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§ 462.1 Purpose of balance sheet accounts

The balance sheet accounts are intended to disclose the financial condition of the utility as of a given date by showing its assets and other debits, and liabilities, capital stock, surplus (or deficit), and other credits.

§ 462.2 Current and accrued assets

(a) Current and accrued assets are cash, those assets which are readily convertible into cash, or are held for current use in operations or construction, current claims against others, payment of which is reasonably assured, advance payments made by the utility benefit of which is to be realized within a relatively short period, and amounts accruing to the utility which are subject to current settlement, except such items for which accounts other than those designated as current and accrued assets are provided.

(b) There shall not be included in the group of accounts designated as current and accrued assets any item the amount or collectibility of which is not reasonably assured, unless an adequate reserve has been provided therefor. Items of current character but of doubtful value may be written down and for record purposes carried in these accounts at nominal value.

§ 462.3 Current and accrued liabilities

(a) Current and accrued liabilities are those obligations which have either matured at the date of the balance sheet or which become due within one year from the date thereof, including demand obligations, except, however, bonds, receivers' certificates and similar obligations which shall be classified as long-term debt until date or maturity, and except also advances from associated companies; accrued taxes, such as income taxes, which shall be classified in the balance sheet as accrued liabilities even though payable more than one year from the balance sheet date; compensation awards, which shall be classified as current liabilities regardless of date due; interest accrued on customers' deposits, and minor items payable in installments which may be classified as current liabilities.

(b) If a liability is due more than one year from date of issuance or assumption by the utility, it shall be credited to a long-term debt account appropriate for the transaction, except, however, the current liabilities mentioned in subdivision (a) above; but, for the purpose of classification in the balance sheet, a debt (except bonds, receivers' certificates, and similar obligations and advances from associated companies), shall be classified as a current and accrued liability if due within one year from the balance sheet date.

§ 462.4 Securities owned

(a) Securities of others acquired by the utility shall be recorded in these accounts at cost at the time of acquisition. Cost does not include any amount paid for accrued interest or dividends.

(b) The utility may write down the cost of any security in recognition of a decline in the value thereof. Securities shall be written off or written down to a nominal value if there be no reasonable prospect of substantial value. Fluctuations in market value shall not be recorded, but a permanent impairment in the value of the securities shall be recognized in the accounts. When securities are written off or written down, the amount of the adjustment shall be charged to account 538, Miscellaneous Income Deductions, or to account 414, Miscellaneous Debits to Surplus, or to an appropriate reserve account.

(c) When securities with a fixed maturity date are purchased at a discount (that is, when the total cost, including brokerage fees, taxes, commissions, etc., is less than par), such discount may be amortized over the remaining life of the securities through periodic debits to the account in which the securities are carried (preferably coincident with entries recording interest accruals) and credits to the same account in which the interest revenue is recorded. No debits shall be made in respect to discount upon securities held as investments or in special funds if there is reason to believe that such securities will be disposed of by redemption or otherwise at less than par or will not be paid at date of maturity.

(d) When securities with a fixed maturity date are purchased at a premium (that is, when the total cost, including brokerage fees, taxes, commissions, etc., is in excess of par), such premium may be amortized over the remaining life of the securities through periodic credits to the account in which the securities are carried (preferably coincident with entries recording interest accruals) and debits to the same account in which the interest revenue is recorded.

§ 462.5 Discount, expense, and premium on capital stock

(a) This system of accounts provides separate accounts for discount, expense, and premium on capital stock. These accounts shall be subdivided for each class and series of capital stock issued by the utility. Expenses applicable to capital stock shall not be added to capital stock discount nor deducted from premium on capital stock.

(b) In stating the balance sheet, discount and expense and premium shall not be set-off against each other.

(c) General levies or assessments against holders of stock with par value shall be credited to the premium account for the particular class and series of capital stock so assessed; levies or assessments against holders of stock without par value shall be credited to the account for the particular class and series of stock so assessed.

(d) If discount or expense on capital stock is charged off in whole or in part, prior to retirement of the stock, account 414, Miscellaneous Debits to Surplus, shall be debited.

