(A) Rule 404(c) submitted on February 21, 1972 by the Monterey-Santa Cruz Unified APCD and previously approved as part of the SIP, is being retained for sources combusting gaseous fuels. Rule 404(c) will be in effect for Monterey and Santa Cruz Counties only. Rule 404(c), submitted on November 10, 1976 by the Monterey Bay Unified APCD, will only be in effect for sources combusting liquid or solid fuels with heat input rates greater than 1½ billion BTU per hour in the Monterey and Santa Cruz portions of the Unified APCD.

(B) Rule 408(b), submitted on February 21, 1972 by the San Benito County APCD and previously approved as part of the SIP, is being retained for sources combusting liquid, solid, or gaseous fuels with heat input rates less than 1½ billion BTU per hour. Rule 408(b) will be in effect for San Benito County only. Rule 404(c), submitted on November 10, 1976 by the Monterey Bay Unified APCD, will only be in effect for sources combusting liquid, solid or gaseous fuels with heat input rates greater than 1½ billion BTU per hour in the San Benito County portion of the Unified APCD.

[FR Doc.77-31067 Filed 10-26-77;8:45 am]

[6560-01]

[FRL 806-1]

PART 52—APPROVAL AND PROMULGATION OF IMPLEMENTATION PLANS

Revision to the New York State Implementation Plan

AGENCY: Environmental Protection Agency.

ACTION: Final rule.

SUMMARY: This notice announces that the Environmental Protection Agency (EPA) is approving a revision to the New York State Implementation Plan. EPA's action approves a relaxation by the State of its current sulfur-in-fuel-oil limitation for small potential air pollution sources in parts of the Southern Tier East, Central New York and Champlain Valley (Northern) Air Quality Control Regions. These relaxations, called "special limitations," will allow the use by these sources of fuel oil with a maximum sulfur content of 2.8 percent, by weight, until December 31, 1979. Previously these sources were limited by State regulation to the use of fuel oil with a maximum sulfur content of 2.0 percent, by weight. Receipt of the revision request from New York State was announced in the FEDERAL REGISTER on July 11, 1977 on page 35661, where a full description of the revision is contained.

DATES: This action becomes effective October 27, 1977.

FOR FURTHER INFORMATION CONTACT:

William S. Baker, Chief, Air Programs Branch, U.S. Environmental Protection Agency, Region II Office, 26 Federal Plaza, New York, N.Y. 10007, 212-264-2517.

SUPPLEMENTARY INFORMATION: On July 11, 1977 (42 FR 35661), the U.S. Environmental Protection Agency (EPA) announced receipt of a request from the State of New York to approve a revision to its State Implementation Plan. The revision consists of "special limitations" granted by the State under Part 225.2 of Title 6 of its Official Compilation of Codes, Rules and Regulations (6 NYCRR 225.2). EPA approval would relax, to a maximum of 2.8 percent, by weight, the sulfur-in-fuel-oil limitations applicable to sources which do not have a total heat input in excess of 250 million BTU per hour and which are located in the following areas:

1. The Southern Tier East Air Quality Control Region (AQCR), with the exception of Broome County.

2. The Central New York AQCR, with the exception of Onondaga County.

3. The Champlain Valley (Northern) AQCR, with the exception of all sources in the City of Glens Falls and sources with a total heat input greater than 100 million BTU per hour in the Town of Queensbury.

On July 11, 1977, EPA established a 30-day period for receipt of comments from the public on whether or not this proposed revision to the New York State Implementation Plan should be approved. In response, EPA received comments from two parties. Both expressed support for the proposed revision and recommended its approval.

A technical analysis performed by EPA concurs with the State findings that the revision is not expected to cause or exacerbate violations of the air quality standards for sulfur dioxide. As such EPA finds that this revision to the New York State Implementation Plan, relating to "special limitations" for parts of three air quality control regions, is consistent with current EPA policies and goals set forth in the requirements of Section 110 of the Clean Air Act and EPA regulations contained in 40 CFR Part 51 in that it is not expected to result in the contravention of any applicable ambient air quality standard.

This action is effective immediately since it does not impose any additional burden on the affected sources but provides for a relaxation of the existing emission limitations. Therefore, no purpose is served by delaying the effective date.

Dated: October 18, 1977.

BARBARA BLUM,
Acting Administrator,
Environmental Protection Agency.

Part 52 of Chapter I, Title 40 Code of Federal Regulations is amended as follows:

Subpart HH—New York

1. In § 52.1670, paragraph (c) is amended by adding new subparagraph (34) as follows:

§ 52.1670 Identification of plans.

* * * * *

(c) The plan revisions listed below were submitted on the dates specified.

* * * * *

(34) Revision submitted on March 3, 1977, April 5, 1977 and June 16, 1977 by the New York State Department of Environmental Conservation which grants "special limitations" under Part 225. These "special limitations" relax, until December 31, 1979, the sulfur-in-fuel-oil limitation to 2.8 percent, by weight, for air pollution sources which do not have a total heat input in excess of 250 million BTU per hour in parts of the Southern Tier East, Central New York and Champlain Valley AQCRs.

