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**REPUBLIC OF GEORGIA  
ACCOUNTING MANUAL FOR  
ELECTRIC COMPANIES**

**NIS Institutional Based Services Under the  
Energy Efficiency and Market Reform Project  
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*Prepared for*

U S Agency for International Development  
Bureau for Europe and NIS  
Office of Environment, Energy and Urban Development  
Energy and Infrastructure Division

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SEPTEMBER 1998

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## Table of Contents

1	Introduction	4
2	GNERC Information Needs and Requirements	5
3	Accounting Overview	7
	A Accounting Principles, Criteria and Concepts	7
	B Introduction to IAS	10
	C Development of IAS	11
	D List of Current IAS	12
	E Comparison of Accounting Standards	13
	F Differences Between Georgia Statutory Accounting and IAS	35
	G Accounting Conversion Georgian Accounting to IAS	38
	H Regulatory Accounting Standards	40
4	Chart of Accounts	44
	A Introduction	44
	B Numbering System	44
	C Accounting Code Block and explanation	46
	D Definitions	51
	E General Instructions	54
	F Electric Plant Instructions	57
	G Chart of Accounts	77
	H Description of Accounts	105
5	Reporting Requirements of Licensees	147
	A Financial Statements	147
	B Cost and Operating Data	147
	C Future Additional Information Requirements	149
6	Financial Statements - Description and Recommended Format	156
7	Sample Transactions / Examples of Accounting Entries	167

## 1 INTRODUCTION

A necessary condition for the successful restructuring of the electricity sector in Georgia is the required preparation of financial information that will be adequate for market reform. To achieve this, the Georgian National Electricity Regulatory Commission (GNERC) is required by Clause 9 of the Electricity Law to adopt a Uniform Accounting System (UAS). This accounting system is to be based on "internationally accepted accounting standards"

This Accounting manual presents a Chart of Accounts and a related Accounting Code Block that meets the needs of the Georgia electric sector. This has been designed to accumulate financial information and provide such data for the following purposes:

- Financial Statements prepared in accordance with International Accounting Standards (IAS)
  - Statutory basis (tax code) currently required by the Republic of Georgia, and Electric regulatory requirements required by the Georgian National Electric Regulatory Commission
- IAS has been adopted throughout the world as the standard for accounting reform, and is based on several key principles, including the accrual basis of accounting, prudence, and the going concern status of the enterprise.

The Statutory basis of accounting currently required by the Republic of Georgia is primarily based on the requirements of the Georgian Tax Code. The statements prepared utilizing this statutory basis do not conform with IAS.

GNERC has identified certain accounting information needs in order to carry out its responsibilities for regulation of the electrical sector.

The Chart of Accounts and related Accounting Code Block will enable electric licensees to prepare and present adequate financial statements in accordance with IAS, comply with Georgia statutory requirements, and provide GNERC with the information they need in carrying out their regulatory responsibilities.

The manual includes recommended account numbers and descriptions for the system, plus information on the concepts and standards used in its preparation. It is important that individuals with responsibility for guiding implementation of the new system be familiar with all of the topics discussed herein.

## 2 GNERC INFORMATION NEEDS AND REQUIREMENTS

We met with representatives of GNERC to determine the Commission's needs for accounting information. In reviewing background information including the Market Rules framework and tariff methodology, we have noted that tariffs are to be established utilizing cost based information. This necessitates accounting for the various costs incurred in providing electric service on a much different and more detailed basis than has been done in the past. In discussions with GNERC and Hagler Bailly personnel working on the development of the tariff methodology, they stressed the desire that the Chart of Accounts be as simple as practical. GNERC and Hagler Bailly personnel noted that the Data Requests (Schedules A, B, and C) which had been recently distributed to the licensees, contained the information they would like to receive from the licensees. GNERC advised that an accounting coding system which would facilitate the preparation of this type information by the licensees would be most helpful. We also met with personnel at the Georgia Enterprise Accounting Reform office. They are promoting the Georgia-wide adoption of International Accounting Standards for all enterprises, including utilities.

We have evaluated various alternatives for development of the Chart of Accounts to be used by the electric licensees. This included review of the United States Federal Energy Regulatory Commission (FERC) Uniform System of Accounts currently in place for electric utilities regulated by that body. It was noted that the FERC Uniform System of Accounts and related requirements were likely too detailed for implementation in Georgia at this time, considering the current industry environment.

After consideration of all of the above, we developed the Regulatory Chart of Accounts based on the anticipated form of the national Georgia IAS chart of accounts. (Note: At the time of this writing, a new chart of accounts was also being developed for all enterprises in Georgia. This new chart of accounts is to be based on IAS.) The Chart of Accounts structure allows customization of the Chart of Accounts to the extent necessary because of the unique aspects of regulation or statutory tax requirements. We have developed an IAS compliant Chart of Accounts which reflects the unique aspects of regulation in the appropriate areas, and which can be used to provide the information required by Georgia Tax authorities.

In order to facilitate fulfillment of the GNERC information needs, it was also necessary to develop an Accounting Code Block which contains information fields beyond the Chart of Accounts. For instance, the requirement for Fuel information by power plant unit necessitated the addition of a "Responsibility Center" field. Alternatively, a sub-account could be added to the main account to provide this information for each power plant unit in the short run. However, we feel the appropriate long-term solution to this data need is the implementation of the use of the Responsibility Center code. This also provides for future enhancements in providing accounting information such as implementing Responsibility Centers for use in Management Accounting.

Another example of an additional field in the accounting code block is the Voltage Code. Use of this one digit code along with the Regulatory Account will allow applicable Operating information to be reported by voltage. This facilitates a more precise determination of the cost of providing electric service to the various types of customers, which results in the establishment of tariffs which reflect the true cost of the various levels of service. Again, addition of a sub-account could

be used to capture this information. However, we feel the long-term solution to this data need is the voltage code. Capturing this information in a separate field used only for voltage codes allows for better flexibility in using the voltage information. For instance, if one desires the total Operating costs by voltage for all accounts, that field can be easily extracted and summed.

Additional information on the Chart of Accounts and the Accounting Code Block is presented later in this report.

### 3 ACCOUNTING OVERVIEW

#### A Accounting Principles, Criteria, and Concepts

This section reviews the main accounting principles and philosophies used in the preparation of international financial statements. These principles are the rules and conventions of accounting. As defined by the American Institute of Certified Public Accountants, Accounting Principles are "a general law or rule adopted or professed as a guide to action, a settled ground or basis of conduct or practice." This definition implies that accounting principles do not prescribe exactly how each event occurring in an organization should be recorded. Their objective is to set a general law that is to be used as a guide to action.

Before describing the accounting principles it is useful to review the purpose of accounting and its different applications and users. There are many available definitions of accounting but for the purpose of this manual the most appropriate would be one that focuses on accounting as an aid to decision making. With such objective, accounting could be defined as "the process of identifying, measuring, and communicating economic information to permit informed judgements and decisions by users of the information." Traditionally, accounting information has been classified as managerial or financial.

**Management Accounting** Managers do not have time to examine the details of operating information. Instead they rely on summaries of this information to carry out their management responsibilities. Management accounting information is used in three management functions: (i) control, (ii) coordination, and (iii) planning.

Accounting information is used in the control process as a means of communication, motivation, and appraisal. As a means of communication, accounting reports can assist in informing employees about management plans and policies. As a means of motivation, accounting reports can induce members of the organization to act in a way that is consistent with the organization's overall goals and objectives. As a means of appraisal, accounting helps to show how well members have performed.

The several parts of the organization must work together to achieve its objectives, and this requires the activities of each unit to be coordinated with the activities of other units. Accounting aids in this coordination process.

Planning is the process of deciding what action should be taken in the future. Planning involves making decisions and accounting is useful especially in the analysis step of the decision-making process. One important form of planning is called budgeting. Budgeting is the process of planning the overall activity of the organization for a specific period of time.

**Financial Accounting** Financial accounting information is intended both for managers and also for the use of parties external to the business, including shareholders, bankers and other creditors, government agencies, and the general public. When a company wants to borrow money, banks and other lenders want information that will show that the company is sound and there is a high probability that the loan will be repaid. In addition, shareholders who have furnished capital to the company want information on how well the company is doing. Prospective buyers of these shares need similar information.

The end product of the financial accounting process is a set of reports called financial statements. A complete set of financial statements includes a balance sheet, an income statement, a statement

of cash flows, a statement of retained earnings, and complementary notes that disclose principles used in the preparation of the statements and further information

The preparation of these financial statements is guided by a set of principles which provide the groundwork for practice and also a common framework for communicating financial information allowing meaningful comparisons among enterprises across the world. Accounting principles, unlike the principles of natural sciences, are man made. Their validity is not verifiable by observation and experiment. Instead accounting principles have constantly been evolving. The general acceptance of an accounting principle or practice usually depends on how well it meets three criteria

- relevance
- objectivity
- feasibility

A principle is relevant to the extent that it results in information that is meaningful and useful to those who need to know. A principle is objective to the extent that the information is not influenced by personal bias or judgement of those who furnish it. Objectivity connotes reliability, representational faithfulness, and verifiability which means that there is some way of ascertaining the correctness of the information reported. A principle is feasible to the extent that it can be implemented without undue complexity or cost.

In developing new principles, the essential problem is to get the right balance between relevance, on the one hand, and objectivity and feasibility, on the other. It is easy to criticize accounting on the grounds that accounting information is not as relevant as it might be. These critics often overlook the fact that proposals to increase relevance almost always involve a sacrifice of objectivity and feasibility. On balance, such sacrifice may not be worthwhile.

Accounting principles under IAS are built on a foundation of a few basic concepts. Accounting could be constructed on a foundation of quite different concepts. Indeed, some accounting theorists argue that certain present concepts are wrong and should be changed. Nevertheless, in order to understand the present form of IAS, one must understand what the underlying concepts currently are. Although there is no standard classification of the accounting concepts, the following concepts are widely accepted as representative

money measurement  
entity  
going concern  
dual aspect  
time period  
accrual basis  
prudence  
realization  
matching  
consistency  
materiality

**Money measurement concept** In financial accounting, a record is made only of information that can be expressed in monetary terms. The advantage of doing this is that money provides a common denominator by which heterogeneous facts about an entity can be expressed as numbers that can be added and subtracted. Despite its advantage, this concept imposes a severe limitation on the scope of an accounting report. Accounting therefore does not give a complete account of the happenings in an organization or a full picture of its condition.

**Entity concept** Accounts are kept for entities, as distinguished from the persons who are associated with these entities. It is sometimes difficult to define with precision the entity for which the accounts are kept. A corporation is a legal entity, separate from the persons who own it, and the accounts of many corporations correspond exactly to the scope of the legal entity. However, complications can arise. In the case of a group of legally separate corporations that are related to one another by shareholdings, the whole group may be treated as a single entity for financial reporting purposes, giving rise to what is called consolidated accounting statements.

**Going concern concept** Unless there is good evidence to the contrary, accounting assumes that an entity will continue to operate indefinitely. The significance of this assumption can be indicated by contrasting it with a possible alternative, namely, that the entity is about to be liquidated. Under the liquidation assumption, accounting would attempt to measure at all times what the entity's resources are currently worth to potential buyers. By contrast, under the going concern concept, it is assumed that the resources currently available to the entity will be used to create goods or services that will eventually be sold to customers. At the time such a sale takes place, accounting recognizes the value of the goods as evidenced by their selling price.

**Dual aspect concept** The economic resources of an entity are called assets. The claims of various parties against these assets are called liabilities and equity. Liabilities are the claims of creditors, that is, everyone that has loaned funds to the business. Equity is the claim of the owners of the business. Since all the assets of a business are claimed by either creditors or owners, and the total of these claims cannot exceed the amount of assets, it follows that

$$\text{ASSETS} = \text{LIABILITIES} + \text{OWNERS' EQUITY}$$

Accounting systems are set up in such a way that each record consists of two aspects which in essence are changes in assets and changes in liabilities or owners' equity. This implies that each accounting entry affects at least two items, complying with the above equation, thus accounting is called a double-entry system.

**Time period concept** Management and other interested parties need to know the results of the enterprise at regular and frequent intervals. This need leads to the time period concept. Accounting measures activities for a specified interval of time, called the accounting period. For the purpose of reporting to outsiders, one year is the usual accounting period. Management and government and/or regulatory agencies need information more often than once a year, usually quarterly or even monthly. These reports are called interim reports to distinguish them from the annual reports.

**Accrual basis concept.** Under the accrual basis concept, the effects of transactions and other events are recognized when they occur (as compared to when cash is received or paid) and are recorded in the accounting records in the period in which they are recognized. This method allows

decision-makers to evaluate the economic impact of transactions when they occur and not always when the physical receipt or payment of cash takes place. The concept allows decision-makers to evaluate current financial position based on past transactions as well as future obligations and anticipated cash to be received. The accrual concept of accounting should be used in conjunction with the concept of matching revenues and expenses.

**Prudence concept** The basis for this concept is that recognition of increases in an entity's equity (e.g. revenues) requires stronger evidence than recognition of decreases (e.g. expenses). The prudence concept has two aspects:

- I Recognize revenues only when they are reasonably certain
- II Recognize expenses as soon as they are reasonably possible

For example, the prudence concept leads to more conservative financial statements, lending additional integrity to the data.

