, the agency may track them discretely by establishing additional accounts for each type of expense (61162 ‘Wages and Benefits – Commercial’, and 61163 ‘Wages and Benefits – Federal’).

## 3.6 Cost Accounting Guide Correlation Matrix

The table on page 24-A shows how the cost accounting system and Chart of Accounts discussed in this guide support the various cost elements that are required to be collected for the FAIRS system input, as well as for A-76 and A-126 analyses.

**CAG Correlation Matrix** **Page 24-A**

| *A 126 Appendix B* | *A 76 Appendix 6 (March 1996)* | | *FAIRS* | | *CAG Chart of Accounts* | |
|---|---|---|---|---|---|---|
| **Variable Costs** | **Variable Operation Cost Elements** | | **Variable Costs** | | | |
| Crew Costs - Variable | 2 | Crew (In house MEO) | 101 | Variable crew - Commercial | 61152 | Travel Expenses - Commercial |
| | 19g | Travel and Per Diem (Contract performance) | | | 61154 | Wages (Hourly or parttime) - Commercial |
| | | | 102 | Variable crew - Federal | 61153 | Travel Expenses - Federal |
| | | | | | 61155 | Wages (Hourly or parttime) - Federal |
| Maint Costs - Variable* | | | | | | |
| Maint Labor - Variable | 5a | Maint and Spares - Labor Cost (In house MEO) | 87 | Scheduled Maintenance labor - Commercial Cost | 61212 | Wages and benefits - Scheduled Maint (Comm) |
| | | | | | 61216 | Training (Commercial) |
| | | | | | 61218 | Other labor costs (Commercial) |
| | | | 88 | Scheduled Maintenance labor - Federal Cost | 61213 | Wages and benefits - Scheduled Maint (Federal) |
| | | | | | 61217 | Training (Federal) |
| | | | | | 61219 | Other labor costs (Federal) |
| | | | 97 | Unscheduled Maint & Repairs Labor - Commercial | 61214 | Wages and benefits - Unscheduled Maint (Comm) |
| | | | 98 | Unscheduled Maint & Repairs Labor - Federal | 61215 | Wages and benefits - Unscheduled Maint (Federal) |
| Maint Parts - Variable | 5b | Maint and Spares - Parts (In house MEO) | 89 | Scheduled Maintenance Parts - Commercial Cost | 61221 | Parts Airframe Scheduled (Commercial) |
| | | | | | 61231 | Parts Avionics Scheduled (Commercial) |
| | | | | | 61241 | Parts Engine Scheduled (Commercial) |
| | | | 90 | Scheduled Maintenance Parts- Federal Cost | 61223 | Parts Airframe Scheduled (Federal) |
| | | | | | 61233 | Parts Avionics Scheduled (Federal) |
| | | | | | 61243 | Parts Engine Scheduled (Federal) |
| | | | 99 | Unscheduled Maint & Repairs Parts - Commercial | 61225 | Parts Airframe Unscheduled (Commercial) |
| | | | | | 61235 | Parts Avionics Unscheduled (Commercial) |
| | | | | | 61245 | Parts Engine Unscheduled (Commercial) |
| | | | 100 | Unscheduled Maint & Repairs Parts - Federal | 61227 | Parts Airframe Unscheduled (Federal) |
| | | | | | 61237 | Parts Avionics Unscheduled (Federal) |
| | | | | | 61247 | Parts Engine Unscheduled (Federal) |
| Maint Contracts - Variable | 5c | Maint and Spares - Contracts (in house MEO) | 69 | Oxygen - Commercial cost | 61186 | Oxygen Servicing (Commercial) |
| | | | 70 | Oxygen - Federal Cost | 61188 | Oxygen Servicing (Federal) |
| | | | 83 | Sched Maint Contract Out - Commercial | 61252 | Contracts (Commercial) |
| | | | 84 | Sched Maint Contract Out - Federal | 61254 | Contracts (Federal) |
| Eng O'haul, Refurb, Major | 5d | Eng O'haul, Refurb, Major Component Repair (in house MEO) | 85 | Sched Maint Engine O'haul - Commercial | 61262 | Engine Overhaul Expense (Commercial) |
| Component Repair | 5e | Maint and Spares - Reserves (in house MEO) | 86 | Sched Maint Engine O'haul - Federal | 61264 | Engine Overhaul Expense (Federal) |
| | | | 91 | Sched Maint Refurb - Commercial | 61272 | Aircraft Refurbishment Expense (Commercial) |
| | | | 92 | Sched Maint Refurb - Federal | 61274 | Aircraft Refurbishment Expense (Federal) |
| | | | 93 | Sched Maint TBO Comp - Commercial | 61282 | Major Comp. Rebuild/Overhaul Expense (Comm) |
| | | | | | 61292 | Retirement Item Expense (Commercial) |
| | | | 94 | Sched Maint TBO Comp - Federal | 61284 | Major Comp. Rebuild/Overhaul Expense (Federal) |
| | | | | | 61294 | Retirement Item Expense (Federal) |
| Fuel and other fluids | 1 | Fuel and other fluids (In house MEO) | 40 | Fuel - Commercial | 61112 | Fuel - Bulk (Commercial) |
| | 19j | Other Costs (Fuel) (Contract performance) | | | 61114 | Fuel - Retail (Commercial) |
| | | | 41 | Fuel - Federal | 61113 | Fuel - Bulk (Federal) |
| | | | | | 61115 | Fuel - Retail (Federal) |
| | | | 56 | Lubricant - commercial | 61122 | Lubricants (Commercial) |
| | | | 57 | Lubricant - federal | 61124 | Lubricants (Federal) |
| Lease Costs - Variable | 3 | Aircraft Lease or Rental (In house MEO) | 103 | Variable lease cost - Commercial | 61132 | Variable lease cost (Commercial) |
| | 18 | Contract Cost (Contract Performance) | 104 | Variable lease cost - Federal | 61134 | Variable lease cost (Federal) |
| Landing & tie down fees | 4 | Landing Fees and Tie Down fees (In house MEO) | 38 | Flight support - commercial | 61172 | Flight support (commercial) |
| | 19f | Additional Ground Support Services (Contract performance) | 39 | Flight support - federal | 61174 | Flight support (federal) |
| | 19i | Airport Fees (Contract performance) | 42 | Ground servicing - commercial | 61182 | Ground servicing (commercial) |
| | | | 43 | Ground servicing - federal | 61184 | Ground servicing (federal) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Fixed Costs**** | | **Fixed Operating Cost Elements** | | **Fixed Costs**** | | | |
| Crew costs - fixed | | 9 | Crew (In house MEO) | 34 | Fixed crew - commercial | 61162 | Wages and benefits - Commercial |
| | | 19b | Additional Pilot and Crew Charges (Contract performance) | | | 61164 | Training Costs - Commercial |
| | | | | | | 61166 | Other Crew Costs - Commercial |
| | | | | 35 | Fixed crew - federal | 61163 | Wages and benefits - Federal |
| | | | | | | 61165 | Training Costs - Federal |
| | | | | | | 61167 | Other Crew Costs - Federal |
| Maint Costs - Fixed* | | | | | | | |
| | Maint Labor - Fixed | 10a | Fixed Maintenance - Labor (In house MEO) | 77 | *Scheduled (Calendar)* Maint Labor - Commercial Cost | 61312 | Maint wages and benefits - Commercial |
| | | | | | | 61314 | Maint training Costs - Commercial |
| | | | | | | 61316 | Other maint labor Costs - Commercial |
| | | | | 78 | *Scheduled (Calendar)* Maint Labor - Federal Cost | 61313 | Maint wages and benefits - Federal |
| | | | | | | 61315 | Maint training Costs - Federal |
| | | | | | | 61317 | Other maint labor Costs - Federal |
| | Maint Parts - Fixed | 10b | Fixed Maintenance - Parts (In house MEO) | 79 | *Scheduled (Calendar)* Maint Parts - Commercial Cost | 61321 | Parts Airframe Scheduled (Commercial) |
| | | | | | | 61331 | Parts Avionics Scheduled (Commercial) |
| | | | | | | 61341 | Parts Engine Scheduled (Commercial) |
| | | | | 80 | *Scheduled (Calendar)* Maint Parts - Federal Cost | 61323 | Parts Airframe Scheduled (Federal) |
| | | | | | | 61333 | Parts Avionics Scheduled (Federal) |
| | | | | | | 61343 | Parts Engine Scheduled (Federal) |
| | Maint Contracts - Fixed | 10c | Fixed Maintenance - Contracts (In house MEO) | 81 | *Scheduled (Calendar)* Maint Contract Out - Comm Cost | 61351 | Contracts (Commercial) |
| | | 19c | Additional Maintenance Support (Contract performance) | 82 | *Scheduled (Calendar)* Maint Contract Out - Federal Cost | 61353 | Contracts (Federal) |
| Lease Costs - Fixed | | 11 | Aircraft Lease (In house MEO) | 36 | Fixed lease - commercial | 61142 | Fixed lease cost (Commercial) |
| | | 19a | Daily availability/standby/guarantee hours (Contract Performance) | 37 | Fixed lease - federal | 61144 | Fixed lease cost (Federal) |
| Operations O'head | | 14 | Overhead (In house MEO) | 65 | Operations Overhead Cost | 61500 | Operations Overhead |
| | | 20 | Contract Administration Cost (Contract performance) | | | 61600 | Other Direct Costs |
| Admin O'head | | 14 | Overhead (In house MEO) | 8 | Administrative O'head Cost | 66010 | Indirect Administrative Costs |
| Self Insurance Cost | | 13 | Self Insurance (In house MEO) | 52 | Insurance premium cost | 69011 | Hull insurance |
| | | | | | | 69012 | Liability insurance |
| | | | | 55 | Litigation settlement cost | 72300 | Litigation settlememt cost |
| Depreciation | | 12 | Depreciation (In house MEO) | | | 61410 | Depreciation Expense - Aircraft |
| **Miscellaneous Costs***** | | | | **Miscellaneous Costs***** | | | |
| Accident Repair Cost | | | | | | 72500 | Accident Repair Cost |
| Aircraft Cost | | 19d | Airframe alteration/equipment installation (Contract performance) | 62 | Modification - Cost | 17520 | Aircraft Modifications |
| | | 19e | Equipment not provided by the government (Contrcat performance) | 6 | Acquisition value | 17510 | Aircraft |
| Cost of Capital | | 15 | Cost of Capital or finance expense (In house MEO) | | | 63100 | Interest on Borrowing from Treasury |
| | | | | | | 63200 | Interest on Borrowing from Commercial Lender |
| **Other Required Data** | | | | | | | |
| | | 7 | Flight Hours for PWS (In house MEO) | | | 90000 | Aircraft Statistics |

* Maintenance costs = On-condition maintenance + unscheduled maintenance + scheduled inspections based on aircraft usage
** Maintenance costs = Scheduled maintenance and inspections based on calendar time only
*** Not used for A-126 calculations. Cost of capital and depreciation are calculated values based on "Aircraft Value"

| Object Class vs. Cost Element Cross Reference | | | | | | | | | | | | Page 24-B, CAG | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Object Class | 11 | 11.1 | 11.3 | 11.5 | 12 | 13 | 21 | 22 | 23 | 24 | 25 | 26 | 30 | 31 | 32 |
| Cost Element | | | | | | | | | | | | | | | | | | | |
| | Variable Cost | | | | | | | | | | | | | | | | | | |
| | | Crew Cost | | | | | | | | | | | | | | | | | |
| | | -Travel | | | | | | | | x | | | | | | | | | |
| | | -Overtime | | | | | x | | | | | | | | | | | | |
| | | -Part time wages | | | | x | | | | | | | | | | | | | |
| | Maintenance | | | | | | | | | | | | | | | | | | |
| | | -Salaries | | x | | | | | | | | | | | | | | | |
| | | -Benefits | | | | | | x | | | | | | | | | | | |
| | | -Travel | | | | | | | | x | | | | | | | | | |
| | | -Training | | | | | | | | | | | | x | | | | | |
| | | -Parts and Materials | | | | | | | | | | | | | x | | | | |
| | | -Contract Services | | | | | | | | | | | | x | | | | | |
| | Overhaul Costs | | | | | | | | | | | | | | | | | | |
| | | -Salaries | | x | | | | | | | | | | | | | | | |
| | | -Benefits | | | | | | x | | | | | | | | | | | |
| | | -Travel | | | | | | | | x | | | | | | | | | |
| | | -Parts and Materials | | | | | | | | | | | | | x | x | | | |
| | | -Contract Services | | | | | | | | | | | | x | | | | | |
| | Fuel, Additives and Lubricants | | | | | | | | | | | | | | x | | | | |
| | Aircraft Lease/Rent | | | | | | | | | | | | | x | | | | | |
| | Landing and Tie-down Fees | | | | | | | | | | | | | x | | | | | |
| | | | | | | | | | | | | | | | | | | | |
| Fixed Costs | | | | | | | | | | | | | | | | | | | |
| | Crew Costs | | | | | | | | | | | | | | | | | | |
| | | -Salaries | | | x | | | | | | | | | | | | | | |
| | | -Benefits | | | | | | x | | | | | | | | | | | |
| | | -Training | | | | | | | | | | | | x | | | | | |
| | | -Charts, Protective Eq. | | | | | | | | | | | | | x | | | | |
| | Maintenance | | | | | | | | | | | | | | | | | | |
| | | -Salaries | | x | | | | | | | | | | | | | | | |
| | | -Benefits | | | | | | x | | | | | | | | | | | |
| | | -Training | | | | | | | | | | | | x | | | | | |
| | | -Parts and Materials | | | | | | | | | | | | | x | | | | |
| | | -Contract Services | | | | | | | | | | | | x | | | | | |
| | Aircraft Lease | | | | | | | | | | | | | x | | | | | |
| | Other Direct Costs | | | x | | | | x | x | x | x | x | x | | x | | x | x | |
| | Operations Overhead | | | x | | | | x | x | x | x | x | x | | x | | x | x | |
| | Administrative Overhead | | | x | | | | x | | | | x | x | x | x | | | x | |
| | | | | | | | | | | | | | | | | | | | |
| Other Costs | | | | | | | | | | | | | | | | | | | |
| | Accident Repair Costs | | | x | | | | | | | | | | x | x | x | | | |
| | Aircraft Depreciation | | | | | | | | | | | | | | | | | | |

**ITEM: Fund Balance with Treasury** **ACCOUNT: 10100**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

All funds on deposit with Treasury. This account is maintained by fund to show the amount of monies received, net disbursements, cash advances received from other agencies, and net reimbursements collected and deposited to the Treasury.

**SOURCE:** All collection documents and all disbursement documents.

**COMMENTS:**

All cash received is immediately deposited into the Treasury and therefore becomes *funds*. Likewise all payments made by a federal finance system are disbursements from the Treasury, and from the appropriate fund.

Receipts are usually:
**Debit** to this account
**Credit** to Accounts Receivable 13100

Disbursements are usually:
**Debit** to the Accounts Payable 21100
**Credit** to this account

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not applicable to asset accounts. |

**ITEM: Accounts Receivable** **ACCOUNT: 13100**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

Amounts due from others when the right to receive funds accrues, which may result from the performance of services or the delivery of goods. This account is maintained to show the amount billed and still receivable from the public or other government agencies for materials or services that are reimbursable to this fund. The accounts receivable file supports this account.

| | |
|---|---|
| **SOURCE:** | Bills issued to customers for services provided or goods furnished. Also bad debt write-off or disputed balance adjustments may result in credits to Accounts Receivable.<br>Collections received reduce this account balance. |

**COMMENTS:**

Record of services provided or goods furnished must cause a revenue to an account in the 50000 series and an offsetting receivable to this account. When a customer pays the resulting bill, a reduction to this account occurs. A supporting accounts receivable file must be maintained for each and every customer; this supporting file is called a subsidiary file.

Increases to this account are:
**Debit** to this account for the value of service provided
**Credit** to a revenue account in the 50000 series for an amount equal to the bill that was sent to the customer

Decreases to this account are:
**Debit** to Fund Balance with Treasury (Cash) account 10100
**Credit** to this account for the amount of the collection from a customer

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not applicable to asset accounts |

**ITEM: Inventories** **ACCOUNT: 15000**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost/value of tangible personal property held as inventory for sale or transfer as operating materials and supplies consumed in normal operations.

**SOURCE:** This is a summary account – the posting accounts are 15110 and 15120

**COMMENTS:**

This account is used when an organization has an inventory of spare parts or fuel or other items held in storage for later use in normal operations. No transactions are posted to this account.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Inventories – Inventory for Agency Operations** **ACCOUNT: 15100**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost/value of tangible personal property held as inventory for sale or transfer as operating materials and supplies consumed in normal operations.

**SOURCE:** This is a summary account – the posting accounts are 15110 and 15120

**COMMENTS:**

This account is used when an organization has an inventory of spare parts or fuel or other items held in storage for later use in normal operations. No transactions are posted to this account.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Inventories -- Fuel** **ACCOUNT: 15110**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost/value of tangible personal property (aviation fuel) held as inventory for sale or transfer as operating materials and supplies consumed in normal operations.

**SOURCE:** Bulk fuel purchase receipts track fuel brought in and fuel issue tickets track fuel taken out.

**COMMENTS:**

This account is used when an organization has a fuel stores site with the capacity to take on large quantities of fuel for later issue to a specific aircraft. It is very important that the units (gallons) of fuel be tracked as well as the value.

Fuel receipts cause:
**Debit** to this account
**Credit** to Accounts Payable account 21100

Fuel issues cause:
**Debit** to the appropriate expense account (probably Fuel 61113)
**Credit** to this account

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 26.XX |

**ITEM: Inventories - Parts** **ACCOUNT: 15120**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost/value of tangible personal property (aircraft parts) held in reserve as inventory for future sale, because it is not readily available in the immediate area or because there is more than a remote chance that it will eventually be needed.

**SOURCE:** Purchase orders for aircraft parts that are going to become a stores item to be issued at a later time to a specific aircraft.

**COMMENTS:**

This account is used when an organization has the ability to staff and operate an aircraft parts room and has determined that the local sources for aircraft parts are less than adequate to service their needs. A secure parts room with a serviceable parts inventory system is very important to the operation of an inventory of aircraft parts.

Receipt of parts:
**Debit** this account
**Credit** Accounts Payable 21100

Issue of a part from inventory:
**Debit** the appropriate expense account (such as; 61223, 61227,61233, 61237, 61243 or 61247 and 61323, 61333 or 61343)
**Credit** this account

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 26.XX |

**ITEM: Fixed Assets (Property, Plant and Equipment)** **ACCOUNT: 17000**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost of government-owned property, plant and equipment (such as aircraft, tugs, trucks, hangars, other buildings, etc.) under the control of this aviation organization. This account includes aircraft and building improvements and renovations, as well as aircraft and buildings acquired under lease-purchase agreements. Also included is any accumulated depreciation on these assets.

| | |
|---|---|
| **SOURCE:** | This is a summary account. Posting accounts are 17300 through 17590 |

**COMMENTS:**

The assets included here are all aircraft, equipment and buildings used to produce the aviation services for the agency. It is important to include only the assets that are actually owned by the agency. Aircraft, buildings and equipment that are leased using operating leases or short term leases should not be included here. On the other hand, assets that are acquired through lease-to-purchase or capital leases must be included in account 18110 – 18190.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Buildings, Improvements and Renovation** **ACCOUNT: 17300**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost of government-owned buildings under the control of this aviation organization. This account includes building improvements and renovations.

| | |
|---|---|
| **SOURCE:** | Purchase order or contracts for the capital construction of the building, or a property transfer document that transfers the building to the aviation activity. |

**COMMENTS:**

Be sure to capitalize only buildings and improvements that are the responsibility of the aviation activity. In doing so ensure that the building or improvement was paid for with aviation funds or transferred from another agency. Also, verify that the buildings transferred -in are removed from the losing agency books concurrent with the capitalization on the aviation activities' books.

Paying for a building:
**Debit** this account
**Credit** Accounts Payable 21100

Receiving a transferred building:
**Debit** this account
**Credit** Transfers-in from Others without Reimbursement 32200

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 32.XX |

**ITEM: Accumulated Depreciation** **ACCOUNT: 17390**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

Accumulates depreciation charged to expense for buildings.

**SOURCE:** Periodic expense reporting document that records the depreciation.

**COMMENTS:**

This account accumulates the aggregate of all periods depreciation expenses over the life of the building(s). This account carries a credit balance to offset a portion of the debit balance of the building account, thereby reducing the net value of the assets as the building(s) age and are used up (deteriorate) over their productive life.

Booking of depreciation expense:
**Debit** the expense account 61420 (Depreciation Expense - Buildings)
**Credit** this account

**OBJECT CLASS:**

This side of the above entry does not need an object class; however, many finance systems will require an object class on the expense side of this document. If this is the case, be sure to use the same object class on both sides of the entry so they offset each other and therefore have no effect on the budgetary reports, such as the SF-225. Suggest that either object class 25.XX or 26.XX be used.

**ITEM: Other Structures and Facilities** **ACCOUNT: 17400**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The cost or appraised value of government-owned structures and facilities (other than buildings) that are purchased by the aviation activity and/or are under the control of the aviation activity**.**

**SOURCE:** Purchase order or contracts for the capital construction of the structure or facility, or a property transfer document that transfers it to the aviation activity.

**COMMENTS:**

See the Comments on the page for account 17300. The same processes apply to this account.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 32.XX |

**ITEM: Accumulated Depreciation** **ACCOUNT: 17490**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

Accumulates depreciation charged to expense for structures and facilities.

**SOURCE:** Periodic expense reporting document that records the depreciation.

**COMMENTS:**

This account accumulates the aggregate of all periods deprecia tion expenses over the life of the structures and facilities. This account carries a credit balance to offset a portion of the debit balance of the structures and facilities account, thereby reducing the net value of the assets as they age and are used up (deteriorate) over their productive life.

Booking of depreciation expense:
**Debit** the expense account 61430 (Depreciation Expense - Other Structures and Facilities)
**Credit** this account

**A-126:** Not Applicable
**A-76:** Not Applicable
**FAIRS:** Not Applicable
**OBJECT CLASS:** This side of the above entry does not need an object class; however, many finance systems will require an object class on the expense side of this document. If this is the case, be sure to use the same object class on both sides of the entry so they offset each other and therefore have no effect on the budgetary reports, such as the SF -225. Suggest that either object class 25.XX or 26.XX be used.

**ITEM: Equipment** **ACCOUNT: 17500**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

This account is maintained to show the cost of aircraft, aircraft modifications, mission equipment and other equipment used to support the aviation operation. The amounts shown are either the purchase price and/or the estimated market value of aircraft and equipment at the time they are transferred without cost.

**SOURCE:** This is a summary account. Posting is done to accounts 17510 - 17590

**COMMENTS:**

It is critical that an aviation activity has detailed capitalization records on each aircraft, aircraft modification and price of major equipment used. Therefore ensure that the subsidiary records are complete and accurate. Also, verify that aircraft or equipment transferred-in are removed from the losing agency's books concurrent with the capitalization on the aviation activities' books.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Equipment - Aircraft** **ACCOUNT: 17510**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

This account is maintained to show the cost of aircraft purchased and/or the estimated market value of aircraft at the time they are transferred without cost. This account is supported by subsidiary records showing the description, location, cost or appraised value, and other essential acquisition data on each individual aircraft.

**SOURCE:** Purchase order or contracts for the purchase of the aircraft, or a property transfer document that transfers the aircr aft to the aviation activity.

**COMMENTS:**

It is critical that an aviation activity has detailed capitalization records on each aircraft, therefore ensure that the subsidiary records are complete and accurate. Also, verify that the aircraft transfer red-in are removed from the losing agency's books concurrent with the capitalization on the aviation activities' books.

Paying for an aircraft:
**Debit** this account
**Credit** Accounts Payable 21100

Receiving a transferred aircraft:
**Debit** this account
**Credit** Transfers-in from Others without Reimbursement 32200

| | |
|---|---|
| **A-126:** | Aircraft Cost |
| **A-76:** | Not Applicable |
| **FAIRS:** | 6 |
| **OBJECT CLASS:** | 31.XX |

**ITEM: Equipment – Aircraft Modifications** **ACCOUNT: 17520**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

This account is maintained to show the cost of major modifications accomplished on aircraft when purchased or at a later date when its mission changes. This account is supported by subsidiary records showing the description, location, cost or appraised value, and other essential acquisition data on the modifications performed for each individual aircraft.

**SOURCE:** Purchase order or contracts for the modification of the aircraft

**COMMENTS:**

It is critical that an aviation activity has detailed capitalization records on each aircraft, therefore ensure that the subsidiary records are complete and accurate.

Paying for an aircraft modification:
**Debit** this account
**Credit** Accounts Payable 21100

| | |
|---|---|
| **A-126:** | Aircraft Cost |
| **A-76:** | 19d, 19e |
| **FAIRS:** | 62 |
| **OBJECT CLASS:** | **31.XX** |

**ITEM: Equipment - Other Than Aircraft** **ACCOUNT: 17530**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

Tangible items of a durable nature used in the operations of an aircraft activity includi ng but not limited to items such as word processors, typewriters, personal computers, calculators, furniture, copiers, machinery, automotive equipment, and ADP equipment (excluding ADP software). This account is supported by subsidiary records showing the descriptions, location, cost or appraised value, and other essential capitalization data.

| | |
|---|---|
| **SOURCE:** | Purchase order or contracts for the purchase of equipment, or a property transfer document that transfers the equipment to the aviation activity. |

**COMMENTS:**

It is critical that an aviation activity has detailed capitalization records on all equipment. Therefore ensure that the subsidiary records are complete and accurate. Also, verify that equipment transferred in is removed from the losing agency's books concurrent with the capitalization on the aviation activities' books. Note that your agency may have capitalization levels below which acquisitions are not capitalized.

Paying for equipment:
**Debit** this account
**Credit** Accounts Payable 21100

Receiving a transferred equipment:
**Debit** this account
**Credit** Transfers-in from Others without Reimbursement 32200

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 31.XX |

**ITEM: Accumulated Depreciation** **ACCOUNT: 17590**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

Accumulates depreciation charged to expense for equipment. Depreciation on aircraft must be kept separate from all other equipment depreciation through the use of a subsidiary file on aircraft.

**SOURCE:** Periodic expense reporting document that records the depreciation.

**COMMENTS:**

The accumulated depreciation on aircraft should be maintained on a subsidiary record for each aircraft. This account carries a credit balance to offset a portion of the debit balance of the equipment account, thereby reducing the net value of the assets as they age and are used up (deteriorate) over their productive life.

Booking of depreciation expense on aircraft:
**Debit** the expense account 61410 (Depreciation Expense - Aircraft)
**Credit** this account

Booking of depreciation expense on equipment, other than aircraft:
**Debit** the expense account 61440 (Depreciation Expense - Equipment)
**Credit** this account

**A-126:** Not Applicable
**A-76:** Not Applicable
**FAIRS:** Not Applicable
**OBJECT CLASS:**
This side of the above entry does not need an object class; however, many finance systems will require an object class on the expense side of this document. If this is the case, be sure to use the same object class on both sides of the entry so they offset each other and therefore have no effect on the budgetary reports, such as the SF-225. Suggest that either object class 25.XX or 26.XX be used.

**ITEM: Assets under Capital Lease** **ACCOUNT: 18100**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

This account is maintained to show the value of aircraft, aircraft modifications, mission equipment and other equipment used for the aviation operation and acquired through a capital lease or lease-to-purchase agreement.

**SOURCE:** This is a summary account. Posting is done to accounts 18110 - 18190

**COMMENTS:**

It is critical that an aviation activity has detailed capitalization records on each aircraft, major equipment item used. Therefore ensure that the subsidiary records are complete and accurate.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Assets Under Capital Lease - Aircraft** **ACCOUNT: 18110**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The value of aircraft being leased under terms which are essentially equivalent to an installment purchase.

**SOURCE:** The total cost of the capitalized portion of an aircraft lease contract.

**COMMENTS:**

The amount to be capitalized should include the total cost of the lease (excluding interest and taxes) except for any use payment amount that is based on a flying hour consumption of the aircraft. Most lease contracts will have the asset value included in the payments that are based on the passage of time (days, months, or other calendar periods), while the usage cost if any will have the payment amount based on the number of hours of flight time.