(Sections 110 and 301 of the Clean Air Act, as amended (42 U.S.C. 7410, 7601)).

[FR Doc.77-31066 Filed 10-26-77;8:45 am]

[6560-01]

[FRL 808-7]

PART 55—ENERGY RELATED AUTHORITY

Georgia; Revision to Compliance Date Extensions for Savannah Electric and Power Company's Port Wentworth Station

AGENCY: Environmental Protection Agency.

ACTION: Final rule.

SUMMARY: This final rule modifies the dates that the Savannah Electric and Power Company's Port Wentworth, Georgia, Power Station Units 1, 2, and 3 must convert to coal burning and be in compliance with all applicable air pollution requirements. These revised dates allow three additional months to construct air pollution control equipment for Units 1 and 2. Control equipment for Unit 3 is to be installed one month ahead of the original schedule.

EFFECTIVE DATE: October 27, 1977.

FOR FURTHER INFORMATION CONTACT:

Paul J. Traina, Director, Enforcement Division, U.S. Environmental Protection Agency, Region IV, 345 Courtland Street, NE., Atlanta, Ga. 30308, 404-881-2211.

SUPPLEMENTARY INFORMATION: On December 17, 1976, John Quarles, Acting Administrator of EPA, issued compliance date extensions (41 FR 55191) to the Savannah Electric and Power Company's Port Wentworth Generating Station for Units 1, 2, and 3, lo-Acting Administrator of EPA, issued com cated in Chatham County, Ga.

Each unit was required to be equipped with air pollution control devices by specific dates, before converting to coal burning. The Savannah Electric and Power Company informed EPA on March 4, 1977, that the construction time for the control equipment for Units 1 and 2 would have to be extended three months, and that the construction of control equipment for Unit 3 would be completed one month ahead of the date originally scheduled. EPA evaluated documentation submitted by Savannah Electric which indicated that the construction timetable for the control equipment for Units 1 and 2 had to be lengthened because Savannah Electric selected a new contractor. All other conditions of the original compliance date extension remain in effect, including the requirement to maintain compliance with all applicable air pollution regulations by continuing to burn oil until the construction of the air pollution control equipment is completed. Savannah Electric will not be permitted to burn coal at the Port Wentworth plant until the control equipment is installed and operating.

On July 8, 1977, John A. Little, Acting Regional Administrator, published a proposed rule (42 FR 35172), which would premit the construction timetable adjustments. Comments were solicited but none were received.

Accordingly, Part 55 of Chapter I, Title 40, Code of Federal Regulations, is amended by revising subdivisions (iii), (iv), (vi), and (vii) of § 55.570(a)(1) to read as follows:

Subpart L—Georgia

§ 55.570 Compliance date extensions.

(a) * * *

(1) * * *

(iii) Completed. Initiate site preparation toward installation of particulate emission control equipment for Units 1, 2, and 3.

(iv) April 1, 1978. Initiate on-site construction or installation of particulate emission control equipment for Units 1, 2, and 3. * * *

(vi) August 1, 1978 (Unit 1), September 1, 1978 (Unit 2), October 1, 1978 (Unit 3). Complete on-site construction or installation of particulate emission control equipment and initiate use of such equipment.

(vii) October 15, 1978 (Unit 1), November 15, 1978 (Unit 2), December 31, 1978 (Unit 3). Complete shakedown operations and performance tests on the control equipment required by this subparagraph; also, demonstrate compliance with section 391-3-1.02(2)(d) of the Georgia Rules and Regulations for Air Quality Control and certify such compliance to the Director of the EPA Region IV Enforcement Division. * * *

(Secs. 110, 113(d), 301, Clean Air Act (42 U.S.C. 1857c-5, 1857c-10, and 1857q).)

Dated: October 19, 1977.

BARBARA BLUM,
Acting Administrator.

[FR Doc.77-31171 Filed 10-26-77;8:45 am]

[4110-02]

Title 45—Public Welfare

CHAPTER I—OFFICE OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PART 116d—GRANTS TO STATE EDUCATIONAL AGENCIES TO MEET THE SPECIAL EDUCATIONAL NEEDS OF MIGRATORY CHILDREN

Public Hearings on Interim Final Regulations

AGENCY: Office of Education, HEW.

ACTION: Notice of additional public hearings on interim final regulations.

SUMMARY: The purpose of this notice is to announce the dates, times, and locations for three additional hearings on interim final regulations published in the FEDERAL REGISTER, July 13, 1977.

DATES: Homestead, Fla., November 14-15, 1977, 9:00 a.m. to 12 Noon; 2:00 p.m. to 5:00 p.m.; 7:00 p.m. to 10:00 p.m. McAllen, Tex., November 17-18, 1977, 9:00 a.m. to 1 2Noon; 2:00 p.m. to 5:00 p.m.; 7:00 p.m. to 10:00 p.m. Indio, Calif., November 21-22, 1977, 9:00 a.m. to 12 Noon; 2:00 p.m. to 5:00 p.m.; 7:00 p.m. to 10:00 p.m.