**Realization concept** Realization refers to inflows of cash or claims to cash arising from the sale of services or assets. The realization concept states that (i) revenues are usually recognized in the period in which goods were delivered to customers or in which services were rendered, and (ii) the amount recognized as revenues is the amount that is reasonably certain to be realized. There is room for judgment as to what reasonably certain is, but the concept does indicate clearly that the amount of revenue recorded may be less than the sales value of the goods and services sold.

**Matching concept** The sale of merchandise or the delivery of services has two aspects: (i) a revenue aspect, (ii) and an expense aspect. Correct measurement of the net effect of this sale on owners' equity requires that both of these aspects be recognized in the same accounting period. The matching concept says when a given event affects both revenues and expenses, the effect on each should be recognized in the same accounting period.

**Consistency concept** This concept requires that once an entity has decided on one method of accounting, it will treat all subsequent events of the same character in the same fashion unless it has a sound reason to do otherwise. If an entity made frequent changes in the manner of handling a given class of events in the accounting records, comparison of its accounting figures for one period with those of another period would be difficult.

**Materiality concept.** The accountants do not attempt to record events so insignificant that the work of recording them is not justified by the usefulness of the results. The materiality concept is important in the process of determining the expenses and revenue for a given accounting period. Many of the expense items are necessarily estimates, and in some cases they are not very close estimates. Beyond a certain point it is not worthwhile to attempt to refine these estimates.

Materiality is also used in another sense in accounting. The principle of full disclosure requires that all material information about the financial condition and activities of an entity must be disclosed in reports prepared for outside parties.

## **B Introduction to International Accounting Standards**

### **SUMMARY OF INTERNATIONAL ACCOUNTING STANDARDS**

Many countries use International Accounting Standards as a benchmark or as a basis for national accounting requirements. In addition, a number of stock exchanges require or permit foreign issuers to present financial statements in accordance with International Accounting Standards. As a result, an increasing number of companies disclose the fact that their financial statements conform with International Accounting Standards.

The International Accounting Standards Committee (IASC) was established in 1973 as an autonomous body to develop and publish authoritative International Accounting Standards. It has a membership of over 100 organizations from more than 80 countries. The business of the IASC is conducted by a Board comprising representatives of accountancy bodies in up to thirteen countries and of various other organizations having an interest in financial reporting. Its activities are supported by the International Federation of Accountants (IFAC) and the International Organization of Securities Commissions (IOSCO) as well as the business community and stock exchanges worldwide.

The following provides an introduction to International Accounting Standards and is intended for readers who wish to gain a basic understanding of the main principles. This is not intended as a comprehensive study of all aspects of International Accounting Standards and in particular does not address all of the various disclosure requirements in each standard. This is not a substitute for reading the actual standards when dealing with points of doubt or difficulty. Readers should consult accountants familiar with IAS for assistance when analyzing specific situations.

While every care has been taken in the preparation of this document, no warranty is given as to the correctness of the information contained herein and no liability is accepted for any statement or opinion, nor for any error or omission.

### **C Development of International Accounting Standards**

International Accounting standards ("IAS") deal with topics that are important internationally. They aim to be sufficiently detailed and comprehensive that they can be interpreted in the same way in different countries. The IASC seeks to achieve these objectives by ensuring that the standards set out broad principles, avoid overly detailed rules, and deal with the substance of events and transactions.

Standing alone, the IASC does not have the power to enforce international agreement or compliance with IAS. The success of the IASC's efforts is dependent upon the recognition and support for its work from many different interested groups acting within the limits of their own jurisdictions. IAS are not mandatory unless and until a particular country or enterprise chooses to adopt them. Many countries that do not have their own standard-setting body adopt IAS as their national standards. Other countries use IAS as a basis for their own national standards. Frequently, IAS are used as an international benchmark for those countries which develop their own standards. On occasion, multinational enterprises use IAS to assist users from different countries in understanding their financial statements, particularly in cross-border offerings and filings.

The procedure for the development of an International Accounting Standard starts with the appointment of a Steering Committee which prepares a Point Outline. After receiving comments from the IASC Board on the Point Outline, the Steering Committee prepares and publishes for

comment (typically for about three months) a Draft Statement of Principles, which sets out the underlying accounting principles that will form the basis for the preparation of an Exposure Draft. The comments received are reviewed and a final Statement of Principles is prepared for approval by the Board. The Committee then proceeds to prepare the Exposure Draft, which, following approval by at least two-thirds of the Board, is published for comment (typically for about six months). The Steering Committee reviews the comments received and prepares the International Accounting Standard which is published following approval by at least three quarters of the Board. The "lead time" of a standard from the date of publication to the beginning of the year of required implementation is typically at least twelve months.

Because of the inherent difficulty in obtaining worldwide consensus on uniform standards, many IAS historically permitted a choice of alternative accounting treatments for the same item. Whilst this liberal approach may have assisted the initial acceptance of improved financial reporting in many countries, it limited to some extent the acceptability and use of IAS in the major world markets.

#### D List of Current IAS Standards

Standard	Name of Standard (1 7 98 means July 1 1998)
IAS 1	Presentation of Financial Statements (1 7 98) (this replaced IAS 1, Disclosure of Accounting Policies)
IAS 2	Inventories (1 1 76)
IAS 3	No longer effective Replaced by IAS 27
IAS 4	Depreciation (1 1 77)
IAS 5	Information to Be Disclosed in Financial Statements (superseded by IAS 1 effective 1 7 98)
IAS 6	No longer effective Replaced by IAS 15
IAS 7	Cash Flow Statements (1 1 79)
IAS 8	Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policy (1 1 79)
IAS 9	Research and Development Costs (1 1 80)
IAS 10	Contingencies and Events Occurring after the Balance Sheet Date (1 1 80)
IAS 11	Construction Contracts (1 1 80)
IAS 12	Income Taxes (1 1 98) (replaced IAS 12 Accounting for Taxes on Income)
IAS 13	Presentation of Current Assets and Current Liabilities (superseded by IAS 1 effective 1 7 98)
IAS 14	Segment Reporting (1 7 98) (replaced IAS 14 Reporting financial Information by Segment)
IAS 15	Information Reflecting the Effects of Changing Prices (1 1 83)
IAS 16	Property Plant and Equipment (1 1 83)
IAS 17	Accounting for Leases (1 1 84) (will be superseded by IAS 17 (revised 1997) effective 1 1 99)
IAS 18	Revenue (1 1 84)
IAS 19	Employee Benefits (1 1 85)
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance (1 1 84)
IAS 21	The Effects of Changes in Foreign Exchange Rates (1 1 85)
IAS 22	Business Combinations (1 1 85)
IAS 23	Borrowing Costs (1 1 86)
IAS 24	Related Party Disclosures (1 1 86)

IAS 25	Accounting for Investments (1 1 87)
IAS 26	Accounting and Reporting by Retirement Benefit Plans (1 1 88)
IAS 27	Consolidated Financial Statements and Accounting for Investments in Subsidiaries (1 1 90)
IAS 28	Accounting for Investments in Associated Companies (1 1 90)
IAS 29	Financial Reporting in Hyperinflationary Economies (1 1 90)
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions (1 1 91)
IAS 31	Financial Reporting of Interests In Joint Ventures (1 1 92)
IAS 32	Financial Instruments Disclosures and Presentation (1 1 96)
IAS 33	Earnings Per Share (1 1 98)
IAS 34	Interim Financial Reporting (1 1 99)
IAS 35	Discounting Operations (1 1 99)
IAS 36	Impairment of Assets (1 7 99)

### E Comparison of Accounting Standards

The following International Accounting Standards and related descriptions are based on the International Accounting Standards extant at January 1, 1998

Standard	International Requirements	Georgian Requirements
<b>IAS 1 DISCLOSURE OF ACCOUNTING POLICIES</b>		
Fundamental Accounting Assumptions	Requires compliance with the assumptions of going concern, consistency, and accrual, with disclosure if any of these are not followed	In the electrical sector, revenues and expenses are generally recorded on a cash basis due to tax and cash implications. The Tax Code permits use of the accrual basis. Consistency is inherent in the regulations.
Accounting Policies	Prudence, substance over form and materiality should govern the selection and application of accounting policies. Financial statements should include clear and concise disclosure of all significant accounting policies that have been used.	Policies are established by regulation and therefore there is no need requirement for disclosure.

<b>IAS 2 – INVENTORIES</b>		
Valuation	Inventories are valued at the lower of cost and net realizable value	Inventories are valued at cost
Costs Included	All costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location are to be included	Generally all costs allowed for the stock (inventory) plus the outlays on their storage and transportation
Cost Methodology	The recommended (benchmark) methods are First-In, First-Out (FIFO) or weighted average and the allowed alternative is Last-in, First Out (LIFO)	Regulations emphasize the “specific identification” method. If that is not used, FIFO, LIFO, or average cost is permitted.
Expense Recognition	Inventories should be carried at the lower of cost or market value. The amount of any write-down of inventories to net realizable value and all losses of inventories should be recognized in the period the write-down or loss occurs.	Assess the value of a product (inventory) having defects, being obsolete or out of fashion and which cannot be realized at a price in excess of the outlays for its production at its net realizable value. The amount of the write-down is recognized as a decrease to profit in the year of the write-down.

<b>IAS 4 - DEPRECIATION ACCOUNTING</b>		
Depreciable assets	All operating assets expected to be used during more than one accounting period and having a limited useful life should be depreciated.	All operating assets with an economic life greater than one year.
Depreciation	Depreciation is defined as a systematic and rational process of allocation of an asset's costs over the useful life of the asset, it does not create a cash fund for asset replacement.	Sum of depreciation charge is calculated by applying declining balance method or straight-line method depending on the type of asset. The depreciation period is specified by statute.

Disclosure	Requires disclosure for each major class of depreciable asset, the useful lives or the depreciation rates used, the allocation method used, total depreciation charges for the period, the gross amount of depreciable assets and accumulated depreciation	Regulation for such disclosure does not exist
Residual value	Depreciable amount should be reduced for significant residual values	Salvage, or residual value, is not considered in regulations except if asset is sold

### IAS 5 – INFORMATION TO BE DISCLOSED IN FINANCIAL STATEMENTS

Disclosure of Information in Financial Statements	Discusses the minimum requirements for statements (balance sheet, income statement, notes, and other statements and explanatory material)	Regulatory requirements require no information to be disclosed
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### IAS 7 - CASH FLOW STATEMENTS

Presentation and Classification	A cash flow statement is required Cash flows, the inflows and outflows of cash and cash equivalents, should be classified as operating, investing and financing activities	No cash flow statement is required
Calculation Cash Flows from Operations	Operating cash flows may be reported using either the direct method or the indirect method	No cash flow statement is required
Foreign Currency Flows	Cash flows arising from transactions in a foreign currency should be recorded in the company's reporting currency by applying to the foreign currency amount the exchange rate between the two currencies at the date of the cash flow	Same

Disclosures	Cash flows from extraordinary items, interest and dividends, taxes on income should be classified as arising from operating, investing or financing activities as appropriate and separately disclosed	Statement does not exist
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**IAS 8- NET PROFIT OR LOSS FOR THE PERIOD, FUNDAMENTAL ERRORS AND CHANGES IN ACCOUNTING POLICIES**

Extraordinary Items	Extraordinary items will be rare, they must be clearly distinct from ordinary activities (e g , expropriation of assets or an earthquake) Nature and amount of items should be separately disclosed from profit and loss of ordinary activities	Extraordinary items are recorded in the "unforeseen" category
Discontinued Operations	Disclosure is required, but not recognition and measurement in the financial statements	There are no rules for special disclosures of discontinued operations
Prior Period Items and Changes in Accounting Policies	The benchmark is to adjust opening retained earnings and restate prior year financial statements presented on a comparative basis The allowed alternative treatment is to include the cumulative effect of the change on prior year net income in the Income Statement of the current period	There are no rules for special disclosures of prior period adjustments

**IAS 9 – RESEARCH AND DEVELOPMENT COSTS**

Recognition of Research & Development ("R&D") Costs	Research costs should be expensed in the period in which they were incurred Development costs may be capitalized when certain criteria for asset recognition are met (i e , probable future economic benefits and a cost or value that can be measured reliably)	Research and development costs are written off in the year of expenditures connected with the receipt of income Fixed assets, their installation, and other outlays are depreciated
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Amortization of Capitalized Development Costs	The uncertainties inherent in predicting the recoverability of the development costs and the difficulties in estimating future revenues and costs make it appropriate to use a short amortization period Capitalized costs are normally amortized over a period not exceeding 5 years	Costs are charged to expense as incurred
Disclosures	R&D disclosures are required by all enterprises and these include the amounts charged to expense and amortization methods and rates used IAS 9 encourages companies to provide a description of their R&D activities	Regulatory requirements require no information be disclosed

<b>IAS 10 – CONTINGENCIES AND EVENTS OCCURRING AFTER THE BALANCE SHEET DATE</b>		
Contingencies	A contingent loss is accrued where it is probable that future events will confirm that, after taking into account any related probable recovery, an asset has been impaired or a liability incurred at the balance sheet date, and a reasonable estimate of the amount of the resulting loss can be made Disclosures should cover (a) the nature of the contingency, (b) the uncertain factors that may affect the future outcome and, (c) an estimate of the financial effect, or a statement that such an estimate cannot be made Contingent gains are disclosed but not recorded	Contingencies are not recognized

Post Balance Sheet Events	Financial statements are adjusted when a subsequent event provides additional information regarding conditions that existed as of the balance sheet date. Assets and liabilities are not adjusted for events occurring after the balance sheet date that do not affect the condition of assets and liabilities at the balance sheet date. If the events are of such importance that they would affect the decisions of the user of financial statements, the event should be disclosed in supplementary notes.	No adjustment is allowed for post balance sheet events.
Dividends	Dividends that are proposed or declared after the balance sheet date but before approval of the financial statements should be either recognized in the financial statements or disclosed.	Dividends have never been declared. The concept is new and the liability is "settlements with founders". The likely account, if used, would be retained earnings.