The posting of this account is as follows:
**Debit** this account for the total capital amount of the lease
**Credit** Capital Lease Liability (account 29300)

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 31.XX |

**ITEM: Assets Under Capital Lease - Other Assets** **ACCOUNT: 18120**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

The value of assets being leased under terms which are essentially equivalent to an installment purchase.

**SOURCE:** The contractual document that establishes the lease (total cost of the cap italized portion of the lease contract).

**COMMENTS:**

This account provides for the capitalization of major assets that are purchased through a long -term lease purchase contract (excluding interest and taxes).

The posting of this account is as follows:

**Debit** this account for the total capital amount of the lease
**Credit** Capital Lease Liability (account 29300)

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 31.XX |

**ITEM: Accumulated Depreciation** **ACCOUNT: 18190**

**FINANCIAL STATEMENT**: Balance Sheet - Asset

**DEFINITION:**

Accumulates depreciation charged to expense for assets under capital lease. Keep a separate subsidiary file for aircraft.

**SOURCE:** Periodic expense reporting document that records the depreciation.

**COMMENTS:**

This account carries a credit balance to offset a portion of asset accounts 18110 and 18120, thereby keeping the asset portion of the Balance Sheet adjusted for the amount of the asset that has been consumed in the production of the services of the aviation activity.

**Debit** expense account 61460 (Depreciation Expense - Assets Under Capital Lease)
**Credit** this account

**A-126:** Not Applicable
**A-76:** Not Applicable
**FAIRS:** Not Applicable
**OBJECT CLASS:**
This side of the above entry does not need an object class; however, many finance systems will require an object class on the expense side of this document. If this is the case, be sure to use the same object class on both sides of the entry so they offset each other and therefore have no effect on the budgetary reports, such as the SF-225. Suggest that either object class 25.XX or 26.XX be used.

**ITEM: Accrued Liabilities - Other** **ACCOUNT: 21000**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet - Liability

**DEFINITION:**

This account is composed of two major elements. The first is the amounts owed to commercial or other federal entity for goods, services and other property ordered and received. The other is the accounts used to establish reserve accounts for the overhaul of the engine(s) or major components, replacement of time limited parts and refurbishment of the aircraft interior or exterior.

**SOURCE:** This is a summary account. Posting accounts are 21100 - 21515

**COMMENTS:**

Entries to this credit balance account usually come about by the receipt of a good or service that was previously ordered. For the reserve account, the entries occur as funds are set aside as a result of flight activity.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Accounts Payable** **ACCOUNT: 21100**

**FINANCIAL STATEMENT**: Balance Sheet - Liability

**DEFINITION:**

Amounts owed to another federal or non-federal entity for goods and other property ordered and received, and for services rendered by other than employees.

**SOURCE:** All purchase orders and contracts, when the item or service is received.

**COMMENTS:**

Entries to this credit balance account usually come about by the receipt of a good or service that was previously ordered. The cost side of the entry can be either an expense or an asset purchase.

**Debit** to any number of expense accounts or a capital asset account
**Credit** to this account

To liquidate this account (pay for the item):

**Debit** this account
**Credit** account 10100 (Fund Balance with Treasury)

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not applicable to this account. |

**ITEM: Interest Payable** **ACCOUNT: 21140**

**FINANCIAL STATEMENT**: Balance Sheet - Liability

**DEFINITION:**

Interest owed on money borrowed for the acquisition of an asset through a lease -to-purchase, capital lease or other financed purchase.

**SOURCE:** **Shown on the periodic loan payment statement from the lender. Also can be calculated using the** Lease-to-purchase or capital lease contract. This document will contain a table or other means that allows calculation of interest due.

**COMMENTS:**

Entries to this credit balance account occur at the beginning of the loan period for the entire interest amount due during the term of the lease purchase or capital lease. This amount is reduced each month or quarter as each monthly or quarterly payment is made.

To liquidate this account (pay for the item):

**Debit** this account
**Credit** account 10100 (Fund Balance with Treasury)

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Reserves** **ACCOUNT: 21500**
**Summary Account**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**
A reserve account that accumulates the periodic expense associated with the overhaul or replacement of major aircraft components (such as engines, transmissions, landing gear, etc.), as well as the periodic expense associated with the periodic refurbishm ent and repainting of the aircraft. When actual component overhaul, replacement or refurbishment occurs this account is reduced by the amount of actual expense.

**SOURCE:** This is a summary account. Postings are done to accounts 21510 - 21540

**COMMENTS:**
This account can be successfully implemented only when agencies establish working capital funds. The amount in this account will increase or decrease as reserves are accumulated or overhauls are paid for.

It is important that agencies op erating aircraft through year specific appropriations understand the concept of reserves even though they will not have reserve accounts set up in their official accounting system. They will need to calculate what the reserves would be for each accounting period and report these expenditures in the cost comparisons and cost reporting required by OMB and GSA.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Reserve - Engine Overhaul** **ACCOUNT: 21510**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**
A reserve account that accumulates the periodic expense amount from account 69512, engine overhaul, until the actual overhaul occurs. When actual engine overhaul occur s this account is reduced by the amount of actual expense. Only an engine overhaul or rebuild that renews the time - between overhaul life of the engine is to be charged to this reserve account. The overhaul can be caused by a premature failure of the engine or by reaching the established time between overhaul life.

**SOURCE:** Vendor invoices, Time sheets, Historical data

**COMMENTS:**
This account can be successfully implemented only when agencies establish working capital funds. The amount in this account will increase or decrease as reserves are accumulated or overhauls are paid for. The debit and credit entries required to record the transaction for accumulating funds in the reserve account for engine overhaul follow:

**Debit** En*gine Overhaul Expense (expense account number 69512).*
**Credit** Reserve Engine Overhaul (liability account number 21510),and

At the time of the engine overhaul, the reserve account will have to be reduced by the cost for completing the overhaul. To record this tr ansaction:

**Debit** Reserve Engine Overhaul account (liability account 21510)
**Credit** Accounts Payable account (liability account 21100)

At the time the invoice is paid, the transaction is recorded as follows:

**Debit** Accounts Payable account (liability account 21100)
**Credit** Cash account (asset account 10100)

It is important that agencies operating aircraft through year specific appropriations understand the concept of reserves even though they will not have reserve accounts set up in their official ac counting system. They will need to calculate what the reserves would be for each accounting period and report these expenditures in the cost comparisons and cost reporting required by OMB and GSA.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 11.X, 12.X, 21.X, 22.X, 23.X., 25.X, and 26.X. |

**ITEM: Reserve - Aircraft Refurbishment** **ACCOUNT: 21520**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**

A reserve account that accumulates the periodic expense amount from account 69522, aircraft refurbishment, until actual refurbishment occurs. When actual aircraft refurbishment occurs this account is reduced by the amount of actual expense.

**SOURCE:** Vendor invoices

**COMMENTS:**

This account can be successfully implemented only when agencies establish working capital funds. The amount in this account will increase or decrease as reserves are accumulated or refurbishments are paid for.

It is important that agencies operating aircraft through year specific appropriations understand the concept of reserves even though they will not have reserve accounts set up in their official accounting system. They will need to calculate what the reserves would be for each accounting period and report these expenditures in the cost comparisons and cost reporting required by OMB and GSA.

Recording the transaction is as shown above for "Reserve -Engine Overhaul"

**A-126:** Not Applicable
**A-76:** Not Applicable
**FAIRS:** Not Applicable
**OBJ CLASS:** 11.X, 12.X, 21.X, 22.X, 23.X, 25.X, and 26.X.

**ITEM: Reserve - Component Rebuild and Overhaul** **ACCOUNT: 21530**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**

A reserve account that accumulates the periodic expense amount from account 69514,component rebuild and overhaul, until actual overhauls occur. When actual component overhauls occur, this account is reduced by the amount of the actual expense. Only a component overhaul or rebuild that causes a new useful life in specified hours or future cycles should be charged to this reserve account.

| | |
|---|---|
| **SOURCE:** | Vendor invoices |

**COMMENTS:**

This account can be successfully implemented only when agencies establish working capital funds. The amount in this account will increase or decrease as reserves are accumulated or overhauls are paid for.

It is important that agencies operating aircraft through year specific appropriations understand the concept of reserves even though they will not have reserve acco unts set up in their official accounting system. They will need to calculate what the reserves would be for each accounting period and report these expenditures in the cost comparisons and cost reporting required by OMB and GSA.

Recording the transaction is as shown above for "Reserve -Engine Overhaul"

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 11.X, 12.X, 21.X, 22.X, 23.X, 25.X, and 26.X. |

**ITEM: Reserve – Life Limited Item** **ACCOUNT: 21540**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**

A reserve account that accumulates the periodic expense amount from account 69516 and 69526, retirement item replacement, until actual replacements occur. When actual retirement item replacement occurs, this account is reduced by the amount of the actual expense.

| | |
|---|---|
| **SOURCE:** | Vendor invoices |

**COMMENTS:**

This account can be successfully implemented only when agencies establish working capital funds. The amount in this account will increase or decrease as reserves are accumulated or overhauls are paid for.

It is important that agencies operating aircraft through year specific appropriations understand the concept of reserves even though they will not have reserve accounts set up in their official accounting system. They will need to calculate what the reserves would be for each accounting period and report these expenditures in the cost comparisons and cost reporting required by OMB and GSA.

Recording the transaction is as shown above for "Reserve-Engine Overhaul"

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | 11.X, 12.X, 21.X, 22.X, 23.X, 25.X, and 26.X. |

**ITEM: Accrued Liabilities - Funded Payroll and Benefits** **ACCOUNT: 22100**

**FINANCIAL STATEMENT**: Balance Sheet - Liability

**DEFINITION:**

The estimated liability for salaries and wages of employees that have been earned but unpaid and amounts of funded annual leave and other employee benefits which have been earned but are unpaid. This accrual is to be reversed at the beginning of the subsequent accounting period, and is supported by the agency's payroll system files.

**SOURCE:** Payroll records of earned but unpaid salaries, wages, benefits, and annual leave.

**COMMENTS:**

This account is only used at the end of an accounting cycle (ie. month -end, quarter-end, or year-end). The payroll system must be able to provide a value of these costs that can be prorated over the various expense accounts. The proration should b e based on the best estimate of what the employees have been working on during the unpaid period, or a statistical analysis of what the costs have been charged to in the recent pay periods.

At the end of an accounting cycle the posting should be:
**Debit** the various expense accounts in the 60000 series
**Credit** this account

At the beginning of the next accounting cycle the posting would be a reversal of the above entry.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to this account |

**ITEM: Unearned Revenues - Advances from Others** **ACCOUNT: 23100**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**

The balance of amounts advanced by other federal and non-federal entities for goods and services to be furnished (but not as yet delivered).

**SOURCE:** Collections received as the result of service agreements for future goods and services to be furnished.

**COMMENTS:**

When a customer desires to advance money for future services based on a service agreement, the aviation activity should have the processes to handle the advance. The funds are received into the aviation cash account (10100 Fund Balance with Treasury) and a liability is set up in this account. When the services are performed and a bill is issued, the bill is liquidated from this account.

When the funds are received:
**Debit** account 10100
**Credit** this account, a subsidiary file must be maintained for each customer that has made advance payments

After the service has been provided and a bill has been issued (an Accounts Receivable 13100 has been set up)**:**
**Debit** this account for the amount of the outstanding Accounts Receivable for this customer
**Credit** Accounts Receivable and the appropriate subsidiary file

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to this account |

**ITEM: Other Liabilities** **ACCOUNT: 29000**
**Summary Account**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**

This account is a summary account that can be used for liabilities (i.e., amounts owed to others) that don't fit any other category of liability. The two that are used in the sample chart of accounts are a "self insurance reserve" and a "capital lease liability".

| | |
|---|---|
| **SOURCE:** | This is a summary account. Posting is done to accounts 29200 - 29300 |

**COMMENTS:**

For details of how to use this account, see the posting accounts 29200 and 29300

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable |

**ITEM: Other Liabilities - Self Insurance Reserves** **ACCOUNT: 29200**

**FINANCIAL STATEMENT:** Balance Sheet - Liability

**DEFINITION:**

A reserve account that accumulates the periodic expense amount from account 69011 and 69012 for aircraft hull and liability insurance, until an actual accident or hull damaging incident occurs. When an aircraft is damaged or a liability is incurred as a result of an accident the cost is charged to this account.

| | |
|---|---|
| **SOURCE:** | Vendor invoices, Payroll costs, Historical data. |

**COMMENTS:**

This account can be successfully implemented only when an agency has established a Working Capital Fund. The amount in this account will increase as reserves are accumulated or decrease as aircraft repairs or liability costs are paid for.

The entries required to record the accumulation of funds in the reserve account are:

**Debit** the expense account 69011 and 69012 on at least a monthly basis
**Credit** this account

At the time of the aircraft accident repair or liability payment, the entries are:

**Debit** this account
**Credit** Accounts Payable account 21100

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | 11.XX, 12.XX, 21.XX, 22.XX, 25.XX, and 26.XX, |

**ITEM: Capital Lease Liability** **ACCOUNT: 29300**

**FINANCIAL STATEMENT**: Balance Sheet - Liability

**DEFINITION:**

The present value of liabilities for assets acquired under a lease agreement which meets the test for capitalizing the assets.

**SOURCE:** The contractual document that establishes th e lease agreement, and subsequent payment documents that pay down the outstanding lease payable.

**COMMENTS:**

Capital lease arrangements are a unique type of liability and therefore this payable is kept in its own liability and not mixed with all other payables in Accounts Payable account 21100.

To establish the account:
**Debit** the account 18110 or 18120 (Assets Under Capital Lease, Aircraft or Other Assets as appropriate)
**Credit** this account

As lease payments are made:
**Debit** this account
**Credit** the cash account (Fund Balance with Treasury account 10100)

When an asset purchased under a capital lease is fully paid for (this account has been reduced to zero for that particular asset), then an additional posting needs to occur. The asset value and the attendant accumulated depreciation must be transferred from the "Capital Lease" accounts 18110, 18120, and 18190 to the appropriate asset accounts in the 17XXX series.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS**: | Not applicable |
| **OBJECT CLASS:** | Not applicable to this liability account |

**ITEM: Unexpended appropriations** **ACCOUNT: 31000**

**FINANCIAL STATEMENT**: Balance Sheet – Net Position

**DEFINITION:**

Amounts of money that have been appropriated (i.e. authorized by Congress) but that have n ot yet been spent during the accounting period or fiscal year.

**SOURCE:** The difference between the appropriations for the agency and its expenditures

**COMMENTS:**

This account should be used if an agency has acquired goods or services for less cost than was authorized by the appropriation for these goods or services.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS**: | Not applicable |
| **OBJECT CLASS:** | Not applicable to Equity accounts |

**ITEM: Transfers in or out of assets** **ACCOUNT: 32000**
**Summary Account**

**FINANCIAL STATEMENT**: Balance Sheet – Net Position

**DEFINITION:**

The net book value, or the estimated fair market value, of property transferred-in from another Federal activity or transferred to another Federal activity without reimbursement.

**SOURCE:** This is a summary account. Posting is done to accounts 32200 and 32300.

**COMMENTS:**

This is the account that allows property to be transferred-in or out of an agency and capitalized in the Asset section of the Balance Sheet or removed from the Balance Sheet. This is the contra account to the capitalized property accounts, thereby allowing the entry directly into the asset section and not causing the Balance Sheet to go out of balance. Without an account like this in the Equity section, the contra to a property transfer would end up in the Income Statement as an extraordinary receipt or expense, causing the Income Statement for the current period to be distorted by an entry that did not come about through normal operations of the aviation activity.

See accounts 17510 and 17530 for the posting procedures.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS**: | Not applicable |
| **OBJECT CLASS:** | Not applicable to Equity accounts |

**ITEM: Transfers-in from Others without Reimbursement** **ACCOUNT: 32200**

**FINANCIAL STATEMENT**: Balance Sheet – Net Position

**DEFINITION:**

The net book value, or the estimated fair market value, of property transferred-in from another Federal activity without reimbursement.

**SOURCE:** The property transfer document.

**COMMENTS:**

This is the account that allows property to be transferred-in and capitalized in the Asset section of the Balance Sheet. This is the contra account to the capitalized property accounts, thereby allowing the entry directly into the asset section and not causing the Balance Sheet to go out of balance. Without an account like this in the Equity section, the contra to a property transfer would end up in the Income Statement as an extraordinary receipt, causing the Income Statement for the current period to be distorted by an entry that did not come about through normal operations of the aviation activity.

See accounts 17510 and 17530 for the posting procedures.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS**: | Not applicable |
| **OBJECT CLASS:** | Not applicable to Equity accounts |

**ITEM: Transfers-out to Others without Reimbursement** **ACCOUNT: 32300**

**FINANCIAL STATEMENT**: Balance Sheet – Net Position

**DEFINITION:**

The net book value of property transferred-out to another Federal activity without reimbursement.

**SOURCE:** The property transfer document.

**COMMENTS:**

If the aviation activity has not obtained the authorization to sell replaced assets, then when it is time to get rid of an aircraft or other asset it most likely will be declared excess. When an excess asset is picked up by another organization it needs to be removed from the books of the original aviation organization. A property disposal of this type creates a reduction in the assets and therefore must also create a reduction in the Net Position (Equity) section of the balance sheet. (Note that aviation activities that so desire can generally request and obtain authority to sell assets that are no longer needed and apply the proceeds to the acquisition of a new aircraft or components. If a sale is the method of disposal, then use accounts 71100 and 72100 for the proper posting).

A disposal by transferring-out will be posted as follows:

**Debit** the accumulated depreciation account for the amount of depreciation on that asset
**Credit** the asset account for the capitalized value of the asset and
**Debit** this account for the difference between the first entries (this must cause the debits and the credits to equal)

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS**: | Not applicable |
| **OBJECT CLASS:** | Not applicable to Equity accounts |

**ITEM: Equity - Cumulative Results of Operations** **ACCOUNT: 33000**

**FINANCIAL STATEMENT**: Balance Sheet - Equity

**DEFINITION:**

This account reflects the cumulative net results of operations. This is the net difference since the inception of the aviation activity between (1) expenses and losses and (2) financing sources including the initialization appropriation, revenues and gains.

**SOURCE:** Any warrant that transferred the initialization appropriation, as we ll as the annual net income or loss as reflected on the Income Statement.

**COMMENTS:**

The more common name for this account is Retained Earnings. This account is maintained to reflect the balance of net income or loss resulting from the aviation operation s from inception to the date of the Balance Sheet.

The Income Statement preparation results in all revenue and expense accounts to be closed on an annual basis, the contra to all these closing entries are posted to this account. Thereby causing this account to reflect the cumulative net income and/or net loss from all past operating years.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76**: | Not applicable |
| **FAIRS**: | Not applicable |
| **OBJECT CLASS:** | Not applicable to Equity accounts. |

**ITEM: Budgetary** **ACCOUNT: 40000**

**FINANCIAL STATEMENT**: Not applicable

**DEFINITION:**

These accounts reflect budgetary operations and conditions from the time appropriations are realized until they are expended.

| | |
|---|---|
| **SOURCE:** | Annual appropriations budgets and approved operating plans. |

**COMMENTS:**

The accounts in the 40000 series are designed to track the warranted funds that are provided to an operation that operates on annual appropriations provided by the Federal budget process. Each aviation activity may designate as many budgetary accounts as they desire. Look to your own agency's financial and budget people for guidance on how many accounts are required for the aviation activity. The budgetary accounts must always equal a zero when they are all added together; that is, there must be at least two accounts that offset each other with an equal amount of debits and credits. The accounts set up in this series may be many, however, when all the debit account balances are accumulated they must equal the total of all the credit account balances. This process keeps the Budgetary accounts from having an affect on the Balance Sheet or the Income Statement.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to Budgetary accounts. |

**ITEM: Revenue from Services Provided** **ACCOUNT: 52000**
Summary Account

**FINANCIAL STATEMENT**: Income Statement - Revenues

**DEFINITION:**

Revenue earned from the sale of aviation services provided to other Federal agencies, state or local government units or commercial customers.

| | |
|---|---|
| **SOURCE:** | This is a summary account. Posting is done to accounts 52100 - 52400. |

**COMMENTS:**

This account allows the agency to properly record the revenues obtained from others for aviation services rendered under contractual agreements or on an ad-hoc basis.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to revenue accounts. |

**ITEM: Revenue from Government Agencies** **ACCOUNT: 52100**

**FINANCIAL STATEMENT**: Income Statement - Revenues

**DEFINITION:**

Revenue earned from the sale of aviation services provided to Federal agency customers.

| | |
|---|---|
| **SOURCE:** | Records of service provided to individual customers. |

**COMMENTS:**

When a record of an aviation service enters the aviation activity's finance system, it will calculate the dollar value of the service provided and create a bill to the using agency. The amount of that bill is then recorded as a revenue in this account, while at the same time creating an Accounts Receivable record in account 13100.

The posting of this transaction was previously addressed on the page for account 13100.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to revenue accounts. |

**ITEM: Revenue from State Agencies** **ACCOUNT: 52200**

**FINANCIAL STATEMENT**: Income Statement - Revenues

**DEFINITION:**

Revenue earned from the sale of aviation services provided to state agency customers.

| | |
|---|---|
| **SOURCE:** | Records of service provided to individual customers. |

**COMMENTS:**

When a record of an aviation service enters the aviation activity's finance system, it will calculate the dollar value of the service provided and create a bill to the using state agency. The amount of that bill is then recorded as a revenue in this account, while at the same time creating an Accounts Receivable record in account 13100.

The posting of this transaction was previously addressed on the page for account 13100.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to revenue accounts. |

**ITEM: Revenue from Foreign Governments** **ACCOUNT: 52300**

**FINANCIAL STATEMENT**: Income Statement - Revenues

**DEFINITION:**

Revenue earned from the sale of aviation services provided to foreign government customers.

**SOURCE:** Records of service provided to individual customers.

**COMMENTS:**

When a record of an aviation service enters the aviation activity's finance system, it will calculate the dollar value of the service provided and create a bill to the using foreign go vernment. The amount of that bill is then recorded as a revenue in this account, while at the same time creating an Accounts Receivable record in account 13100.

The posting of this transaction was previously addressed on the page for account 13100.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to revenue accounts. |

**ITEM: Other Revenues** **ACCOUNT: 52400**

**FINANCIAL STATEMENT**: Income Statement - Revenues

**DEFINITION:**

All sources of revenue from all customers that did not fit the definitions listed in the previous three revenue accounts (52100, 52200, and 52300).

| | |
|---|---|
| **SOURCE:** | Records of service provided to individual customers. |

**COMMENTS:**

When a record of an aviation service enters the aviation activity's finance system, it will calculate the dollar value of the service provided and create a bill to the user. The amount of that bill is then recorded as a revenue in this account, while at the same time creating an Accounts Receivable record in ac count 13100.

The posting of this transaction was previously addressed on the page for account 13100.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to revenue accounts. |

**ITEM: Fuel and additives** **ACCOUNT: 61110**
Summary Accounts

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

A variable cost that includes aviation gasoline and jet fuel and fuel additives (i.e. water methanol, ionized water and Prist). Depending on the fuel type (bulk or retail) and acquisition process (from a federal source or a commercial one), etc., one of the following posting accounts will be used:

61110 Fuel and additives
61112 Fuel and additives – Bulk (Commercial)
61113 Fuel and additives – Bulk (Federal)
61114 Fuel and additives – Retail (Commercial)
61115 Fuel and additives – Retail (Federal)

**SOURCE:** Fuel Charge Slip (retail purchases)

Fuel Slip: Gallons X Dollar/Gallon for bulk and contract fuel. (Dollar/Gallon for bulk or contract fuel obtained from applicable contract.)

Enter cost for each fuel purchase.

**COMMENT:**

Consider your agency's requirement for fuel information. If you require more than one account, expand by adding sub accounts. For example, if you buy fuel in both retail and bulk from commercial sources and the difference is important to know, then you could use 61114 for retail and 61112 for bulk.

Recording this transaction is accomplished as follows for a retail fuel purchase:

**Debit** Fuel and additives/Fuel and additives - Retail (Expense Account 61114 or 61115)
**Credit** Accounts Payable (Liability Account 21100)

When the invoice for this fuel is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

If the fuel was obtained from the agency's fuel tank farm (inventory), proceed as follows:

**Debit** Fuel and additives/Fuel and additives -Bulk (Federal) (Expense Account 61113)
**Credit** Inventory for Agency Operations/Fuel (Asset Account 15110)

To record the purchase of fuel in bulk for the agency's fuel farm, record it as follows:

**Debit** Inventory for Agency Operations/Fuel (Asset Account 15110)
**Credit** Accounts Payable (Liability Account 21100)

| | |
|---|---|
| **A-126:** | Fuel and Other Fluids |
| **A-76:** | 1, 20j |
| **FAIRS:** | 40, 41, 56, 57 |
| **OBJECT CLASS:** | 26.XX |

**ITEM: Lubricants and oil** **ACCOUNT: 61120**
Summary Accounts

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

A variable cost that includes all lubricants and oils (i.e. hydraulic fluid, oil, grease and other lubricants). Depending on the acquisition process (from a federal source or a commercial one), etc., one of the following posting accounts will be used:

61120 Lubricants - Oil
61122 Lubricants - Commercial
61124 Lubricants – Federal

**SOURCE:** Vendor invoice or fuel charge slip (retail purchases). Enter cost for each fuel purchase.

**COMMENT:**

Consider your agency's requirement for information on lubricants. In addition to recording the c ost of lubricants by whether they are acquired commercially or from another federal agency, you may want to record by type - grease, oil and hydraulic fluid. To do this, it is easy to create sub accounts that allow this separation. (For example, in the sample chart of accounts in chapter 4, accounts 61121, 61123 and 61125 through 61129 are available).

Recording this transaction is accomplished as follows for a retail purchase:

**Debit** Lubricants and oil - Commercial (Expense Account 61122)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this fuel is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Fuel and Other Fluids |
| **A-76:** | 1, 20j |
| **FAIRS:** | 40, 41, 56, 57 |
| **OBJECT CLASS:** | 26.XX |

**ITEM: Variable Lease Costs** **ACCOUNT: 61130**
**Summary Account**

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

When the basis for leasing an aircraft is hours flown, then the associated rental or lease costs are classified as variable costs.

**SOURCE:** This is a summary account. The posting accounts are 61132 and 61134

**COMMENTS:**

A lease or rental agreement may contain a daily or monthly charge in addition to the hourly rate. A Governmental agency should consider the portion of the agreement that is based on calendar duration as fixed cost.

| | |
|---|---|
| **A-126:** | Not Applicable |
| **A-76:** | Not Applicable |
| **FAIRS:** | Not Applicable |
| **OBJECT CLASS:** | Not Applicable |

**ITEM: Variable Lease Costs** **ACCOUNT: 61132**
**61134**

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

When the basis for leasing an aircraft is hours flown, then the associated rental or lease costs are classified as variable costs. This applies whether the aircraft is leased from a commer cial source (61132) or another federal agency (61134)

| | |
|---|---|
| **SOURCE:** | The lease or rental agreement should contain the **cost per hour flown**. Another source needed is the aircraft log book or other documentation that contains the number of hours flown. |

**COMMENTS:**

The lease or rental agreement may contain a daily or monthly charge in addition to the hourly rate. A Governmental agency should consider the portion of the agreement that is based on a calendar duration as fixed cost and classify the amount in account 61142 or 61144.

This transaction is recorded as follows:

**Debit** Variable Lease Cost (Expense Account 61132 or 61134)
**Credit** Accounts Payable (Liability Account 21100)

When the invoice is paid, debit the accounts payable and credit the cash account

| | |
|---|---|
| **A-126:** | Lease Cost - Variable |
| **A-76:** | 3, 18 |
| **FAIRS:** | 103, 104 |
| **OBJECT CLASS:** | 25.XX |

**ITEM: Fixed Lease Costs** **ACCOUNT: 61140**
**Summary Account**

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

A Governmental agency should consider lease costs as fixed when the rental or lease agreement is based on a length of time (e.g. days, weeks, months, or years) and does not vary according to aircraft usage.