ADDRESSES: Homestead, Fla., Redlands Labor Camp Auditorium, 29355 South Dixie Highway; McAllen, Tex., Civic Auditorium, 1300 South 10th Street; Indio, Calif., Riverside County Building, Room 403, 46-209 Oasis St.

FOR FURTHER INFORMATION CONTACT:

Atlanta, Ga., Dr. John Robinson, 401-881-3076; Dallas, Tex., Mr. Sam Saenz, 214-655-3671; San Francisco, Calif., Ms. Jan Williams, 415-556-3929; Washington, D.C., Mr. Vidal A. Rivera, Jr., 202-245-2427.

SUPPLEMENTARY INFORMATION: Interim final regulations (45 CFR Part 116d) were published in the FEDERAL REGISTER at 42 FR 36076 on July 13, 1977, to implement Section 122 of Title I of the Elementary and Secondary Education Act of 1965, as amended by Pub. L. 93-380.

With the publication of these regulations, hearings at five different locations were announced and the end of the comment period was established as August 29, 1977.

Several commenters requested that the Commissioner of Education extend the time for receipt of comments and hold additional public hearings. Due to these requests and other considerations, the period for receipt of written comments was extended to December 9, 1977. A notice was published in the FEDERAL REGISTER at 42 FR 43396 on August 29, 1977, to advise the public of this extension. Also announced in this notice was the planned scheduling of two or three additional hearings to be held in November 1977, to gather further testimony from migratory workers and others interested in the education of migratory children. The public was also advised that further information concerning locations, dates, and times would be published in a future notice in the FEDERAL REGISTER. This is to comply with that announcement.

(Catalog of Federal Domestic Assistance No. 13.429, Educationally Deprived Children-Migrants.)

Dated: October 21, 1977.

ERNEST L. BOYER,
Commissioner of Education.

[FR Doc.77-31152 Filed 10-26-77;8:45 am]

[1505-01]

Title 46—Shipping

CHAPTER I—COAST GUARD, DEPARTMENT OF TRANSPORTATION

[CGD 73-96]

PART 153—SAFETY RULES FOR SELF-PROPELLED VESSELS CARRYING HAZARDOUS LIQUIDS

Correction

In FR Doc. 77-27790 appearing at page 49016 in the issue for Monday, September 26, 1977, in the table following Subpart A of Part 153, page 49033, the entry under "Cargo Name" which follows "Sulfuric Acid," now reading "1,2,2,2-Tetrachloroethane" should read "1,1,2,2-Tetrachloroethane."

[1505-01]

Title 47—Telecommunication

CHAPTER I—FEDERAL COMMUNICATIONS COMMISSION

PART 17—CONSTRUCTION, MARKING AND LIGHTING OF ANTENNA STRUCTURES

Editorial Amendments Adopting Metric System of Measurements

Correction

In FR Doc. 77-29702, appearing at page 54823 in the issue of Tuesday, October 11, 1977, the following changes should be made:

1. On page 54823, third column, the third from last line should read, "'60.96 meters (200 feet)'."

2. On page 54825, first column, the quoted portion of § 17.31(a)(1) should read, "* * * The steady burning intensity shall not be less than 2,000 candelas (in red)."

3. On page 54826, second column, the line immediately preceding the heading "§ 17.42 [Amended]" should read. "'* * * (5 fc)' and '21.53 lux (2 fc)' respectively."

[4910-62]

Title 49—Transportation

SUBTITLE A—OFFICE OF THE SECRETARY OF TRANSPORTATION

[OST Docket No. 6; Notice 77-13]

PART 71—STANDARD TIME ZONE BOUNDARIES

Reloction of Time Zone Boundary in the State of Indiana

AGENCY: Department of Transportation.

ACTION: Final rule.

SUMMARY: The Department of Transportation is relocating the boundary between the eastern and central time zones in the State of Indiana so as to move Pike County from the central to the eastern zone. This action—which has been requested by the governing board of the county—is taken because it appears that relocation would serve the convenience of commerce, which is the statutory standard.

EFFECTIVE DATE: 2 a.m. c.d.t. Sunday, October 30, 1977.

FOR FURTHER INFORMATION CONTACT THE AUTHOR OF THIS DOCUMENT:

Robert I. Ross, Office of the General Counsel, Department of Transportation, Washington, D.C. 20590, 202-426-4723.

SUPPLEMENTARY INFORMATION: Pursuant to formal request of the County Commissioners of Pike County, the Department of Transportation ("DOT") proposed to relocate the boundary between the eastern and central time zones in the State of Indiana so as to move the county from the central to the eastern time zone. (42 FR 34341; July 5, 1977). Interested parties were given until September 9, 1977 to submit comments on the proposal; additionally, a representative of DOT conducted a four-hour public hearing in Petersburg, the county seat, August 24, 1977. Comments were received, both to the docket and at the hearing, from hundreds of persons.