### IAS 11 – CONSTRUCTION CONTRACTS

Contract Revenues and Expenses Recognition	Contract revenues and costs are recognized by reference to the stage of completion of the contract activity at the balance sheet date. Expected losses on a construction contract are expensed immediately.	If the accrual basis is used, Revenues are recognized based on the percentage of completion.
Disclosure	Revenues from fixed price construction is recognized based on percentage of completion. Revenues from "cost plus" contracts are recognized by reference to recoverable costs.	Regulatory requirements require no disclosure.

**IAS 12 – ACCOUNTING FOR TAXES ON INCOME**

Methodology	Permits either the deferral or the liability method Full provision for deferred tax should normally be made however, it is permissible to exclude tax effects of certain timing differences when there is reasonable evidence the differences will not reverse for some considerable period (at least 3 years ahead)	Not applicable since there is no difference between taxable income and book income at this time
Timing Differences	Differences between the taxable income and accounting income for a period arise because the period in which some items of revenue and expense are included in taxable income may not coincide with the period in which they are included in accounting income Timing differences originate in one period and reverse in one or more subsequent period	There is no difference between “book” and “tax” income

**IAS 13 – PRESENTATION OF CURRENT ASSETS AND CURRENT LIABILITIES**

Presentation	The balance sheet may classify assets and liabilities as “current” or “non-current” A classified presentation is intended to give an approximate measure of the liquidity of the organization IAS 13 provides guidance on items to be included in current assets and current liabilities	A classified balance sheet presentation intended to give an approximate measure of the liquidity of the organization is now required
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**IAS 14 – REPORTING FINANCIAL INFORMATION BY SEGMENT**

Objective	Provide users of financial statements with information on the relative size, profit contribution, assets used and growth trends of the different industries and/or different geographical areas in which a diversified enterprise operates to enable them to make more informed judgments about the enterprise as a whole	Segment reporting is not required
Segment Revenues and Results	Sales and other operating revenues should be distinguished between revenues derived from customers and revenues derived from other segments. The segment result is the difference between segment revenue and segment expense and generally reflects operating profit	Segment reporting is not required
Segment Assets	Requires that segment assets employed are to be disclosed. Segment assets include all tangible and intangible assets that can be identified with that particular segment, as well as an allocation of assets shared between that segment and one or more other segments. Liabilities are generally not allocated because they are viewed as giving rise to a financing result rather than an operating result. The segment assets may be disclosed in money amounts or as percentages of the consolidated totals	Segment reporting is not required
Basis of Inter-segment Pricing	Requires the basis of inter-segment pricing to be disclosed	Segment reporting is not required

**IAS 15 – INFORMATION REFLECTING THE EFFECTS OF CHANGING PRICES**

Disclosures	Provides guidance on what are usually supplemental disclosures. The primary financial statements need not reflect the effects of changing prices (i.e. inflation adjustments) to conform to IAS. These supplemental disclosures are encouraged and when made, they should include adjustments to depreciation, cost of sales, monetary items, and equity interests. See IAS 29 for related requirements.	There are no disclosure requirements.
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**IAS 16 – PROPERTY PLANT AND EQUIPMENT**

Measurement	The benchmark treatment is historical cost. Under the allowed alternative treatment, the asset is carried at the “revalued amount”, where revaluations should be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.	Assets are recorded at cost and are revalued when required by government decree.
Components of Cost	Cost comprises purchase price, including non-refundable purchase taxes, and any directly attributable cost of bringing the asset to working condition, less any trade discounts or rebates. Includes site preparation, initial delivery, installation cost (such as special foundations), engineering fees etc. Administrative and overhead expenses specifically related to the acquisition or bringing it to its working condition should be capitalized.	Same, excluding administrative and overhead expenses for purchased assets. Self-constructed assets include allocation of all overhead and administrative expenses.

	Financing costs that are attributable to a project may be capitalized (IAS 23)	
Non-monetary Transactions	Fixed assets acquired through a non-monetary exchange are recorded at the fair value of the consideration given or, if more clearly evident, the fair value of the asset acquired	Fixed assets acquired through a non-monetary exchange are recorded at the book value of the asset exchanged
Improvements & Repairs	Expenditures that increase the future economic benefits from existing assets beyond its previously assessed standard of performance are capitalized. These include extension of the estimated useful life, an increase in capacity, an increase in output quality or a reduction in operating costs. Expenditures that restore or maintain the future economic benefits to be derived from the asset are expensed in the period in which they occur	The cost is "expensed" by an amount not to exceed five percent of the balance in the fixed asset account. Any remaining amount is capitalized (i.e. added to the fixed asset account). Depreciation begins in the year following the purchase
Revaluation	As distinguished from IAS 15, some financial statements substitute historical cost of plant with a revaluation. An increase in net value is normally credited directly to shareholders' equity	The statutory revaluation of fixed assets can be declared only by the government. Revaluation is credited directly to shareholder's equity
Retirements and Disposals	In historical cost financial statements, gains or losses arising on disposal are recognized in income currently. For revalued items, the amount outstanding in revaluation surplus may be recognized as income	Gains or losses arising on disposal are recognized in income currently. There is no adjustment to the revaluation surplus account

Impairment	If the usefulness of an item or a group of items is permanently impaired (damage or technological obsolescence), net carrying value is reduced to the recoverable (salvage) value as a charge against income	Same
Other Disclosures	Disclosures include restrictions on title and commitment for acquisition of property	Regulatory requirements require no disclosures in financial statements

### IAS 17 – ACCOUNTING FOR LEASES

Financial Leases	<p>Leases are classified as a finance (capital) lease when substantially all the risks and rewards incident to ownership of an asset are transferred to the lessee. IAS 17 lists 4 examples which would result in classification as a finance lease:</p> <ol style="list-style-type: none"> <li>(1) Transfer of ownership by the end of the lease term,</li> <li>(2) Lease contains bargain purchase option,</li> <li>(3) Lease term is for a major part of the asset's useful life, or</li> <li>(4) Present value of minimum lease payments is greater than or substantially equal to the asset's fair value at inception of the lease.</li> </ol> <p>A finance lease should be recognized as an asset and a liability on the balance sheet of the lessee in equal amounts at the inception of the lease. Lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. A finance lease gives rise to a depreciation expense for the asset. Lessors recognize an asset held under a finance lease not as property, plant, and equipment but as a</p>	<p>Similar to IAS. The Tax Code states if any of the following exist, then the lease may be considered a "fixed asset subject to depreciation":</p> <ol style="list-style-type: none"> <li>1 Lease term exceeds 80% of period of service,</li> <li>2 the lessee is entitled to purchase the fixed asset at end of lease,</li> <li>3 the expected market value of the leased asset at the end of the rental period is less than 20% of its original value,</li> <li>4 the present value of payments over the entire rental period exceeds 90% of the value of the leased assets at the inception of the lease.</li> </ol>
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	receivable equal to the net investment in the lease. Income should be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding or the net cash investment outstanding.	
Operating Leases	Leases, which cannot be classified as financial leases, are operating leases. The charge to income under an operating lease should be the rental.	Same as IAS
	Expense for the accounting period, recognized on a systematic basis. Under an operating lease, the lessors maintain the property on their accounting records. The lessee records only the rent as it is expensed.	
Disclosure by Lessee of Operating and Finance Leases	Disclosure in summary form giving the amounts and period in which the payments will fall due.	Regulatory requirements require no disclosure.

#### IAS 18 – REVENUE

General	Prescribes rules for recognition of revenue arising from the sale of goods, the rendering of services and the use by others of enterprise resources yielding interest, rents, royalties and dividends. Revenue is recognized as it is earned.	Revenue is generally on a cash basis (thus violating the matching principle), but may use accrual basis. Georgian companies prefer cash basis due to tax deferral effects.
Dividends	Where the equity method of accounting (see IAS 27) is not used, dividend income is to be recorded when the right to receive payment is established.	Dividends are recognized when received.

Non-monetary Considerations	Consistent with IAS 16, non-monetary transactions are recorded at fair value	Non-monetary transactions may be recorded at the exchange value, but typically, are not recorded. This "bartering system" causes havoc in accounting transactions as it is not properly recorded and, technically, is in violation of Georgian law forbidding the electrical sectors to allow bartering.
Effect of Uncertainties on Revenue Recognition	Where the ability to assess the ultimate collection with reasonable certainty is lacking at the time of sale, revenue recognition is postponed. In such cases, it may be appropriate to recognize revenue only as cash is received. If the uncertainty arises subsequent to the time of sale, it is more appropriate to make a separate provision.	Utility revenues are almost exclusively recognized on a collection basis.
	When the outcome of a transaction involving services rendered cannot be estimated reliably, revenue should be recognized only to the extent the expenses recognized are recoverable.	

<b>IAS 19 – RETIREMENT BENEFIT COSTS</b>		
Accounting for Retirement Benefit Costs	The cost of retirement benefits is recognized as an expense in the periods during which the services are rendered.	There is none in Georgia, per se. The only retirement fund is the government retirement (This is equivalent to US Social Security).

**IAS 20 – ACCOUNTING FOR GOVERNMENT AND DISCLOSURE OF GOVERNMENT ASSISTANCE**

Applicability	This IAS does not address government participation in the ownership of the enterprise Grants are assistance by government in the form of transfers of resources to an enterprise in return for past or future compliance with certain conditions relating to operating activities	Same as IAS
Grants	Grants related to depreciable assets are initially recorded as deferred income and are allocated to income over the periods and in the proportions in which depreciation on those assets are charged. An alternative method is to reduce the carrying value of the asset. The grant is thus recognized in the Income Statement by way of reduced depreciation charges	Grants related to depreciable assets are initially recorded as increase in equity Grants for income producing assistance are only recorded in cash and equity

**IAS 21 - THE EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES**

Transactions in Foreign Currencies	Initial recognition of the transaction by applying the exchange rate at the date of the transaction. At subsequent balance sheet dates, monetary items should be reported using the closing rate, while non-monetary items should be reported using the exchange rates that existed when the values were determined	Essentially the same as IAS
Disclosure of Exchange Differences in Shareholders' Equity	Requires classification as a separate component with disclosure of the movements during the year	Regulatory requirements require no disclosure

**IAS 22 – BUSINESS COMBINATIONS**

Acquisition	The acquisition should be accounted for at its cost, being the amount of cash or cash equivalents paid, or the fair value on the date of exchange of other purchase consideration given by the acquirer in the exchange, plus any cost directly attributable to the acquisition. The assets and liabilities should be recorded at the fair value at the date of exchange. Any good will (the difference between the acquisition costs and the fair value of the net assets received) should be accounted for in accordance with this standard.	Acquisitions if accounted for, are at cost
Goodwill	Goodwill must be capitalized and then amortized over its estimated useful life. The estimated useful life should not exceed 5 years, unless a longer period (not exceeding 20 years) can be justified and is explained in the financial statements.	Concept does not exist
Negative Goodwill	Under the benchmark treatment, non-monetary assets acquired are reduced proportionately until the negative goodwill is eliminated. If any negative goodwill remains after the allocation to non-monetary assets, it is treated as deferred income and amortized to income systematically over a period not exceeding 5 years unless a longer period can be justified. Under the allowed alternative	Concept does not exist

**IAS 23 – BORROWING COSTS**

Capitalization of Borrowing Costs	Borrowing costs should be recognized as an expense Capitalization is the allowed alternative treatment The concept of capitalization of costs of equity or preferred capital used for construction does not exist	Interest and other borrowing costs are not capitalized
Gross or Net Interest Capitalized	To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount eligible for capitalization is determined as the actual borrowing costs incurred on that borrowing less any investment income on the temporary investment of those borrowings	This does not apply
Commencement of Capitalization Period	Capitalization should commence when expenditures for the asset and borrowing costs are being incurred	This does not apply
Cessation of Interest Capitalization	Capitalization of borrowing costs should cease when the asset is ready for service If there are multiple parts, capitalization should cease on each part as it is completed	This does not apply and is not observed

**IAS 24- RELATED PARTY DISCLOSURES**

Scope of Disclosure	Requires disclosure of all material transactions with related parties	There are no disclosure requirements
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**IAS 25 – ACCOUNTING FOR INVESTMENTS**

Revaluations of Long-term Investments	Where long-term investments (including investment properties) are periodically revalued, a policy should be adopted with respect to the frequency of revaluations and that policy should apply to all long-term investments which should be revalued at the same time	Revaluations done by government decree
Carrying Basis	Investments classified as current assets should be carried at either market value or the lower of cost and market value. Investments classified as long-term assets should be carried at either cost or revalued amounts, or for marketable equity securities, the lower of costs and market value	Assets are recorded at cost or governmental decree
Disposal of Investments	On the disposal of an investment the difference between net disposal proceeds and the carrying amount should be recognized as income or expense. Any balance in revaluation surplus should be recognized as income	Same as IAS