**SOURCE:** This is a summary account. Posting accounts are 61142 and 61142

**COMMENTS:**

The lease or rental agreement may contain an amount or charge based on the number of hours flown. Government agencies should classify this portion of the agreement as variable lease cost.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable |

**ITEM: Fixed Lease Costs** **ACCOUNT: 61142**
**61144**

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

A Governmental agency should consider lease costs as fixed when the rental or lease agreement is based on a length of time (e.g. days, weeks, months, or years) and does not vary according to aircraft usage. This applies whether the aircraft is leased from a commercial source (61142) or another federal agency (61144)

| | |
|---|---|
| **SOURCE:** | The lease or rental agreement will contain the necessary information (cost per day, cost per month or cost per year) to record the correct amount in the accounting system. |

**COMMENTS:**

The lease or rental agreement may contain an amount or charge based on t he number of hours flown. Government agencies should classify this portion of the agreement as variable lease cost, account 61132 (commercial) or 61134 (federal). This portion of the cost should be recorded as discussed above for Variable Lease Cost, acco unt 61132 and 61134.

Recording the fixed portion of the lease is done as follows:

**Debit** Fixed Lease Cost (Expense Account 61142 or 61144)
**Credit** Accounts Payable (Liability Account 21100)

When the invoice is paid, debit the accounts payable and credit the cash account

If the asset is on a "capital lease", account 61142/44 is not used, see account 18110 or 18120 and 29300.

| | |
|---|---|
| **A-126:** | Lease Costs - Fixed |
| **A-76:** | 11, 20A |
| **FAIRS:** | 36, 37 |
| **OBJECT CLASS:** | 25.XX |

**ITEM: Variable Crew Costs** **ACCOUNT: 61150**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Crew costs which vary according to aircraft usage and would include the wages of crew members hired on an hourly or part-time basis, all crew overtime charges, and all crew travel expenses, particularly subsistence,(i.e., per diem, laundry, fees, etc.). This applies regardless of whether the expense is incurred with a commercial vendor or with a federal agency.

If the expenditure is associated with travel use 61152 (commercial) or 61153 (federal). If the expenditure involves wages for part-time personnel or overtime payment, use 61154 (commercial) or 61155 (federal)

| | |
|---|---|
| **SOURCE:** | For Crew Wages: Flight Log, Time Card, Contract Agreement with crew member<br><br>Travel Expenses: Travel Expense vouchers in the appropriate Government format. |

**COMMENTS:**

The costs associated with this account, 61152, 61153, 61154 and 61155, do **not** include the cost for full - time pilots that are identified in account 61160. This account does however, include overtime and travel costs for both part-time and full-time pilots.

This transaction is recorded as follows:

**Debit** Variable Crew Cost (Expense Account 61152 or 61153 for travel and 61154 or 61155 for wages, benefits, and other costs asso ciated with part-time pilots; also charge all pilot overtime to 61154 or 61155)
**Credit** Accounts Payable (21100 for travel and other costs: and Accrued Liability Payroll 22100 for all salary, benefits, and overtime)

When the invoice is paid, debit the accounts payable and credit the cash account.

| | | |
|---|---|---|
| **A-126:** | Crew Costs - Variable | |
| **A-76:** | 2, 19g | |
| **FAIRS:** | 101, 102 | |
| **OBJECT CLASS:** | Travel | - 21.XX |
| | Overtime | - 11.5X |
| | Part Time Wages | - 11.3X |
| | Benefits | - 12.XX |

**ITEM: Fixed Crew Costs** **ACCOUNT: 61160**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Flight crew member costs that do not vary according to aircraft usage. Costs include salaries of full time or fixed tour of duty crew members, benefits, training costs, charts, personal protective equipment, uniforms, and other personal equipment. Post to individual accounts 61162, 61164, and 61166 if these costs are incurred with commercial contractors or 61163, 61165 and 61167 if these costs are incurred with federal agencies. The account also includes the costs for crew members who perform minimal maintenance, if they are primarily flight crew members.

**SOURCE:** For Salaries and Benefits - Payroll records, time cards, employee contract

For Training Costs - Invoice from training source

For Other Costs - Invoices from outside sources that demonstrate authenticity of charges.

**COMMENTS:**

According to each agency's requirements, the sub accounts supporting Fixed Crew Costs can vary. The sample chart of accounts in section 4.2.1 suggests three sub accounts, salaries and benefits, training costs, and other costs associated with crew. Training costs could include travel to and from training site, per diem, course fees, etc.

If the expense is salaries and benefi ts it should be recorded as follows:

**Debit** Fixed Crew Cost/Wages and Benefits (Expense Account 61162 or 61163)
**Credit** Accrued Liabilities/Payroll and Benefits (Liability Account 22100)

When the salaries are paid, debit the accrued liabilities account and credit the cash account

If the expense is, for example, training costs, proceed as follows:

**Debit** Fixed Crew Cost/Training Costs (Expense Account 61164 or 61165)
**Credit** Accounts Payable (Liability Account 21100)

When the invoice is paid, debit the accounts payable and credit the cash account

| | | |
|---|---|---|
| **A-126:** | Crew Costs - Fixed | |
| **A-76:** | 9, 20b | |
| **FAIRS:** | 34, 35 | |
| | Salaries | - 11.1X |
| | Benefits | - 12.1X |
| | Training | - 25.XX |
| | Charts, Protective Eq,Etc | - 26.XX |

**ITEM: Flight Support Costs** **ACCOUNT: 61170**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Government agencies should classify the landing, tie -down fees, air traffic control fees and ground handling associated with the usage of aircraft as var iable when they are encountered at a location other than the normal base of operation and are directly incurred as a result of a flight of the aircraft. Account 61172 is used for amounts paid to a commercial vendor and 61174 is used when payment is made to a federal agency.

Agencies should consider tie -down fees and other flight support costs for an aircraft at its normal base as part of operations overhead, which is a fixed cost (account number 61510 - 61580)

| | |
|---|---|
| **SOURCE:** | Invoice from location where Government agency encountered landing and tie -down fees. |

**COMMENTS:**

Government agencies should classify the landing and tie -down fees encountered at the main base of operations or fees based on a length of time (i.e. week, month, annual, etc.) as operations ove rhead.

Recording this transaction is accomplished as follows:

**Debit Flight Support Costs (Commercial) or (Federal)** (Expense Account 61172 or 61174)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this fuel is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Landing & Tie-down Fees |
| **A-76:** | 4, 20f, 20i |
| **FAIRS:** | 38, 39 |
| **OBJECT CLASS:** | 25.XX |

**ITEM: Ground Servicing** **ACCOUNT: 61180**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Government agencies should classify the costs of towing, cleaning, air conditioning servicing, oxygen system servicing, lavatory servicing, etc. associated with the usage of aircraft as variable when they are encountered at a location other than the normal base of operation and are directly incurred as a result of a flight of the aircraft. Account 61182 and 61186 are used for amounts paid to a commercial vendor and 61184 and 61188 are used when payment is m ade to a federal agency.

Agencies should consider these costs for an aircraft at its home base of operations as part of operations overhead, which is a fixed cost (account number 61510 - 61580)

| | |
|---|---|
| **SOURCE:** | Invoice from location where Government agency encountered ground servicing fees. |

**COMMENTS:**

Government agencies should classify the ground servicing fees encountered at the main base of operations or fees based on a length of time (i.e. week, month, annual, etc.) as operations overhead.

Recording this transaction is accomplished as follows:

**Debit Ground Servicing (Commercial) or (Federal)** (Expense Account 61182 or 61184)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Landing & Tie down Fees |
| **A-76:** | 4, 19f, 19i |
| **FAIRS:** | 42, 43, 69, 70 |
| **OBJECT CLASS:** | 25.XX |

**ITEM: Variable Maintenance Costs** **ACCOUNT: 61200**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Variable maintenance costs include scheduled and unscheduled maintenance that occurs based on the accumulation of hours flown or flight cycles as well as maintenance and repairs of items found during a scheduled maintenance inspection or squawked by the crews. In addition to the costs of normal maintenance activities, examples of costs that Government agencies should consider as variable are modification required by service bulletins and airworthiness directives.

Engine overhaul, aircraft refurbishment, and major component rebuild and overhauls may be in this variable maintenance category when the governmental unit does not have the ability to set reserve accounts (i.e. WCF). *See accounts 21500 -- 21515 and 69500 -- 69526.*

**NOTE:** Government agencies may consider all maintenance costs as variable although some maintenance costs more closely resemble fixed costs; costs that occur based on a length of time, (i.e. days, weeks, monthly or annual). This is an important distinction when performing an A-126 or A-76 analysis.

| | |
|---|---|
| **SOURCE:** | Time cards, work orders, vendor invoices |

**COMMENTS:**

The requirements outlined in Circular A-76, A-126 and FAIRS require Government agencies to break variable maintenance costs down into further categories, labor, parts, and maintenance contracts. Account descriptions for those categories follow.

| | |
|---|---|
| **A-126:** | See Account 61210 – 61254 |
| **A-76:** | See Account 61210 - 61254 |
| **FAIRS:** | See Account 61210 - 61254 |
| **OBJECT CLASS:** | See Account 61210 -- 61254 |

**ITEM: Variable Maintenance Costs - Labor** **ACCOUNT: 61210**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Variable Maintenance Labor includes the costs expended by the Government agency for in-house mechanics, technicians, and inspectors when they are performing maintenance tasks. Posting accounts are 61212 -- 61219 dependent on type of labor costs and whether the payee is a federal entity or a commercial entity, as follows:

| | |
|---|---|
| 61212 | Wages and Benefits - Scheduled Maintenance (Commercial) |
| 61213 | Wages and Benefits - Scheduled Maintenance (Federal) |
| 61214 | Wages and Benefits - Unscheduled Maintenance (Comm.) |
| 61215 | Wages and Benefits - Unscheduled Maintenance (Federal) |
| 61216 | Training (Commercial) |
| 61217 | Training (Federal) |
| 61218 | Other cost associated with labor (Comm.) |
| 61219 | Other cost associated with labor (Federal) |

Examples of costs associated with the above maintenance personnel are salaries, benefits, training, travel, etc. Costs **not** included in the account are the labor costs associated with overhauls (accounts 21500 and 21510), refurbishment (account 21505), and other major maintenance for which Government agencies have established reserve accounts (account 21515). For aviation activities that do not have the opportunity to set reserve accounts (21500 throught 21515); the overhaul, refurbishment, rebuild, and retirement item costs use accounts 61260 throught 61290. Labor costs associated with maintenance contracts also are **not** included in this account. (See account 61250 – 61254 for costs associated with maintenance contracts.)

**SOURCE:** Work orders, timecards, payroll, vendor invoices for travel and training

**COMMENTS:**

Depending upon the size of the organization, Government agencies can expand account 61200. They can do so as illustrated in the Chart of Accounts in Section 4.2.1, by developing sub accounts that collect labor by wages, benefits, training, etc. If the agency requires more detail for internal reporting requirements, they could break down the costs further into unscheduled, scheduled, engines and avionics, as portrayed in the sample chart of accounts referenced previously. Note that Circular A-76 requires a separate cost category for unscheduled maintenance. Note that Circular A-126 allows charging two labor costs as fixed costs (maintenance labor costs incurred for a calendar-based inspection, as well as labor costs that are not incurred for specific maintenance tasks). Recording this expense is done in the same manner as is done for Fixed Crew Costs (Account 61160)

| | | |
|---|---|---|
| **A-126:** | Maintenance Labor - Variable | |
| **A-76:** | 5a | |
| **FAIRS:** | 87, 88, 97, 98 | |
| **OBJECT CLASS:** | Salaries | - 11.1X |
| | Benefits | - 12.1X |
| | Training | - 25.XX |
| | Travel | - 21.XX |

**ITEM: Variable Maintenance Costs – Parts Airframe** **ACCOUNT: 61220**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Variable maintenance parts includes the cost of materials and parts consumed during maintenance and inspections. (See chart of accounts 61221 – 61227). The account does **not** include the costs associated with component or engine overhauls, refurbishment, and any major maintenance for which Government agencies have established reserve accounts. Part costs associated w ith maintenance contracts also are **not** included in this account. (See account 61250 -61254 for costs associated with maintenance contracts.) Examples of costs recorded in this category are bearings, packings, filters, gears, consumables, etc. Parts may come from vendors or from the agency's inventory.

**SOURCE:** Work orders, vendor invoices, inventory/parts room issues

**COMMENTS:**

The suggested chart of accounts in Section 4.2.1 illustrates an approach for establishing sub -accounts by collecting costs acc ording to scheduled and unscheduled parts for the airframe, as well as by type of vendor (commercial or federal). It is important to remember to identify the output requirements, and then develop a system that satisfies the requirements. A final issue to consider involves materiality -- do not track costs to such a degree that the cost of tracking exceeds the benefits of knowledge gained. Some material such as rags, paint remover, and other shop supplies are more appropriately classified as overhead.

Recording this transaction is accomplished as follows for a retail purchase:

**Debit Variable Maintenance Costs – Parts Airframe** (Expense Account 61220)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

If the part was obtained from the agency's parts inventory, proceed as follows:

**Debit Variable Maintenance Costs – Parts Airframe** (Expense Account 61220)
**Credit** Inventory for Agency Operations/Parts (Asset Account 15120)

To record the purchase of parts for the agency's parts inventory, record it as follows:

**Debit** Inventory for Agency Operations/Parts (Asset Account 15120)
**Credit** Accounts Payable (Liability Account 21100)

| | | |
|---|---|---|
| **A-126:** | Maintenance Parts - Variable | |
| **A-76:** | 5b | |
| **FAIRS:** | 89, 90, 99, 100 | |
| **OBJECT CLASS:** | Parts | - 26.XX |

**ITEM: Variable Maintenance Costs – Parts Avionics** **ACCOUNT: 61230**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Variable maintenance parts avionics includes the cost of materials and parts consumed during maintenance and inspections. (See chart of accounts 61231 – 61237). The account does **not** include the costs associated with component or engine overhauls, refurbishm ent, and any major maintenance for which Government agencies have established reserve accounts. Part costs associated with maintenance contracts also are **not** included in this account. (See account 61250 -61254 for costs associated with maintenance contrac ts.) Examples of costs recorded in this category are gauges, radios, "black boxes,"etc. Parts may come from vendors or from the agency's inventory.

**SOURCE:** Work orders, vendor invoices, inventory/parts room issues

**COMMENTS:**

The suggested chart of ac counts in Section 4.2.1 illustrates an approach for establishing sub -accounts by collecting costs according to scheduled and unscheduled avionics parts, as well as by type of vendor (commercial or federal). It is important to remember to identify the output requirements, and then develop a system that satisfies the requirements. A final issue to consider involves materiality -- do not track costs to such a degree that the cost of tracking exceeds the benefits of knowledge gained. Some material such as wire-wraps, connectors and other shop supplies are more appropriately classified as overhead.

Recording this transaction is accomplished as follows for a retail purchase:

**Debit Variable Maintenance Costs – Parts Avionics** (Expense Account 61230)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

If the part was obtained from the agency's parts inventory, proceed as follows:

**Debit Variable Maintenance Costs – Parts Avionics** (Expense Account 61230)
**Credit** Inventory for Agency Operations/Parts (Asset Account 15120)

To record the purchase of parts for the agency's parts inventory, record it as follows:

**Debit** Inventory for Agency Operations/Parts (Asset Account 15120)
**Credit** Accounts Payable (Liability Account 21100)

| | |
|---|---|
| **A-126:** | Maintenance Parts - Variable |
| **A-76:** | 5b |
| **FAIRS:** | 89, 90, 99, 100 |

**OBJECT CLASS:** Parts - 26.XX

**ITEM: Variable Maintenance Costs – Parts Engine** **ACCOUNT: 61240**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Variable maintenance parts engines includes the cost of materials and parts consumed during maintenance and inspections of the engines. (See chart of accounts 61241 – 61247). The account does **not** include the costs associated with engine overhauls, refurbishment, and any major maintenance for which Government agencies have established reserve accounts. Part costs associated with maintenance contracts also are **not** included in this account. (See account 61250 -61254 for costs associated with maintenance contracts.) Examples of costs recorded in this category are filters, fuel controllers, ignitors, etc. Parts may come from vendors or from the agency's inventory.

**SOURCE:** Work orders, vendor invoices, inventory/parts room issues

**COMMENTS:**

The suggested chart of accounts in Section 4.2.1 illustrates an approach for establishing sub -accounts by collecting costs according to scheduled and unscheduled engine parts, as well as by type of vendor (commercial or federal). It is important to remember to identify the output requirements, and then develop a system that satisfies the requirements. A final issue to consider involves materiality -- do not track costs to such a degree that the cost of tracking exceeds the benefits of knowledge gained. Some material such as wire-wraps, connectors and other shop supplies are more appropriately classified as overhead.

Recording this transaction is accomplished as follows for a ret ail purchase:

**Debit Variable Maintenance Costs – Parts Engine** (Expense Account 61240)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

If the part was obtained from the agency's parts inventory, proceed as follows:

**Debit Variable Maintenance Costs – Parts Engine** (Expense Account 61240)
**Credit** Inventory for Agency Operations/Parts (Asset Account 15120)

To record the purchase of parts for the agency's parts inventory, record it as follows:

**Debit** Inventory for Agency Operations/Parts (Asset Account 15120)
**Credit** Accounts Payable (Liability Account 21100)

**A-126:** Maintenance Parts - Variable
**A-76:** 5b

| | | |
|---|---|---|
| **FAIRS:** | 89, 90, 99, 100 | |
| **OBJECT CLASS:** | Parts | - 26.XX |

**ITEM: Variable Maintenance Costs - Contracts** **ACCOUNT: 61250**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Variable contract costs include all costs associated with the maintenanc e of the aircraft that are performed by an outside entity, other than the major maintenance items such as overhauls, retirement items, refurbishment, etc. and major calendar-based inspections. Variable contract costs are similar to variable maintenance labor and part categories except contract costs are external. Repair of instruments by an outside vendor would be an example of costs classified in this category. These costs can be incurred with a commercial vendor (account number 61252) or another federal agency (account number 61254).

**SOURCE:** Vendor invoices

**COMMENTS:**

In some cases, Governmental agencies will not have enough aircraft or activity or expertise to justify maintenance departments. As a result, they will establish contracts with outside maintenance entities to perform the maintenance on their aircraft. Also, agencies with maintenance departments will occasionally require work from outside entities for specialized work, major maintenance or when an aircraft is away from its base and needs maintenance before further flight. Governmental agencies should classify costs of this nature as variable contract costs, except if they are incurred as a result of a major calendar-based inspection. If a contractor does all maintenance work, an agency w ill want to expand this cost account to provide more detail with respect to scheduled and unscheduled work, etc. Vendors will normally supply this information if requested.

Recording this transaction is accomplished as follows:

**Debit Variable Maintenance Costs - Contracts (Commercial) or (Federal)** (Expense Account 61252 or 61254)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this contract is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Maintenance Contracts - Variable |
| **A-76:** | 5c |
| **FAIRS:** | 83, 84 |
| **OBJECT CLASS:** | 25.XX |

**ITEM: Engine Overhaul Expense** **ACCOUNT: 61260**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

These accounts do not apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Reserve Expense Accounts 69512 – 69526 and Reserve Liability Accounts 21500 - 215400).

The costs that should be recorded here are all c osts associated with the heavy maintenance of the engines on the aircraft, including hot section inspections, overhauls, accessory overhaul and life limited component replacements. In addition, the repair cost associated with premature engine removal shoul d be recorded here. This account should not be used to record routine, minor maintenance expenses for the engine

These costs can be incurred with a commercial vendor (account number 61262) or another federal agency (account number 61264).

**SOURCE:** - Vendor invoices

**COMMENTS:**

When management analyzes the costs in this account, it is important to take into account the fact that engine overhauls expenses for an aircraft are incurred only infrequently (for example only every 3 to 8 years for a typical operation). As a result, when calculating the true cost of operation, it is important to spread the costs incurred in this account over the total hours or years between overhauls and/or replacement.

Recording this transaction is accomplished as follows:

**Debit Variable Maintenance Costs – Engine Overhaul Expense (Commercial) or (Federal)**
(Expense Account 61262 or 61264)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this overhaul is paid,

**Debit** Accounts Payable (Liability Acc ount 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d |
| **FAIRS:** | 85, 86 |
| **OBJECT CLASS:** | 11.XX, 12.XX, 25.XX or 26.XX |

**ITEM: Aircraft Refurbishment Expense** **ACCOUNT: 61270**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

These accounts do not apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Reserve Expense Accounts 69512 – 69526 and Reserve Liability Accounts 21500 - 215400).

The costs that should be recorded here are all costs associated with the refurbishment of an aircraft, including repaint, avionics upgrades, reupholstery or other refurbishment of the interior, etc. This account should not be used to record routine, minor paint touch -up or interior cleaning and repairs.

These costs can be incurred with a commercial vendor (account number 61272) or another federal agency (account number 61274).

**SOURCE:** - Vendor invoices

**COMMENTS:**

When management analyzes the costs in this account, it is important to take into account the fact that aircraft refurbishment expenses for an aircraft are incurred only infrequently (for example only every 5 to 10 years for a typical operation). As a result, when calculating the true cost of operation, it is important to spread the costs incurred in this account over the total hours or years between refurbishments.

Recording this transaction is accomplished as follows:

**Debit Variable Maintenance Costs – Aircraft Refurbishment Expense (Commercial) or (Federal)** (Expense Account 61272 or 61274)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this refurbishment is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d |
| **FAIRS:** | 91, 92 |
| **OBJECT CLASS:** | 11.XX, 12.XX, 25.XX or 26.XX |

**ITEM: Major Component Rebuild and Overhaul Expense** **ACCOUNT: 61280**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

These accounts do not apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Reserve Expense Accounts 69512 – 69526 and Reserve Liability Accounts 21500 - 215400).

The costs that should be recorded here are all costs associated with the rebuild and/or overhaul of major components (such as transmissions, propellers, landing gears, rotor hubs, servo controls, hydraulic pumps, etc.). This applies to both components that have definite time limitation after which overhaul is required as well as major components that are "on condition" and can be rebuilt. In addition, the repair cost associated with premature component removal and overhaul should be recorded here. This account should not be used to record routine, minor maintenance expenses for the systems and components.

These costs can be incurred with a commercial vendor (account number 61282) or another federal agency (account number 61284).

**SOURCE:** - Vendor invoices

**COMMENTS:**

When management analyzes the costs in this account, it is important to take into account the fact that component overhaul and rebuild expenses for an aircraft are incurred only infrequently. As a result, when calculating the true cost of operation, it is important to spread the costs incurred in this account over the total hours or years between overhaul or rebuild.

Recording this transaction is accomplished as follows:

**Debit Variable Maintenance Costs – Major Component Overhaul and Rebuild Expense (Commercial) or (Federal)** (Expense Account 61282 or 61284)
**Credit** Accounts Payable (Liability Account 21100)

When the invoice for this work is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d |
| **FAIRS:** | 93, 94 |
| **OBJECT CLASS:** | 11.XX, 12.XX, 25.XX or 26.XX |

**ITEM: Life Limited Item Expense** **ACCOUNT: 61290**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

These accounts do not apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Reserve Expense Accounts 69512 – 69526 and Reserve Liability Accounts 21500 - 215400).

The costs that should be recorded here are all costs associated with the replacement of life limited components (such as rotor blades, flap tracks, etc.). This account should not be used to record routine, minor maintenance expenses for the systems and components.

These costs can be incurred with a commercial vendor (account number 61292) or another federal agency (account number 61294).

**SOURCE:** - Vendor invoices

**COMMENTS:**

When management analyzes the costs in this account, it is important to take into account the fact that component replacement expenses for an aircraft are incurred only infrequently. As a result, when calculating the true cost of operation, it is important to spread the costs incurred in this account over the total hours or years between replacements.

Recording this transaction is accomplished as follows:

**Debit Variable Maintenance Costs – Life Limited Item Expense (Commercial) or (Federal)**
(Expense Account 61292 or 61294)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this item is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d |
| **FAIRS:** | 93, 94 |
| **OBJECT CLASS:** | 11.XX, 12.XX, 25.XX or 26.XX |

**ITEM: Fixed Maintenance Costs** **ACCOUNT: 61300**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Fixed maintenance costs include maintenance and inspection activities that occu r based on a calendar interval rather than a flight-hour interval. This can include both major calendar -based inspections and the cost of maintenance personnel employed regardless of the exact number of hours flown. For more detailed breakdown of expenses refer to 61312 through 61353. Cost does **not** vary depending upon the usage of the aircraft

| | |
|---|---|
| **SOURCE:** | The sources of information are identical to the sources for variable maintenance costs. |

**COMMENTS:**

| | |
|---|---|
| **A-126:** | See Accounts 61310 – 61353 |
| **A-76:** | See Accounts 61310 -- 61353 |
| **FAIRS:** | See Accounts 61310 -- 61353 |
| **OBJECT CLASS:** | See Accounts 61310 -- 61353. |

**ITEM: Fixed Maintenance Costs - Labor** **ACCOUNT: 61310**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

DEFINITION:

**Fixed Maintenance Costs – Labor includes** all labor expended by mechanics and inspectors associated with maintenance scheduled on a calendar basis - paid to a Federal source. Report maintenance labor costs which are severable from other costs or which re sult from agreements where another Federal Executive agency provides only labor and your Federal Executive agency provides parts.

Examples of costs associated with the above maintenance personnel are salaries, benefits, training, travel, etc. For a more detailed breakdown of expenses, refer to 61312 through 61317. Costs **not** included in the account are the labor costs associated with engine or component overhauls (accounts 61260 and 61280 or 21500 and 21510), refurbishment (account 61270 or 21505), and other major maintenance for which Government agencies have established reserve accounts (account 61290 or 21515). Labor costs associated with maintenance contracts also are **not** included in this account. (See account 61350 for costs associated with fixed e xpense maintenance contracts.)

**SOURCE:** Work orders, timecards, payroll journal, vendor invoices for travel and training

**COMMENTS:**

Depending upon the size of the organization, Government agencies can expand account 61310. They can do so as illustrate d in the Chart of Accounts in Section 4.2.1, by developing sub accounts that collect labor by wages, benefits, training, etc. and provide a breakout by whether the service is performed by a federal or a commercial organization. If the agency requires more detail for internal reporting requirements, they could break down the costs further into unscheduled, scheduled, engines and avionics as portrayed in the sample chart of accounts referenced above.

If the expense is salaries and benefits it should be recor ded as follows:

**Debit** Maintenance Labor/Maint. Wages and Benefits (Expense Account 61312 or 61313)
**Credit** Accrued Liabilities/Payroll and Benefits (Liability Account 22100)

When the salaries are paid, debit the accrued liabilities account and credit t he cash account

If the expense is training costs, proceed as follows:

**Debit** Maintenance Labor/Training (Expense Account 61314 or 61315)
**Credit** Accounts Payable (Liability Account 21100)

| | | |
|---|---|---|
| **A-126:** | Maintenance Labor - Fixed | |
| **A-76:** | 10a | |
| **FAIRS:** | 77, 78 | |
| **OBJECT CLASS:** | Salaries | - 11.1X |
| | Benefits | - 12.1X |
| | Training | - 25.XX |

**ITEM: Fixed Maintenance Costs - Parts** **Account: 61320, 61330, 61340**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Fixed maintenance parts include the cost of materials and parts consumed during maintenance and inspections that are performed on a calendar basis. For detailed posting accounts refer to 61321 and 61323 (parts - airframe), 61331 and 61333 (parts – avionics) and 61341 and 61343 (parts – engine) as appropriate. The account does **not** include the costs associated with engine and component overhauls, refurbishment, and other major maintenance for which Government agencies have established reserve accounts. Part costs associated with maintenance contracts also are **not** included in this account. (See account 61350 for costs associated with maintenance contracts.) Examples of costs recorded in this category are bearings, packings, filters, gears, consum able, etc. Parts may come from vendors or from the agency's inventory.