Under section 4 of the Uniform Time Act of 1966 (15 U.S.C. 261) ("the Act") the Secretary of Transportation has the authority to modify the boundaries between time zones in the United States so as to move an area from one time zone to another. The Act's standard in this area is "regard for the convenience of commercé and the existing junction points and division points of common carriers engaged in interstate or foreign commerce."

The appropriate time zone for Indiana has been the subject of much debate ever since the Act took effect. From 1967 to 1969, DOT conducted an extensive rulemaking proceeding which resulted in the present time pattern in the State—80 counties in the eastern zone and 12 counties (six in the northwest around Gary and six in the southwest around Evansville) in the central zone. Pike is one of the six southwest counties.

Although the proposal did not involve the observance of advanced (daylight saving) time, it is a relevant factor warranting discussion. Under section 3 of the Act (15 U.S.C. 260a), daylight saving time is observed in the United States from the last Sunday in April until the last Sunday in October each year, except in those States which by law have exempted themselves from such observance. In 1972 the Congress, responding to the situation in Indiana, amended the Act to permit a State in more than one time zone—like Indiana—to exempt either the entire State or only that part of the State in the more easterly of the two zones. Pursuant to this provision of Federal law and to its own State exemption statute (Acts 1969, Chapter 491), the central zone portion of Indiana observes daylight saving time with the rest of the country while the eastern zones portion does not observe it at all. (The result is that, although the two parts are in different time zones, while daylight saving time is in effect the clocks throughout the State read the same; on the clock, eastern standard is the same as central daylight time.) Given that exemption—which may be changed at any time by the State and which is not a matter of Federal authority—adoption of this proposal would have the effect of not only changing the time zone in which Pike County is located but also exempting it from daylight saving time.

Pike is the northernmost of the six southwestern counties in the central time zone. On the north and the east, it abuts counties of Indiana in the eastern time zone; on the south and the west, it abuts counties of Indiana in the central time zone. Under the present situation, whereas it always observes the same time as the other central zone counties, it observes the same time (on the clock) as the eastern zone counties only during the six months of each year when daylight saving time is in effect (April through October); the proposal, if implemented, would reverse that situation. Whereas Pike would then always observe the same time as the other eastern zone counties, it would observe the same time (on the clock) as the central zone counties only during daylight saving time. The choice, therefore, was from which neighboring counties shall Pike observe a different time for the six-month period of standard time observance each year (October through April).

It appears from the preponderance of the evidence that the convenience of commerce would better be served if, during those six months of standard time each year, Pike County were to observe eastern standard time and not, as in the past, central standard time. The record is replete with testimony and evidence from businesses, trade associations, and civic associations in the county that their commercial relations would be enhanced by being on the same time as most of the rest of the State (including Indianapolis, the capital and largest city in the State), rather than Evansville, the nearest large city. The change to eastern time is supported not only by the governing body of the county but also by the county-wide public school system as well as other officials of county and city government.

Main opposition stems from two sources. One, businesses in the county which have headquarters in the central zone stated that they would continue to operate on central time despite any change in the official time of the county itself; it would therefore burden their employees and their operations in the county to have the county and the company on different times. That situation exists now, however, with a number of county businesses having headquarters in the eastern zone. The change will remove the analogous burden on their employees and operations. Second, parents of school children in the southern part of the county expressed fear about the hazard posed to their children in boarding school buses in morning darkness. Given no change in the starting time of school, the change to eastern time would add to the morning darkness. There are no sidewalks along the roads. Additionally, coal mining is a major industry in the county. The increased national emphasis on coal coupled with decreased rail service in the area has created a situation whereby there are many large coal-hauling trucks on the roads, mostly in the early morning. This poses a threat to the children, in the eyes of these parents. In response, the superintendent of the public school system stated on the record that adjustments would be made in the starting times of the schools to accommodate those pupils having long distances to travel in the morning. Given this and the school system's support of the change, it appears that this is not a problem.

Two proposals were presented to split the county between the two time zones, with the southern part remaining in the central zone and the northern part going into the eastern zone. For two reasons, such a split was deemed infeasible. First, as a general matter, DOT is reluctant to split a county between time zones. One, it makes it more difficult for the State and county governments to conduct their affairs. Two, it increases the difficulty which the general public has of determining where time zones change. Either proposal would also split the county-wide public school system, leaving some schools in one time zone and others in the other. Pupils attending the secondary school are first bused with the elementary school children to the nearest elementary school and then carried on to the secondary school. Splitting the county and putting the secondary school on a time different from any of the elementary schools would merely aggravate the early morning darkness problem perceived by these parents opposing the change. For these reasons, it is not feasible to split the county between the two time zones.

As announced with the proposal, this change in the time zone boundary will take effect at 2 a.m. central advanced (daylight saving) time Sunday, October 30, 1977, the moment this year when daylight saving time ends. The effect will be that clocks in the county will not have to be exchanged. Presently they are on central daylight time and will then go to eastern standard—on the clock, as explained above, these are the same time. It is DOT policy to make such time zone changes effective at the time daylight saving time begins or ends (whichever comes first). This provides for less confusion as the affected area has already by that time been observing the new time for six months. This was the purpose of announcing the proposed effective date with the proposal. For these reasons, I find that good cause exists for making this amendment effective in fewer than thirty days after publication in the FEDERAL REGISTER.