**IAS 26 – ACCOUNTING AND REPORTING BY RETIREMENT BENEFIT PLANS**

Retirement Plans	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service when such benefits, or the employer's contributions towards them, can be determined or estimated	There are no retirement benefit plans in the electrical sector
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**IAS 27 – CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING FOR INVESTMENTS IN SUBSIDIARIES**

Definition of Subsidiary	Generally greater than 50% of voting interest, power to control the majority of the board of directors, or power to govern the financial and operating policies	Not applicable
Consolidation	A parent which issues consolidated financial statements should consolidate all subsidiaries, foreign and domestic, except for subsidiaries that are intended to be temporary or operate under severe long-term restriction which significantly impair ability to transfer funds to the parent Consolidated financial statements should be prepared using uniform accounting policies for like transactions Intragroup balances and intragroup transactions and resulting unrealized profits should be eliminated in full Unrealized losses resulting from intragroup transactions should also be eliminated unless the cost cannot be recovered	Parent-subsidiary groups do not present consolidated financial statements or tax filings
Disclosures of Consolidated Subsidiaries	Name, location, percentage ownership	Regulatory requirements are not required and are not applicable

**IAS 28 – ACCOUNTING FOR INVESTMENTS IN ASSOCIATES**

Definitions	An “associate” is an enterprise in which the investor has significant influence and is neither a subsidiary nor a joint venture Significant influence is the power to participate in the financial and operating policy decisions of the associate but it is not control over those policies	Does not exist in the electrical sector in Georgia
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Application of the Equity Method	Where “significant influence” exists, the investment should be calculated using the “equity method ” This method requires the investment asset to be increased by the investor’s proportionate share of the associate’s income, while distributions received from the associate are accounted for as a decrease to the investment asset	Not applicable
Disclosures of Equity investments	Name, description, percentage ownership	Not applicable

**IAS 29 – FINANCIAL REPORTING IN HYPERINFLATIONARY ECONOMIES**

Applicability	Applies to the primary financial statements of any enterprise that reports in the currency of a hyperinflationary economy A hyperinflationary economy is characterized by the following a) the cumulative inflation rate over three years exceeds or approaches 100% , b) interest rates, wages and prices are linked to a price index, c) sales and purchase on credit are priced so as to compensate for the expected loss of purchasing power during the credit period, and d) the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency	No rules have been established
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Balance Sheet	Monetary assets and liabilities linked by agreement to changes in prices are carried at their adjusted amounts. Non-monetary assets and liabilities are adjusted using a general price index. Investments accounted for under the equity method are similarly revalued.	Not applicable
Net Monetary Position	Gain or loss on the net monetary position should be included in net income and be separately disclosed.	Not applicable
Disclosures	Disclose the fact that financial statements for previous periods have been restated for changes in the general purchasing power of the reporting currency and are consequently stated in terms of the measuring unit at the current balance sheet date, whether the financial statements are based on historic or current cost approach, and the identity and level of the price index and its movement during the period.	Not applicable

**IAS 30 – DISCLOSURES IN THE FINANCIAL STATEMENTS OF BANKS AND SIMILAR FINANCIAL INSTITUTIONS**

Not applicable to this project		
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**IAS 31- FINANCIAL REPORTING OF INTERESTS IN JOINT VENTURES**

Method of Accounting	The preferred method of accounting for an interest in a jointly controlled entity is to use the proportional (i.e., line by line) consolidation. The allowed alternative method is the equity method of accounting.	Not applicable at this time for the utility sector.
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**IAS 32 – FINANCIAL INSTRUMENTS DISCLOSURE AND PRESENTATION**

Disclosure and Presentation	The Standard prescribes certain requirements for presentation of on-balance-sheet financial instruments and identifies the information that should be disclosed about both on-balance-sheet and off-balance-sheet financial instruments. The objective is to enhance financial statement users' understanding of the significance of these instruments in relation to an enterprise's financial position, performance and cash flows.	No specific rule exists
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**IAS 33 – EARNINGS PER SHARE**

Objective	The calculation of earnings per share is required for companies that are publicly traded.	Earnings per share calculations are not required.
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**IAS 34 – INTERIM FINANCIAL REPORTING (effective January 1, 1999)**

Objective	This standard prescribes the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in the financial statements.	No separate requirement exists for interim reporting.
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**IAS 35 – DISCONTINUING OPERATIONS (effective July 1, 1999)**

Objective	<p>An enterprise should include the following information relating to a discontinuing operation in its financial statements beginning with the financial statements for the period in which the initial disclosure event occurs</p> <ul style="list-style-type: none"><li>a a description of the discontinuing operation,</li><li>b the business or geographical segments in which it is reported,</li><li>c the date and nature of the initial disclosure event,</li><li>d the date or period in which the discontinuance is expected to be completed, if known,</li><li>e the carrying amounts, as of the balance sheet date, of the total assets and the total liabilities to be disposed,</li><li>f the amounts of revenue, expenses, and pre-tax profit or loss from ordinary activities attributable to the discontinuing operation during the current financial reporting period, and the income tax expense,</li><li>g The amounts of net cash flows Attributable to the operating, Investing, and financing Activities of the discontinuing Operation during the current Financial reporting period</li></ul>	This is not applicable to the Georgian electrical sector
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<b>IAS 36 IMPAIRMENT OF ASSETS (effective July 1, 1999)</b>		
Objective	This standard is to prescribe the procedures that an enterprise applies to ensure that its assets are carried at no more than its "recoverable amount " An asset is impaired if its carrying amount exceeds the amount to be recovered through use or sale of the asset	This does not apply to the Georgian electrical sector to date

## **F Important Differences between Georgia Statutory Accounting and IAS**

The purpose of this section is to report on the current Georgian accounting and tax requirements with identification of significant differences with International Accounting Standards (IAS)

For most companies in Georgia, the only reason that financial statements are prepared is to comply with requirements of the Georgian Tax Code. Under the tax code there are officially two financial statements: a Balance Sheet and an Income Statement. They are titled, respectively, Form 1, which identifies the balance sheet, and Form 2, identifying the income statement. Each statement is subject to various taxes. The income statement is subject to a profit tax, and a value-added tax, based on consumption or cost of goods, services, or work. Wages are subject to social and income (withholding) taxes. The balance sheet is subject to many taxes as well: excise taxes, taxes on motor vehicles and property taxes. Because of these various taxes, each financial statement regulated by the Tax Code must be filed. Taxes may be due, monthly, quarterly, or annually, depending on the type of tax.

These two financial statements are often prepared on an inconsistent basis where the balance sheet is prepared on the accrual (or a modified accrual) basis while the income statement is usually prepared on the cash basis. The cash basis is primarily used to minimize profit taxes. Under the cash basis, only cash received is included as revenue and only cash paid (other than capital expenditures) is expensed. To observe IAS reporting the income statement will have to be adjusted to an accrual basis. However, there are many other adjustments that will need to be made.

The following example will contrast cash basis accounting and accrual basis accounting.

Elektroenergetika Enterprise provides electricity to a large city in the Republic of Georgia. The city signs an agreement to buy Elektroenergetika Enterprise's power for 22,000,000 Lari in October and collects 10,000,000 Lari upon signing the agreement in October. Elektroenergetika Enterprise incurs 19,000,000 in expenses from October through December. During October, 13,000,000 of these expenses were incurred. Of this amount, 10,000,000 was paid in cash for fuel, supplies, various taxes and other small expenditures. The remaining 9,000,000 was for

payroll (3,000,000 per month) and is not paid until December. In November, Elektroenergetika Enterprise collects the 12,000,000 remaining from the city.

Elektroenergetika Enterprise - Cash Basis Accounting  
Form 2 (Income Statement) for the months of

	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
Cash receipts	10,000,000	12,000,000		22,000,000
Cash payments	<u>(10,000,000)</u>	<u>-0-</u>	<u>( 9,000,000)</u>	<u>(19,000,000)</u>
Net Income	<u>- 0-</u>	<u>12,000,000</u>	<u>( 9,000,000)</u>	<u>3,000,000</u>

Elektroenergetika Enterprise - Accrual Basis Accounting  
Form 2 (Income Statement)  
For the months of

	<u>October</u>	<u>November</u>	<u>December</u>	<u>Total</u>
Revenues	22,000,000			22,000,000
Expenses	<u>(13,000,000)</u>	<u>(3,000,000)</u>	<u>( 3,000,000)</u>	<u>(19,000,000)</u>
Net Income	<u>9,000,000</u>	<u>(3,000,000)</u>	<u>( 3,000,000)</u>	<u>3,000,000</u>

For the three months combined under each basis (cash and accrual), the total net income is the same (3,000,000 Lari). The difference is in the **timing** of the net income.

The timing of net income is crucial in financial reporting. In essence, the enterprise's revenue should be matched against its expenses for the same period of time.

The differences of timing also affect the balance sheet. A cash basis balance sheet will show only assets and liabilities that are direct result of cash. The accrual basis balance sheet shows not only cash and borrowings, but other elements of the financial statement such as any receivable (future cash inflows) and payables (future cash outflows). The effects are shown below.

Form 1 (the Balance Sheet) is also affected by the basis of accounting. Given below are the balance sheets.

Elektroenergetika Enterprise - Cash Basis Accounting

Form 1 (Balance Sheet)

As of

	October 31	November 30	December 31	Total
<b>Assets</b>				
Cash	<u>0</u>	<u>12,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total Assets	<u>0</u>	<u>12,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
<b>Liabilities and Owners' Equity</b>				
Owners'				
Equity	<u>0</u>	<u>12,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total Liabilities and Owners' Equity	<u>0</u>	<u>12,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>

Elektroenergetika Enterprise - Accrual Basis Accounting

Form 1 (Balance Sheet)

As of

	October 31	November 30	December 31	Total
<b>Assets</b>				
Cash	0	12,000,000	3,000,000	3,000,000
Accounts Receivable	<u>12,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>12,000,000</u>	<u>12,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
<b>Liabilities</b>				
Wages Payable	3,000,000	6,000,000	0	0
Owners' Equity	<u>9,000,000</u>	<u>6,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Total Liabilities and Owners' Equity	<u>12,000,000</u>	<u>12,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>

The differences between the cash and accrual basis in this example can be summarized as follows

- 1 The cash basis understates revenues and assets in October. The 12,000,000 accounts receivable is ignored in October under the cash basis. This account receivable represents a short-term (approximately one month) future cash inflow.

2 The cash basis understates payroll expenses and the related liability outstanding at the end of October and November The wages payable represent a short-term cash outflow

3 The cash basis understates Owners' equity in October by not recognizing the additional 12 000 000 revenue and not recognizing the additional 3,000,000 expense The cash basis recognizes revenue in the following month and ignores the wages payables until December

## G CONVERSION FROM CASH BASIS TO ACCRUAL BASIS

International Accounting Standards that have been adopted by the Georgian National Electric Regulatory Agency require converting cash basis (tax) financial statements into accrual basis financial statements for interpretation, analysis, and presentation

The table below illustrates how cash basis financial information can be converted into the accrual basis using GNERC's adopted chart of accounts

### Conversion of cash basis to accrual basis

<u>Cash Basis</u>		<u>Accrual Basis</u>	
		IAS/GNERC Chart of Accounts	
Revenues	Cash Revenues		= Net Sales
	- Beginning year's accounts receivable	1401 - 1440	
	+ Ending year's accounts receivable	1401 -	
	+ Beginning year's unearned revenue	1440	
	- Ending year's unearned revenue		
Payment of goods	Cash paid for power		= Cost of Goods Sold
	+ Beginning year's inventory (if any)	1601 -	
	- Ending year's inventory (if any)	1685	
	- Beginning year's accounts payables	1601 - 1685	
	+ Ending year's accounts payables	3110 - 3120 and 3170	
		3110 - 3120 and 3170	

Payments for expenses	Cash paid for expenses		
+ Beginning year's prepaid expenses (if any)		1810 -	= Operating Expenses (except depreciation and similar write-offs)
- Ending year's prepaid expenses (if any)		1850	
- Beginning year's accrued liabilities		1810 -	
+ Ending year's accrued liabilities		1850	
		3510 -	
		3640	

Conversion of a cash basis income statement to the accrual basis will be illustrated

**Example** Assume that a distribution company, during the month of December 1998, collected 800,000 Lari from the local city's consumers of electricity. The company paid 500,000 Lari in operating expenses during December. For simplicity, there will only be two expenses: wages and the value-added-tax expense. At the beginning, December 1 and the end, December 31, the enterprise had accounts receivable for electricity, accounts receivable-value-added-tax for electricity, unearned fees, wages payable, value-added-tax payable and prepaid wages as follows:

IAS/GNERC Chart of accounts (COA)		December 1, 1998	December 31, 1998
1401	Accounts receivable -electricity	120,000	50,000
3592 [no COA exists]	Unearned fees	-0-	10,000
3430	Value-added-taxes (VAT) payable	24,000	40 000
1451	Accounts receivable (VAT) electricity	20,000	11,000
3610	Wages payable	14,000	28 000
1815	Prepaid wages	-0-	19 000