**SOURCE:** Work orders, vendor invoices, inventory/parts room issue

**COMMENTS:**

The suggested chart of accounts in Section 4.2.1 illustrates an approach for establishing sub accounts by collecting costs according to scheduled and unscheduled parts for airframe, avionics, and engines. It is important to remember, identify the output requirements, then develop a system that satisfies the requirements. A final issue to consider involves materiality. Do not track costs to such a degree that the cost of tracking exceeds the benefits of knowledge gained. Some material such as rags, paint remover, and other shop supplies are more wisely classified as overhead. Recording this transaction in the case of "parts – airframe" is accomplished as follows for a retail purchase:

**Debit Fixed Maintenance Costs – Parts Airframe** (Expense Account 61321 or 61323)
**Credi**t Accounts Payable (Liability Account 21100)

When the invoice for this part is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

If the part was obtained from the agency's parts inventory, proceed as follows:

**Debit** Fixed **Maintenance Costs – Parts Airframe** (Expense Account 61321 or 61323)
**Credit** Inventory for Agency Operations/Parts (Asset Account 15120)

To record the purchase of parts for the agency's parts inventory, record it as follows:

**Debit** Inventory for Agency Operations/Parts (Asset Account 15120)
**Credit** Accounts Payable (Liability Account 21100)

To record these transactions for "parts – avionics" and "parts – engine", use the same approach substituting the appropriate account numbers for 61321 and 61323.

| | |
|---|---|
| **A-126:** | Maintenance Parts - Fixed |
| **A76:** | 10b |
| **FAIRS:** | 79, 80 |
| **OBJECT CLASS:** | Parts - 26.XX |

**ITEM: Fixed Maintenance Costs - Contracts** **ACCOUNT: 61350**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Fixed contract costs include all costs associated with the periodic calendar -based maintenance of the aircraft that are performed by an outside entity, as well as any maintenance contract costs that must be paid regardless of the amount of hours flown. Do not include any outside maintenance that is defined as Variable Maintenance Costs, see accounts 61200 through 61250. Fixed contact costs are similar to fixed maintenance labor and part categories except contract costs are external, either with a commercial entity or another federal agency. The expenses may be incurred with commercial vendors (account number 61351) or another federal agency (account number 61353)

**SOURCE:** Vendor invoices

**COMMENTS:**

In some cases, Governmental agencies will not have enough aircraft or activity or expertise to justify an in-house maintenance department. As a result, they will establish contracts with outside maintenance entities to perform the maintenance on its aircraft. If this contract includes a fixed fee regardless of the amount of flight activity it should be classified as a fixed cost. Also, agencies with maintenance departments will occasionally require work from outside entities for specialized work or heavy maintenance. If this work is required as a result of a calendar limit, the work can be classified as a fixed cost. If a contractor does all maintenance work, an agency will want to expand this cost account to provide more detail with respect to scheduled and unscheduled work, etc. Vendors will normally supply this information if requested.

Recording this transaction is accomplished as follows:

**Debit Fixed Maintenance Costs - Contracts (Commercial) or (Federal)** (Expense Account 61351 or 61353)
**Credit** Accounts Payable (Liability Account 21100)

When the invoice for this contract is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Maintenance Contracts - Fixed |
| **A76:** | 10c, 19c |
| **FAIRS:** | 81, 82, 106, 107 |
| **OBJECT CLASS:** | 25.XX |

**ITEM: Depreciation Expense** **ACCOUNT: 61400**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Depreciation enables an entity to recognize the loss in value of assets over a period of time. In essence, an asset is "consumed" over its useful economic life. To enable a better understanding of the full cost of operation, an agency must compute and record depreciation on a periodic basis. Recording depreciation is an accounting entry only and does not involve the outlay of actual cash, as is the case with most other operating costs. For detailed posting information p lease refer to 61410 through 61460. To compute depreciation, refer to **"COMMENTS"** below.

**SOURCE:**

For a Governmental agency to compute depreciation expense, they must know the following: 1) **acquisition cost**. If the acquisition cost is not known, the n use other industry resources that establish a market value must be used. 2) Estimate the **useful life** of the asset or the length of time the asset will be used. 3) Estimate the **residual value** of the asset at the end of its useful life. The FAIRS progra m contains a residual value table to help estimate asset residual value for these calculations. Circular A -76 suggests agencies consult the following sources when establishing residual value, GSA, Aircraft Bluebook Price Digest or the Official Helicopter Blue Book.

**COMMENTS:**

Government agencies can calculate the straight line depreciation expense for a given period by subtracting the residual value from the acquisition cost and dividing the difference by the useful life. Changes in estimated useful li fe, estimated residual value, and capital improvements will affect the amount of depreciation recognized in current and future periods. Land is **not** a depreciable asset.

This expense is recorded as follows:

> **Debit** Depreciation Expense (Expense Account 61 410 for aircraft; 61420 for buildings; 61430 for other structures and facilities, 61440 for equipment and 61460 for assets on capital leases)
> **Credit** Accumulated Depreciation (Asset Account 17390 for buildings; 17490 for other structures and facilities; 17590 for aircraft and other equipment and 18190 for assets under capital lease

| | |
|---|---|
| **A-126:** | Depreciation |
| **A-76:** | 12 |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable |

**ITEM: Operations Overhead** **ACCOUNT: 61500**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Operations overhead are costs that are directly associated with the management and support of the Government agency's aircraft or aviation program and not accounted for elsewhere. Examples include personnel costs (salaries, benefits, travel, uniform allowances, training, etc.) for management and administrative personnel directly responsible for the aircraft program; building and ground maintenance; janitorial services; lease or rental fees for hangar s, administrative buildings, and office space; computers, communications and utility costs; office supplies and equipment; tie -down fees for aircraft located on base; maintenance of support equipment; etc..

For detailed posting information, refer to acc ounts 61510 through 61580, as follows:

| | |
|---|---|
| 61510 | Personnel cost – Admin and management |
| 61520 | Building and ground maintenance |
| 61530 | Janitorial service |
| 61540 | Hangar fees |
| 61550 | Tie down fees at base |
| 61560 | Shop equipment |
| 61570 | Shop parts |
| 61580 | Aircraft components |

**SOURCE:** There are many sources for recording Operations Overhead. These include but are not limited to: time cards, work orders, utility invoices, rental agreements for hangars and other buildings, vendor invoices for supplies, maintenance contract for building and grounds, etc..

**COMMENTS:**

Government agencies should carefully determine what operations support the aviation program, and then construct accounts that will capture cost information to satisfy the reporting requirem ents. View the suggested chart of accounts as an example only.

As discussed, these expenses can involve personnel salaries, parts and services bought from outside vendors or parts obtained from inventory. The exact category of expense will determine how these expenses are recorded. If it involves salaries and benefits, it should be debited to expense account 61510 and credited to liability account 22100. If it is a part or service, it should be debited to expense account 61520 -- 61580 or 61600, as appro priate. It should also be credited to liability account 21100 (accounts payable) or to asset account 15120 (inventory) depending on whether it was bought from a vendor or acquired from inventory.

| | |
|---|---|
| **A-126:** | Operations Overhead |
| **A-76:** | 14,20 |
| **FAIRS:** | 65 |
| **OBJECT CLASS:** | 11.1X, 12.1X, 13.XX, 21.XX, 22.XX, 23.1X, 23.2X, 23.3X, 24.XX, 26.XX, 31.XX, 32.XX |

**ITEM: Other Direct Costs** **ACCOUNT: 61600**
**Summary Account**

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

Operational and aviation program costs not classified elsewhere in this Cost Accounting Guide. It includes any action that causes an outflow of assets or incurrence of liabilities during the current operating period resulting from rendering services, delivering or producing goods, or carrying out other normal operating activities that has not been identified in the 6XXXX series of accounts. Two posting account numbers are available – 61610 Other Direct Costs (Commercial) and 61620 Other Direct Costs (Federal)

**SOURCE:** Purchase orders, vendor invoices, etc.

**COMMENTS:**

This account should have very little use, in that if an aviation activity has identified a cost category that has not been addressed, they should establish an account for that cost in the appropriate place in the Chart of Accounts. If an organization does use this account on a rare occasion, then the costs posted here should be accumulated with the other Operations Overhead accounts in the 615XX series.

Normally, these expenses involve parts and services bought from outside vendors. To record this expense, it should be debited to expense account 61610 (Commercial) or 61620 (Federal). Then, it should be credited to liability account 21100 (accounts payable).

| | |
|---|---|
| **A-126:** | Operations Overhead |
| **A-76:** | 14, 21 |
| **FAIRS:** | 66, 67 |
| **OBJECT CLASS:** | All the same classes as account 61500. |

**ITEM: Interest Expense** **ACCOUNT: 63000**
Summary Account

**FINANCIAL STATEMENT:**

**DEFINITION:**

This account has two sub accounts. One is for the cost of borrowing from a commercial lender. The other is for the cost of using federal funds for the acquisition of an aircraft.

Circulars A-76 and A-126 both require use of interest expense in their calculations of total ownership costs. Both define interest expense as the co st to the government for acquiring the funds necessary for capital investments. Normally, government agencies should use the borrowing rate announced by the Department of Treasury for bonds or notes whose maturities correspond to the useful life of the ass et. This results in a "paper" transaction to establish the interest expense required by A 76 and A 126. This interest expense is recorded in account 63100.

If an agency using a capital lease or a lease -to-purchase to acquire an aircraft from a commercial lender, the interest that must be paid on a periodic basis is recorded in account 63200

| | |
|---|---|
| **SOURCE:** | - Lender invoice or<br>- Aircraft acquisition price, Documentation of bond or note rates on debt from government |

**COMMENTS:**

With a commercial lease, the interest portion of each lease payment will be clearly stated on the periodic invoice from the lender. This interest must be recorded here and included in the official accounting system.

For agencies that only "borrow" from the US Treasury, interest expense will not be included in the official accounting system, however interest expense must be considered when conducting cost comparison studies.

To calculate the interest expense multiply the acquisition price of the aircraft plus any capital improvements by the estimated Department of the Treasury borrowing rate on the date the agency anticipates acquiring the aircraft. If the acquisition price is unknown, determine the market value by using the Aircraft Bluebook Price Digest or the Official Helicopter Blue Book. Agencies should estimate the value of military specification aircraft based upon comparable civilian aircraft.

| | |
|---|---|
| **A-126:** | Cost of Capital |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable |

**ITEM: Administrative Overhead** **ACCOUNT: 66000**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Administrative Overhead costs involve indirect costs that do not relate directly to the aviation program, but are necessary for the overall performance of the program. Administrative Overhead includes the pro-rated share of salaries, office supplies, and other expenses of fiscal, accounting, personnel, management, and similar common services performed outside, but in support of the aviation program. This cost element is also often referred to as General and Administrative costs (G&A). Actual posting is accomplished in account 66010.

For cost comparison purposes, government agencies should compute the actual administrative costs that they could avoid if the agency contracted out the aviation program.

| | |
|---|---|
| **SOURCE:** | The sources for recording Administrative Overhead are similar to Operations Overhead and would include time cards, work orders, utility invoices, rental agreements, vendor invoices for supplies, maintenance contract for building and grounds, etc. See Section 2.5.4 for a further discussion on calculating this cost element. |

**COMMENTS:**

Many of the costs in administrative overhead will be similar to operations overhead; however, administrative overhead is not directly associated with the operation of any particular aviation program. Therefore, a governmental agency must decide the best basis for assigning the indirect costs. Possible bases for allocation are flight activity of programs, number of aircraft in programs, and number of employees in each program. Allocation methods are discussed Section 2.5.5.

This cost is recorded as follows:

**Debit** Indirect Administrative Costs (Expense Account 66010)
**Credit** Accrued Liabilities/Other (Liability Account 21100)
Accured Liabilities Payroll (Liability Account 22100)

| | |
|---|---|
| **A-126:** | Administrative Overhead |
| **A-76:** | 15 |
| **FAIRS:** | 8 |
| **OBJECT CLASS:** | 11.1X, 12.1X, 13.XX, 21.XX, 22.XX, 23.1X, 23.2X, 23.3X, 24.XX, 25.XX, 26.XX, 31.XX, 32.XX |

**ITEM: Other Expenses** **ACCOUNT: 68000**
Posting Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

Any aviation activity expense that does not fit into the expense categories described elsewhere in accounts 61000 through 66 000 and 69000

**SOURCE:** - Vendor invoices

**COMMENTS:**

This account should have very little use, in that if an aviation activity has identified a cost category that has not been addressed, they should establish an account for that cost in the appropri ate place in the Chart of Accounts. If an organization does use this account on a rare occasion, then the costs posted here should be accumulated with the other Operations Overhead accounts in the 615XX series.

Normally, these expenses involve parts and services bought from outside vendors. To record this expense, it should be debited to expense account 61610 (Commercial) or 61620 (Federal). Then, it should be credited to liability account 21100 (accounts payable).

| | |
|---|---|
| **A-126:** | Operations Overhead |
| **A-76:** | 14, 21 |
| **FAIRS:** | 66, 67 |
| **OBJECT CLASS:** | All the same classes as account 61500. |

**ITEM: WCF/Reserve Expenses** **ACCOUNT: 69000**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

These accounts apply only when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use reserve accounts under a WCF).

**SOURCE:** This is a summary account. Posting accounts are 69011 - 69526

**COMMENTS:**

The two major expense categories that have been included in this account are the cost of self insurance and reserve contributions for agencies that have established a Working Capital Fund.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable |

**ITEM: Self-Insurance** **ACCOUNT: 69010**
Summary Account

**FINANCIAL STATEMENT:** Income Statement - Expense

**DEFINITION:**

These accounts apply only when reserve accounts und er a WCF (Working Capital Fund) have been established by the agency.

Aviation activity involves risks and potential casualty losses and liability claims. Unlike the private industry, the Government is self-insuring by way of the Treasury's General Fund that covers casualty losses and liability claims from accidents. For detailed posting information, use the follwing accounts:

| | |
|---|---|
| 69011 | Hull insurance |
| 69012. | Liability insurance |

The GSA publishes all applicable insurance rates needed to compute self -insurance costs.

| | |
|---|---|
| **SOURCE:** | Aircraft market value as obtained from the Aircraft Bluebook Price Digest<br>Self-insurance rates are published by the GSA. |

**COMMENTS:**

For aviation programs using Working Capital Funds (WCF) hull insurance expenses are recog nized as actual expenditures and therefore are part of the official accounting system. Agencies with WCFs should establish a hull Insurance Reserve account and a corresponding expense account. Rates are established based on historical expenditures and/or estimates of future costs any or all of which may be refined thereafter. For agencies without WCF, the hull -insurance expense will not be included in the official accounting system, however self-insurance expense must be considered when conducting cost comparison studies.

For all agencies, liability insurance expense will be a calculation that should be included in cost comparison studies. The liability insurance expense will not be included in agencies' accounting systems.

The cost of self insuran ce is recorded as follows:

**Debit** Self Insurance account (Expense Account 69011 or 69012)
**Credit** Self Insurance Reserve Account (Liability Account 29200)

Should an accident occur, the associated costs should be recorded as follows:

**Debit** Self Insurance Reserve Account (Liability Account 29200)
**Credit** Cash Account (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Self Insurance Cost |
| **A-76:** | 13 |
| **FAIRS:** | 52 |
| **OBJECT CLASS:** | Not applicable |

**ITEM: Reserve Contribution Expense** **ACCOUNT: 69500**
Summary Account

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

The accounts in the 695XX series are only available to aviation activities that have been able to establish a Working Capital Fund (WCF) to handle the aviation accounting. This is the sum mary account, the actual activity will be in accounts 69512, 69514, 69516, 69522, and 69526.

**SOURCE:** Aircraft use/activity reports.

**COMMENTS:**

The accounts in this series are established to provide for engine overhaul, major component rebuild, refurbishment, and life limited retirement items through a reserve account process. As an aircraft is being used, an expense is generated to one or more of these accounts with the offsetting contra entry going to the reserve accounts in the 215XX series, the reby creating a balance in the appropriate reserve account to be available when the engine overhaul, component rebuild, etc. needs to occur.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390. |

**ITEM: Variable Expense Reserves** **ACCOUNT: 69510**
Summary Account

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

The reserve items that have industry established life limits that are based on hours flown or cycles (such as starts or landings) are included in the 6951X series accounts. See accounts 69512, 69514, and 69516 for further definition and posting entries.

These accounts apply only when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use re serve accounts under a WCF).

**SOURCE:**

**COMMENTS:**

As aircraft activity (hours flown) is recorded into the system, the aircraft use report causes two very distinct things to occur; (1) the revenue is generated and a bill is issued to the user, and (2 ) the reserve factor for each aircraft for each appropriate reserve category generates an expense to one or more of these reserve expense accounts and the offsetting credit entry to the contra account in 21510 - 21540.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390. |

**ITEM: Engine Overhaul Reserve Expense** **ACCOUNT: 69512**

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

These accounts apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense A ccounts 61260 - 61290 when the agency does not use reserve accounts under a WCF).

The expense that is charged to this account is the projected per hour cost of engine overhaul at its appropriate future date. The estimated remove, overhaul, and replace costs are divided by the expected life of the component in hours flown. Then for every hour this aircraft flies a cost is charged against this account.

Accounting for cost in this category is different from the other expense categories. Normally, organizations collect total expenditures in a particular cost account for the period under consideration. Then, if they wish to know cost per flying hour, they divide this cost by the number of hours flown during the period. Because engine overhauls occur so in frequently, engine overhaul reserve expense for a given period is obtained by estimating the future cost to overhaul/rebuild/repair the engine and dividing this by the total number of hours flown between overhaul periods. Include in the estimate the cost o f parts and labor. Labor hours would include removal, replacement, and overhaul/rebuild/major repair. For those agencies that can establish reserve accounts, each and every flying hour recorded should cause an expense to 69512 and an offsetting credit to account 21510. By recognizing expenses before they are encountered, a reserve is established.

**SOURCE:**
- Aircraft use/activity reports.
- Internal sources from prior experience
- Manufacturers' estimates of component overhaul, other outside s ources, hours flown for the period
- Databases available from outside vendors

**COMMENTS:**

Due to the timing and amount, a cost-per-flying-hour would be misleading if overhaul expenses were accounted for only in the period in which encountered. To get a more accurate cost-per-flying-hour, agencies should recognize a portion of the expense in each period that receives the benefit. The overhaul costs established in this way, are posted to the engine overhaul reserve account -- account number 21510 if the aircraft program is able to establish reserves.

This expense is an operating cost of the aircraft in the same accounting cycle as the revenue is generated, much the same way that the fuel and scheduled maintenance are, thereby having the total cost of producing the service reflected in the same accounting period as the revenue. This levels the costs of operation over the total life without the occasional large peaks in the annual costs of a particular aircraft because of an engine overhaul.

As hours flown are recorded the entries generated in the system are:

**Debit** this account for the amount (the number of hours times the established per hour engine reserve set-aside)
**Credit** account 21510

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d,e |
| **FAIRS:** | 85, 86 |
| **OBJECT CLASS:** | Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion on account 17390. |

**ITEM: Major Component Rebuild and Overhaul Reserve Expense** **ACCOUNT: 69514**

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

These accounts apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use reserve accounts under a WCF).

The expense that is charged to this account is the projected per hour cost of a major component rebuild or overhaul at its appropriate future date. The estimated remove, overhaul, and replace costs are divided by the expected life of the component in hours flown. Then for every hour this aircraft flies a cost is created against this account.

Accounting for cost in this category is different from the other expense categories. Normally, organizations collect total expenditures in a particular cost account for the period under consideration. Then, if they wish to know cost per flying hour, they divide this cost by the number of hours flown during the period. Because component overhauls sometimes occur infrequently, component overhaul expense for a given period is obtained by estimating the future cost to overhaul/rebuild the relevant components, dividing this by the total number of hours flown between overhaul periods for each component, and then multiplying the resulting cost per flying hour by the hours flown for the given period. Include in the estimate the cost of parts and labor. Labor hours would include removal, replacement, and overhaul/rebuild/major component.

**SOURCE:** - Aircraft use/activity reports.
- Internal sources from prior experience,
- Manufacturers' estimates of component overhaul, other outside sources, hours flown for the period
- Databases from outside vendors

**COMMENTS:**

Due to the timing and amount, a cost-per-flying-hour would be misleading if overhaul expenses were accounted for only in the period in which encountered. To get a more accurate cost-per-flying-hour, agencies should recognize a portion of the expense in each period that receives the benefit. The overhaul costs established in this way, are posted to the component overhaul reserve account -- account number 21530 if the aircraft program is able to establish reserves.

This expense is an operating cost of the aircraft in the same accounting cycle as the revenue is generated, much the same way that the fuel and scheduled maintenance is, thereby having the total cost of producing the service reflected. This levels the costs of operation over the total life without the occasional large peaks in the annual costs of a particular aircraft because of a component rebuild or overhaul.

As hours flown are recorded the entries generated in the system are:

**Debit** this account for the amount (the number of hours flown times the pre-established per hour rate for major component rebuilds)
**Credit** account 21530

**A-126:** Engine Overhaul, Refurbishment, Major Component Repair

| | |
|---|---|
| **A-76:** | 5d,e |
| **FAIRS:** | 93, 94 |
| **OBJECT CLASS:** | Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390. |

**ITEM: Life Limited Item Reserve Variable Expense** **ACCOUNT: 69516**

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

These accounts apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use reserve accounts under a WCF).

This account is to establish a reserve account for those items on the aircraft that have a stated life limit in numbers of hours flown or cycles of operation that do not fit in either account 69512 or 69514. The expense that is charged to this account is the projected per hour cost of the retirement item at its appropriate future date. The estimated remove and replace costs are divided by the expected life of the retirement item in flight hours. Then for every hour this aircraft flies a cost is created against this account.

Accounting for cost in this category is different from the other expense categories. Normally, Government agencies compute cost-per-flight-hour by dividing total expenditures for the period by the number of hours flown during the period. For life limited item expenses, Government agencies should estimate the future cost to replace life limited items, divide by the total retirement life in hours flown. For those agencies, that can establish reserve accounts, each and every hour recorded should cause an expense to 69516 or 69526 and an offsetting credit to 21540. In essence, this recognizes expenses before they are encountered by setting a reserve.

**SOURCE:** - Aircraft use/activity reports.
- Manufacturers' price list
- Other outside sources and databases

**COMMENTS:**

Due to the timing and amount, a cost-per-flying-hour would be misleading if life limited item expenses were accounted for only in the period in which they were encountered. To get a more accurate cost-per-flying-hour, agencies should recognize a portion of the expense in each period that receives the benefit. The retirement item costs established in this way, are posted to the component overhaul reserve account -- account number 21540, if the aircraft program is able to establish reserves.

This expense is an operating cost of the aircraft in the same accounting cycle as the revenue is generated, much the same way that the fuel and scheduled maintenance is, thereby having the total cost of producing the service reflected. This levels the costs of operation over the total life without the occasional large peaks in the annual costs of a particular aircraft because of a retirement item replacement.

**Debit** this account for the per hour pre-established cost it is estimated will be needed to cover the retirement items, times the hours of flight time
**Credit** account 21540

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d |
| **FAIRS:** | 93, 94 |

**OBJECT CLASS:** Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390.

**ITEM: Fixed Expense Reserves** **ACCOUNT: 69520**
Summary Account

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

These accounts apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use reserve accounts under a WCF).

The two reserve accounts (69522 and 69526) that follow this summary account are for expensing the reserve accounts that are set up for items that have their life stated or controlled in days, months, or years. That is they have a finite life that is driven by the calendar rather than hours flown.

**SOURCE:**

**COMMENTS:**

The expenses posted to these next two accounts differ from the ones included in the 695XX series in that the items in those accounts have their life limits stated in numbers of hours flown or cycles of operation. The items that affect accounts 69522 and 69526 have their limits based on the passage of time (days, months, or years).

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390. |

**ITEM: Aircraft Refurbishment Reserve Expense** **ACCOUNT: 69522**

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

These accounts apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use res erve accounts under a WCF).

Accounting for cost in this category is different from the other expense categories. Normally, organizations collect total expenditures in a particular cost account for the period under consideration. Then, if they wish to know cost per flying hour, they divide this cost by the number of hours flown during the period. Because aircraft refurbishments occur so infrequently, refurbishment expense for a given period is obtained by estimating the future cost to refurbish the airc raft, dividing this by the total number of years of operation between refurbishment periods, and then dividing the resulting cost per flying hour by the hours flown for the given period. Include in the estimate the cost of all parts and labor.

Aircraft refurbishment is a expense that should be anticipated if the aviation activity plans on having the aircraft in operation for more than ten years or so. Refurbishment can include such items as; new interior upholstery, a repaint of the exterior, new state -of-the-art avionics, etc. Refurbishment does not include the engines or other major components that are addressed by the other accounts in this 695XX series.

**SOURCE: -** Aircraft activity reports and/or aircraft monthly assignment agreements.
- Manufacturers' estimates of refurbishment costs, - Other outside sources,
- Hours flown for the period
- Months of service assigned and/or provided

**COMMENTS:**

Due to the timing and amount, a cost-per-flying-hour would be misleading if refurbishment expenses were accounted for only in the period in which encountered. To get a more accurate cost -per-flying-hour, agencies should recognize a portion of the expense in each period that receives the benefit. The refurbishment costs established in this way, are poste d to the aircraft refurbishment reserve account -- account number 21520 if the aircraft program is able to establish reserves.

For each month of assignment to a dedicated user a charge should be made, whether the aircraft had any flight activity or not. This monthly charge is to cover the various expense items that are of a fixed cost nature (see accounts 61300 through 61600). This same monthly charge rate to the assigned user will cover the reserve expense for refurbishment.

For each month of assignment:

**Debit** this account with the established monthly refurbishment reserve set -aside
**Credit** account 21520

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5d |
| **FAIRS:** | 91,92 |

**OBJECT CLASS:** Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390.

**ITEM: Life Limited Item Reserve Fixed Expense** **ACCOUNT: 69526**

**FINANCIAL STATEMENT**: Income Statement - Expense

**DEFINITION:**

These accounts apply when reserve accounts under a WCF (Working Capital Fund) have been established by the agency (see Expense Accounts 61260 - 61290 when the agency does not use reserve accounts under a WCF).

This account should be charged with the expense side of any reserve set-aside that must occur based on calendar days and/or months, other than those items covered by account 69522.

This account is to establish a reserve account for those items on the aircraft that have a stated life limit expressed in months or years that do not fit in either account 69512 or 69514. The expense that is charged to this account is the projected per hour cost of the retirement item at its appropriate future date. The estimated remove and replace costs are divided by the expected life of the retirement item in flight hours. Then for every hour this aircraft flies a cost is created against this account.

Accounting for cost in this category is different from the other expense categories. Normally, Government agencies compute cost-per-flight-hour by dividing total expenditures for the period by the number of hours flown during the period. For life limited item expenses, Government agencies should estimate the future cost to replace life limited items, divide by the estimated total retirement life in hours flown (based on its calendar life and the anticipated future utilization). For those agencies, that can establish reserve accounts, each and every hour recorded should cause an expense to 69516 or 69526 and an offsetting credit to 21540. In essence, this recognizes expenses before they are encountered by setting a reserve.

**SOURCE: -** Aircraft activity reports and/or aircraft monthly assignment agreements.
- Manufacturers' price list
- Other outside sources and databases
- Estimated hours flown for the calendar life of the component.

**COMMENTS:**

Due to the timing and amount, a cost-per-flying-hour would be misleading if life limited item expenses were accounted for only in the period in which they were encountered. To get a more accurate cost-per-flying-hour, agencies should recognize a portion of the expense in each period that receives the benefit. The retirement item costs established in this way, are posted to the component overhaul reserve account -- account number 21540, if the aircraft program is able to establish reserves.

Only items that have a replacement interval measured in calendar time should be included in the reserve calculation for this account. Once the group of items and the estimate costs are listed, then an estimate of when in the future these outlays will occur must be made. The cost then must be divided by the months of assignment in the period between this listing date and the work to be done date; thereby establishing a monthly rate for this reserve expense.

As each months assignment is recorded:

**Debit** this account for the monthly rate
**Credit** account 21540

| | |
|---|---|
| **A-126:** | Engine Overhaul, Refurbishment, Major Component Repair |
| **A-76:** | 5e |
| **FAIRS:** | 93, 94 |
| **OBJECT CLASS:** | Not applicable to these accounts. However, if the finance system in use in your agency requires an object class for any item booked as an expense, then please review the object class discussion account 17390. |

**ITEM: Gains** **ACCOUNT: 71000**
**Summary Account**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

Monetary gains that are acquired as a result of activities that are not a normal part of the agency's aviation operation.

| | |
|---|---|
| **SOURCE:** | This is a summary account. Posting is done with accounts 71100 and 71900 |

**COMMENTS:**

This account is used so that financial gains that are acquired as a result of out -of-the-ordinary activities are recorded as an appropriate increase in revenues w ithout distorting the financial performance of the agency.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Gains on Disposition of Assets** **ACCOUNT: 71100**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

The gain on the disposition (such as sale, exchange, disposal or retirement) of assets and personal property.

| | |
|---|---|
| **SOURCE:** | The sale document or other transaction notification. |

**COMMENTS:**

When disposing of an aircraft or other capitalized asset (accounts 17300 through 17590) either through a sale or a trade-in; the asset value, less the accumulated deprecation and the proceeds, equal the net gain or loss on disposal. This account is credited with the net results when the proceeds exceed the asset book value. The book value is determined by subtracting the accumulated deprecation from the capitalized value of the asset.