In consideration of the foregoing, § 71.5 of title 49, Code of Federal Regulations, is amended by revising paragraph (b) thereof to read as appears below.

(Act of March 19, 1918, as amended by the Uniform Time Act of 1966 (15 U.S.C. 260–67); section 6(e)(5), Department of Transportation Act (49 U.S.C. 1655(d)(5)).)

Issued in Washington, D.C. on October 21, 1977.

BROCK ADAMS,
Secretary of Transportation.

§ 71.5 Boundary line between eastern and central zones.

* * * * *

(b) *Indiana-Illinois.* From the junction of the western boundary for the State of Michigan with the northern boundary of the State of Indiana easterly along the northern boundary of the State of Indiana to the east line of LaPorte County; thence southerly along the east line of LaPorte County to the north line of Starke County; thence east along the north line of Starke County to the east line of Starke County; thence south along the east line of Starke County to the south line of Starke County; thence west along the south line of Starke County to the east line of Jasper County; thence south along the east line of Jasper County to the south line of Jasper County; thence west along the south lines of Jasper and Newton Counties to the western boundary of the State of Indiana; thence south along the western boundary of the State of Indiana to the north line of Gibson County; thence easterly and southerly along the north line of Gibson County to the east line of Gibson County; thence south along the east line of Gibson County to the north line of Warrick County; thence easterly and southerly along the north lines of Warrick and Spencer Counties to the east line of Spencer County; thence southerly along the east line of Spencer County to the Indiana-Kentucky boundary.

* * * * *

[FR Doc.77-31276 Filed 10-25-77;3:20 pm]

[7035–01]

CHAPTER X—INTERSTATE COMMERCE COMMISSION

SUBCHAPTER C—ACCOUNTS, RECORDS AND REPORTS

[No. 36604]

ACCOUNTING FOR LEASES

AGENCY: Interstate Commerce Commission.

ACTION: Order implementing new rules.

SUMMARY: The Interstate Commerce Commission has implemented new rules requiring all carriers subject to its accounting regulations to account for certain leases as the acquisition of an asset and the incurrence of a liability.

The Commission has determined that this Order will bring the carriers' required accounting into alignment with ples. This Order will also ease the record generally accepted accounting princi- keeping required of those carriers which prepare reports for the Commission and others.

EFFECTIVE DATE: January 1, 1977.

FOR FURTHER INFORMATION CONTACT:

Mr. Ronald Young, Chief, Section of Accounting, Bureau of Accounts, Interstate Commerce Commission, Washington, D.C. 20432, Phone No.: 202–275–7448.

SUPPLEMENTARY INFORMATION: In November 1976, the Financial Accounting Standards Board (FASB) issued Statement No. 13, "Accounting for Leases." With this Statement all existing Accounting Principles Board's Opinions concerning leases have been superseded. This Statement establishes the guidelines and criteria necessary to determine those leases that should be capitalized by the lessee. It also requires certain information to be disclosed by footnote for both capital leases and operating leases.

The Commission currently has no rules governing accounting for leases. With the vast amount of dollars being spent on leasing we believe we should prescribe the proper method of accounting for this type of transaction. Leasing is merely another way of financing the use of an asset. With the publication of FASB Statement No. 13 guidelines have been established to determine those leases that will qualify as capital leases and those that will remain operating leases.

FASB Statement No. 13 is effective for all leasing transactions entered into on or after January 1, 1977. However, for all leases in effect on December 31, 1976, business entities may apply the new standards immediately or they may phase in the new standards through December 31, 1980. As of January 1, 1981, all leasing transactions must comply fully with the new standards regardless of when they were entered into. FASB Statement No. 13 presents a reasonable approach to the problem. Because of this it is the intention of the Commission to adopt FASB Statement No. 13.

Disclosure requirements for operating leases will be modified to conform to those established by FASB Statement No. 13 to insure consistency with generally accepted accounting principles.

Adoption of FASB Statement No. 13 will further align the Commission's accounting regulations with generally accepted accounting principles. In addition it will further enable users of annual reports filed with the Commission to determine the extent to which carriers lease equipment vital to their operations.

Because the changes conform our regulations with generally accepted accounting principles as announced in FASB Statement No. 13 and because the changes will eliminate the need for keeping a second set of records and only require minor revisions, rulemaking under Section 553 of the Administrative Procedures Act (5 U.S.C. 553) is not necessary.

Issued at Washington, D.C., October 12, 1977.

H. G. HOMME, Jr.,
Acting Secretary.

APPENDIX A

PART 1201A—UNIFORM SYSTEM OF ACCOUNTS FOR RAILROAD COMPANIES

NOTE.—These amendments apply to Part 1201A which is effective until December 31, 1977.