There are two approaches to converting from cash to accrual  
Approach #1

Elektroenergetika Enterprise				
Conversion of Income Statement (Form 2) from Cash Basis to Accrual Basis				
For the month ended December 31, 1998				
	Cash Basis	Adjustments		Accrual Basis
		Add	Deduct	
Revenues	800 000			
- Accounts Receivable (1 12 98)			120,000	
+ Accounts Receivable (31 12 98)		50 000		
- Unearned fees (31 12 98)			10,000	
Subtotal of Revenue conversion accounts				
(Cash Basis + Debits - Credits = Accrual Basis)				
(800,00 + 50 000 - 130 000)				720 000

Operating Expenses	300 000		
- Value-added-tax (VAT) payable (1 12 98)		24 000	
- Wages payable (1 12 98)		14 000	
+ Value-added-tax (VAT) payable (31 12 98)	40 000		
+ Wages payable (31 12 98)	28,000		
+ Prepaid wages (1 12 98)	0		
+ Accounts receivable-VAT (1 12 98)	20,000		
- Prepaid wages (31 12 98)		19 000	
- Accounts receivable-VAT (31 12 98)		11 000	
(Subtotal of Expenses + Debits - Credits = Accrual Basis)			
300 000 + 88 000 - 68,000 =			320 000
<b>Net income -- cash basis</b>	<u>500,000</u>		
Total debits and credits	<u>138,000</u>	<u>198,000</u>	
<b>Net income -- accrual basis</b>			<u>400,000</u>

#### Approach #2

Elektroenergetika Enterprise Conversion of Income Statement (Form 2) from Cash Basis to Accrual Basis For the month ended December 31, 1998	
x	x
<b>Net income -- cash basis</b>	500,000
- Decrease in Accounts Receivables (120,000 to 50,000)	(70,000)
- Increase in Unearned Fees ( -0- to 10,000)	(10,000)
- Increase in Value-added-tax (VAT) payable (24,000 to 40,000)	(16,000)
- Increase in Wages payable (14,000 to 28,000)	(14 000)
+ Increase in Prepaid wages ( -0- to 19 000)	19,000
- Decrease in Accounts Receivable VAT (20,000 to 11,000)	<u>( 9,000)</u>
<b>Net income -- accrual basis</b>	<u>400,000</u>

## H Regulatory Accounting Standards

Utilities are obligated to supply service at reasonable rates based on its cost of service. It must maintain proper accounting and financial records in accordance with prescribed accounting procedures. The accurate accumulation of data is necessary for regulatory authorities in performing their economic control functions, specifically pricing.

For regulatory purposes it is necessary for the income statement of electric utilities to separate income and expenses related to utility operations from those income and expenses in nonutility functions, including financial matters. The revenues and expenses from utility operations are used in setting prices charged to customers, while the non-utility portion is not included in rates charged to customers.

The balance sheet for utilities is also very important as it contains investment information necessary to the regulator in establishing prices. Public utilities by their nature have a rather large investment in capital equipment. Thus, a lot of detailed information concerning assets is maintained.

At the present time there are no International Accounting Standards that specifically relate to regulated industries. However, it is clear that there are fundamental economic differences between regulated industries and non-regulated industries that should be recognized in their accounting practices.

In the United States, utilities must follow Generally Accepted Accounting Principles which are determined by the Financial Accounting Standards Board (FASB). The FASB issues Statements of Financial Accounting Standards (SFAS) which are the United States equivalent of the International Accounting Standards. SFAS No. 71 provides guidance in the preparation of financial statements of electric utilities and requires companies to capitalize costs if it is probable that they will be recovered in the future through the ratemaking process. SFAS No. 71 applies to regulated operations of an entity that meet all of the following criteria:

- The entity's rates for electricity are established by an independent third-party regulator or by its own governing board.
- The regulated rates are designed to recover the specific entity's costs of providing the regulated service or products.
- It is reasonable to assume that the rates can be charged to and collected from customers, in view of the demand for electricity and the level of competition. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized cost.

The goal of SFAS No. 71 is that financial statements reflect the economic effects of the rate-making process. As part of the rate-making process, rate orders can require utilities to observe accounting practices that would differ from nonregulated entities. Since no International Accounting Standard addresses the unique aspects of regulation, the principles in SFAS No. 71 have been utilized in establishing the accounting standards for electric utilities in the Republic of Georgia. The major exceptions, which generally center around the timing of the items being recognized as revenue or expense are described below.

#### **Allowance for Funds Used During Construction (AFUDC)**

Construction of utility assets can take a long period of time. Regulatory theory is that current customers should not pay to finance these projects while they are under construction. Regulatory commissions have allowed utilities to recover these costs by capitalizing interest associated with financing of construction projects, and also capitalizing an allowance or interest charge on equity funds.

AFUDC is debited to the construction work order as construction progresses and such costs become part of the costs of the assets being constructed. AFUDC is recovered through the ratemaking process as the capitalized interest cost is recovered through the ratemaking process (The AFUDC becomes part of the book basis of the asset which is subject to depreciation.)

Some commissions allow the cost of Construction Work In Progress (CWIP) to be included in the Rate Base utilized in establishing rates. This is generally only permitted when the utility has severe liquidity problems and needs the cash to continue construction efforts. Inclusion of CWIP in rate base precludes the need for accruing AFUDC, as the utility is earning a return on a current basis.

### **Group Depreciation**

Public utilities utilize group depreciation. They have large numbers of similar units (i.e., poles, transformers, etc.). These individual assets are not individually tracked. Upon removal from service, the full cost of any single item is charged against the accumulated depreciation account and the full cost of the item is removed from the asset account. No gains or losses associated with the retirement of an item in the group is ever recognized.

### **Accelerated Depreciation and Income Taxes**

Utilities are usually required by regulatory commissions to utilize straight line depreciation for ratemaking purposes, but utilities generally utilize accelerated depreciation for tax purposes so as to maximize their tax deductions. Regulated utilities must generally employ deferred tax accounting procedures such that proper matching of deductions and the related income taxes occurs for ratemaking purposes.

### **Fuel Adjustment Clauses**

Fuel charges often are a significant part of the cost incurred by the utility in producing electricity. Additionally, the cost of fuel can vary widely over a relatively short period of time, over which the utility has little control. For this reason, many commissions allow utilities to incorporate fuel adjustment clauses into their rate structure which provide for a change of rates between rate hearings. Moreover, utilities are allowed to put such costs in deferred charge accounts for later recovery. A nonregulated firm would expense such costs immediately, but the utility, with future recovery reasonably assured, is allowed the deferral.

### **Regulatory Assets and Liabilities**

“Regulatory Assets and Liabilities” are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Chart of Accounts but for it being probable

- 1 that such items will be included in a different period for purposes of developing the rates the utility is authorized to charge for its utility service, or
- 2 in the case of regulatory liabilities, that refunds to customers, not provided for in other

accounts, will be required

Examples

- Excessive repair costs incurred in one period might be allowed to be recovered in a future period through increased customer rates. For accounting purposes, the excessive repair cost should be deferred until the increased rates are effective and should be amortized as the revenues are collected.
- Current rates might provide for costs that are expected to be incurred in the future, such as the potential costs of storm damage repairs. The additional receipts collected must be recognized as liabilities.

## **4 CHART OF ACCOUNTS**

### **A Introduction**

The Chart of Accounts has been developed to accumulate and report financial information most relevant to the electric utility industry. This is a uniform Chart of Accounts for the entire industry. Many of the accounts are for specific functions, such as fossil-fueled generation or transmission, and may not be applicable to all companies in the industry.

The Chart of Accounts proposed is primarily based on International Accounting Standards (IAS). At the same time, the Accounts will provide the information needed by GNERC in carrying out its responsibilities. Additionally, the Chart of Accounts provides the capability of producing information needed for Georgia statutory (tax) requirements.

### **B Numbering System**

The organization of the chart of accounts is similar to that being implemented for industries throughout Georgia under the Georgia Enterprise Accounting Reform (GEAR) project. The account numbers begin with the 1000 series and run through the 9000 series. This account number sequencing is intended to mirror the format of the financial statement presentation.

#### **(1) Current Assets**

The 1000 series of accounts contains Current Assets and includes cash and other current asset accounts. Current assets are intended to be converted into cash within one year.

#### **(2) Long-Term Assets**

The 2000 series contains Long-term Assets and includes electric plant accounts, construction accounts, other long-term assets. Long-term assets have a useful life of more than one year. The accounts within this category contain detailed classification of property and plant accounts by types of electric plant assets. (To promote consistency, we have proposed this standard presentation to be consistent with that used by all industries. However, it should be noted that for western utility companies the electric plant accounts are listed first for financial statement presentation, because they are the focus of utility companies' investments.)

#### **(3) Current Liabilities**

The 3000 series of accounts contains Current Liabilities and includes accounts payable, taxes payable, and other short-term liabilities. Current liabilities include debt and other obligations due within one year.

#### **(4) Long-term Liabilities**

The 4000 series of accounts contains the Long-term Liabilities and includes Bonds and Notes Payable, Deferred taxes, and other long-term liabilities. Long-term liabilities include debts and liabilities for which the due date is over one year.

#### **(5) Equity**

The 5000 series of accounts contains the Equity accounts including common stock, retained earnings and other proprietary capital accounts. Equity reflects the ownership interest in the entity.

and consists of the assets of the entity after deduction of its liabilities

**(6) Operating Revenue**

The 6000 series of accounts contains the revenues resulting from the sales of electricity and related services. The accounts within this series provide additional details of the sources of operating revenues. As summarized in the accounts descriptions, these accounts provide classifications for types of operating revenues generated by the utility's sale of electricity and related activities.

**(7) Operating Expenses**

The 7000 series of accounts contains the costs of operating and maintaining the facilities used directly in producing, transmitting, and delivering electricity and provide detailed classifications for utility operations activities.

**(8) General and Administrative Expenses**

The 8000 and - 8100 series of accounts provide detailed classifications for general and administrative activities related to the utility operations.

**(9) Depreciation Expenses**

The 8200 series of accounts contain the expenses associated with the depreciation of plant assets.

**(10) Taxes Other than Profit - Operating**

The 8500 series of accounts contain the taxes (other than profit) incurred by the utility in providing electric service.

**(11) Profit Taxes - Operating**

The 8600 series of accounts contain the profit taxes charged to operations.

Note: The group of accounts beginning with Operating Revenue, the 6000 series and ending with Profit Taxes - Operating, the 8600 series represents what is considered by western utilities to be utility operations accounts. This reference means that all of these revenue and expense accounts are the primary elements of a utility company's business.

**(12) Interest Charges**

The 9000 series of accounts contain the interest expenses associated with debt and other liabilities owed by the company.

**(13) Non-Operating Income and Expense**

The 9500 series of accounts contain income and expenses associated with non-principal business activities.

**(14) Extraordinary Gains and Losses**

The 9800 series of accounts contain transactions or event that is both infrequent in occurrence and unusual in nature. (These accounts are rarely used in practice and stringent requirements must be met prior to use.)

## C Accounting Code Block and explanation

The account coding methodology is an important component of the accounting system. The account coding provides the structure for the accumulation of financial information which can subsequently be organized for analysis in numerous ways.

The account coding requires the input of financial information into the accounting system through general ledger entries. Each general ledger entry prepared to record a transaction is entered one time. Each entry is assigned numeric codings for pre-established categories which are designed to capture specific attributes of the transaction.

Regulatory Accounts have been developed such that licensees will be able to prepare financial statements in accordance with International Accounting Standards. In addition to this requirement, it is necessary that the Accounting Code Block contain components (fields) as indicated below such that the information required by GNERC can be maintained and provided by the licensees. However, all fields of the Accounting Code Block are not presently required for every transaction. The requirement for the fields can be defined for each Regulatory Account. This has been done in the document entitled "Accounting Code Block Requirements" a copy of which is presented in the next section. In computerized accounting systems, an "edit" table is used to require the use of applicable fields, depending on the nature of the transaction. In situations where an incomplete entry is attempted to an account which requires certain fields, a "warning message" is given (referred to as a "non-fatal" error) or the entry is rejected (referred to as a "fatal" error) until the proper fields are provided.

The Accounting Code Block also provides the infrastructure necessary for implementation of management accounting concepts in the future.

### ACCOUNTING CODE BLOCK

Field Name	JE	Mo	Yr	Regulatory Account	Sub Account	Responsibility Center	Cost Category	Voltage	Project Code	Amount
# of Digits	3	2	4	4	3	3	2	1	5	

Note: Numbers under each field indicate the number of digits for the field.

Presented below each item are descriptions and/or examples of the codes referenced above (For illustrative purposes only).

**Journal Entry (JE)** - Three digit code used to identify the accounting entry being made. Entries can be assigned numeric codings for pre-established categories designed to capture specific attributes of the transaction.

**Month (Mo)** - Two digit code used to identify the month the accounting entry is being made.

**Year (Yr)** - Four digit code used to identify the year the accounting entry is being made.

**Regulatory Account** - Four Digit account code representing the accounting classification of the components of the transactions as assets, liabilities, equities, revenues, or expenses. They are

designed for use in compliance with International Accounting Standards as well as compliance with Georgian National Electric Regulatory Commission. These accounts are defined by GNERC.

**Sub Account** - This 3-digit account code is used in conjunction with the Regulatory Account to provide capability for maintaining details for the account. For instance, to provide the individual power plant unit information, sub accounts can be assigned for each unit. The codes for this field are assigned by the company.