This type of gain is treated as an extraordinary gain so that it does not distort the net income/loss from regular operations.

The posting for this transaction is as follows:

**Debit** the accumulated depreciation account (most likely 17590) for the amount of depreciation that has been booked on this asset since its capitalization
**Credit** the asset account for the full capitalized value of the asset (account 17510 for an aircraft)
**Debit** the cash account (10100) for the amount the item brought in on the sale
**Credit** this account with the amount needed to balance the above debits and c redits

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76** | **22** |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Other Gains** **ACCOUNT: 71900**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

Any transaction that nets a gain in financial status for the aviation activity, that does not come about through the normal operations or is not the result of an asset disposition should be recorded to this account.

| | |
|---|---|
| **SOURCE:** | Whatever financial document that verifies that the aviation activity has received a net gain in the cash account (10100). |

**COMMENTS:**

Any transaction that is not a normal business activity that causes a net positive cash result would fit in this account.

The posting would be:

**Debit** cash account (10100)
**Credit** this account

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Losses** **ACCOUNT: 72000**
**Summary Account**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

Monetary losses that are incurred as a result of activities that are not a normal part of the agency's aviation operation.

**SOURCE:** This is a summary account. Posting is done with accounts 71100 and 71900

**COMMENTS:**

This account is used so that financial losses that are incurred as a result of out -of-the-ordinary activities are recorded as an appropriate increase in expenses without distorting the financial performance of the agency.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Loss on Disposition of Assets** **ACCOUNT: 72100**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

When the asset disposed of does not bring in as much as the book value of that asset, then there is a loss on the disposal.

**SOURCE:** The sale document or other transaction notification.

**COMMENTS:**

If the asset disposed of does not sell for an amount equal to the book value (capitalized value less accumulated depreciation) then there is a loss on the sale. It is still appropriate to treat this loss as an extraordinary item in that the acquisition and disposal of assets is not the primary business of this aviation activity. To treat this as an extraordinary item keeps the loss from distorting the regular net profit or loss from operations.

The posting of this transaction would be:

**Debit** the accumulated depreciation
**Credit** the asset account
**Debit** the cash account for the proceeds of the sale and **Debit** this account for the remaining amount needed to make the debits equal the credits in this posting.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Litigation settlement costs** **ACCOUNT: 72300**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

Cost incurred as a result of a court ordered or negotiated monetary setllement

**SOURCE:** The settlement document or the court order.

**COMMENTS:**

If the agency is ordered to pay a monetary damage award or such as settlement is negotiated between the agency and the party involved, a very real expense is incurred. It is appropriate to treat this expense as an extraordinary item in that litigation settlement costs are not the primary business of this aviation activity. To treat this as an extraordinary item keeps the expense from distorting the regular profit or loss from operations.

Recording this transaction is accomplished as follows for a retail purchase:

**Debit Litigation settlement costs** (Expense Account 72200)
**Credi**t Accounts Payable (Liability Account 21100)

When the settlement is paid,

**Debit** Accounts Payable (Liability Account 21100)
**Credit** Cash (Asset Account 10100)

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Accident repair costs** **ACCOUNT: 72500**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

For agencies that do not have a Working Capital Fund, this is the cost incurred as a result of repairing/rebuilding an aircraft that was damaged in an accident or incident.

For agencies with a Working Capital Fund that have established a self -insurance reserve fund, this cost is the excess of the cost to repair less the reserves accumulated in account 29200 (Reserve Liability).

| | |
|---|---|
| **SOURCE:** | Purchase order. Invoice |

**COMMENTS:**

**If an agency aircraft has been involved in an accident or incident it may be repaired. This is not an ordinary business expense for the agency since it is not in the business of repairing damaged aircraft.** It is therefore appropriate to treat this expense as an extraordinary item. To treat this as an extraordinary item keeps the expense from distorting the regular profit or loss from operations.

To record this transaction:

**Debit** Accident repair costs account (account 72500)
**Credit** Self insurance reserve account (accounts payable 29200) – If agency has WCF

At the time the invoice is paid, the transaction is recorded as follows:

**Debit** Self insurance account (accounts payable29200) – If agency has WCF
**Credit** Cash account (asset account 10100)

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Other Losses** **ACCOUNT: 72900**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

Costs or expenses so unusual in type or amount as to be accorded special treatment in the accounts or separate disclosure in the financial statements.

| | |
|---|---|
| **SOURCE:** | Whatever action or document that identifies the loss. |

**COMMENTS:**

Any action that causes the aviation activity to reduce its financial status or reduce its equity position that came about outside of the normal operations, other than the loss on disposition of assets addressed in account 72100.

The posting would be:

**Debit** this account for the amount of the loss
**Credit** the asset account that was affected

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed on these entries. |

**ITEM: Prior Period Adjustments** **ACCOUNT: 74000**

**FINANCIAL STATEMENT**: Income Statement - Extraordinary Items

**DEFINITION:**

Adjustments relating to activity involving gains or losses in prior periods.

| | |
|---|---|
| **SOURCE:** | The document that causes the loss to be identified. |

**COMMENTS:**

This account is seldom used. Only significant amounts from an earlier accounting period would be posted to this account. Any entry here would require s eparate disclosure on the financial statements.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | No object class needed. |

**ITEM: Aircraft Statistical Use** **ACCOUNT: 90000**
Summary Account

**FINANCIAL STATEMENT**: Not Applicable

**DEFINITION:**

Hours of aircraft use are a very important element in the management of aviation services. The following accounts will capture all use hours.

**SOURCE:** Aircraft use and activity reports.

**COMMENTS:**

Tracking the utilization of aircraft is of utmost importance to a complete aircraft cost accounting system. The use of this statistical data is necessary for many reasons. Just to name a few; historical use records, hours are needed to determine the cost per flying hour, the cost per flying hour is used to determine relative operating efficiencies when comparing one aircraft to another for a similar mission, total cost are divided by the productive hours flown to determine the cost recovery rate (inc ome), and to provide for accurate reporting to management and the FAIRS system of GSA.

Also, the hours flown are the basis for the revenue generating and cost recovery of this aviation accounting system, as well as the source data for some of the internal ly generated expense entries for the reserve accounts.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | Not applicable |
| **FAIRS:** | Not applicable |
| **OBJECT CLASS:** | Not Applicable. |

**ITEM: Fixed Wing Flying Hours** **ACCOUNT: 91000**
Summary Account

**FINANCIAL STATEMENT**: Not Applicable

**DEFINITION:**

All fixed wing (FW) aircraft flying hours will be captured in the following accounts:

| | Account |
|---|---|
| FW Single Engine (SE) | 91100 (a summary account) |
| FW SE Reciprocating Engine | 91110 |
| FW SE Turbine Engine | 91120 |
| FW SE Jet Powered | 91130 |
| FW Multi-Engine (ME) | 91200 (a summary account) |
| FW ME Reciprocating Engines | 91210 |
| FW ME Turbine Engines | 91220 |
| FW ME Jet Powered | 91230 |

**SOURCE:** Aircraft use and activity reports.

**COMMENTS:**

As these accounts are posted with flying hour activity the system creates a revenue by taking the hours and multiplying it by the individual aircraft flying hour rate that is loaded in the aircraft master record for that aircraft. At the same time a bill is generated to recover the money from the user information that is present on the aircraft use report.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | 7 |
| **FAIRS:** | 16, 48 |
| **OBJECT CLASS:** | Not Applicable. |

**ITEM: Helicopter Flying Hours** **ACCOUNT: 92000**
Summary Account

**FINANCIAL STATEMENT**: Not Applicable

**DEFINITION:**

All helicopter (HE) flying hours will be captured in the following accounts:

| | Account |
|---|---|
| HE Single Engine (SE) | 92100 (a summary account) |
| HE SE Reciprocating Engine | 92110 |
| HE SE Turbine Engine | 92120 |
| HE Multi-Engine (ME) | 92200 (a summary account) |
| HE ME Reciprocating Engines | 92210 |
| HE ME Turbine Engines | 92220 |

**SOURCE:** Aircraft use and activity reports.

**COMMENTS:**

See comments on account 91000, the same apply here.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | 7 |
| **FAIRS:** | 16, 48 |
| **OBJECT CLASS:** | Not Applicable. |

**ITEM: Fixed Wing Block-to-block Hours** **ACCOUNT: 93000**
Summary Account

**FINANCIAL STATEMENT**: Not Applicable

**DEFINITION:**

All fixed wing (FW) aircraft block-to-block hours will be captured in the following accounts:

| | Account |
|---|---|
| FW Single Engine (SE) | 93100 (a summary account) |
| FW SE Reciprocating Engine | 93110 |
| FW SE Turbine Engine | 93120 |
| FW SE Jet Powered | 93130 |
| FW Multi-Engine (ME) | 93200 (a summary account) |
| FW ME Reciprocating Engines | 93210 |
| FW ME Turbine Engines | 93220 |
| FW ME Jet Powered | 93230 |

**SOURCE:** Aircraft use and activity reports.

**COMMENTS:**

As these accounts are posted with block-to-block hour activity the system creates a revenue by taking the hours and multiplying it by the individual aircraft hour rate that is loaded in the aircraft master record for that aircraft. At the same time a bill is generated to recover the money from the user information that is present on the aircraft use report.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | 7 |
| **FAIRS:** | 16, 48 |
| **OBJECT CLASS:** | Not Applicable. |

**ITEM: Helicopter Block-to-block Hours** **ACCOUNT: 94000**
Summary Account

**FINANCIAL STATEMENT**: Not Applicable

**DEFINITION:**

All helicopter (HE) block-to-block hours will be captured in the following accounts:

| | Account |
|---|---|
| HE Single Engine (SE) | 94100 (a summary account) |
| HE SE Reciprocating Engine | 94110 |
| HE SE Turbine Engine | 94120 |
| HE Multi-Engine (ME) | 94200 (a summary account) |
| HE ME Reciprocating Engines | 94210 |
| HE ME Turbine Engines | 94220 |

**SOURCE:** Aircraft use and activity reports.

**COMMENTS:**

See comments on account 93000, the same apply here.

| | |
|---|---|
| **A-126:** | Not applicable |
| **A-76:** | 7 |
| **FAIRS:** | 16, 48 |
| **OBJECT CLASS:** | Not Applicable. |

# Appendix A

# Accounting Overview

## Appendix A

# ACCOUNTING OVERVIEW

In order to fully understand the accounting system described in the CAG, it is necessary to have a basic understanding of accounting. Accounting has two broad functions. The first is the measurement or the accumulation of reliable economic data reflecting the financial progress and status of an organization. The second function of accounting is communication, or the reporting and interpreting of these data in a manner that facilitates decision making.

### A.1 Primary Financial Statements

The Financial Statements are the documents that report on an organization in monetary terms. Most of the financial information needed is contained in the following financial statements:

- balance sheet,
- income and expense statement,
- statement of owners' equity, and
- cash flow statement.

A.1.1 Balance Sheet

The **Balance Sheet** (also known as the statement of financial position) is the primary financial statement that illustrates an organization's financial resources and obligations at a particular date. The balance sheet is the statement that shows the relationship among assets, liabilities, and owners' equity. The assets must always equal liabilities plus owners' equity. A key point to remember regarding this statement is that it represents a snapshot in time.

A.1.2 Income and Expense Statement

The **Income and Expense Statement** (also known as the statement of earnings) is the primary financial statement that summarizes the revenues generated, the expenses incurred, and any gains or losses incurred by an organization during a certain period of time. This statement presents financial data in a manner that is consistent, easily understood, provides easy comparison with prior periods and lends itself to further analysis and reports. The income and expense statement also provides the details that support the changes in the balance sheet from one accounting period to the next.

A.1.3 Statement of Owners' Equity

The **Statement of Owners' Equity** is a companion document to the income and expense statement and it provides an explanation of how the owner's equity changed from one balance sheet to the next.

A.1.4 Cash Flow Statement

The **Cash Flow Statement** is the last major report in the group of documents called financial statements. This statement looks at the financial status of an organization from the point of view of how much actual cash it has available. This is important because a viable organization requires cash to pay bills. Even if the organization is highly profitable, there are any number of circumstances under which it can find itself without sufficient cash to meet its financial obligations. For example, a company may have acquired new machinery and expanded its inventory substantially as a result of a surge in demand for its product. If at the same time, it has not paid attention to its cash inflow, it may have so much money tied up in its new machinery and inventory that it doesn't have sufficient cash to pay the bills. It may literally be forced to shut down because of its success!

A.1.5 Other Reports

There are numerous other reports that can be obtained from an accounting system. Each of these provides an insight into a specific aspect of the organization's financial condition. There are a number of standard reports that are commonly used, such as the Accounts Receivable Report and the Inventory Report. Other reports can be customized to focus on the specific information needs of a particular organization. These might include reports on the cost of producing a particular product or service, the cost and revenues of a particular contract or the cost and revenues generated by a particular operating location.

## A.2 BASIC ELEMENTS OF FINANCIAL STATEMENTS

Governmental accounting systems must support the information needs of individuals internal and external to a department or agency. Using **financial accounting**, an agency can measure and report on a periodic basis the financial status and operating results of an agency's aviation program to external parties including the Office of Management and Budget (OMB), the General Services Administration (GSA), Office of the Inspectors General (IG), and others. **Cost accounting** (also known as managerial accounting) helps agency managers make decisions in support of planning, budgeting, controlling costs, evaluating performance, and generating revenues. Basically, *cost accounting* specifies how to take the *financial accounting* data collected and perform analyses to support operational decision-making.

The purpose of financial statements is to provide information about an organization's economic resources and condition. The basic elements of the typical financial statements are assets, liabilities, owners' equity, revenues, expenses, gains, losses, and net income (or loss). These elements are listed as accounts on the financial statements. An **Account** is an accounting record in which the results of similar transactions are accumulated.

### A.2.1 Assets

**Assets** are the economic resources owned by an organization that are expected to have future economic benefits. Assets include:

- cash in the US Treasury,
- money owed by others for services rendered that has been invoiced (accounts receivable),
- prepayment on goods or services including progress payments made to vendors,
- inventories of spares for the aircraft and aircraft related equipment,
- facilities used for the aircraft, spares inventory and aviation department personnel, and
- aircraft and aircraft support equipment or tools.

In short, assets are what the entity has available to perform its assigned tasks and pay its bills.

An important point to consider in setting up asset accounts is to make sure that the assets are not claimed twice, i.e., once by the aviation department and once by some other section of the agency. Two areas where this can be particularly troublesome are cash and facilities. Cash accounts can create a problem if the aviation department shares its cash account(s) with other parts of the organization. Facilities can present a similar problem if they are shared with other non aviation operations. In the case of cash accounts, the solution is to set up a separate aviation cash account. In the case of shared facilities, an agreement can usually be made with the other users. However when such an agreement is made, it is important that the expenses associated with such a facility are also apportioned among the various users.

Aircraft should be entered as assets only if they are fleet aircraft and are owned, lease-purchased, borrowed, or leased for 180 days or more. Aircraft that are obtained as commercial aviation services

(CAS), that is, aircraft that are hired under a full service contract, chartered, rented, or leased for less than 180 days, are not considered assets.
(See FAIRS definitions in Appendix D).

### A.2.2 Liabilities

**Liabilities** are the obligations of an organization to pay cash or other economic resources in return for past, current, or future benefits. Liabilities represent claims against assets. Liabilities generally include the following:

- moneys owed to others for goods or services provided (Payables),
- wages, salaries, and benefits owed but not yet paid,
- taxes owed but not yet paid,
- the unpaid portion of debt and loans,
- remaining lease payments on capital lease, and
- funds accrued as a reserve for future events (such as engine overhauls).

It is important to remember that liabilities are the moneys owed at a certain point in time (normally the end of the accounting period under consideration), not the total expenses of the operation. Expenses are covered separately. These obligations to others may include moneys owed to other Government agencies for services rendered, for example for rental of hangar facilities from another Government organization.

If the lease of an aircraft was entered under asse ts as a capital lease, then the unpaid lease payments must be entered as a liability. Similarly, if an aircraft is financed with a loan, the remaining, unpaid balance of that loan must be entered as a liability.

### A.2.3 Owners' Equity

**Owners' Equity** is the owners' interest in the assets of an organization. In other words, owners' equity is what is left over after the liabilities are subtracted from the available assets. Equity basically consists of the following two items:

- capital paid into the enterprise by the owner(s) and
- retained earnings.

At first glance it may seem inappropriate to apply these items to Government operations. They are, however, both valid and directly applicable. Capital paid in by the owners for Government operations occurs when the Government purchases an aircraft or facility or some other piece of capital equipment and pays for it with cash.

Similarly, if an aircraft is transferred from another agency, the Government has decreased its equity in the agency that is relinquishing th e aircraft and has increased its equity in the agency that is acquiring the aircraft.

When there is a difference between the total revenues and total expenses during a period of time, the difference is either a net income (if revenues are greater than exp enses) or a net loss (if expenses are greater than revenues). At the end of each accounting period this net income or loss is added to the "retained earnings" which remain in the US Treasury.

### A.2.4 Revenues

**Revenues** are the resource increases resulting from the sale of goods or services. Revenues are primarily derived from the normal operations of the organization. Revenues provide the funds that pay

the bills, salaries, and other expenses of any enterprise. Government operations are no different in tha t they too receive revenue. There are basically three types of revenue for a Government agency that operates aircraft:

?? budgetary funds,
?? income from sales of goods and services, and
?? other income.

Almost every Government agency is the recipient of budgetary funds. These are the funds provided by the Treasury in accordance with the Government budgeting process.

The second type of revenue is applicable if the agency operating the aircraft sells its aviation services to another organization and receives pay ment for it. This may be another Government agency, a state or local government, a foreign government or individuals and companies. The key is that if the agency receives compensation for its services it should be classified and recorded as revenue. Sim ilarly, revenue results if the agency sells an asset, such as a facility or an aircraft. Note that if this occurs and the price received is more or less than the value to which the asset had been depreciated, an additional entry is made in the Gains/Losse s/Extraordinary Items account (see Section A.6). If an aircraft is traded in on a new aircraft, the trade-in allowance for the aircraft should be entered here as revenue, in order not to distort the value of the new aircraft.

The last category is reven ue derived from all other sources. This category is usually reserved for revenues that are not part of the organization's regular business. Examples of revenues that fit this category are interest earned on bank deposits and securities, income from fines , late payment penalties, etc..

### A.2.5 Expenses (Operating Costs)

Expenses represent the costs of using the assets or additional liabilities incurred in the course of an organization's operation. Expenses fall into a number of distinct and separate cate gories, and it is important to collect and track them in that manner.
The four basic groups of expenses are:

?? variable operating costs,
?? fixed operating costs,
?? operations overhead costs, and
?? administrative overhead costs (also known as applied overhead or g eneral and administrative expense)

The reason for tracking these costs separately is that each is the result of a fundamentally different activity. The first and second are associated with flying and owning the aircraft. The third is associated with the day-to-day management of that flight operation and the fourth is associated with the overall management of the organization that has an in-house flight aircraft operation.

#### A.2.5.1 Variable Costs

Variable costs are a direct function of flying the aircraft. In other words, these costs are zero if the aircraft is not flown. The most obvious of these costs is fuel -- if the aircraft doesn't fly, it does not consume any fuel and fuel costs are $0. Variable costs include, but are not limited to, the followin g expenses:

?? fuel and lubricants,
?? crew costs (per diem, overtime, part-time),
?? aircraft lease/rental (hourly rate),
?? landing fees, ground services

?? maintenance labor & parts, and
?? maintenance reserves.

The detailed definitions of each item are found in Appendices D, E, and F.

### A.2.5.2 Fixed Costs

Fixed costs are a direct function of owning the aircraft. They are incurred whether the aircraft flies or not. An example of this type of cost is hangar rental -- the rent is the same whether the aircraft flies or not. Fixed costs include, but are not limited to, the following expenses:

?? crew costs (salary and benefits for full time pilots),
?? maintenance costs (calendar-based inspections, etc.),
?? aircraft lease (monthly fee),
?? ground services at home base
?? depreciation, and
?? self - insurance.

The detailed definitions of each item can be found in Appendix D, E and F.

As can be seen, some costs (i.e., crew cost and maintenance cost) have both variable and fixed components. This is because they are a function of both flying and owning the aircraft. The chart of accounts shown in Section 3.2.1 takes this and similar situations into account and allows the associated expenses to be assigned to different account numbers.

### A.2.5.3 Operations Overhead Cost

Operations overhead costs are associated with the direct management and administration of the aircraft operation. Included in this category are the aviation manager, the dispatcher, the administrative personnel assigned to the unit, office and hangar rental costs, office supplies, janitorial services, etc.. For a unit that has a maintenance facility the maintenance manager would be a burden cost on direct labor as contrasted to operations overhead. If you have a maintenance manager that is not part of a government maintenance facility, then the maintenance manager would be charged to operations overhead. In general, this category of expenses (i) does not extend beyond the aviation department manager and (ii) should include all costs that are not assigned to variable or fixed cost categories but could be eliminated if the agency did not own and/or operate any aircraft. The difficulty with these costs is their allocation to a specific aircraft. The approaches available for allocating costs are discussed in section A.2.5.5.

### A.2.5.4 Administrative Overhead Costs (Applied Overhead)

Administrative overhead is often referred to as applied overhead or General and Administrative costs. These costs are all the administrative and management support costs that are provided by other sections of the agency or organization in support of the aviation department. Examples of this include payroll, personnel, accounting, legal services, etc., as well as the time of senior management devoted to the supervision of the aviation department. The difficulty with these costs is that while these costs are very real, it is often very difficult to define them and establish a dollar value for them. As with Operations Overhead costs, the test of whether or not to include these costs in accounting for aircraft expenses is: If you disposed of your aircraft, and these costs remained, they are programmatic costs and not appropriately charged to aircraft expenses. Only costs which are able to be directly associated to the aircraft are legitimate aircraft expenses. There are basically two approaches to obtaining these costs.

1. In the first approach, estimate the number of hours provided per year by each of the departments and senior management in support of the aviation department. Multiply this by each individual's estimated hourly salary rate. Add these totals and multiply by the current OMB established rate for average federal employee fringe benefits (typically about 29%) or the actual historical fringe benefit costs of the agency, to account for benefits, utilities, office space, etc., used by these individuals. This will provide a fairly realistic annual cost figure for administrative overhead. This cost can then be allocated as discussed below. This method can also be used to check the realism of the second approach to applied overhead costs.

2. In the second approach, the administrative overhead cost is established by the agency's accounting department and is applied to all operating units of the agency as a percentage to be applied to all depar tment expenses.

**A.2.5.5 Allocation Methods**

**Allocation** is the process of dividing costs or revenues among various cost or program elements [1]. This process is a very necessary part of determining the total cost per hour or per year of a particular aircraft , contract, or program. The allocation method selected must be simple enough to be easy to use and understand. At the same time, it must be a fair representation of how these costs are incurred to support each product or service. If that is not the case, then one or the other of the products or services will be burdened unfairly. Typical measures used to allocate costs in aviation programs are:

?? number of aircraft,
?? number of hours flown,
?? number of passengers,
?? value of the aircraft, and
?? variable costs of the aircraft.

Depending on the level of sophistication of the accounting program more than one measure of allocating costs may be used.

However the method of allocation is set up, it is very important to record the method used and re - examine it whenever there is a significant change in the flight operation (such as the addition or deletion of an aircraft, or a major change in mission or number of hours flown). Even if nothing changes, it is still worthwhile to examine the method of allocation at least annually to see if the resulting figures pass a "reality test". Overhead costs, that are not the result of the ownership or operation of the aircraft, are not to be allocated to aircraft costs. A simple test will help to determine if certain overhead cos ts are appropriately allocable to aircraft. The question to be asked is: “If the government disposed of its fleet aircraft, but instead received these services through some other method (charter, lease (<180 days)4/11/2002, cooperative agreement, etc.), which of these costs would remain?” Any remaining costs such as the salaries, benefits, support, supplies, rent, and misc. associated with personnel or facilities necessary to manage aircraft services obtained through charter, lease, cooperative agreement , etc., are *programmatic costs* and are not to be allocated to owned aircraft. For example, if the agency owns no aircraft, it may still need an aviation manager, aviation safety officer, flight scheduler, flight dispatcher, airport, heliport, or other inf rastructure in order to assure safe and efficient use of aircraft services. The costs of these personnel and infrastructure are real costs of the program but are not allocable to an agency’s aircraft. Additionally, the costs of obtaining and maintaining security clearances for aviation personnel are *programmatic costs*.

[1] Allocation is appropriate only for costs that cannot be tracked or accounted to a particular aircraft. Overhead costs are typically allocated. Discrete costs such as fuel, maintenance labor, parts, and flight crews should be accounted by individual aircraft.

After identifying and subtracting programmatic costs, two common methods for developing allocation schemes follows:

Allocate by Hours flown

With this method of allocation, the selected total cost of the applied overhead is allocated among the various aircraft in the operation on the basis of the hours flown flown by each aircraft. This is a good method if all aircraft have about the same productive capacity but fly different number of hours per year.

For example, assume that applied overhead is $200,000 for an operation with 5 medium sized turboprop aircraft. Two (2) aircraft are special purpose aircraft that fly only 200 hours per year each, while the other 3 aircraft fly 700 hours each. The total fleet flies 2500 hours per year and each aircraft should be allocated $80 per flying hour to allocate operations overhead fairly.

Allocate by Budgeted Operating Cost per Flying hour

With this method of allocation, the total cost of the applied overhead is allocated among the various aircraft in the operation in proportion to the total operating budget for each aircraft or each type of aircraft. This method is necessary if the aircraft have significantly different productive capacity. It is even more important if the different types of aircraft also fly significantly different number of hours per year.

For example, again assume that applied overhead is $200,000 for an operation with 5 aircraft -- 2 single engine piston aircraft that fly 350 hours per year each and 3 small jets that fly 600 hours per year each. The approximate annual budget is $63,500 for each of the piston aircraft and $847,500 for each of the jets. In this case, the total fleet still flies 2500 hours per year, however, each piston aircraft is assigned $4,750 of overhead ($13.60 per Flying hour), while each jet is assigned $63,500 ($105.80 per Flying hour).

There are many other ways of allocating costs. As can be seen from these examples, all good allocation schemes have in common the fact that they i) establish an equitable method of allocation to make sure one aircraft or type of aircraft does not get burdened unfairly and ii) are easy to establish and administer.

The method of allocation can and should be changed if circumstances change. To minimize confusion, changing allocation method is usually done at the beginning of a new accounting period (month, quarter or year).

### A.2.5.6 Reserves and Working Capital Fund (WCF) Accounts

The maintenance of almost all aircraft involves the expenditure of large sums of money on a periodic basis for the overhaul or replacement of major components. The sums of money involved are often very large compared to the cost of other maintenance. For example, overhaul of a pair of engines can be as much as $1,000,000 or more for a large business jet and a set of rotor blades for a helicopter can cost $100,000.

Many commercial and corporate operators of aircraft prefer to set up a reserve fund to pay for these large periodic expenditures for several reasons. First, the funds will be available when required. Second, adding the cost of reserves to the regular hourly operating cost gives a much more realistic picture of the operating cost of the aircraft.

Reserve accounts can be used in WCF programs but reserves cannot be incorporated into the accounting system for appropriated programs. Managers with appropriated funding should still calculate these expenses as if they were reserve items in order to understand the true cost of operating the aviation program. These reserve expenditures must also be incorporated into cost comparison studies and life cycle cost analyses.

OMB direction regarding cost comparisons (such as Circular A-76) requires that the cost of reserving for these major overhauls and component replacement be shown and incorporated in the calculations. To incorporate these reserves in the accounting system requires that the reserves be charged as an expense against a special reserve expense account. These funds are accumulated as a liability until the time an actual expense is made for an overhaul or component replacement.