LIST OF INSTRUCTIONS AND ACCOUNTS

Under Instructions for Property Accounts, the following new line item is added after line item 2–25, Lists of units of property:

2–26 Accounting for leases.

Under General Balance Sheet Accounts, the following new line item is added after line item 766, Equipment obligations:

766.5 Capitalized lease obligations.

INSTRUCTIONS FOR PROPERTY ACCOUNTS

After instruction 2–25, the following new instruction is added:

2–26 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the leassee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be in accordance with instructions for depreciation accounts.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

GENERAL BALANCE SHEET ACCOUNTS

After account 766, Equipment obligations, the following new account is added:

766.5 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 2-26.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 764, Equipment Obligations and Other Debt Due Within One Year.

NOTE. B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

Account 799 is amended as follows:

799 Form of General Balance Sheet Statement.

* * * * *

766. * * *.

766.5. Capitalized lease obligations.

* * * * *

APPENDIX B

PART 1201A—UNIFORM SYSTEM OF ACCOUNTS FOR RAILROAD COMPANIES

NOTE.—These amendments apply to Part 1201A which is effective January 1, 1978.

LIST OF INSTRUCTIONS AND ACCOUNTS

Under Instructions for Property Accounts, the following new line item is added after line item 2-19, Lists of units of property:

2-20 Accounting for leases.

Under General Balance Sheet Accounts, the following new line item is added after line item 766, Equipment obligations:

766.5 Capitalized lease obligations.

INSTRUCTIONS FOR PROPERTY ACCOUNTS

After instruction 2-19, the following new instruction is added:

2-20 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be in accordance with instructions for Depreciation Accounts.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

GENERAL BALANCE SHEET ACCOUNTS EXPLANATION

After account 766, Equipment obligations, the following new account is added:

766.5 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 2-20.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 764, Equipment obligations and other long-term debt due within one year.

NOTE B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

FORM OF GENERAL BALANCE SHEET STATEMENT

The following new line item is added after line item 766, Equipment Obligations:

766.5 Capitalized lease obligations.

* * * * *

APPENDIX C

PART 1202—UNIFORM SYSTEM OF ACCOUNTS FOR ELECTRIC RAILWAYS

OPERATING EXPENSES

Under operating expenses the following new line item is added afer line 01-18, Charges to be just and reasonable:

01-19 Accounting for leases.

Under General Balance Sheet Accounts, the following new line item is added after line item 427, Funded debt unmatured:

427.5 Capitalized lease obligations.

OPERATING EXPENSES

01 General Instructions.

After instruction 01-18, the following new instruction is added:

01-19 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be in accordance with instruction 01-14, Depreciation.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidateed or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

GENERAL BALANCE SHEET

05-8 is amended as follows:

05-8 Form of general blance sheet statements.

* * * * *

427 Funded debt unmatured:
Book liability in short column.
Held by carrier in short column.
Actually outstanding in long column.
427.5 Capitalized lease obligations.

* * * * *

GENERAL BALANCE SHEET ACCOUNTS

After account 427, Funded debt unmatured, the following new account is added:

427.5 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 01-19.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 430, "Loans and notes payable."

NOTE B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

APPENDIX E

PART 1205—UNIFORM SYSTEM OF ACCOUNTS FOR REFRIGERATOR CAR LINES

INCOME AND BALANCE SHEET ACCOUNT INSTRUCTIONS

After line item 44, the following new line item is added:

45 Accounting for leases.

GENERAL BALANCE SHEET ACCOUNTS TEXTS

After line item 766, Equipment obligations, the following new line item is added:

766.5 Capitalized lease obligations.

INCOME AND BALANCE SHEET ACCOUNTS INSTRUCTIONS

After instruction 44, the following new instruction is added:

45 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be in accordance with Depreciation Accounts Instructions.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization normally.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

GENERAL BALANCE SHEET ACCOUNTS

After account 766, Equipment obligations, the following new account is added:

766.5 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 45.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 764, Equipment obligations and other debt due within one year.

NOTE. B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

Account 799 is amended as follows:

799 Form of General Balance Sheet Statement.

* * * * *

766 * * *

766.5 Capitalized lease obligations.

* * * * *

APPENDIX F

PART 1206—UNIFORM SYSTEM OF ACCOUNTS FOR COMMON AND CONTRACT MOTOR CARRIERS OF PASSENGERS

INSTRUCTIONS

After line item 2-34 the following new line item is added:

2-35 Accounting for leases.

BALANCE SHEET ACCOUNTS

After line item 2300, Equipment obligations, the following new line item is added:

2310 Capitalized lease obligations.

INSTRUCTIONS

After instruction 2-34, the following new instruction is added:

2-35 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be as follows:

(1) If the lease meets either the first or the second criteria for capitalization, the asset shall be amortized in accordance with the lessee's normal depreciation policy.

(2) If the lease does not meet the first or second criteria, the asset should be amortized over the lease term.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

BALANCE SHEET ACCOUNTS

After account 2300, Equipment obligations, the following new account is added:

2310 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 2-35.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 2190, Equipment obligations and other debt due within one year.