**Responsibility Center** - The 3-digit code indicating the area of the organization that is "responsible" for the applicable funds. Responsibility centers are formed to focus management's attention on a grouping of similar operating activities which allows for better control over the assets used, sources and uses of company resources. For example, it is necessary to maintain fuel cost information by power plant unit, which can be accomplished using the Responsibility Center Codes. The codes for this field are assigned by the company. Examples of Responsibility Centers might include power plant unit, geographic area, administrative group. Examples of typical specific responsibility centers for a company might be:

- 001 Telasi area
- 005 Tbilisi area
- 550 Gardabani Unit 1
- 551 Gardabani Unit 2
- 560 Inguri Unit 1
- 561 Inguri Unit 2
- 700 Line Crew #1
- 900 General Office

**Cost Category** - The Cost Category designates the type of resource consumed such as payroll, contract work, materials & supplies, travel, etc. Cost category information is required in order to meet certain Georgia Tax reporting requirements (payroll, materials & supplies, insurance, etc.). The codes for this field are defined by GNERC.

Examples

- 00 Payroll**
- 01 Payroll - Administrative
- 02 Payroll - Engineering and Technical Staff
- 03 Payroll - Workers
- 04 Payroll - Staff Training
  
- 10 Materials & Supplies**
- 11 Materials & Supplies - Operating
- 12 Equipment to be installed
- 13 Construction Materials
  
- 20 Outside Services**
- 21 Contractors
- 22 Management Consultants

- 23 Engineering Consultants
- 24 Outside Labor
  
- 30 Fuel, Purchased Power, and Wheeling**
- 31 Fuel - Natural Gas
- 32 Fuel - Coal
- 33 Fuel - Mazut
- 35 Purchased Power - Capacity
- 36 Purchased Power - Energy
- 37 Power Transmission expenses - Capacity
- 38 Power Transmission expenses - Energy
  
- 40 Employee Expenses**
- 41 Travel Expenses - Local
- 42 Travel Expenses - International
  
- 50 Taxes**
- 51 VAT
- 52 Payroll
  
- 60 Insurance & Benefits**
- 61 Property Insurance
- 62 Liability Insurance
- 63 Employee Benefits
  
- 70 Office Expenses**
- 71 Office Equipment & Supplies
- 72 Rents
- 73 Building Maintenance
- 74 Utilities
- 75 Communications
- 76 Other
  
- 90 Other**
- 91 License Fees and Other Regulatory Expense
- 92 Technical Security
- 93 Guard and Security
- 94 Audit
- 95 Legal

**Voltage** - The voltage indicator allows Transmission and Distribution Lines and Substation cost information to be segregated for the purpose of establishing tariffs. The codes for this field are defined by GNERC.

Examples

- 1 500Kv
- 2 330Kv
- 3 220Kv
- 4 110Kv
- 5 35Kv
- 6 6-10Kv
- 7 4Kv

**Project Code** - The project code has been established to provide identification of costs as they are incurred to specific jobs or projects incurring the costs. Capital addition and removal project expenditures, as well as certain O&M or Rehabilitation projects should be tracked by use of a project code. This allows management of the utility to precisely determine and track the costs of the project as well as to accumulate all costs by job for plant accounting purposes. Recording costs by project should also aid in the process of transferring costs of completed projects to property and plant records. The codes for this field are defined by the company.

Examples

- 50051 Rehabilitate 330 KV line - Tbilisi to Tesalka
- 30001 Construct New Distribution Line

For illustrative purposes, below are some examples of typical Accounting Code Block information for the indicated type of transaction.

Note: The Georgia Account is presented for informational purposes only.

Georgia Account	Regulatory Account	Sub Account	Responsibility Center	Cost Category	Voltage	Project Code	Amount
70	7504		001	03	4	--	100 00
Labor maintaining 110Kv Transmission substation							
70	7506		005	03	7	--	100 00
Labor maintaining 0 4Kv Distribution overhead line							
60	7501		550	11	--	--	75 00
Materials & Supplies used on Gardabani Unit 1 maintenance							
65	8021		900	61	--	--	1000 00
Property Insurance on all utility property							
70	8010		900	02	--	--	60 00
Salary of General Office Technical staff							

70	2630		005	03	5	30001	55 00
70	2631		005	03	5	30001	55 00

Payroll of employee working on new 35Kv distribution line

70	7606		700	03	4	50051	90 00
----	------	--	-----	----	---	-------	-------

Payroll of employee working on rehabilitation of 110Kv Trans line

60	7103		550	33	--	--	2000 0 0
----	------	--	-----	----	----	----	-------------

Fuel (Muzat) burned at Gardabarı unit 1

Regulatory Account	Account Description	Sub-Account	Responsibility Center	Cost Category	Voltage	Project Code	Amount
2100-2149	Production - Plant in Service	Establish one for each Power Plant Unit					
2150-2199	Accumulated Depreciation - Production	Establish one for each Power Plant Unit					
2201-2213	Transmission - Plant in Service	Establish one for each voltage code					
2251-2299	Accumulated Depreciation - Transmission	Establish one for each voltage code					
2301-2313	Distribution - Plant in Service	Establish one for each voltage code					
2351-2399	Accumulated Depreciation - Distribution	Establish one for each voltage code					
2601-2603	Intangible Plant Construction Work in Progress			Required			
2604-2618	Production Construction Work in Progress	Establish one for each Power Plant Unit		Required			
2619-2640	Transmission & Distribution Construction Work in Progress	Establish one for each voltage code		Required			
2641-2649	General Plant Construction work in Progress			Required		Required	
2701-2703	Intangible Plant Retirement Work in Progress			Required			
2704-2718	Production Retirement Work in Progress	Establish one for each Power Plant Unit		Required			

2719-2740	Transmission & Distribution Retirement Work in Progress	Establish one for each voltage code		Required			
2741-2749	General Plant Retirement work in Progress			Required			
7100 s	Fuel		Required				
8201	Depreciation - Fossil Power		Required				
8202	Depreciation -Hydro		Required				
7401 thru 7403	Production Operation			Required			
7404 through 7417	Transmission & Distribution Operation			Required	Required		
7501 thru 7502	Production Maintenance			Required			
7503 thru 7511	Transmission & Distribution Maintenance			Required	Required		
7601 thru 7602	Production Rehabilitation Expense			Required		Required	
7603 thru 7611	Transmission and Distribution Rehabilitation			Required	Required	Required	
7700's	Customer Accounts and Service			Required			
8010 thru 8032	General and Administrative			Required			

## D Definitions

The following definitions are used with the terms used in the chart of accounts

“Accounts” means the accounts prescribed in this chart of accounts

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

“Associated (affiliated) companies” means companies or persons that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the accounting company

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised

through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, associated companies, contract or any other direct or indirect means

“Book cost” means the amount at which property is recorded in these accounts without deduction of related provisions for accrued depreciation, amortization, or for other purposes

“Commission” means the Georgia National Electric Regulatory Commission (GNERC)

“Continuing Plant Inventory Record” means company plant records for retirement units and mass property that provide, either as a single record, or in separate records readily obtainable by references made in a single record, the following information

For each retirement unit

- The name or description of the unit, or both,
- The location of the unit,
- The date the unit was placed in service
- The cost of the unit,
- The plant account to which the cost of the unit is charged

For each category of mass property

- A general description of the property and quantity
- The quantity placed in service by vintage year
- The average cost
- The plant account to which the costs are charged

“Cost” means the amount of money actually paid for property or services. When the consideration given is other than cash in a purchase and sale transaction, as distinguished from a transaction involving the issuance of common stock in a merger or a pooling of interest, the value of such consideration should be determined on a cash basis

“Cost of removal” means the cost of demolishing, dismantling, tearing down or otherwise removing electric plant, including the cost of transportation and handling incidental thereto

“Debt Expense” means all expenses in connection with the issuance and initial sale of evidences of debt, such as fees for drafting mortgages and trust deeds, fees and taxes for issuing or recording evidences of debt, cost of engraving and printing bonds and certificates of indebtedness, fees paid trustees, specific costs of obtaining governmental authority, fees for legal services, fees and commissions paid underwriters, brokers, and salesmen for marketing such evidences of debt, fees and expenses of listing on exchanges, and other like costs

“Depreciation” as applied to depreciable electric plant means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and

requirements of public authorities

“Discount,” as applied to the securities issued or assumed by the utility, means the excess of the par (stated value of no-par stocks) or face value of the securities plus interest or dividends accrued at the date of the sale over the cash value of the consideration received from their sale

“IAS” means International Accounting Standards

“Minor items of property” means the associated parts or items of which retirement units are composed

“Net salvage Value” means the salvage value of property retired less the cost of removal

“Original cost” as applied to electric plant, means the cost of such property to the person first devoting it to public service

“Premium,” as applied to securities issued or assumed by the utility, means the excess of the cash value of the consideration received from their sale over the sum of their par (stated value of no-par stocks) or face value and interest or dividends accrued at the date of sale

“Property retired” means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service

“Regulatory Assets and Liabilities” are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Chart of Accounts but for it being probable

A that such items will be included in a different period for purposes of developing the rates the utility is authorized to charge for its utility service, or

B in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required

“Replacing” or “replacement” means the construction or installation of electric plant in place of property retired, together with the removal of property retired

“Retained Earnings” means the accumulated net income of the utility less distribution to stockholders and transfers to other capital accounts

“Retirement units” means those items of electric plant which, when retired, with or without replacement, are accounted for by crediting the book cost thereof to the electric plant account in which included

“Salvage value” means the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale, or, if retained, the amount at which the material recoverable is chargeable to the materials and supplies account, or other appropriate account

“Service life” means the time between the date electric plant is includible in electric plant in service and the date of its retirement

“Service value” means the difference between original cost and net salvage value of electric plant

“Subsidiary company” means a company which is controlled by the utility through ownership of voting stock

## **E General Instructions**

### **(1) Records**

Each utility shall keep its books of account, and all other books, records, and memoranda which support the entries in such books of account so as to be able to furnish readily full information as to any item included in any account. Each entry shall be supported by such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto.

In addition to prescribed accounts, clearing accounts, and subdivisions of any accounts may be kept, provided the integrity of the prescribed accounts is not impaired.

All amounts included in the accounts prescribed herein for electric plant and operating expenses shall be just and reasonable and any payments or accruals by the utility in excess of just and reasonable charges shall be included in account 9555, Other Deductions.

### **(2) Accounting Period**

Each utility shall keep its books on a monthly basis so that for each month all transactions applicable thereto, as nearly as may be ascertained, shall be entered in the books of the utility. Each utility shall close its books at the end of each calendar year.

### **(3) Distribution of Pay and Expenses of Employees**

The charges to electric plant, operating expense and other accounts for services and expenses of employees engaged in activities chargeable to various accounts, such as construction, maintenance, and operations, shall be based upon the actual time engaged in the respective classes of work, or in case that method is impractical, upon the basis of a study of the time actually engaged during a representative period. Underlying accounting data shall be maintained so that the distribution of the cost of labor charged direct to the various accounts will be readily available.

### **(4) Operating Reserves**

Accretions to operating reserve accounts made by charges to operating expenses shall not exceed a reasonable provision for the expense. Material balances in such reserve accounts shall not be diverted from the purpose for which provided unless the permission of the Commission is first obtained.

### **(5) Accrual Basis**

The utility is required to keep its accounts on the accrual basis. This requires the inclusion in its accounts of all known transactions of appreciable amount which affect the accounts. If bills covering such transactions have not been received or rendered, the amounts shall be estimated and

appropriate adjustments made when the bills are received

When payments are made in advance for items such as insurance, rents, taxes or interest the amount applicable to future periods shall be charged to account 1800, Prepaid Expenses and spread over the periods to which applicable by credits to account 1800 and charges to the accounts appropriate for the expenditure

#### (6) Criteria for classifying leases

If at inception a lease meets one or more of the following criteria, the lease shall be classified as a capital lease. Otherwise, it shall be classified as an operating lease

- a The lease transfers ownership of the property to the lessee by the end of the lease term
- b The lease contains a bargain purchase option
- c The lease term is equal to 75 percent or more of the estimated economic life of the lease property. However, if the beginning lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease
- d The present value at the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as insurance, maintenance, and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90 percent of the fair value of the leased property to the lessor at the inception of the lease. However, if the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease. The lessee utility shall compute the present value of the minimum lease payments using its incremental borrowing rate, unless (A) it is practical for the utility to learn the implicit rate computed by the lessor, and (B) 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

If at any time the lessee and lessor agree to change the provisions of the lease, other than by renewing the lease or extending its term, in a manner that would have resulted in a different classification of the lease under the criteria above had the changed terms been in effect at the inception of the lease, the revised agreement shall be considered as a new agreement over its term, and the criteria above shall be applied for purposes of classifying the new lease. Likewise, any action that extends the lease beyond the expiration of the existing lease term, such as the exercise of a lease renewal option other than those already included in the lease term, shall be considered as a new agreement and shall be classified according to the above provisions. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the leased property) or changes in circumstances (for example, default by the lessee) shall not give rise to a new classification of a lease for accounting purposes

#### (7) Accounting For Leases

All leases shall be classified as either capital or operating leases

The utility shall record a capital lease as an asset in account 2501, Plant in Service - Leased and an obligation in account 4160, Obligations under finance leases - Noncurrent, or Account 3680, Obligations under finance leases - Current, at an amount equal to the present value at the beginning of the lease term of 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, together with any profit thereon. However, if the amount so determined exceeds the fair value of the leased property at the inception of the lease, the amount recorded as the asset and obligation shall be the fair value