(e) When capital stock which has been actually issued by the utility is reacquired or retired, the difference between the amount paid therefor upon reacquirement by the utility and the par value (amount at which included in account 200, Common Capital Stock, or account 201, Preferred Capital Stock, in the case of stock without par value) plus the premium or less the discount and expense originally entered in respect thereto and not charged off, shall be debited or credited, as the case may be, to account 270, Unearned Surplus; provided, however, that debits shall be charged to account 414, Miscellaneous Debits to Surplus, if the amounts thereof exceed the balance in unearned surplus; and provided further, that in no event shall debits in excess of accumulated credits from the retirement of stock be charged to unearned surplus. Note: The above subdivision (e) does not apply in case of merger or consolidation.

§ 462.6 Discount, expense, and premium on long-term debt

(a) A discount, expense, and premium account shall be maintained for each class and series of long-term debt (including receivers' certificates) issued or assumed by the utility, in which shall be recorded the discount, expense, and premium associated with the issuance and sale of each such class and series of debt.

(b) In stating the balance sheet, the total of the debit balances (discount plus expense, or expense less premium) remaining in those accounts having debit balances, shall be reported under account 140, Unamortized Debt Discount and Expense, and the total of the credit balances (premium less expense) remaining in those accounts having credit balances shall be reported under account 240, Unamortized Premium on Debt. Accounts with debit balances shall not be set off by accounts with credit balances.

(c) The discount, expense, and premium referred to above shall be amortized over the life of the respective issues under such a plan as will equitably distribute the amounts over the life of the securities. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 531, Amortization of Debt Discount and Expense, or credited to account 532, Amortization of Premium on Debt--Credit, as may be appropriate. The utility may, however, accelerate the charging off of discount and expense by charges to account 531, Amortization of Debt Discount and Expense, or to account 414, Miscellaneous Debits to Surplus.

(d) When any long-term debt is reacquired or redeemed without being converted into another form of long-term debt and when the transaction is not in connection with a refunding operation, the unamortized debt discount and expense or

premium applicable to the debt reacquired or redeemed shall be cleared from the accounts. If a debit, such amount may be distributed in whole or in part to either account 531, Amortization of Debt Discount and Expense, or to account 414, Miscellaneous Debits to Surplus; or, if a credit, to either account 532, Amortization of Premium on Debt--Credit, or account 401, Miscellaneous Credits to Surplus. The difference, if any, between the face amount of the debt reacquired or redeemed, and the amount paid upon reacquirement shall be distributed, if a debit, to either account 538, Miscellaneous Income Deductions, or account 414, Miscellaneous Debits to Surplus; or, if a credit, to either account 526, Miscellaneous Non-operating Revenues, or account 401, Miscellaneous Credits to Surplus.

(e) When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the date of maturity of the first issue, the accounting shall be as provided in subdivision (d) unless otherwise ordered or directed by the commission.

(f) Discount, expense, or premium on debt shall not be included as part of the cost of constructing or acquiring any property, tangible or intangible, except under the provisions of paragraph (14) of subdivision (a) of section 463.4.

§ 462.7 Contingent assets and liabilities

Contingent assets represent a possible source of value to the utility contingent upon the fulfillment of conditions regarded as uncertain. Contingent liabilities include items which may under certain conditions become obligations of the utility but which are neither direct nor assumed liabilities at the date of the balance sheet. The utility shall be prepared to give a complete statement of contingent assets and liabilities (including cumulative dividends on preference stock) in its annual report and at such other times as may be requested by the commission.

§ 462.8 Company securities owned

Securities actually issued or assumed by the utility which have been reacquired shall be either retired or carried in account 152, Reacquired Capital Stock, or account 153, Reacquired Long-term Debt, unless it is required by provision of a mortgage, or by decision of a trustee not subject to control by the accounting utility, that they be retained alive in sinking or other funds. When so retained they shall be considered as actually outstanding, but not otherwise.

§ 462.9 Nominally issued securities

(a) Each utility shall maintain, in addition to the capital stock and bond accounts shown in the balance sheet, memorandum debit and credit accounts for securities which have been nominally, but not actually, issued.

(b) When non-par stock is nominally issued the number of shares issued shall be shown in the memorandum accounts.

(c) Subdivisions shall be maintained under the memorandum accounts for each class of securities.