NOTE B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

Account 2999 is amended as follows:

2999 Form for balance sheet statement.

* * * * *

Equipment and other long-term obligations:

2300	Equipment Obligations	$-----	
	Less: Reacquired and Nominally Issued	-----	-----
2310	Capitalized Lease Obligations	-----	-----

* * * * *

APPENDIX G

PART 1207—UNIFORM SYSTEM OF ACCOUNTS FOR CLASS I AND CLASS II COMMON AND CONTRACT MOTOR CARRIERS OF PROPERTY

CLASS I AND CLASS II MOTOR CARRIERS INSTRUCTIONS

After line item 34, the following new line item is added:

35 Accounting for leases.

CLASS I AND CLASS II MOTOR CARRIERS INSTRUCTIONS

After instruction 34, the following new instruction is added:

35 *Accounting for leases.* (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicity rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be as follows:

(1) If the lease meets either the first or the second criteria for capitalization, the asset shall be amortized in accordance with the lessee's normal depreciation policy.

(2) If the lease does not meet the first or second criteria, the asset should be amortized over the lease term.

(e) The accounting accorded the lease, shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

APPENDIX H

PART 1208—UNIFORM SYSTEM OF ACCOUNTS FOR MARITIME CARRIERS

GENERAL INSTRUCTIONS

After line item (O), Charges to be just and reasonable, the following new line item is added:

(P) Accounting for leases.

Under Balance Sheet Accounts, the following new line item is added after line item 527, U.S. Government insured or guaranteed merchant marine bonds and notes.

528 Capitalized lease obligations.

GENERAL INSTRUCTIONS

After instruction (O), the following new instruction is added:

(P) *Accounting for leases.* (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be as follows:

(1) If the lease meets either the first or the second criteria for capitalization, the asset shall be amortized in accordance with the lessee's normal depreciation policy.

(2) If the lease does not meet the first or second criteria, the asset should be amortized over the lease term.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization normally.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

BALANCE SHEET ACCOUNTS

After account 527, the following new account is added:

528 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction P.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includable in account 414, Other short-term notes.

NOTE B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

FINANCIAL STATEMENTS

Section (A) Balance Sheet is amended as follows:

FINANCIAL STATEMENTS

(A) BALANCE SHEET

Account No. *Assets*

* * * * *

527 U.S. Government insured or guaranteed merchant marine bonds and notes.
528 Capitalized lease obligations.

* * * * *

APPENDIX I

PART 1209—UNIFORM SYSTEM OF ACCOUNTS FOR INLAND AND COASTAL WATERWAYS CARRIERS

GENERAL INSTRUCTIONS

After line item 15, the following new instruction is added:

16 Accounting for leases.

BALANCE SHEET ACCOUNTS

After line item 212, Receivers' and trustees' securities, the following new line item is added:

212.5 Capitalized lease obligations.

GENERAL INSTRUCTIONS

After instruction 15, the following new instruction is added:

16 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfer ownership of the property to the lessee by the end of the lease term,

(2) The lease contains a bargain purchase option,

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property, and,

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessor.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payment representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be as follows:

(1) If the lease meets either the first or the second criteria for capitalization, the asset shall be amortized in accordance with the lessee's normal depreciation policy.

(2) If the lease does not meet the first or second criteria, the asset should be amortized over the lease term.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appropriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization normally.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

BALANCE SHEET ACCOUNTS

After account 212, the following new account is added:

212.5 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 16.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 210, Equipment obligations and other debt due within one year.

NOTE B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

BALANCE SHEET STATEMENT

Section 299, Form of Balance Sheet Statement, is amended as follows:

299 Form of balance sheet statement.

* * * * *

XI. Long-Term Debt Due After One Year

	Total issued	Held by or for respondent	
211.0 Funded debt unmatured	$	$	$
212.0 Receivers' and trustees' securities			
212.5 Capitalized lease obligations			

APPENDIX J

PART 1210—UNIFORM SYSTEM OF ACCOUNTS FOR FREIGHT FORWARDERS

GENERAL INSTRUCTIONS

After line item 10, the following new line item is added:

11 Accounting for leases.

GENERAL BALANCE SHEET ACCOUNTS

After line item 210, Funded debt, the following new line item is added:

210.5 Capitalized lease obligations.

GENERAL INSTRUCTIONS

After instruction 10, the following new instruction is added:

11 Accounting for leases. (a) Leases shall be accounted for as capital leases whenever the lease meets one or more of the following four criteria:

(1) The lease transfers ownership of the property to the lessee by the end of the lease term;

(2) The lease contains a bargain purchase option;

(3) The lease term is equal to 75 percent or more of the estimated economic life of the property; and

(4) The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease less any related investment tax credit retained by the lessors.

(b) If the lease does not meet any of the four criteria, the lease shall be classified and accounted for as an operating lease.