Rental payments on all leases shall be charged to rent expense, fuel expense, construction work in progress, or other appropriate accounts as they become payable

For a capital lease, for each period during the lease term, the amounts recorded for the asset and obligation shall be reduced by an amount equal to the portion of each lease payment that would have been allocated to the reduction of the obligation, if the payment had been treated as a payment on an installment obligation (liability) and allocated between interest expense and a reduction of the obligation so as to produce a constant periodic rate of interest on the remaining balance

#### (8) Materials and Supplies

- (a) Materials and supplies issued should be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in first-out, or such other method of inventory accounting as conforms with accepted accounting standards consistently applied
- (b) When materials and supplies are purchased for immediate use, they need not be carried through this account but may be charged directly to the appropriate utility plant or expense account
- (c) Items of cost includible in the account are as follows
  - Invoice price less cash or other discounts
  - Freight and other transportation charges
  - Taxes
  - Costs of inspection and special tests prior to acceptance
  - Insurance and other directly assignable charges
- (d) When materials are recovered during construction, maintenance and retirement activities, such materials being credited to construction, maintenance or accumulated depreciation provision, respectively, and included in the materials accounts as follows
  - Reusable materials consisting of large individual items should be included in the account at original cost, estimated if not known
  - Reusable materials consisting of relatively small items, the identity of which (from the date of original installation to the final abandonment or sale thereof) cannot be ascertained, should be included in this account at current prices new for such items
  - Scrap materials included in this account should be carried at the estimated net realizable amount

#### (9) Current and Accrued Liabilities

Current and accrued liabilities are those obligations which have either matured or which become due within one year from the date thereof except, however, bonds and similar obligations which should be classified as long-term debt until date of maturity, accrued taxes, such as profit taxes, which should be classified as accrued liabilities even though payable more than one year from date, compensation awards, which should be classified as current liabilities regardless of date due,

and minor amounts payable in installments which may be classified as current liabilities. If a liability is due more than one year from date of issuance or assumption by the utility, it should be credited to a long-term debt account appropriate for the transaction, except, however, the current liabilities previously mentioned.

#### (10) Long-Term Debt Premium and Discount

A separate premium and discount account should be maintained for each class and series of long-term debt issued by the utility. The premium will be recorded in account 4185, Unamortized Premium on Long-term Debt, the discount will be recorded in account 4190, Unamortized Discount on Long-term Debt - debit.

The premium and discount should be amortized over the life of the respective issues. The amortization should be on a monthly basis, and amounts thereof relating to discount and expense should be charged to account 9006, Amortization of Debt Discount and Expense. The amounts relating to premium should be credited to account 9008, Amortization of Premium on Debt - Credit.

Premium or discount on debt should not be included as an element in the cost of construction or acquisition of property (tangible or intangible).

#### (11) Comprehensive Interperiod Profit Tax Allocation

- (a) Where there are timing differences between the periods in which transactions affect taxable income and the periods in which they enter into the determination of pre-tax accounting income, the profit tax effects of such transactions are to be recognized in the periods in which the differences between book accounting income and taxable income arise and in the periods in which the differences reverse using the deferred tax method.
- (b) Tax effects deferred currently will be recorded as deferred debits or deferred credits in accounts 1995, Accumulated Deferred Profit Taxes, 4310, Accumulated Deferred Profit Taxes, as appropriate.
- (c) Vintage year records with respect to entries to this account, as described above, and the account balance, should be so maintained as to show the factor of calculation with respect to each annual amount of the item or class of items for which deferred tax accounting by the utility is utilized.

#### (12) Extraordinary Items

It is the intent that net income should reflect all items of profit and loss during the period with the exception of prior period adjustments and long-term debt. Those items related to the effects of events and transactions which have occurred during the current period and which are of unusual nature and infrequent occurrence should be considered extraordinary items. Accordingly, they will be events and transactions of significant effect which are abnormal and significantly different from the ordinary and typical activities of the company.

### F Electric Plant Instructions

(1) Electric plant should be recorded at cost. When the consideration given for property is other than cash, the value of such consideration should be determined on a cash basis. The cost of equipment chargeable to the electric plant accounts, unless otherwise indicated in the description of an equipment account, includes the net purchase price thereof, non-recoverable taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the utility, labor employed, materials and supplies consumed, and expenses incurred by the utility in unloading and placing the equipment in readiness to operate. Also include those costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with the construction and installation of plant.

(a) The cost of construction properly includible in the electric plant accounts should include, where applicable, the direct and overhead cost as listed and defined hereunder:

- 1 "Contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, costs incident to the award of such contracts, and the inspection of such work.
- 2 "Labor" includes the pay and expenses of employees of the utility engaged on construction work, and related payroll taxes and similar items of expense.
- 3 "Materials and supplies" includes the purchase price at the point of free delivery plus customs duties, excise taxes, the cost of inspection, loading and transportation and the cost of fabricated materials from the utility's shop.
- 4 "Transportation" includes the cost of transporting employees, materials and supplies, tools, purchased equipment, and other work equipment. It includes amounts paid to others as well as the cost of operating the utility's own transportation equipment.
- 5 "Special machine service" includes the cost of labor, materials and supplies, depreciation, and other expenses incurred in the maintenance, operation and use of special machines, such as steam shovels, pile drivers, derricks, material unloaders, and other labor saving machines, also expenditures for rental, maintenance and operation of machines of other.
- 6 "Engineering and supervision" includes the portion of the pay and expenses of engineers, surveyors, draftsmen, inspectors, superintendents and their assistants applicable to construction work.
- 7 "General administration capitalized" included the portion of the pay and expenses of general officers and administrative and general expenses applicable to construction work.
- 8 "Engineering services" includes amounts paid to other companies, firms, or individuals engaged by the utility to plan, design, prepare estimates, supervise, inspect, or give general advice and assistance in connection with construction work.
- 9 "Injuries and damages" included expenditures or losses in connection with

construction work on account of injuries to persons and damages to the property of others

- 10 "Privileges and permits" includes payments for and expenses incurred in securing temporary privileges, permits or rights in connection with construction work
- 11 "Law expenditures" includes the general law expenditures incurred in connection with construction and the court and legal costs directly related thereto
- 12 "Allowance for funds used during construction" includes the net cost for the period of construction of borrowed funds used for construction purposes and a reasonable rate on other funds when so approved by the Commission
- 13 "Taxes" includes taxes properly includible in construction costs before the facilities become available for service
- 14 "Earnings and expenses during construction" shall constitute a component of construction costs. The earnings shall include revenues received or earned for power produced by generating plants during the construction period and sold or used by the utility. The expenses shall consist of the cost of operating the power plant, and other costs incident to the production and delivery of the power for which construction is credited as described above

- (b) Exclude from equipment accounts hand and other portable tools, which are likely to be lost or stolen or which have relatively small value or short life, unless the correctness of the accounting therefor as electric plant is verified by current inventories. Special tools acquired and included in the purchase price of equipment should be included in the appropriate plant account. Portable drills and similar tool equipment when used in connection with the operation and maintenance of a particular plant or department, such as power generation -operations, or in stores, should be charged to the plant account appropriate for their use

## (2) Additions and Retirements of Electric Plant

- a For the purpose of avoiding undue refinement in accounting for additions to and retirements and replacements of electric plant, all property shall be considered as consisting of (1) retirement units and (2) minor items of property. The list of recommended retirement units is presented later in this manual
- b The addition and retirement of retirement units shall be accounted for as follows
  - (1) When a retirement unit is added to electric plant, the cost thereof shall be added to the appropriate electric plant account
  - (2) When a retirement unit is retired from electric plant, with or without replacement, the book cost thereof shall be credited to the electric plant account in which it is included, and, in the event the minor item is a part of depreciable plant, the account for accumulated provision for depreciation

shall be charged with the book cost and cost of removal and credited with the salvage. If, however, the book cost of the minor item retired and not replaced has been or will be accounted for by its inclusion in the retirement unit of which it is a part when such unit is retired, no separate credit to the property account is required when such minor item is retired.

(3) When a minor item of depreciable property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item, except that if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be charged to the appropriate electric plant account.

- c. The book cost of electric plant retired shall be the amount at which such property is included in the electric plant accounts, including all components of construction costs. The book cost shall be determined from the utility's records and if this cannot be done it shall be estimated. When it is impractical to determine the book cost of each unit, due to the relatively large number or small cost thereof, an appropriate average book cost of the units, with due allowance for any differences in size and character, shall be used as the book cost of the units retired.
- d. The book cost of land retired shall be credited to the appropriate land account. If the land is sold, the difference between the book cost and the sale price of the land shall be recorded in account 6180, Gains from Disposition of Utility Plant, or 8033, Losses from Disposition of Utility Plant when the property has been recorded in account 2504, Electric Plant Held for Future Use, otherwise to accounts 9512, Gain on Disposition of Property, or 9558, Loss on Disposition of Property, as appropriate. If the land is not used in utility service, the book cost shall be charged to account 2504, Electric Plant Held for Future Use, or account 2951, Non-Utility Property, as appropriate.
- e. The book cost less net salvage of depreciable electric plant retired shall be charged in its entirety to the applicable accumulated depreciation account.

### (3) Work Order and Property Record System Required

- a. Each utility shall record all construction and retirements of electric plant by means of work orders or job orders. Separate work orders may be opened for additions to and retirements of electric plant or the retirements may be included with the construction work order, provided, however, that all items related to the retirements shall be kept separate from those related to construction and provided, further, that any maintenance costs involved in the work shall likewise be segregated.
- b. Each utility shall keep its work order system so as to show the nature of each addition

to or retirement of electric plant, the total cost thereof, the source or sources of costs, and the electric plant account or accounts to which charged or credited Work orders covering jobs of short duration may be cleared monthly

- c Each utility shall maintain records in which, for each plant account, the amounts of the annual additions and retirements, are classified so as to show the number and cost of the various retirement units

#### (4) Description of Utility Plant

##### a Generation Plant

All land, structures, and equipment used in the production of electricity up to the point at which the power is "stepped-up" to be delivered to the transmission system. The main power step-up transformer should be classified as transmission plant

##### b Transmission Plant

- 1 All land, conversion structures, and equipment employed at a primary source of supply (i e , generating station, or point of receipt in the case of purchased power) to change the voltage or frequency of electricity for the purpose of its more efficient or convenient transmission,
- 2 All land, structures, lines, switching and conversion stations, high tension apparatus, and their control and protective equipment between a generating or receiving point and the entrance to a distribution center or wholesale point, and
- 3 All lines and equipment whose primary purpose is to augment, integrate or tie together the sources of power supply

##### c Distribution Plant

All land, structures, conversion equipment, lines, line transformers, and other facilities employed between the primary source of supply (i e , generating station, or point of receipt in the case of purchased power) and of delivery to customers, which are not includible in the transmission system, whether or not such land, structures, and facilities are operated as part of a transmission system or as part of a distribution system (Stations which change electricity from transmission to distribution voltage shall be classified as distribution stations )

Where poles or towers supply both transmission and distribution conductors, the poles, towers, anchors, guys, and rights of way shall be classified as transmission system. The conductors, crossarms, braces, grounds, tiewire, insulators, etc shall be classified as transmission or distribution facilities, according to the purpose for which used

##### d General Plant

All land, structures, and equipment utilized in providing administrative and general functions are included in this category. Transportation and construction equipment, communication equipment, power operated equipment, tools, and laboratory equipment not specifically included in the other plant accounts are also included in this category

## (5) Units of Property for use in Accounting for Additions and Retirements of Electric Plant

### List of General Retirement Units

In all accounts where they occur, the following shall be considered a retirement unit, if relatively costly and not an integral part of the retirement unit specifically listed

The term "relatively costly" applied to the relationship of cost of the item to the cost of other items in that particular account or sub-account for the particular station or plant

- (a) Assembly for two or more retirement units
- (b) Blower or fan
- (c) Control installation, automatic, semi-automatic, or remote (such as pressure, voltage, current, speed, level, weight and volume regulators)
- (d) Coupling device, i e , speed reducer, speed increaser, clutch coupling, etc
- (e) Driving unit, i e , prime mover, motor, gas engine, etc
- (f) Enclosure for two or more retirement units (fence, guard, railing, etc )
- (g) Foundation for a unit of equipment, when not an integral part of the building and its usefulness is not intended to outlast the equipment for which provided
- (h) Instrument or device for indicating measuring, recording or weighting
- (i) Instrument transformer
- (j) Landscaping (complete at one location)
- (k) Plant piping, a run of any system (gas, oil, steam, water, etc ) 15 centimeters or over in size, with or without valves, between two or more retirement units of property, and/or a header
- (l) Piping header, 15 centimeters or over in size, with or without valves or blocking
- (m) Platforms, ladders, stairs, runways (complete sections)
- (n) Pump
- (o) Road, walk, parking lot, etc
- (p) Tank, vessel, etc
- (q) Valve, power operated, pressure reducing, atmospheric relief, or relatively costly valve

Note A Whenever appropriate, the "piping" costs of additions and retirements shall include all costs for pipes, valves, fittings, specials, coverings, hangers, supports, etc pertaining to the run or header in question

### LIST OF RETIREMENT UNITS

#### **Fossil Fuel Production**

#### 2102 Structures and Improvements

- 1 Air conditioning system, ventilating system, heating system, or any combination thereof
- 2 Bin or bunker (when part of structure framework)
- 3 Bridge, trestle, etc
- 4 Bulkhead, retaining wall, etc