To calculate the hourly reserve charges, the following procedure may be used:

- Establish the major components that need to be overhauled or replaced on a periodic basis. As a minimum, the engine(s) need to be included in this category. In addition, on helicopters, the major dynamic components (rotor blades, transmissions, drive shafts and mast) should be included. For many fixed wing aircraft, the landing gear should be included in this category.

- Determine the cost of overhaul or replacement and the interval between overhauls/replacements. Agency records can be used for this. In addition, most manufacturers will provide this information.

- Divide the cost of overhaul/replacement by the associated interval. This yields a cost per hour for each component. The total amount to be reserved on an hourly basis may then be obtained by adding the hourly costs of all components.

- Review this cost at least annually to incorporate actual costs incurred and changes in projected cost and overhaul/ replacement interval.

Typically, a reserve fund will accumulate money for a number of years before the funds are used to pay for an overhaul or component replacement. This is particularly true for many operators of government aircraft, because the interval between overhauls and/or major component replacement is usually 1500 to 3500 hours --many years flying for a typical government operator.

Government agencies may be able to set up reserve funds by following the special procedure needed to set up a WCF. Additional information on setting up a WCF can be found in Federal budgeting guidelines.

### A.2.6 Gains, Losses, and Extraordinary Items

**Gains (or losses)** are the net increases (or decreases) in an organization's resources resulting from peripheral activities or associated with non-recurring, unusual events or circumstances. There are three main categories of gains and losses. The first includes gains and losses due to sale of assets (such as aircraft), settlements of lawsuits, discontinued operations, etc. These are not extraordinary items, since these are considered part of normal business activities. However, because they are not part of the organization's central operations, they are reported as gains or losses instead of being reported as revenue or expense.

The second category of gains or losses is extraordinary items. **Extraordinary Items** are the gains and losses resulting from events that are unusual, unpredictable, and infrequent and not a part of normal business operations. These include losses resulting from natural disasters (such as hurricanes, tornadoes and flooding), expropriation of property by a foreign government, etc.

The third category covers adjustments to the financial results of prior accounting periods. The only gains or losses that may be recorded here are those that result from computational errors, errors in the application of accounting principles, or errors in the interpretation of information available at the time the financial statements for the prior period were being prepared. Note that changes in accounting estimates (for example the loss associated with a natural disaster) made in prior periods should be recorded as either changes in revenue/expense or gains/losses, but not as a an adjustment to a prior period. The reason is that the estimate changed not because an error was made but because more information became available.

In all cases, the gain or loss involved could be recorded as regular reven ue or expense. However, this would distort the financial results for the period in question and thereby make year -to-year comparisons meaningless. Gains, Losses, and Extraordinary Items are recorded on the income/expense portion of the financial statement and thus impact the net profits (net results of operations). In turn, the net results of operations for the year are added to the cumulative results of operations (retained earnings) on the balance sheet.

A typical example that illustrates the use of this account occurs when an aircraft is sold for more or less than the value to which it has been depreciated (the book value). Assume an aircraft was originally purchased for $5,000,000. It has been depreciated to $2,000,000 (the book value) and it is sold f or $3,000,000. The revenue received from the sale ($3,000,000) is greater than the book value of the aircraft ($2,000,000); therefore, there is a net gain (profit) of $1,000,000. This profit is accounted for in the Gains/Losses/Extraordinary Items accoun t by recording a one-time gain of $1,000,000. Similarly, if an asset is sold for less than its book value, the net loss is also recorded in this account.

Another example of the use of this account is as follows. Assume an organization sustained damage in a hurricane in the previous year. To repair the damage was estimated to cost $500,000 and was recorded as a loss in the previous year's Gains, Losses, Extraordinary Items account. All repairs have been completed in the current year for a total cost of $595 ,000 --$95,000 more than was accounted for in the previous year. To make this adjustment, the organization would enter a further loss of $95,000 in this year's Gains, Losses, and Extraordinary Items account. In addition, the organization will include a not e in its financial statement to explain last year's and this year's charges.

Thus, the principal reason for having this account is to record changes in financial status that are the result of activities that are not part of the central operation of the or ganization. If the gains or losses recorded in this account were recorded as revenue or expense, they would distort the financial results of the organization's central operation.

### A.2.7 Net Income (Net Loss)

**Net Income (Net Loss)** is a measure of the overall performance of the organization. Net income is equal to revenues plus gains, minus expenses and losses for a given period. As such, it reflects the organization’s financial accomplishments.

## A.3 Basic Accounting Concepts

Accounting is the measurement of the financial activities and the maintenance of the financial records of an organization. The organization can be for -profit, non-profit, or a Government agency.

The accounting system systematically records the financial transactions and facts in a logical and agreed upon manner. The results and financial status can then be presented fairly and understandably to management and others who have a need to know. Equally important, the records and reports can answer basic questions, such as, how muc h does this product or service cost? Is it profitable? How does its cost compare to other, similar products or services? What are the components of the overall cost of a product or service?

The fundamental fact of accounting is that Assets always equal Liabilities plus Owner's Equity. This is usually expressed as follows:

**Assets = Liabilities + Owner's Equity**

Or put a different way:

**Owner's Equity = Assets - Liabilities**

In other words, the Owner's Equity is what is left over after all the obligati ons to outsiders have been subtracted from the available assets.

A.3.1 Data Collection (Forms)

Good data collection is the key to having an accounting system that works and provides the required data. The most effective way to collect the required data is to **establish and enforce the use of a system of forms** designed to provide the needed data. Four important aspects of using forms are to make sure that:

?? each form has someone (pilot, maintenance technician, dispatcher, fuel truck operator, etc.) clearly responsible for its completion;

?? the recipient(s) of each form is/are clearly designated and there are sufficient copies in the form so that all who need the information will get it;

?? proper completion of the forms on a timely basis is monitored and enforced; and

?? all major forms are prenumbered with unduplicated numbers.

It should be stressed that without the data available from these input forms, any accounting system will fail. Appendix B provides detailed information on establishing a system of forms needed for the collection of aviation financial and management data.

A.3.2 Double Entry Accounting

**Double Entry Accounting** is a system of recording transactions so that the equality of the accounting equation (Assets = Liabilities + Owner's Equity) is al ways maintained.

The fundamental concept in this equation is that debits must always equal credits. In order to further clarify this concept, some terms must be defined. First, an **Account** is an accounting record in which the results of similar transactions are accumulated. The account will show increases and decreases as a result of normal activities. The account will also always have a balance, which is the net result of the increases and the decreases. In accounting, increases and decreases in accounts are expressed as **"debits**" and "**credits**". Unfortunately, the meaning accounting assigns to these terms is **not** the same as common usage assigns to them. Debits are entries on the left side of an account. Credits are entries on the right side of an account. The left side of an account can mean positive or negative, depending on what type of account it is. For example, asset accounts, being on the left side of the balance sheet, have a debit balance; therefore, a debit entry increases an asset account and a cr edit entry decreases an asset account. Liabilities and owner's equity accounts, are on the right side of the balance sheet and normally have credit balances; therefore, a credit entry increases these accounts while a debit entry decreases these accounts.

The important point for a manager to remember is that when an accountant speaks of debits and credits, the impact of this on an account depends on what type of account it is.

With double entry accounting all financial transactions have a dual effect. Fo r example, if the organization purchases a truckload of fuel for its fuel inventory, two things have happened from an accounting point of view. The first is that its inventory (an asset) has increased by the value of the fuel bought. The second is that it s liabilities were increased by the cost of the fuel (a payable), or cash (an asset) was decreased by the payment for the fuel. Thus, the fundamental accounting equation stays in balance. Similarly, if revenue is generated by a flight, assets are increased by the amount of revenue earned (a receivable). At the same time, but separately, expenses were incurred for fuel, salaries, depreciation, etc., which increases liabilities. And, if the revenue earned is greater than the expenses

incurred (i.e., there is a profit), the owners equity will increase by the difference between the increase in assets and the increase in liabilities.

This dual effect of all financial transaction is the reason this type of accounting is called Double Entry Accounting. The key point to remember is that for every financial action, there is an equal and opposite financial reaction.

A.3.3 Audit Trail

The purpose of auditing the financial records of an organization is to make sure that the financial statements reflect its financial condition fairly and accurately. There are many reasons for doing this. The primary reason is to ensure that management is basing its decisions and plans on realistic numbers.

The objective of an audit trail is that any expense incurred, asset acquired, income received, etc. by that organization can be traced from the original invoice, trip request, purchase order or check to the financial statement. The system must also allow the reverse to be accomplished.

The accounting system described in the following sections achieves this objective because each transaction is recorded individually in one of the journals, by date, amount, account number and check number (expense) or invoice number (revenue). In turn, the reference to the check number or invoice allows further checking to the source document (purchase order, work order, etc.). After being recorded in a journal, the financial data is combined in the general ledger and presented in the financial statement. Thus, by definition, the financial statement summarizes all financial transactions and any account can be traced back to its original paperwork.

Basically, when an auditor performs an audit, he or she ascertains two things. The first is that all expenses incurred and revenues received by the organization being audited are all included properly and are all fully traceable from the original invoice, check, purchase order, etc. to the financial statement (i.e., there is an audit trail). The second is that all assumptions and methods used for allocation of costs, valuation of assets, etc. are done on a consistent basis that is logical, legal, and meets certain standards. When both these conditions are met, it is said that the financial statements conform to Generally Accepted Accounting Principles.

There are three kinds of financial statements that an organization can produce. All three are produced by an accounting system described in this CAG. The difference lies in the amount of scrutiny these financial statements have received from an independent auditor.

The first is in the proper format for a financial statement, but has not been examined by an independent auditor other than to make sure it is in the appropriate format. This is referred to as an "unaudited" financial statement.

The second is when an accountant has looked at the financial statement from the point of view of whether the numbers pass a basic reality check. This is referred to as "unaudited but reviewed" financial statement.

The last is when a qualified accountant performs a check of the audit trail, the internal controls, the various assumptions used, etc. When this has been accomplished, the financial statements are referred to as "audited and found to be in compliance with generally accepted accounting principles."

When implemented properly, an accounting system such as described in this CAG will provide the required audit trail with no additional effort.

## A.4 The Accounting Process (Accounting cycle)

The accounting process is the means by which financial activities a re transformed into accounting reports that can be interpreted and used in decision -making. This process is also known as the **Accounting Cycle.**

The accounting cycle illustrated in Figure A1 and explained below is based on an **Accrual Basis** accounting model. An accrual basis accounting system is an accounting system that recognizes revenues and expenses as they are earned and incurred, not necessarily when cash is received or paid. A **Cash Basis** accounting system recognizes revenues and expenses only when c ash is received or paid.

A.4.1 Source Documents

The accounting cycle begins with source documents that are the records of transactions used for the basis for recording accounting entries. Source documents include purchase orders, invoices, checks, expense accounts, work orders, inventory counts, etc.. These documents confirm that a transaction has occurred and establish the amounts to be recorded.

A.4.2 Journalize Transactions

A journal is an accounting record in which transactions are first entered. It provides a chronological record of all business activities (also known as a book of original entry). The journal will show the date of the transaction, the amount, the accounts affected, and a brief explanation of the transaction. Debits must always equal credits in a journal entry.

Journals are very similar to ship or aircraft logs in that they present a chronological listing of the events affecting the organization. Typically, an organization will maintain several of these journals to record different types of financial transactions. Examples of journals that may be used by a typical organization are the Revenue Journal, the Purchases Journal, the Payroll Journal and the General Journal. There are no hard rules as to what journals need to be kept, ex cept that clearly separate activities should be clearly separated.

There are several rules to be observed when entering journal entries.

?? The most important one is that each entry is posted to its proper account (i.e., fuel purchases are posted to "fuel", not "maintenance labor" or "insurance").

?? The principle of dual entry is maintained. For example, when the rent is paid, this should appear both as an increase in expenses and a decrease in assets (cash).

?? The source of the information recorded is clearl y indicated (usually by date, vendor and document number). The reason for this is that it is a key link in building traceability from the final financial statements back to the source documents.

Entering each transaction into its proper accounts requires that the various accounts be carefully defined and that there are enough different accounts to reflect all the categories of cost and revenue that need to be tracked. Furthermore this needs to be done in such a manner that subsidiary accounts can easily be collected into their overall account. For example, it may be important for an operation to track bulk fuel purchases, contract fuel purchases, and individual, retail fuel purchases. At the same time, from management's point of view, the only figure of interest is total fuel purchases.

To accomplish this, an organization will establish a **"Chart of Accounts."** This chart establishes the various accounts under which each financial transaction will be listed. Each account is clearly defined and is assigned a multi-digit number. Section 3 contains a detailed explanation of the Chart of Accounts.

A.4.3 Post Journal Entries to Accounts

After transactions are recorded in the general journal or the various specialized journals, they must be classified and grouped by similar items into common accounts and entered into the General Ledger. This process is called posting. The **General Ledger** is an accounting record of all accounts of the organization. In other words, all activity from the various journals for one particular account are summed and then "posted" to the matching account number in the General Ledger. Thus, the General Ledger summarizes all the information collected in the various journals. Very importantly, the General Ledger collects the data in such a manner that, after the appropriate additions and subtractions are performed, it produces the information required for the financial statements. Of course, the information from the journals can also be posted to subsidiary ledgers that show more detail for a particular group of accounts in order to meet management information needs.

A.4.4 Prepare a Trial Balance Sheet

At the end of the accounting period, the accounts in the General Ledger are reviewed and the account balances are determined. Once this is complete, a **trial balance** is prepared to check the accuracy of the previous steps. The trial balance lists each account with its associated debit or credit balance. The objective is for total debits to equal total credits.

A.4.5 Prepare a Work Sheet

The next step is to prepare a **work sheet**. This is a columnar schedule used to summarize accounting information. The work sheet lists the trial balance, adds adjusting entries and extends the resulting figures into the financial statement columns. The figures are then used in preparing the balance sheet, income and expense statement, and other financial reports.

A.4.6 Adjusting Entries

**Adjusting Entries** are required at the end of each accounting period to recognize, on an accrual basis, revenues and expenses for the period and to report proper amounts for assets, liabilities and owner's equity accounts. An agency must make sure that all account balances are appropriate and that all revenues and expenses are recognized before financial statements can be prepared. This is accomplished by making adjusting entries. Adjustments are generally required at the end of each accounting period. The following type of accounts normally require adjustments:

?? Unrecorded revenues -- revenues not previously recognized that are earned but not received by the end of the accounting period.

?? Unrecorded expenses -- expenses not previously recognized that are incurred but not yet paid for by the end of the accounting period.

?? Unearned revenues -- Payments received before they are earned.

?? Prepaid expenses -- Payments made in advance for items normally charged to an expense account.

The basic purpose of adjusting entries is to bring account balances to their correct amounts so that the financial statements will reflect the proper amounts at the end of the accounting cycle.

A.4.7 Prepare Financial Statements

Once all transactions and the adjusting entries have been analyzed, journalized, and posted, the accounts can be summarized and be presented in the **financial reports** generated. The information for both the balance sheet and the income and expense statement can be taken directly from the work sheet. These financial statements should be prepared as soon as possible at the end of each accounting period.

A.4.8 Post Adjusting Entries

After the financial statements have been prepared, all **adjusting entries** need to be journalized and posted to the appropriate accounts. When that step is complete, the closing entries can be made.

3.4.9 Closing

Posting **Closing Entries** is the process whereby the revenue and expenses accounts (referred to as "nominal", or temporary, accounts) and the resulting net income are set back to zero at the end of an accounting period; transferring their pre-closing balances to the owners' equity accou nts (referred to as a "permanent" balance sheet account). This process is required to measure the income, expense and net income of that next accounting period.

When the closing entries have been posted, the last step in the accounting cycle is the prepar ation of a post closing trial balance. A post closing trial balance is a listing of all real accounts (assets, liabilities and owners' equity) and their associated balances after the closing process has been completed. This step checks that all nominal accounts were closed out properly by checking that the debits equal the credits for all real accounts prior to beginning the new accounting period.

# Appendix B

# Forms

# Appendix B

# FORMS

As discussed in earlier sections of the CAG, one of the most im portant objectives when developing an accounting system is to satisfy the output requirements of an organization. One of the principal tools to help an organization meet its output requirements is a well -designed chart of accounts. However, an organization's planning must not stop there.

Another, equally important part of the accounting system, which must also receive proper planning is the collection of cost data. An organization could properly identify its reporting requirements and design the "perfect" chart of accounts but if the data flowing into the system is not accurate and relevant then the common saying of, "garbage in garbage out," becomes applicable.

Basically, an organization can view cost data as coming from two sources, external to and fr om within the organization. In either case, it is very important that the cost data source documents contain all the information required for proper entry into the accounting system. Thus each source document needs to contain enough information to determine to which account number, location, aircraft and contract it should be assigned. The best way to do this is to have appropriate spaces on each source document form.

An organization often cannot do much to influence the format of cost data arriving fro m external sources, such as vendor invoices. Of course, with large vendors, or vendors that are on contract, the agency can specify what data must be contained on the invoice in order to be paid promptly! It is much more important, though, to channel the available cost data (invoices) from external sources into a procedure that assures the required information about account number, aircraft, etc. is added before it arrives in the accounting department for entry into the accounting system.

By contrast, organizations can greatly influence how they capture internally generated cost data. This chapter offers guidance on ways to develop or modify the most important forms so they capture the relevant internal cost data. A key point is to make sure the form co ntains space and directions for the entry of the required data. This data must be easy to enter when the form is being used in the performance of a job. Making the form "user friendly" is a lot easier than to recreate or guess at the data after the job and the form have been completed.

### B.1 Setting Up Forms

The task of creating forms is an important, but not necessarily difficult, task. Form design is important because it causes the agency to think through the logical flow of data from source to output. The task forces individuals to understand their organization's accounting process. It should not be difficult because the relevant and important data to capture on forms will become obvious when using proper planning. Also, not many agencies will have a unique requirement for data for which a form does not already exist somewhere in the aviation industry.

Once an agency has identified the relevant data it would like to capture, it must then either develop or find a pre-existing form that fulfills its needs. Properly developed forms are clear and leave little doubt as to what data the user needs to complete. Clear forms request only required data.

Pre-numbering of forms is another issue to consider. For accountability and auditing reasons, agencies should pre-number their forms. Remember data captured on forms is the source for information in the required output. To check the validity and reasonableness of the required output, agencies must be able to track back through the accounting system to the source document. Pre-numbering simplifies recording the source of cost data in each journal entry and assures that records can be found quickly and without ambiguity when the results are audited.

The effective use of forms requires that personnel performing the various tasks must enter the appropriate information. This includes not only the work performed, but also the relevant account number, location code, contract number etc.. This approach improves accuracy and avoids unnecessary duplicate work. For a pilot, technician, or clerk to accomplish this requires that they be given appropriate information about account numbers, etc.. This can easily be done by printing the relevant information on the back of the form. This provides an easy reference. Another way is to have the floor supervisor enter the information.

This appendix contains a number of samples of forms in use with various commercial operators.

## B.2 Sample Forms

This section illustrates examples of basic forms for agencies that are faced with the task of creating or finding forms for their operations. Figure 1 identified the basic internal forms that will allow an agency to capture relevant data for its reporting requirements. The main ones are:

- fuel slips,
- time cards,
- work orders,
- purchase orders, and
- aircraft usage reports.

The following sections illustrate typical examples of forms based on the ones used by commercial operators. The text that accompanies each form also identifies the minimum data on each form that agencies should collect to obtain the necessary cost data.

### B.2.1 Fuel Slip

General Comments - The purpose of the fuel slip is to record transactions involving the purchase or consumption of fuel. An organization should consider the following important data elements wh en implementing a form to capture fuel transactions. This form applies whether fuel is obtained from an agency's own fuel supplies or from a commercial retail vendor. Cost data for fuel that is bought commercially is usually recorded on a preprinted form supplied by the fuel company or Fixed Base Operator (FBO). The pilot should make sure that he/she obtains a copy of this charge slip and attaches it to the fuel form.

**Important Data Elements to Consider**

**(1)** **Pre-Numbered Form** - Pre-numbered forms offer an organization control by giving them accountability of transactions that affect them. For example, if questions arise about missing source documents, unrecorded transactions, or a specific transaction, pre -numbered forms allow tractability through the accounting system. Pre-numbering forms is as fundamental as recording the date on the source document.

**(2)** **Date** - One of the key data elements for well-developed accounting systems is the date. If agency personnel will enter the date as part of the sour ce document, then agencies can sort individual transactions according to the date of occurrence, which, in turn, yields meaningful information for the management of an operation. It also ensures that transactions are recorded in the appropriate period of accounting. Recording the date is an essential ingredient of any audit trail.

**(3)** **Aircraft Registration Number** - Needed for allocation to the appropriate aircraft.

**(4)** **Contract Number** - Needed for allocation to the appropriate contract, if appropriate

**(5)** **Account Number** - The various possibilities, such as

61112 - Fuel, Bulk (Commercial)
61115 - Fuel, Retail (Federal)

may be preprinted on the form with an adjacent check off box.

**(6)** **Gallons Delivered** - Gallons delivered is a key element in the computation of the total cost of the purchased fuel.

**(7)** **Total Amount** - Enter the total amount into the proper transaction journal.

**(8)** **Signature Block** - The pilot responsible for the aircraft into which the fuel is pumped should sign here.

### B.2.2 Time Sheet

**General Comments** - Time sheets or time cards represent the primary source of labor data for an organization. An organization first must decide to what level of the organization they want personnel accounting for their time at a detail level. Normally, direct labor keeps detailed time sheets, while overhead labor keeps track of time on a more macro level and subsequently has their time assigned to specific jobs based on a predetermined allocation basis. Examples of direct labor in a maintenance organization would include inspectors, mechanics, overhaul shop personnel, etc. Once an organization decides who will track their time, then they need to use a form that captures relevant data.

**Important Data Elements to Consider**

**(1)** **Date** - One of the key data elements for well-developed accounting systems is the date. If agency personnel will enter the date as part of the source document, then agencies can sort individual transactions according to the date of occurrence. This, in turn, yields meaningful information for the management of an operation and ensures that transactions are recorded in the appropriate period of accounting. Recording the date is an essential ingredient of any audit trail.

**(2)** **Work Order Number** - This is for cross-reference when doing an audit and helps track cost to a specific project if desired.

**(3)** **Aircraft Registration Number** - Needed for allocation to the appropriate aircraft.

**(4)** **Account Number** - It is essential that direct labor have direct labor account numbers to which they can charge their time. It is important to capture the entire amount of paid hours not just productive hours, therefore a charge should exist for the time paid that is not directly associated with a job.

**(5)** **Description of Work Performed** - Allows an organization to accurately determine the type of work or tasks that various personnel have performed during a job. An example of a description of work performed might simply state, "performance of 100-hour inspection" or "replacement of part number such and such". Again description of work gives an organization an audit trail.

**(6)** **Total Time** - Summarizes the detailed entries of the daily time sheet and is also the amount entered into the labor journal.

**(7)** **Signature Block** - The technician whose time is recorded on the time sheet should sign it here. Again, this is part of building an audit trail.

### B.2.3 Work Order

**General Comments** - The work order is the source document that summarizes the work performed on an aircraft. The work order contains a lot of data but, most importantly, it summarizes the activity about parts and labor. When developing or looking for an appropriate form, an organization might want to consider the following elements.

**Important Data Elements to Consider**

**(1)** **Pre-Numbered Form** - Pre-numbered forms offer an organization control by giving them accountability of transactions that affect them. For example, if questions arise about missing source documents, unrecorded transactions, or a specific transaction, pre -numbered forms allow tractability through the accounting system. Pre -numbering forms is as fundamental as recording the date on the source document.

**(2)** **Work Order Number -** This provides a cross reference when doing an audit and helps track costs to a specific project if desired.

**(3)** **Date** - One of the key data elements for well-developed accounting systems is the date. If agency personnel will enter the date as part of the source document, then agencies can sort individual transactions according to the date of occurrence which, in turn, yields meaningful information for the management of an operation and ensures that transactions are recorded in the appropriate period of accounting. Recording the date is an essential ingredient of any audit trail.

**(4)** **Aircraft Registration Numbe**r - FAIRS and the Circulars require an organization to track costs by tail number.

**(5)** **Contract Number** - Agencies may want to track cost by contract.

**(6)** **Account Number(s)** - This is necessary to make sure the various costs are posted to the proper accounts. This task can be simplified by preprinting the form with the various cost accounts in use (for example: Airframe Parts - Scheduled #61221 and Airframe Parts - Unscheduled #61225).

**(7)** **Labor Hours** - Important ingredient when determining the cost of total labor.

**(8)** **Labor Rate** - Important ingredient when determining the cost of total labor.

**(9)** **Total Labor Cost** - Sum of the labor hours x labor rate.

**(10)** **Part Number** - If not for regulatory reasons then for internal purposes, an organization should indicate the parts that required attention during the maintenance action.

**(11)** **Serial Number** - If applicable, record the serial number. This is an important factor in maintaining air worthiness of the aircraft.

**(12)** **Nomenclature** - As important as the part number.

**(13)** **Quantity** - Important ingredient when determining the cost of parts during maintenance.

**(14)** **Unit Price** - Important ingredient when determining the cost of parts during maintenance.

**(15)** **Extended Cost** - Quantity x Unit Price.

**(16)** **Signature Block** - The technician who accomplished the work sign here. Again, this is part of building an audit trail.

### B.2.4 Purchase Order

**General Comments** - The purchase order is the official document that reflects what an organization has ordered. A properly-designed purchase order will allow an organization to determine what is outstanding on a given date and to compare actual receipts to what was ordered. An organization should consider the following data elements when implementing a form for the purchase ordering system.

**Important Data Elements to Consider**

**(1)** **Pre-Numbered Form** - Pre-numbered forms offer an organization control by giving them accountability of transactions that affect them. For example, if questions arise about missing source documents, unrecorded transactions, or a specific transaction, pre-numbered forms allow tractability through the accounting system. Pre-numbering forms is as fundamental as recording the date on the source document.

**(2)** **Date** - One of the key data elements for well-developed accounting systems is the date. If agency personnel will enter the date as part of the source document, then agencies can sort individual transactions according to the date of occurrence. This in turn, yields meaningful information for the management of an operation and ensures that transactions are recorded in the appropriate period of accounting. Recording the date is an essential ingredient of any audit trail.

**(3)** **Quantity Ordered** - The receiving department must also verify that everything ordered has been received.

**(4)** **Part Number** - When an organization receives the shipment that fulfills the purchase request, the receiving department will need to compare the actual part number received with the part number ordered.

**(5)** **Description** - Another important attribute used during the receipt of an order. Compare nomenclature of part actually received to nomenclature on purchase order.

**(6)** **Unit Price** - Important ingredient when determining the cost of parts used for maintenance.

**(7)** **Extended Cost** - Quantity x Unit Price.

**(8)** **Intended Use** - This is needed to show whether the part(s) were ordered for inventory or a specific aircraft. If it is ordered for inventory, account number 15120 is applicable. If the part is ordered for an aircraft, the aircraft tail number should be shown as a minimum. In addition, the work order or purchase requisition should be shown to facilitate an audit.

**(9)** **Signature Block** - The technician who accomplished the work sign here. Again, this is part of building an audit trail.

### B.2.5 Aircraft Usage Report

**General Comments** - The aircraft usage report establishes how a particular aircraft was used during a particular period of time. This form combines input from the flight log and the maintenance log and capture not only flying and block-to-block time but also the overall availability of the aircraft. An organization should consider the following data elements when implementing an Aircraft Usage Report form.

**Important Data Elements to Consider**

**(1)** **Aircraft Registration Number** - Needed for allocation to the appropriate aircraft.

**(2)** **Date** - Data must be entered for each day of the week

**(3)** **Mission Flying Time** or Block-to-block Time - This shows the total time for the aircraft for this date in support of the agency's mission, which agency project or cost code benefited from each flight, contracts, etc.. Time should be entered in decimal hours for ease of addition.

**(4)** **Waiting Time -** This shows the total waiting time associated with the time shown in (3).

**(5)** **Other Flying or Block-to-block Time** - This shows any other time that was logged on this aircraft for this day. This might include flight-training time, ferry time or maintenance test flight time. Adding the times shown in (3) and (5) should match the total time shown in the aircraft log book for this date.