(c) When accounting for capital leases the lessee shall record the asset and the related obligation. The amount recorded as the asset and the obligation shall be the present value at the beginning of the lease term of the minimum lease payments during the lease term, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor. However, if that amount exceeds the fair value of the leased property, the amount recorded as the asset and the obligation shall be the fair value. The lessee shall compute the present value of the minimum lease payments using its incremental borrowing rate unless (1) it is practicable to learn the implicit rate computed by the lessor and (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate. If both of those conditions are met, the lessee shall use the implicit rate.

(d) Amortization of the recorded asset shall be as follows:

(1) If the lease meets either the first or the second criteria for capitalization, the asset shall be amortized in accordance with the lessee's normal depreciation policy.

(2) If the lease does not meet the first or second criteria, the asset should be amortized over the lease term.

(e) The accounting accorded the lease shall be subject to the same considerations as other obligations in classifying them with current and noncurrent liabilities in the classified balance sheet. Leases that meet the criteria requiring capitalization shall be recorded in those accounts that provide for carrier operating property or property used in other than carrier operations, as appopriate. The accounts shall segregate the amounts pertaining to capital leases.

(f) If the lease qualifies as an operating lease it should be accounted for by charging the rent to expense over the lease term. The rental expense should be recognized on a straight line basis over the lease term unless another method is more representative of the use and the benefits derived.

(g) The criteria specified in paragraph (a) should be applied to all leases regardless of the relationship between the lessor and the lessee unless it is clear that the terms of the lease transaction have been significantly affected by their relationship. In this situation, the accounting should be modified to recognize economic substance rather than legal form.

(h) In the case of subsidiary companies or companies under common control whose principal business activity is leasing property or facilities to the carrier, the carrier is encouraged to request special authority to file consolidated or combined financial statements. If the carrier does not wish to file consolidated or combined financial statements, capitalization of the lease will be required if the lease meets the criteria that would require capitalization.

NOTE.—The carrier shall follow generally accepted accounting principles where an interpretation of the rules for lease accounting is needed or obtain an interpretation from its public accountant or the Commission.

GENERAL BALANCE SHEET INSTRUCTIONS

Instruction 29 is amended as follows:

29 Form of general balance sheet statement.
210 Funded debt.
210.5 Capitalized lease obligations.

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GENERAL BALANCE SHEET ACCOUNTS

After account 210, the following new account is added:

210.5 Capitalized lease obligations.

(a) Long-term leases which are clearly in substance installment purchases shall be capitalized. The liability under such leases which have been capitalized in fixed asset accounts shall be recorded in this account. (See instruction 11.)

(b) This account shall be kept so as to show the liability under each lease obligation.

NOTE A.—The portion of the liability for long-term leases which is payable within 1 year of the close of the accounting period is includible in account 200, Notes payable.

NOTE B.—Leases which merely state the right to use property and a related obligation to pay specific rents over a definite future period shall not be considered to be assets and liabilities.

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[4310-55]

Title 50—Wildlife and Fisheries

CHAPTER I—UNITED STATES FISH AND WILDLIFE SERVICE, DEPARTMENT OF THE INTERIOR

PART 26—PUBLIC ENTRY AND USE

Special Regulations for Kodiak National Wildlife Refuge, Alaska

AGENCY: Fish and Wildlife Service, Interior.

ACTION: Special regulations.

SUMMARY: These special regulations govern the use of aircraft, motorized land vehicles, and specialized watercraft on the Kodiak National Wildlife Refuge in Alaska. The Director has determined that these regulations are consistent with the primary objectives for which the refuge was established and will provide additional recreational opportunity to the public.

EFFECTIVE DATES: These regulations are effective from October 27, 1977, through March 31, 1978.

FOR FURTHER INFORMATION CONTACT:

Robert Delaney, Refuge Manager, Kodiak National Wildlife Refuge, P.O. Box 825, Kodiak, Alaska 99615, 907-486-3325.

SUPPLEMENTARY INFORMATION: The primary author of this document is Robert Delaney.

§ 26.34 Special regulations concerning public access use and recreation for individual national wildlife refuges.

(a) Public access, use and recreation is permitted in accordance with applicable State and Federal regulations subject to the following conditions:

(1) The landing and operation of aircraft under other than emergency conditions, is prohibited except as authorized in the waters of all streams, lakes, lagoons and bays on or adjacent to the Kodiak National Wildlife Refuge.

(2) Rotary winged aircraft, also known as helicopters may land on the refuge by Federal permit only. Permits are issued by the Refuge Manager, Kodiak National Wildlife Refuge, P.O. Box 825, Kodiak, Alaska 99615.

(3) The use of motorized land vehicles is prohibited.

(4) The use of boats commonly known as airboats and jet boats is prohibited.

(b) The provisions of this special regulation supplement the regulations which govern public access, use and recreation on wildlife refuge areas generally which are set forth in Title 50 Code of Federal Regulations, Part 26. The public is invited to offer suggestions and comments at any time.

NOTE.—The U.S. Fish and Wildlife Service has determined that this document does not contain a major proposal requiring preparation of an Economic Impact Statement under