**(6)** **In Maintenance** - This shows the total time that the aircraft was in maintenance for this date.

**(7)** **Other (Specify)** - This shows the total time that the aircraft was in use for something other than flight, waiting associated with a flight, or maintenance. Do not record the time that the aircraft is available for flight but not in use.

**(8)** **Contract/Job Number -** Record the contract number or job number here for any flight that is performed under a contract or specific job number. The use of the aircraft for public or non-public use can also be recorded here.

**(9)** **Comments** - Show what other use the aircraft was put to in this space. This must be completed if time is shown under (7).

**(10)** **Reviewed By** - This is the signature of the individual who has reviewed the entries for the week for correctness.

**(11)** **Vendor Name and Address -** The aircraft used may be a commercially procured service.

**(12)** **Crew Names**

**(13)** **Pre-Numbered Form -** This is very important for an aircraft use report as it allows traceability through the systems.

**(14)** **Aircraft Make and Model**

**(15)** **Flight Activity -** Flight data such as From/To, number of passengers, pounds of cargo, etc. This should contain data summarized from the passenger or cargo manifest.

**(16)** **Pilot Signatures -** These signatures are just as important as the “Reviewed By” signature.

**(17) Receiving Agent Signature -** This is needed so the Government Representative may sign that the services were received. This block must provide for the person's organization and address.

# Appendix C

# Reports

# Appendix C

# REPORTS AVAILABLE

The recommended accounting system discussed in this guide will provide numerous reports. These reports fall into the four broad categories discussed below.

## C.1 Financial Statements

These reports are the direct output of the accounting system without any further manipulation.

* Balance Sheet - This is the financial statement that shows assets, liabilities, and owner's equity.

* Income and Expense Statement - This is the financial statement that shows the income and expenses for the accounting period. This statement also supports the changes shown in the balance sheet when compared with the one from the previous accounting period.

* Cash Flow Statement - This is the statement that shows how the available cash changed during the accounting period.

## C.2 Government Report Input

One of the primary objectives of the cost accounting system proposed in this guide is to provide the accounting data required to prepare financial statements and to provide the input for the following:

?? OMB cost comparisons (such as those required in Circulars A -76 and A-126)

Both Circulars A-76 and A-126 require input data that can be obtained from the accounting system. The CAG Correlation Matrix on page 24A provides a cross reference to show which account in the accounting system generates the required data. In addition, the detailed account descriptions shown in chapter 3.0 indicate the detailed applicability o f each account to the required cost elements for A-76 and/or A-126 calculations.

?? FAIRS

The agency cost accounting system will be the major contributor to the quarterly FAIRS reports of aviation use and cost. The CAG Correlation Matrix on page _ provides a cross reference to show which account in the accounting system generates the required data. In addition, the detailed account descriptions shown in chapter 3 indicate the detailed applicability of each account to the matching FAIRS cost elements.

## C.3 U.S. Federal Standard General Ledger System (SGL)

As discussed in chapter 3, the chart of accounts developed in this guide is based directly on the SGL. In fact, the two use the same major account categories and many of the same subsidiary account categories. Therefore, there is **direct** correlation between the two accounting systems and data created by the proposed aviation cost accounting system can be fed directly into the SGL.

## C.4 Object Class/Line Item Accounting

The Object Class/Line Item system of accounting in use by the Federal Government uses a different way of classifying costs that is focused on the purpose of the obligation, rather than the service or product produced. It uses a series of very broad categories of costs (Object Classes) that c ut across the

functional cost allocation categories needed in a cost accounting system. These object classes are defined in OMB Circular A-11.

Object Class definition contained in this circular are as follows:

| | |
|---|---|
| Personal Services and Benefits | |
| 11.1 | Personnel Compensation - Full time Permanent |
| 11.3 | ,, ,, - Other than Full time permanent |
| 11.5 | ,, ,, - Other personnel compensation |
| 11.7 | ,, ,, - Military personnel |
| 11.8 | ,, ,, - Special personal services |
| 11.9 | ,, ,, - Total |
| 12.1 | Personnel benefits - Civilian personnel |
| 12.2 | ,, ,, - Military personnel |
| 13.0 | Personnel benefits - Former personnel |
| Contractual Services and Supplies | |
| 21.0 | Travel and transportation of persons |
| 22.0 | Transportation of things |
| 23.1 | Rental payments to GSA |
| 23.2 | Rental payments to others |
| 23.3 | Communications, utilities and miscellaneous |
| 24.0 | Printing and reproduction |
| 25.0 | Other services |
| 26.0 | Supplies and materials |
| Acquisition of Capital Assets | |
| 31.0 | Equipment |
| 32.0 | Land and structures |
| 33.0 | Investments and loans |
| Grants and Fixed Charges | |
| 41.0 | Grants subsidies and contributions |
| 42.0 | Insurance claims and indemnities |
| 43.0 | Interest and dividends |
| 44.0 | Refunds |
| Other | |
| 91.0 | Unvouchered |
| 92.0 | Undistributed |
| 93.0 | Limitation on expenses |
| 99.0 | Subtotal obligations |
| 99.9 | Total obligations |

Page 24B illustrates how the two systems correlate at the object class level. As can be seen, it is relatively easy to take cost collected by the cost accounting system and consolidate and assign them to object classes. It is expected that the costs collected by the cost collection system can also be allocated to line items by each agency. However, unless the line item suffixes and/or other suffixes are set up to match the cost accounting account numbers, it will be very difficult to make a correlation the other way -- i.e. from object class/line item to aviation cost account.

### C.5 Management Reports

When an accounting system is designed as discussed in this guide, the standard financial reports as well as custom designed reports can be eas ily generated to support management decisions. This is possible because flexibility has been built into the chart of accounts and suffixes are used to collect information in detailed categories (i.e., aircraft tail number, work order number, and object cl ass code). The way to ensure desired output can be produced is to define what is needed prior to constructing the accounting system.

## C.6 Federal Aviation Interactive Reporting System (FAIRS)

OMB has charged GSA to establish and maintain a statistic al database of Federal agency aircraft use and costs. GSA has developed FAIRS to meet that mandate and to provide a powerful analysis structure for the Federal agencies to use in planning, programming, and budgeting for aircraft use. FAIRS is a centralized statistical database which is accessed through the Internet (Web). Federal agencies designate certain authorized individuals to input and retrieve information from FAIRS. Each person with access to FAIRS must be trained and certified by GSA for access to the system. Each Federal agency that uses aircraft or aircraft services in the course of its business must designate an appropriate number of persons to input and retrieve information in FAIRS. FAIRS collects several data elements which are not common to cost accounting systems. These include specific inventory information on each fleet aircraft, level of activity of each aircraft, mishap data, and aircraft modification data. The agency aircraft cost accounting system must extract information elements in strict accordance with the business rules for reporting to FAIRS and must translate chart -of-account entries into the appropriate reporting elements for FAIRS. The matrices in Section 2.4 show a cross -reference of FAIRS data elements and accounting cost elements. Appendix D provides the definitions of the FAIRS data elements. Specific assistance is available to any Federal agency establishing or refining its internal cost accounting methods to support FAIRS. Contact: GSA, Aircraft Management Policy Division (MTA), 1800 F St. NW, Washington, DC 20405 (202 -208-0519).

# APPENDIX D

# FAIRS Data Element Definitions

## Appendix D

# FAIRS Data Elements and Their Definitions

This section lists the FAIRS cost data elements and defines them. See CAG sect ion 2.1 for discussion of general terms related to Government aircraft.

| | Data Element | Definition |
|---|---|---|
| 1 | Acquisition Date | The date that the acquiring executive agency took responsibility of the aircraft, e.g., received title, signed a lease/purchase agreement, signed a bailment agreement, accepted physical transfer, or signed an SF 122. |
| 2 | Acquisition Method | Indicates the acquisition method used to acquire the aircraft. |
| 3 | Acquisition Primary Mission | Identifies the primary justification for the bureau/office/service of the executive agency to acquire the aircraft. |
| 4 | Acquisition Secondary Mission | Identifies the secondary justification for the bureau/office/service of the executive agency to acquire the aircraft. |
| 5 | Acquisition Source Type | Describes the type of organization or source from which the aircraft was acquired. |
| 6 | Acquisition Value | The value initially recorded on agency property records and/or accounting records at the time of acquisition. If the aircraft is acquired through an interagency transfer, the acquisition value is the greater of the aircraft net book value plus the cost of returning the aircraft to an airworthy condition or the commercial retail value of that aircraft in average condition. If it is a military aircraft without a commercial equivalent in an airworthy condition, the acquisition value is equal to the scrap value. If not in airworthy condition, the acquisition value is equal to the scrap value plus the cost of returning the aircraft to an airworthy condition. Subsequent modifications made to the airframe are not part of the acquisition value. This is a MISCELLANEOUS COST. |
| 7 | Actual Cost Indicator | Indicates whether the data associated with the Fleet Aircraft costs being reported are actual cost versus estimated cost. |
| 8 | Administrative Overhead Cost | Severable or allocable costs that do not relate directly to the operation of the agency's aircraft, but are necessary for the conduct of aircraft operations. Examples include payroll and personnel office costs in support of the aviation program. Report costs at the operations level and one tier above. Test: Costs are included in this category only if they would not continue to exist if the agency disposed of its aircraft. In other words, if you got rid of your aircraft, and the cost still existed, it is a programmatic cost and not an administrative overhead cost for this report. Administrative overhead may be allocated to an aircraft cost only where a direct connection between the administrative function and the aircraft can be |

| | Data Element | Definition |
|---|---|---|
| | | shown. Otherwise, the administrative cost is a programmatic cost and is not reportable in FAIRS. This is a FIXED COST. |
| 9 | Agreement Begin Date | Date on which the type of service that includes use of charter aircraft, contract aircraft, rental aircraft, and related activities in support of an executive agency, starts. |
| 10 | Agreement Comment | Relevant remarks which add clarifications to the aircraft CAS Cost and Hours Flown information. |
| 11 | Agreement End Date | Date on which the type of service that includes use of charter aircraft, contract aircraft, rental aircraft, and related activities in support of an executive agency, ends. |
| 12 | Agreement Number | Reference number for the type of service that includes use of charter aircraft, contract aircraft, rental aircraft, and related activities in support of an executive agency. |
| 13 | Agreement Type | Indicates the type of commercial aviation service in support of an executive agency. |
| 14 | Aircraft Comment | Relevant remarks that clarify the Fleet aircraft inventory information. |
| 15 | Allow Secure Aircraft Indicator | Indicates whether the bureau/office/service is allowed to have mission-sensitive aircraft in its inventory. |
| 16 | Block-to-Block Time | Total elapsed flight time, expressed in hours and tenths of an hour, calculated from the time the aircraft begins to move under its own power until it comes to a rest and shuts down after completion of the flight. Used for recording crewmember flight time. Optional use at the agency's discretion. |
| 17 | Bureau/Office/Service | Identifies the reporting subunit within the executive agency. Usually the first major subunit of the agency but may be a lower level unit at the agency's discretion. |
| 18 | Can Report for Others Indicator | Indicates whether the bureau/office/service is allowed to report CAS cost and hours flown for another bureau/office/service. |
| 19 | Certificate of Airworthiness Class for Type "Special" | Indicates the class of airworthiness for an aircraft holding a Certificate of Airworthiness of type "Special". See 14 CFR 21. |
| 20 | Certificate of Airworthiness Class for Type "Standard" | Indicates the class of airworthiness for an aircraft holding a Certificate of Airworthiness of type "Standard". See 14 CFR 21. |
| 21 | Certificate of Airworthiness Type | Indicates the type of Certificate of Airworthiness held by the aircraft. |
| 22 | Cost Comment | Relevant remarks that clarify the cost reporting. |
| 23 | Cost Offset - Commercial Cost | Funds, or the value of resources-in-kind, contributed from outside your agency by a commercial source to share the costs of this aircraft operation. Contributions by non-Federal Government agencies are classed as commercial cost offsets. Examples include the supply of fuel, dollars, crewmembers, hangaring or other materials donated by outside entities towards the expense or operation of the aircraft. |

| | Data Element | Definition |
|---|---|---|
| 24 | Cost Offset - Federal Cost | Funds, or the value of resources-in-kind, contributed from outside your agency by a Federal source to share the costs of this aircraft operation. Contributions by Federal Government agencies are classed as Federal cost offsets. Examples include the supply of fuel, dollars, crewmembers, hangaring or other materials donated by Federal Government agencies towards the expense or operation of the aircraft. |
| 25 | Cost Reporting Exemption Indicator | Indicates whether the agency/bureau is exempt from reporting costs associated with a specific aircraft in the fleet. |
| 26 | Cost This Period Indicator | Indicates that the agency/bureau has incurred costs for the reporting period for the aircraft. |
| 27 | Data Availability Status | Indicates the availability of the data. Its purpose is to allow the agency's designated reviewing official to review the data in the FAIRS database prior to using the data in reporting. |
| 28 | Data Quarters Allowed | Represents the number of calendar quarters for which an agency/bureau is allowed to report data. |
| 29 | Disposal Date | The date that the disposing executive agency relinquishes responsibility for an aircraft, (a) the date the executive agency transfers title in the case of a sale or exchange, returns the aircraft to the lessor or bailor, declassifies it, or otherwise disposes of the aircraft, or (b) the date that the accepting party signs the SF122 or SF123 in the case of transferred or surplus aircraft. |
| 30 | Disposal Method | Indicates the transaction method used to dispose of the aircraft. |
| 31 | Disposal Recipient | Indicates the name of the organization, company, or individual that is accepting title to the aircraft from the owning agency. |
| 32 | Disposal Recipient Type | Identifies the type of recipient that is accepting title to the aircraft from the owning agency. |
| 33 | Executive Agency | Identifies any executive department or independent establishment in the executive branch of the Government, including any wholly-owned Government corporation. |
| 34 | Fixed Crew - Commercial Cost | Crew costs which do not vary according to aircraft usage, paid to a commercial source. This includes flight crew salaries, benefits and training costs for contractor crews. If any person in this descriptive category performs other duties on a part-time basis which are not flight crew duties, allocate that portion of the costs related only to flight crew duties. Include standby time as crew cost. Example: Physical Scientist Contract employee performs flight crew duties 25% of the time and acts as Senior Advisor for Science for the balance of the time. Allocate 25% of cost to this category and disregard the balance. This is a FIXED COST. |
| 35 | Fixed Crew - Federal Cost | Crew costs which do not vary according to aircraft usage, paid to a Federal source. This includes flight |

| | Data Element | Definition |
|---|---|---|
| | | crew salaries, benefits and training costs for Federal employee crews. If any person in this descriptive category performs other duties on a part-time basis which are not flight crew duties, allocate that portion of the costs related only to flight crew duties. Include standby time as crew cost. Example: Aviation Program Manager performs flight crew duties 25% of the time. Allocate 25% of costs to this category and the balance to Operations Overhead. This is a FIXED COST. |
| 36 | Fixed Lease - Commercial Cost | The portion of lease costs paid to a commercial source that are based on the time the aircraft is available to the agency, but not those costs associated with flight time. If the agreement is a lease/purchase and a portion of the payments is being accrued to equity in the aircraft, include the entire amount in this category. Example: Your lease/purchase agreement requires $70,000 per month plus $2,000 per flying hour. A variable portion of the $70,000 is allocated toward your equity in the ownership of the aircraft. Report $70,000 per month to FAIRS. The flying hour portion is reported under Variable Lease - Commercial Cost. This is a FIXED COST. |
| 37 | Fixed Lease - Federal Cost | The portion of lease costs paid to a Federal source that are based on the time the aircraft is available to the agency, but not those costs associated with flight time. If the agreement is a lease/purchase and a portion of the payments is being accrued to equity in the aircraft, include the entire amount in this category. Example: Your lease/purchase agreement requires $70,000 per month plus $2,000 per flying hour. A variable portion of the $70,000 is allocated toward your equity in the ownership of the aircraft. Report $70,000 per month to FAIRS. The flying hour portion is reported under Variable Lease - Federal Cost. This is a FIXED COST. |
| 38 | Flight Support - Commercial Cost | Cost of landing, tiedown, parking, hangaring, and ground handling, away from home station; air traffic control fees, flight planning, clearances, etc., paid to a commercial or non-Federal source. This is a VARIABLE COST. |
| 39 | Flight Support - Federal Cost | Cost of landing, tiedown, parking, hangaring, and ground handling, away from home station; air traffic control fees, flight planning, clearances, etc., paid to a Federal source. This is a VARIABLE COST. |
| 40 | Fuel - Commercial Cost | Cost of fuel expended in the operation of the aircraft, paid to a commercial source. This includes fuel injection fluids such as deionized water, water methanol and Prist. This is a VARIABLE COST |
| 41 | Fuel - Federal Cost | Cost of fuel expended in the operation of the aircraft, paid to a Federal source. This includes fuel injection fluids such as deionized water, water methanol and Prist. This is a VARIABLE COST |

| | Data Element | Definition |
|---|---|---|
| 42 | Ground Servicing - Commercial Cost | Costs associated with towing, cleaning, air conditioning, start service, etc., away from home station, paid to a commercial source. This is a VARIABLE COST. |
| 43 | Ground Servicing - Federal Cost | Costs associated with towing, cleaning, air conditioning, start service, etc., away from home station, paid to a Federal source. This is a VARIABLE COST. |
| 44 | Home Base City Name | Identifies the city from which the aircraft is normally operated and/or scheduled. |
| 45 | Home Base Foreign Location | Identifies the foreign location from which the aircraft is normally operated and/or scheduled, outside of the United States and its territories. |
| 46 | Home Base State Abbreviation | Identifies the two-character state code from which the aircraft is normally operated and/or scheduled. |
| 47 | Home Base Zip Code | Identifies the zip code of the location from which the aircraft is normally operated and/or scheduled. |
| 48 | Hours Flown | The amount of time, expressed in hours and tenths of an hour, from when the aircraft leaves the ground until the time it touches down again. |
| 49 | Hours This Period Indicator | Indicates whether the agency/bureau has hours flown for the reporting period for the aircraft. |
| 50 | In-House Cost | Operating expenses provided by the using Government agency that benefits from the commercial service, such as pilot and fuel expenses. For ISSA agreement, in addition to reporting the in-house costs, the benefiting (operating) agency/bureau must report all costs (fuel, crew, etc.) incurred to the owning agency/bureau that, in turn, will report these costs to FAIRS. |
| 51 | Include in Aircraft Totals Indicator | Indicates whether a specific cost for a Fleet Aircraft is to be included in the totals pertaining to the aircraft. |
| 52 | Insurance Premium Cost | Cost of premiums for commercial insurance policies for liability or hull damage. It does not include self-insurance costs. This is a FIXED COST. |
| 53 | ISSA Vendor Agency | Identifies any executive department or independent establishment in the executive branch of the Government, including any wholly owned Government corporation, which is providing the service, i.e., the ISSA provider (Federal). |
| 54 | ISSA Vendor Bureau/Office/Service | Identifies the reporting subunit within the executive agency, i.e., the ISSA provider. |
| 55 | Litigation Settlement Cost | Cost to settle litigation against the Federal Government resulting from tort claims and that are a direct result of aircraft operation (aircraft in motion). Costs are reported in the year paid and are not allocated to other aircraft. This is a FIXED COST. |
| 56 | Lubricant - Commercial Cost | Cost of lubricants, hydraulic oils, and similar expendable fluids not including those quantities which are changed at regular maintenance intervals, paid to a commercial source. This is a VARIABLE COST. |
| 57 | Lubricant - Federal Cost | Cost of lubricants, hydraulic oils, and similar expendable fluids not including those quantities which are changed at regular maintenance intervals, paid to |

| | Data Element | Definition |
|---|---|---|
| | | a Federal source. This is a VARIABLE COST. |
| 58 | Manufacturer | Identifies the original manufacturer of the aircraft as designated on the aircraft dataplate. |
| 59 | Mission | Represents the principal purpose for which the aircraft was dispatched. One mission may be designated per sortie (one take off and landing). |
| 60 | Mission Sensitive Indicator | Indicates whether the data associated with the aircraft is protected. |
| 61 | Model | Identifies the model of the aircraft as designated on the aircraft dataplate. |
| 62 | Modification - Cost | Identifies the dollar value of the permanent modification made to the airframe of the aircraft. This excludes modifications needed to make the aircraft airworthy and special mission equipment not part of the airframe. This is a MISCELLANEOUS COST. |
| 63 | Modification - Description | Describes the permanent modification made to the airframe, engine, propeller, or appliances of the aircraft. This excludes modifications needed to make the aircraft airworthy and special mission equipment not part of the airframe. |
| 64 | Operational Category | Describes the current status of the aircraft. |
| 65 | Operations Overhead Cost | Severable or allocable costs of support functions, which are directly related to the ownership or operation of the aircraft. Examples include the costs of aviation program managers, flight dispatchers, and allocable costs of physical facilities and equipment in support of the aircraft. Report costs at the operations level and one tier above. Test: Costs are included in this category only if they would not continue to exist if the agency disposed of its aircraft. In other words, if you got rid of your aircraft, and the cost still existed, it is a programmatic cost and not an operations overhead cost for this report. Operations overhead may be allocated to an aircraft cost only where a direct connection between the operations function and the aircraft can be shown. Otherwise the operations cost is a programmatic cost and is not reportable in FAIRS. This is a FIXED COST. |
| 66 | Other Commercial Costs | Any aircraft cost paid to a commercial source that does not meet any other cost element definition. This is a VARIABLE COST. |
| 67 | Other Federal Costs | Any aircraft cost paid to a Federal source that does not meet any other cost element definition. This is a VARIABLE COST. |
| 68 | Ownership Category | Indicates the aircraft ownership. |
| 69 | Oxygen - Commercial Cost | Cost of servicing breathing oxygen systems, paid to a commercial source. This is a VARIABLE COST. |
| 70 | Oxygen - Federal Cost | Cost of servicing breathing oxygen systems, paid to a Federal source. This is a VARIABLE COST. |
| 71 | Paid-Out Cost | Operating expenses paid out to commercial or other Government agency providers of the CAS. Paid-out costs include operations and administrative overhead costs allocated to the CAS. |

| | Data Element | Definition |
|---|---|---|
| 72 | Post Disposal Quarters Allowed | Represents the number of calendar quarters for which an agency/bureau is allowed to report data for a disposed aircraft after its disposal. |
| 73 | Registration Mark | Identifies the unique identification mark--usually numbers and letters--displayed on Government aircraft (including foreign aircraft hired as CAS). "Tail number" is commonly used for "registration mark". |
| 74 | Report Period Begin Date | Beginning date of the period for which the CAS or Fleet Aircraft cost and hours flown data are submitted. This is the date for which agency costs begin to accrue, regardless of ownership or other agency use. |
| 75 | Report Period End Date | Ending date of the period for which the CAS or Fleet Aircraft cost and hours flown data are submitted. This is the date for which agency costs cease to accrue, regardless of when paid or disbursed. |
| 76 | Reporting Identifier | Represents the number that, in combination with the make and model, uniquely identifies the aircraft and is used for reporting purposes. Normally this number will be the serial number, but for a mission-sensitive aircraft it is the number assigned by the agency owning the aircraft in order to protect the identity of the aircraft. |
| 77 | Scheduled Calendar Maintenance Labor – Commercial Cost | Cost of all labor expended by mechanics and inspectors associated with maintenance scheduled on a calendar basis paid to a commercial source. Report maintenance labor costs which are severable from other costs or which result from agreements where the contractor provides only labor and the Government provides parts. This is a FIXED COST. |
| 78 | Scheduled Calendar Maintenance Labor – Federal Cost | Cost of all labor expended by mechanics and inspectors associated with maintenance scheduled on a calendar basis paid to a Federal source. Report maintenance labor costs which are severable from other costs or which result from agreements where another Federal Executive agency provides only labor and your Federal Executive agency provides parts. This is a FIXED COST. |
| 79 | Scheduled Calendar Maintenance Parts – Commercial Cost | Cost of all parts and consumables used for maintenance scheduled on a calendar basis paid to a commercial source. This is a FIXED COST. |
| 80 | Scheduled Calendar Maintenance Parts – Federal Cost | Cost of all parts and consumables used for maintenance scheduled on a calendar basis paid to a Federal source. This is a FIXED COST. |
| 81 | Scheduled Calendar Maintenance Contract Out – Commercial Cost | Cost of contracts for maintenance or inspection scheduled on a calendar basis paid to a commercial source. This may include full service contracts, which include parts and labor costs. If contract labor is reported here, do not report it under Maintenance Labor - Commercial Cost. This is a FIXED COST. |
| 82 | Scheduled Calendar Maintenance Contract Out – Federal Cost | Cost of contracts for maintenance or inspection scheduled on a calendar basis paid to a Federal source. This may include full service contracts or agreements, which include parts and labor costs. If |

| | Data Element | Definition |
|---|---|---|
| | | contract labor is reported here, do not report it under Maintenance Labor - Federal Cost. This is a FIXED COST. |
| 83 | Scheduled Maintenance Contract Out - Commercial Cost | Contracted cost for maintenance scheduled on a flying hour basis or based on the condition of the part or component, paid to a commercial source. This includes inspections, repairs, Power-by-the-Hour agreements, and at the agency's option may include all roll-up maintenance costs incurred against the aircraft and paid to a commercial source. This does not include Unscheduled Maintenance costs and Refurbishment Costs that are reported elsewhere. This is a VARIABLE COST. |
| | (Note: see elements 106 and 107 for definitions of "Scheduled Maintenance (Calendar) Refurbishment – Commercial Cost and Federal Cost.") | |
| 84 | Scheduled Maintenance Contract Out - Federal Cost | Contracted cost for maintenance scheduled on a flying hour basis or based on the condition of the part or component, paid to a Federal source. This includes inspections, repairs, Power-by-the-Hour agreements, and at the agency's option may include all roll-up maintenance costs incurred against the aircraft and paid to a Federal source. This does not include Unscheduled Maintenance costs and Refurbishment Costs that are reported elsewhere. This is a VARIABLE COST. |
| 85 | Scheduled Maintenance Engine Overhaul - Commercial Cost | Cost of parts and labor for scheduled engine overhaul or rebuild, or Time Between Overhaul (TBO) replacement, paid to a commercial source. If the engine is operated on a Power-by-the-Hour or similar program, all engine maintenance costs are captured in the "Scheduled Maintenance Contract Out - Commercial Cost" category. This is a VARIABLE COST. |
| 86 | Scheduled Maintenance Engine Overhaul - Federal Cost | Cost of parts and labor for scheduled engine overhaul or rebuild, or Time Between Overhaul (TBO) replacement, paid to a Federal source. If the engine is operated on a Power-by-the-Hour or similar program, all engine maintenance costs are captured in the "Scheduled Maintenance Contract Out - Federal Cost" category. This is a VARIABLE COST. |
| 87 | Scheduled Maintenance Labor - Commercial Cost | Cost of scheduled labor expended by mechanics, technicians and inspectors, for scheduled maintenance based on aircraft usage, paid to a commercial source. This does not include labor for engine overhaul or aircraft refurbishment. This is a VARIABLE COST. |
| 88 | Scheduled Maintenance Labor - Federal Cost | Cost of scheduled labor expended by mechanics, technicians and inspectors, for scheduled maintenance based on aircraft usage, paid to a Federal source. This does not include labor for engine overhaul or aircraft refurbishment. This is a VARIABLE COST. |

| | Data Element | Definition |
|---|---|---|
| 89 | Scheduled Maintenance Parts - Commercial Cost | Cost of parts and consumables used for maintenance scheduled on a flying hour or cycle time basis paid to a commercial source. This does not include the cost of parts for engine overhaul or aircraft refurbishment. This is a VARIABLE COST. |
| 90 | Scheduled Maintenance Parts - Federal Cost | Cost of parts and consumables used for maintenance scheduled on a flying hour or cycle time basis paid to a Federal source. This does not include the cost of parts for engine overhaul or aircraft refurbishment. This is a VARIABLE COST. |
| 91 | Scheduled Maintenance Refurbishment - Commercial Cost | Material and labor costs, scheduled on a flying hour basis or on-condition, for restoring or upgrading appearance and operational items such as paint, cabin interiors, upholstery, or avionics, paid to a commercial source. This does not include engines or other major components. This is VARIABLE COST. (See Element #106 below.) |
| 92 | Scheduled Maintenance Refurbishment - Federal Cost | Material and labor costs, scheduled on a flying hour basis or on-condition, for restoring or upgrading appearance and operational items such as paint, cabin interiors, upholstery, or avionics, paid to a Federal source. This does not include engines or other major components. This is VARIABLE COST. (See Element #107 below.) |
| 93 | Scheduled Maintenance TBO Components - Commercial Cost | Material and labor costs for removing, repairing, overhauling, replacing, and reinstalling finite life components that have reached their published life limits, paid to a commercial source. This does not include engines and engine accessories. This is a VARIABLE COST. |
| 94 | Scheduled Maintenance TBO Components - Federal Cost | Material and labor costs for removing, repairing, overhauling, replacing, and reinstalling finite life components that have reached their published life limits, paid to a Federal source. This does not include engines and engine accessories. This is a VARIABLE COST. |
| 95 | Secure Aircraft Allowed Indicator | Indicates whether the bureau/office/service can specify that one of its aircraft is a secure aircraft. |
| 96 | Serial Number | Identifies the serial number assigned to the aircraft by the original equipment manufacturer as designated on the aircraft dataplate. |
| 97 | Unscheduled Maintenance and Repairs Labor - Commercial Cost | Costs of labor, travel, per diem and miscellaneous personnel expenses for unscheduled maintenance and repair expended by mechanics, technicians, and inspectors, paid to a commercial source. This includes costs of Airworthiness Directives (AD's) and Service Bulletins (SB's). This is a VARIABLE COST. |
| 98 | Unscheduled Maintenance and Repairs Labor - Federal Cost | Costs of labor, travel, per diem and miscellaneous personnel expenses for unscheduled maintenance and repair expended by mechanics, technicians, and inspectors, paid to a Federal source. This includes costs of Airworthiness Directives (AD's) and Service Bulletins (SB's). This is a VARIABLE COST. |
| 99 | Unscheduled Maintenance and Repairs | Costs of parts and materials used for unscheduled |

| | Data Element | Definition |
|---|---|---|
| | Parts - Commercial Cost | maintenance, paid to a commercial source. This includes the costs of repairing or replacing Time Between Overhaul (TBO) components that have failed prior to life limits. This also includes the costs of Airworthiness Directives (AD's) and Service Bulletins (SB's). This is a VARIABLE COST. |
| 100 | Unscheduled Maintenance and Repairs Parts - Federal Cost | Costs of parts and materials used for unscheduled maintenance, paid to a Federal source. This includes the costs of repairing or replacing Time Between Overhaul (TBO) components that have failed prior to life limits. This also includes the costs of Airworthiness Directives (AD's) and Service Bulletins (SB's). This is a VARIABLE COST. |
| 101 | Variable Crew - Commercial Cost | Flight crew costs that vary according to aircraft usage such as travel and per diem expenses, overtime pay, part-time pay, etc., paid to a commercial source. This does not include labor costs for unscheduled maintenance. This is a VARIABLE COST. |
| 102 | Variable Crew - Federal Cost | Flight crew costs that vary according to aircraft usage such as travel and per diem expenses, overtime pay, part-time pay, etc., paid to a Federal source. This includes labor costs for temporary and When - Actually-Employed (WAE) employees. This does not include labor costs for unscheduled maintenance. This is a VARIABLE COST. |
| 103 | Variable Lease - Commercial Cost | Component of aircraft lease costs based on flying hours or other usage criteria, paid to a commercial source. This is a VARIABLE COST. For clarification, please see the applicable parts of “fixed lease.” |
| 104 | Variable Lease - Federal Cost | Component of aircraft lease costs based on flying hours or other usage criteria, paid to a Federal source. This is a VARIABLE COST. For clarification, please see the applicable parts of “fixed lease.” |
| 105 | Year Manufactured | Indicates the year the aircraft was manufactured, as designated on the aircraft dataplate. |
| 106 | Scheduled Maintenance (Calendar) Refurbishment - Commercial Cost | Material and labor costs, scheduled on a calendar basis, for restoring or upgrading appearance and operational items such as paint, cabin interiors, upholstery, or avionics, paid to a commercial source. This does not include engines or other major components. This is FIXED COST. |
| 107 | Scheduled Maintenance (Calendar) Refurbishment - Federal Cost | Material and labor costs, scheduled on a calendar basis, for restoring or upgrading appearance and operational items such as paint, cabin interiors, upholstery, or avionics, paid to a Federal source. This does not include engines or other major components. This is FIXED COST |

# APPENDIX E

# OMB Circular A-126 Cost Element Definitions

# Appendix E

# ATTACHMENT B Circular No. A-126 STANDARD AIRCRAFT PROGRAM COST ELEMENT DEFINITIONS

**NOTE: The complete text of OMB Circular A-126 and its attachments may be found at www.whitehouse.gov/omb/circulars**

### VARIABLE COSTS

The variable costs of operating aircraft are those costs that vary depending on h ow much the aircraft are used. The specific variable cost elements include:

**Crew costs - variable** - The crew costs which vary according to aircraft usage consist of travel expenses (particularly reimbursement of subsistence (i.e., per diem and miscella neous expenses), overtime charges, and wages of crew members hired on an hourly or part -time basis.

**Maintenance costs - variable** - Unscheduled maintenance and maintenance scheduled on the basis of flying time vary with aircraft usage and, therefore, the associated costs are considered variable costs. In addition to the costs of normal maintenance activities, variable maintenance costs shall include aircraft refurbishment, such as painting and interior restora -tion, and costs of or allowances for performing overhauls and modifications required by service bulletins and airworthiness directives. If they wish, agencies may consider all of their maintenance costs as variable costs and account for them accordingly. Otherwise, certain maintenance costs wil l be considered fixed as described in a subsequent paragraph. Variable maintenance costs include the costs of:

**Maintenance labor - variable** - This includes all labor (i.e., salaries and wages, benefits, travel, and training) expended by mechanics, tech nicians, and inspectors, exclusive of labor for engine overhaul, aircraft refurbishment, and/or repair of major components.

**Maintenance parts - variable** - This includes cost of materials and parts consumed in aircraft maintenance and inspections, excl usive of materials and parts for engine overhaul, aircraft refurbishment, and/or repair of major components.

**Maintenance contracts - variable** - This includes all contracted costs for unscheduled maintenance and for maintenance scheduled on a flying hou r basis or based on the condition of the part or component.

**Engine overhaul, aircraft refurbishment, and major component repairs** - These are the materials and labor costs of overhauling engines, refurbishing aircraft, and/or repairing major aircraft components.

NOTE 1: In general, the flying hour cost is computed by dividing the costs for a period by the projected hours flown during the period. However, when computing the flying hour cost factor for this cost category, divide the total estimated cost for the activities in this category (e.g., overhaul, refurbishment and major repairs) by the number of hours flown between these activities.

NOTE 2: Separate cost or reserve accounts for engine overhaul, aircraft refurbishment, major component repairs, and other maintenance cost elements, may, at the agency's discretion, be identified and quantified separately for mission -pertinent information purposes. Reserve accounts are generally used when the aircraft program is funded through a working capita l or revolving fund.

**Fuel and other fluids** - The costs of the aviation gasoline, jet fuel, and other fluids (eg. engine oil, hydraulic fluids and water-methanol) consumed by aircraft.

**Lease costs - variable** - When the cost of leasing an aircraft is based on hours flown , the associated lease or rental costs are considered variable costs.

**Landing and tie down fees** - Landing fees and tie down fees associated with aircraft usage are considered variable costs. Tie down fees for storing an aircraft at its base of operations should be considered part of operations overhead, a fixed cost.

**FIXED COSTS**

The fixed costs of operating aircraft are those that result from owning and support the aircraft and that do not vary according to aircraft usage. The specific fixed cost elements include:

**Crew costs - fixed** - The crew costs which do not vary according to aircraft usage consist of salaries, benefits, and training costs. This includes the salaries, benefits, and training costs of crew members who also perform minimal aircraft maintenance. Also included in fixed crew costs are the costs of their charts, personal protective equipment, uniforms, and other personal equipment.

**Maintenance costs - fixed** - This cost category includes certain maintenance and inspection activities which are scheduled on a calendar interval basis and take place regardless of whether or how much the aircraft are flown. Agencies are encouraged to simplify their accounting systems and account for all maintenance costs as variable costs. However, if they wish, agencies may account for the following costs as fixed costs:

**Maintenance labor - fixed** - This includes all projected labor expended by mechanics and inspectors associated with maintenance scheduled on a calendar interval basis. This does not include variable maintenance labor or work on items having a TBO or retirement life.

This category also includes costs associated with unallocated maintenance labor expenses, i.e., associated salaries, benefits, travel expenses and training costs. These costs should be evenly allocated over the number of the aircraft in the fleet.

**Maintenance parts - fixed** - This includes all parts and consumables used for maintenance scheduled on a calendar basis.

**Maintenance contracts - fixed** - This includes all contracted costs for maintenance or inspections scheduled on a calendar basis.

**Lease costs - fixed** - When the cost of leasing an aircraft is based on a length of time (e.g., days, weeks, months, or years) and does not vary according to aircraft usage, the associated leased costs are considered fixed costs.

**Operations overhead** - These include all costs, not accounted for elsewhere, associated with direct management and support of the aircraft program. Examples of such costs include: personnel costs (salaries, benefits, travel, uniform allowances, training, etc.) for management and administrative personnel directly responsible for the aircraft program; building and ground maintenance; janitorial services; lease or rent costs for hangars and administrative buildings and office space; communications and utilities costs; office supplies and equipment; maintenance and depreciation of support equipment; tie down fees for aircraft located on base; and miscellaneous operational support costs.

**Administrative overhead** - These costs represent a pro-rated share of salaries, office supplies and other expenses of fiscal, accounting, personnel, management, and similar common services performed

outside and the aircraft program but which support this program. For purposes of recovering the costs of operations, agencies should exercise their own judgement as to the extent to which aircraft users should bear the administrative overhead costs. Agencies may, for example, decide to charge non-agency users a higher proportion of administrative overhead than agency users. For purposes of A-76 cost comparisons, agencies should compute the actual administrative costs that would be avoided if a decision is made to contract out the operation under study.

**Self-insurance costs** - Aviation activity involves risks and potential casualty losses and liability claims. Theses risks are normally covered in the private sector by purchasing and insurance policy. The government is self insuring; the Treasury's General Fund is charged for casualty losses and/or liability claims resulting from accidents. For the purposes of analyses, government managers will recognize a cost for "self-insurance" by developing a cost based on rates published in OMB Circular No. A-76.

**Depreciation** - Depreciation represents the cost or value of ownership. Aircraft have a finite useful economic or service life. Depreciation is the method used to spread the cost of the purchase price, less residual value, over an asset's useful life. A-76 provides guidance on computing depreciation charges to be used in computing the fixed costs of an aircraft or aircraft program. Although these costs are not direct outlays in the sense of most other aircraft costs, it is important to recognize them for A-76 cost comparison purposes and when replenishing a working capital fund by recovering the full cost of aircraft operations. Depreciation costs depend on aircraft acquisition or replacement costs, useful life, and residual or salvage value. To calculate the cost of depreciation that shall be allocated to each year, subtract the residual value from the total of the acquisition cost plus any capital improvements and, then, divide by the estimated useful life of the asset.

**OTHER COSTS**

There are certain other costs of the aircraft program which should be recorded but are not appropriate for inclusion in either the variable or fixed cost categories for the purposes of justifying aircraft use or recovering the cost of aircraft operations. These costs include:

**Accident repair costs** - These costs include all parts, materials, equipment and maintenance labor related to repairing accidental damage to airframes or aircraft equipment. Also included are all accident investigation costs.

**Aircraft costs** - This is the basic aircraft inventory or asset account used as the basis for determining aircraft depreciation charges. These costs include the cost of acquiring aircraft and accessories, including transportation and initial installation. Also included are all costs required to bring aircraft and capitalized accessories up to fleet standards.

**Cost of Capital** - The cost of capital is the cost to the Government of acquiring the funds necessary for capital investments. The agency shall use the borrowing rate announced by the Department of Treasury for bonds or notes whose maturities correspond to the useful life of the asset.

# APPENDIX F

# OMB Circular A-76 Cost Element Definitions

## Appendix F

# Excerpted from Office of Management and Budget (OMB) Circular A-76, Appendix 6 – Aviation Competitions:

**The complete text of Appendix 6 and all other parts of Circular A-76 may be found at the following OMB website: www.whitehouse.gov/omb/circulars**

E. Standard aviation operation cost elements--variable

The variable costs of operating aircraft are those costs that vary depending on how much the aircraft are used. The specific variable cost elements include:

1. Fuel and other fluids. These are the costs of aviation gasoline, jet fuel, and other fluids, e.g., engine oil, hydraulic fluids, and water-methanol, consumed by aircraft. Fuel costs are the cost per gallon times gallons per hour. Engine oil and other lubricants can be estimated using manufacturers' estimates or on the basis of an historic percentage of engine fuel cost per hour.

2. Crew. The crew costs that vary according to aircraft usage consist of travel expenses, particularly reimbursement of subsistence, i.e., per diem and miscellaneous expenses, overtime charges, and wages plus benefits of crew members hired on an hourly or part-time basis.

3. Aircraft lease or rental. When aircraft are obtained under an open-ended arrangement, such as an on-call (hourly/availability rate) basis, the associated lease or rental costs are considered variable costs.

4. Landing and tie down fees (if applicable). Landing and tie down fees that are not common costs and are associated with aircraft usage are considered variable costs. Tie down fees for storing an aircraft at its base of operations should be considered a fixed cost. Include the historic fees paid or assessed per landing, times landings, divided by projected hours flown.

5. Variable maintenance and spares.

All maintenance activities and parts costs based on aircraft use are variable costs. All non-scheduled maintenance and all non-scheduled maintenance inspections are also variable costs. Maintenance and inspection activities scheduled on a calendar interval basis will be considered fixed. In addition to the costs of normal maintenance activities, variable maintenance costs include aircraft refurbishment, such as painting and interior restoration, and costs of or allowances for performing overhauls and modifications required by service bulletins and airworthiness directives.

a. Maintenance labor. All labor expended by mechanics, exclusive of the overhaul or major repair of components and engines.

b. Maintenance parts. This includes materials and parts consumed in aircraft maintenance and inspections, exclusive of materials and parts for engine overhaul, aircraft refurbishment, and/or repair of major components. Typical items in this category are tires, instruments, avionics, generators, relays, pumps, brakes, filters, airframe hardware, windows, interiors, paint, shafting, and bearings not inside components covered under an overhaul.

c. Maintenance contracts. This includes all contracted costs for unscheduled maintenance and for maintenance scheduled on a flying hour basis or based on the condition of the part or

component.

d. Engine overhaul, aircraft refurbishment, and major component repairs. These are the materials and labor costs of overhauling engines, refurbishing aircraft, and/or repairing major aircraft components.

e. Reserves. This is for overhauling components of engines, and other major work including painting, refurbishment of the aircraft interior, and expenses not recognized in other maintenance accounts.

f. Add lines 5a through 5e and enter on line 5f for the total cost of direct variable maintenance and spares.

6. Add lines 1 through 4 and 5f to find the total direct operations cost per flying hour.

7. Enter the annual number of hours flown from the PWS/PRS.

8. Multiply the total direct operating cost per flying hour (line 6) by the number of hours flown (line 7) to find the total direct operating cost.

F. Standard aviation operation cost elements--fixed

The fixed costs of operating aircraft are those that result from owning and supporting the aircraft and do not vary according to aircraft usage.

9. Crew. Federal pilots/crew are often paid whether or not the aircraft are flown. These fixed crew costs include the salaries, benefits, and training costs of crew members who perform minimal aircraft maintenance or other administrative tasks that could be impacted by a conversion to contract performance. Also included in fixed crew costs are the costs of their charts, personal protective equipment, uniforms, and other personal equipment when the agency is authorized to purchase such items. Non-aviation activities performed by pilots/crew that would continue even if operations were converted to contract should not be included.

10. Fixed maintenance.

Maintenance and inspection activities are scheduled on a calendar interval basis and take place regardless of whether or how much the aircraft are flown. These are fixed costs, including labor and material.

a. Maintenance labor. This includes all projected labor expended by mechanics, technicians, and inspectors associated with maintenance scheduled on a calendar interval basis. This category also includes costs associated with non-allocated maintenance labor expenses; i.e., associated salaries, benefits, travel expenses, and training costs. These costs should be evenly allocated over the number of aircraft in the fleet.

b. Maintenance parts. This includes all parts and consumables used for maintenance scheduled on a calendar interval basis.

c. Maintenance contracts. This includes all contracted costs for maintenance or inspections scheduled on a calendar interval basis.

11. Aircraft lease. When aircraft are leased for 90 days or more, with a known fee, utilization rate or minimum reimbursement guarantee, the associated lease costs are considered fixed. Include the entire amount paid.

12. Depreciation.

As provided in Part II of this Supplement, aircraft and other major asset (hangar) depreciation costs are added to each option year. Aircraft have finite economic or useful service lives. Depreciation is the method used to spread th e acquisition cost, less residual value, over an asset's useful life. Although these costs are not direct outlays as is the case with most other costs, it is important to recognize them for analysis. Subtract the residual (not market) value from the total of the acquisition cost plus any capital improvements and, then, divide by the remaining estimated useful life of the asset--not less than the cost comparison period.

a. The acquisition cost is the value initially recorded o n agency property/accounting records at the time of acquisition. If the aircraft is acquired through an interagency transfer, the acquisition cost is the greater of the aircraft net book value plus the cost of returning the aircraft to an airworthy, mission ready condition or the commercial retail value of that aircraft in average condition, as established by the Aircraft Bluebook Price Digest or other industry standard. If it is a military aircraft without a direct commercial equivalent, the acquisition cost is equal to the most comparable commercial equivalent plus the cost of returning the aircraft to an airworthy, mission ready condition. The following explains the relevant terms:

b. Useful life. Useful life is the estimated period during which the aircraft will be used. If a new aircraft has an airframe with a design life of 10,000 hours and the agency expects to fly the aircraft 500 hours per year, the useful life is twenty years.

c. Residual value. Residual value reflects the historically expected condition of the asset at the end of its useful life. It is the dollar value below which the asset will not be depreciated. Residual value is established at the time of acquisiti on. Agencies will select the lessor of the following methods to calculate the residual value of aircraft:

(1) Assume a 10 percent residual value for purposes of calculating the depreciable value of the aircraft and annual depreciation e xpenses.

(2) Select the average of the historic resale value of similar aircraft by age and type, as provided by GSA.

d. Reconstructions, conversions, refurbishment, and certification of ex -military aircraft. These maintenance efforts add value or prolong the life of aircraft. They are capital improvements that add to the Net Book Value of the asset (acquisition cost less accumulated depreciation). This revised total value should then be depreciated over the remaining or extended useful life of the asset.

e. Fully depreciated assets. If an asset has been fully depreciated or has exceeded its expected useful life, recalculate the depreciation schedule through the end of the cost comparison period.

13. Self insurance costs.

Aviation activity involves risks, potential casualty losses and liability claims. These risks are covered in the commercial sector by purchasing insurance, the costs for which are captured within the GSA FAIRS system. Actual or historic agency costs are not comparable with the costs included in the commercial bid (FAIRS) or representative of the overall cost to the Government as a whole.

a. Agencies should calculate annual in -house hull aircraft casualty insurance costs by multiplying the "Blue Book" or market value of the aircraft by the insurance factors provided annually by the General Services Administration's Aircraft Management Division. Enter these cost estimates on line 13a.

b. Agencies should calculate annual Federal aircraft liability insurance costs on the basis of the

number of aircraft seats the agency has or will install, including pilots, over the course of the cost comparison period. Enter the aircraft liability cost developed using data provided annually by the General Services Administration's Aircraft Management Division on line 13b.

c. All other insurance costs incurred in the performance of the aviation service under study are calculated in accordance with Part II and entered on Line 13a or 13b, as appropriate.

d. Enter the total for all insurance (sum of lines 13a through 13c) on Line 13d.

14. Overhead. This includes all costs associated with ope rational and administrative overhead. As described in Part II of this Supplement, aviation management overhead costs shall be calculated by applying the standard overhead cost factor of 12 percent to the total of lines 2, 5.a, 9 and 10.a of the Aircraft and Aviation Cost comparison Form. Enter the total of this calculation on Line 14.

15. Cost of capital or finance expense.

a. The cost of capital is the annual cost to the Government of acquiring the funds necessary fo r capital investments. The cost of capital is applied to the outstanding balance of the aircraft purchase price for each year of the performance period.

b. The annual cost of capital is included for any depreciable asset acquired less t han two years prior to or after the cost comparison that will be used as a part of the MEO. The cost of capital is only applicable to assets required by the MEO that will not be provided (GOCO) to the commercial source.

c. The cost of capital is calculated by applying OMB Circular A-94 "Discount Rates to be Used in Evaluating Deferred Costs and Benefits," plus any capital improvements.

d. If the purchase price is unknown, as in the case of a forfeited asset or interag ency transfer, the acquisition cost is the greater of the aircraft net book value plus the cost of returning the aircraft to an airworthy, mission ready condition or the commercial retail value of that aircraft in average condition, as established by the Aircraft Bluebook Price Digest or other industry standard. If it is a military aircraft without a direct commercial equivalent, the acquisition cost is equal to the most comparable commercial equivalent plus the cost of returning the aircraft to an airworthy, mission ready condition.

e. Aircraft acquired through lease/purchase arrangements are not be burdened with the cost of capital. The cost of capital is assumed to exist in the lease/purchase agreement. At the transfer of title, depreciation expenses, calculated from the then existent market price of the aircraft, will be incurred.

16. Total fixed operating costs. Add lines 9 through 15 and enter on line 16.

17. Total in-house MEO performance costs. Add lines 8 and 16 and enter on line 17.

G. Standard aviation operation cost elements--developing the cost of contract performance

18. Contract cost.

a. The comparable cost of contract performance is to be calculated on the Aviation CCF.

b. The most efficient commercial cost of meeting the service requirement is to be entered if a solicitation was issued requesting formal bids. If GSA/FAIRS data is being used to estimate contract costs, this figure is established by reviewing existing contracts and rental/charter flight

rate information provided by FAIRS or from other GSA approved sources.

c. Enter the estimated trip costs times the number of trips/missions or the hourly rate for that aircraft times the number of estimated hours flown from the PWS/PRS on line 19. If FAIRS does not reflect the aircraft services requirements, and reasonably accurate costs cannot be constructed by extrapolation from the FAIRS database, agencies may utilize other approved data sources.

19. Cost construction to meet PWS/PRS.

There may be other adjustments necessary to estimate the cost of contract performance using GSA/FAIRS data. The following are other costs that may be considered and entered --to the extent that they are not common costs or costs included in the published/developed rates. All such costs will be fully justified and made available for public review.

a. Daily Availability/Standby/Guarantee Hours.

b. Additional Pilot and Crew Charges.

c. Additional Maintenance Support.

d. Airframe Alteration/Equipment Installation.

e. Equipment Not Provided by the Government.

f. Additional Ground Service Support.

g. Travel and Per Diem.

h. Service Equipment Mileage.

i. Airport Fees.

j. Other.

20. Contract administration. There will be costs that the agency incurs in administering the contract. These costs are relevant only if they differ between in-house and contract alternatives. Agencies should refer to Part II, Chapter 3, Table 3-1 for guidance.

21. One-time conversion costs. See Part II, Chapter 3 of this Supplement.

22. Gain from disposal/transfer of assets. See Part II Chapter 3 of this Supplement.

23. Federal income tax. Multiply line 19 as provided in Appendix 5 and enter as a savings/revenue to the Government caused by the conversion to contract performance.

24. Total estimated cost of contract performance. This element reflects the total of lines 18 through 24.

H. Aviation cost comparison of in-house versus contractor or ISSA performance.

25. In-house performance costs. Data is taken from Line 17--for each year of performance as established in the PRS, but not less than three years.

26. Contract or ISSA performance. Data is taken from line 24--for each year of performance.

27. Conversion differential. As provided in Part II of this Supplement, a conversion differential equal to the lesser of; (1) 10 percent of the in - house personnel related costs (total of Lines 2, 5.a, 9 and 10.a.) or (2) $10 million over the performance period, is added to the tota l cost of current method of performance. Enter the result of this calculation on Line 27.

28. Adjusted total cost of in-house performance. If the cost comparison is being conducted to determine if an aircraft or aviation service should be converted from contract or ISSA performance to in-house operation, the conversion differential as calculated above (Line 27) is added to the In-house performance cost estimate (Line 25, Total Column only) and the sum is entered under Adjusted Total Cost of In-House Performance (Line 28). The amount in the Total Column for Line 26 is replicated on Line 29.

29. Adjusted total cost of contract performance. If the cost comparison is being conducted to determine if an aircraft or aviation service should be converted from in-house operation to contract or ISSA performance, the conversion differential as calculated above (Line 27) is added to the Contract performance cost estimate (Line 26, Total Column only) and the sum is entered under Adjusted Total Cost of Contract Performance(Line 29). The amount in the Total Column for Line 25 is replicated on Line 28.

30. Decision. Subtract Line 28 from Line 29 and enter the result on Line 30. A positive amount on Line 30 supports a decision to perform the aircraft and aviation support activity with in-house resources. A negative amount on Line 30 supports a decision to accomplish the work with contract resources.

31. Cost comparison decision.

Indicate in the appropriate block on line 31 the decision supported by line 30.

a. If the result of the comparison is a decision to accomplish the work with contract resource and that decision is affirmed after adjustments by the public review, the agency will:

(1) Expand the Performance Requirements Summary developed under the aviation methodology to meet the requirements of a Performance Work Statement.

(2) Issue a formal solicitation for bids from the commercial sector and convert to contract.

b. If the decision of the aviation cost comparison is to accomplish the work with in -house resources, and that decision is affirmed after adjustments by the public review, the agency will announce the final decision in the Commerce Business Daily. The results will be recorded in the OMB Circular A-76 tracking system.

# Appendix G

# U.S. Government Standard General Ledger Chart of Accounts

## U.S. Government Standard General Ledger Chart of Accounts

This document and all other materials regarding the US Standard General Ledger accounting system may be found at the following website:

www.fms.treas.gov/ussgl

The Chart of Accounts is Section 1 of the USSGL TFM. The description of these accounts is found in section 2. These sections are available as Adobe Acrobat PDF files. The Chart of Accounts listing is 16 pages and the description of the accounts is 73 pages.

# Appendix H

# Additional Sources of Information

# Additional Sources for Information

Additional resources may be found in the following

## H.1 Reference books

The following books provide additional information on the accounting process and principals.

Finance and Accounting for Nonfinancial Managers. Steven A. Finkler. Prentice Hall, Englewood Cliffs, NJ 07632. 1992

Financial Management. (Second Edition). Joel G. Siegel, CPA and Jae K. Shim, PhD. Barron's Business Library, 250 Wireless Blvd. Hauppauge, NY 11 788. 2000

Accounting. Charles T. Horngren and Walter T. Harrison, Jr. Prentice Hall, Englewood Cliffs, NJ 07632. 1989

## H.2 Databases

The following databases provide acquisition and operating cost information.

Aircraft Acquisition Costs

?? Aircraft Blue Book Price Digest (general aviation fixed and rotary wing aircraft)
Intertec Publishing
PO Box 12901
Overland Park, KS 66282
1 800 654 6776

?? Airliner Price Guide (airline aircraft)
PO Box 270485
Oklahoma City, OK 73137
(405) 942 8225

?? Official Helicopter Blue Book (helicopters)
HeliValue$, Inc.
PO Box 876
Lincolnshire, IL 60069
(847) 634 3877

Aircraft Operating Costs

?? Aircraft Cost Evaluator
Conklin & de Decker Associates, Inc.
PO Box 1142
Orleans, MA 02653
(508) 255 5975

?? Helicopter Equipment List and Prices
HeliValue$, Inc.
PO Box 876
Lincolnshire, IL 60069
(847) 634 3877

?? Life Cycle Cost Analyzer
Conklin & de Decker Associates, Inc.
PO Box 1142
Orleans, MA 02653
(508) 255 5975

Charter Aircraft Costs

?? Aircraft Charter Guide
Charter Guides
104 Mt Auburn
Cambridge, MA 02138
(617) 547 5811