- 5 Canal, dam, dock, pier, wharf
- 6 Drainage and sewerage system
- 7 Elevator, crane, hoist, etc , complete with operating mechanism
- 8 Equipment item, such as a generator, engine, turbine, compressor or similar item of equipment includible in structures, with or without associated wiring, control equipment, etc
- 9 Fence, complete with gates
- 10 Fire escape system
- 11 Fire protection system
- 12 Foundation (equipment), when includible in structure
- 13 Light and power system
- 14 Plumbing system
- 15 Refrigeration system
- 16 Railroad or track system, including culverts, etc
- 17 Roof, with or without supporting members (A structure of irregular shape having more than one roof level may have several isolated roofs, each of which shall be considered an entire roof In the case of structures to which lateral extensions have been made, even though having but one roof level, that part of the roof covering an entire section built at one time shall be considered an entire roof )
- 18 Structure, complete, with or without stack or chimney
- 19 Tunnel, pipeline, etc
- 20 Vacuum cleaning system
- 21 Water basin or reservoir
- 22 Water supply system, including well
- 23 Yard drainage system
- 24 Yard lighting system
- 25 Bridge
- 26 Culvert
- 27 Draw span
- 28 Railroad
- 29 Road or trail
- 30 Trestle

## 2103 Fuel Holders, Producers, and Accessories

### A Coal Fuel Equipment

- 1 Bin or bunker not includible in structures
- 2 Bin unloader
- 3 Barge
- 4 Capstan, winch or power moving equipment
- 5 Car, lorry
- 6 Car dumper, puller, shaker, thawing system, etc
- 7 Chutes or spouts, system of
- 8 Coal moving equipment (bulldozer, carry-all, tractor, drag scraper, etc )

- 9 Conveyor system (belt, cable way, portable, screw, etc )
- 10 Crane (locomotive, gantry or monorail)
- 11 Crusher
- 12 Dust collecting unit
- 13 Electric trolley or third rail system
- 14 Elevator (vertical, bucket, skip hoist)
- 15 Gates, chutes, downtakes, spreaders, or hoppers, for one boiler
- 16 Hoist or derrick
- 17 Hopper, track or weigh
- 18 Locomotive
- 19 Sampling system
- 20 Screening or sizing installation
- 21 Separator, magnetic
- 22 Structure, fuel handling (not includible in structures account)
- 23 Track system
- 24 Trestle
- 25 Weighing device, including track scale, coal meter, etc

**B Pulverized Fuel Equipment**

- 1 Air filter or washer
- 2 Air preheater
- 3 Air compressor
- 4 Conveyor
- 5 Chutes, ducts or transport pipes, system of
- 6 Coal feeder, raw or powdered
- 7 Crusher
- 8 Dryer
- 9 Hopper or bin
- 10 Pulverizer
- 11 Screening or sizing installation
- 12 Separator, electric or mechanical (dust collector or concentrator)

**C Fuel Oil System**

- 1 Boiler, heating
- 2 Heater, not a part of tank
- 3 Meter, fuel oil
- 4 Piping system, fuel oil
- 5 Purifier
- 6 Tank, including foundations, supports and fire protection

**D Gas Fuel System**

- 1 Ash handling equipment for a producer
- 2 Boiler
- 3 Booster
- 4 Compressor
- 5 Fuel handling equipment for a producer
- 6 Holder
- 7 Meter
- 8 Piping system, gas
- 9 Producer
- 10 Regenerator
- 11 Scrubber or washer
- 12 Vaporizing unit for butane gas

E Wood Fuel Equipment

- 1 Hopper or bin
- 2 Fuel hogs
- 3 Elevator, conveyors, etc

F Ash Handling Equipment

- 1 Ash hopper, when not includible in structures account)
- 2 Car
- 3 Clinker grinder, when a separate unit
- 4 Conveyor or elevator
- 5 Crane hoist or derrick
- 6 Dust collecting system
- 7 Electric trolley or third rail system
- 8 Locomotive
- 9 Removal system (vacuum, steam jet, or hydraulic)
- 10 Sluiceway or piping system
- 11 Storage bin or pit
- 12 Sump dredge
- 13 Track system

2104 Boiler Plant Equipment

A Steam Boiler Installation

- 1 Boiler complete with furnace, boiler setting, grates, etc
- 2 Desuperheater
- 3 Foundation, boiler, when independent of structure
- 4 Fuel burning equipment for one boiler (grates, stokers, stoker drive, burners, etc )
- 5 Reheater, when separate from boiler
- 6 Soot blower system for one boiler

7 Superheater, when separate from boiler

B Draft Equipment

- 1 Air duct system
- 2 Air heater
- 3 Breeching system
- 4 Cinder or fly ash collecting equipment such as cinder catcher, precipitator, hopper, concentrator, etc
- 5 Stack, with or without foundation

C Feed Water System

- 1 Deaerator
- 2 Economizer, when separate from boiler
- 3 Heat exchanger
- 4 Heater, feed water (main or stage)
- 5 Regulator, feed water

D Water Supply and Purification System

- 1 Pipe, intake or discharge, when not includible in structures account
- 2 Tunnel, intake or discharge, when not includible in structures account
- 3 Water softener or purification system, including demineralizer, etc
- 4 Well

Note See list of general retirement units

E Ventilating Equipment

- 1 Air duct system
- 2 Cooler or heater
- 3 Washer

F Instruments and Meters

- 1 Automatic control installation
- 2 Master controller installation
- 3 Panel or panels, devoted to a single purpose, with equipment associated thereto

G Boiler Plant Piping

Note See list of general retirement units

H Process Steam Equipment

- 1 Separator or purifier
- 2 Accumulator
- 3 Automatic control for accumulator
- 4 Trap, high pressure

2105 Engines, Prime Movers (non-steam)

A Combination Engines and Equipment

- 1 Air intake equipment for one engine
- 2 Drive or connection between engine and generator
- 3 Engine, with or without foundation
- 4 Governor control system
- 5 Heat exchanger
- 6 Muffler
- 7 Panel or panels and instruments for one engine
- 8 Stack
- 9 Starting and turning device

B Central Lubricating System

- 1 Cooler
- 2 Piping system, oil
- 3 Purifier

C Central Cooling Water System

- 1 Heat exchanger
- 2 Piping system, cooling water
- 3 Purification system, water
- 4 Spraying system
- 5 Tank, storage, surge, or hot-well
- 6 Tower, cooling

D Central Starting System

- 1 Compressor
- 2 Piping system, starting

E Central Intake Air Supply

- 1 Air duct system

- 2 Air filter or screen
- 3 Silencer

F Central Exhaust Gas System

- 1 Heat exchanger (or waste heat boiler)
- 2 Muffler
- 3 Piping system, exhaust
- 4 Stack

2106 Generators (non-steam driven)

A Engine-Driven Generating Installation

- 1 Drive or connection between engine and generator
- 2 Exciter
- 3 Foundation, independent of structure
- 4 Generator
- 5 Governor control system

2107 Turbogenerator Units

A Turbogenerator Installation

- 1 Equipment, starting and turning
- 2 Exciter
- 3 Foundation, independent of structure
- 4 Generator
- 5 Governor control system
- 6 Turbine

B Condensing and Cooling Water System

- 1 Air ejector apparatus for one condenser
- 2 Condenser
- 3 Condenser tube protective system (chemical, electric, electrolytic, etc )
- 4 Cooling tower
- 5 Intake or discharge, screen and mechanism
- 6 Pump, circulating, condensate, vacuum, etc
- 7 Spraying system
- 8 Tunnel, intake, or discharge, when not includible in structures account

C Central Generator Cooling System

- 1 Air duct system

- 2 Air washer
- 3 Cooler
- 4 Hydrogen system, including storage cylinder, etc

D Central Lubricating System

- 1 Accumulator
- 2 Cooler
- 3 Purifier or filter

E Instruments and Meters

- 1 Panel or panels, devoted to a single purpose, with equipment associated thereto

F Engine and Turbine Plant Piping

Note See list of general retirement units

2108 Accessory Electric Equipment (See Account 2213 for applicable retirement units of property )

2109 Miscellaneous Power Plant Equipment

Each principal item, system or set of equipment, such as

- 1 Air compressor
- 2 Air conditioning or ventilating equipment (portable unit)
- 3 Barge boat, or similar item of marine equipment
- 4 Car, railway
- 5 Communication system, station signal or call
- 6 Compressed air system
- 7 Crane, hoist or derrick
- 8 Fire protection equipment (general station use)
- 9 Laboratory equipment, principal item, such as drying oven, calorimeter, etc
- 10 Locomotive
- 11 Oil-reclaiming installation
- 12 Refrigeration system
- 13 Tool, each principal item such as forge, lathe, drill press, steam hammer, welding equipment, etc
- 14 Vacuum cleaning system

Note If any of the units of property listed above are a part of a structure and includible in account 2102, Structures and Improvements, they shall be accounted for through that account

## Hydro Production

### 2121 Structures and Improvements

(See Account 2102 for applicable retirement units of property )

### 2122 Reservoirs, Dams and Waterways

- 1 Apron
- 2 Boom
- 3 Bridge or draw span
- 4 Bulkhead
- 5 Cribbing, system of, when not a part of a dike, embankment, road, etc
- 6 Dam
- 7 Dike or embankment, with or without riprap or core wall
- 8 Fence, complete
- 9 Fish ladder, elevator or lock system
- 10 Forebay
- 11 Flume, tunnel, or canal
- 12 Gate
- 13 Gate hoist
- 14 Gate hoist track
- 15 Gate house and equipment
- 16 Gate section
- 17 Gravity section
- 18 Heating or thawing system
- 19 Intake house, when not a part of structure
- 20 Lighting system, including wire, supports, fixtures, etc
- 21 Lock, navigation
- 22 Penstock
- 23 Pier
- 24 Piling, system of, to protect any of the structures
- 25 Power and control system
- 26 Road
- 27 Sluice or wasteway
- 28 Sewer complete
- 29 Stability testing equipment
- 30 Substructure, power plant
- 31 Tailrace
- 32 Tank, surge (complete with surge pipe, viser, housing, heating system, etc )
- 33 Trash rack
- 34 Trash rake with mechanism
- 35 Valve, power operated or other relatively costly valve
- 36 Walkway
- 37 Wall, wing, cut-off baffle, retaining

2123 Water Wheels, Turbines and Generators

A Hydro-Generating Installation

- 1 Drive or connection between water wheel and generator
- 2 Exciter
- 3 Foundation, independent of structure
- 4 Generator
- 5 Governor control system
- 6 Valve, penstock, main or by-pass
- 7 Water turbine or water wheel, with or without draft tube scroll, case or housing

B Central Generator Cooling System

- 1 Air duct system
- 2 Air washer
- 3 Cooler

C Central Lubricating or Bearing Pressure System

- 1 Accumulator
- 2 Cooler
- 3 Piping system
- 4 Purifier or filter

D Instruments and Meters

- 1 Panel or panels, devoted to a single purpose, with equipment associated thereto

2124 Accessory Electric Equipment

(See Account 2213 for applicable retirement units of property )

2125 Miscellaneous Power Plant Equipment

(See Account 2109 for applicable retirement units of property )

**Transmission Plant**

2212 Structures and Improvements

(See Account 2102 for applicable retirement units of property )

## 2213 Station Equipment

- 1 Air compressor
- 2 Air duct system
- 3 Auxiliary generator set
- 4 Battery charging set
- 5 Bus and wiring - power
  - a Bus compartment or cubicle for equipment
  - b Bus-wires, cables, shapes, and insulators
  - c Cable or conductor, each continuous circuit run
  - d Conduit, duct or cable trench, each continuous run, bank or section
- 6 Capacitor, static, bank of
- 7 Condenser, synchronous
- 8 Control installation, system operator's
- 9 Converter, synchronous or rotary
- 10 Crane or hoist
- 11 Exciter
- 12 Fire protection system or equipment
- 13 Frequency changer
- 14 Frequency control system
- 15 Fuse equipment, set of high tension
- 16 Generator voltage regulator system
- 17 Lighting system
- 18 Lighting arrester, 23 kv or higher, set of
- 19 Manhole
- 20 Motor generator set
- 21 Oil purifier or filter
- 22 Oil switch or circuit breaker
- 23 Panel or panels, devoted to a single purpose, with equipment accessory thereto
- 24 Reactor or resistor
- 25 Rectifier
- 26 Storage battery, set or bank for station control and power
- 27 Structure forming or support for one or more units of equipment
- 28 Switches, air break, grounding or set of disconnecting
- 29 Switchgear (compartment, cubicle, etc ), complete assembly
- 30 Telemetering equipment, each installation
- 31 Testing equipment, set of
- 32 Track system, transformer
- 33 Transformer, not accessory to a panel
- 34 Truck switch with wiring and instruments
- 35 Truck, transformer
- 36 Unit station
- 37 Voltage regulator (see also item 16)
- 38 Wave trap, carrier current

2302 Towers and Fixtures

- 1 Tower
- 2 Foundation

2304 Poles and Fixtures

- 1 Frame, A or H, with associated crossarms, guys, anchors, etc
- 2 Pole, i e , line pole, brace pole or guy pole, with associated crossarms, guys, anchors, etc
- 3 Special structure, such as, bridge fixture, river crossing, long-span fixture, with associated crossarms guys, anchors, etc

2204 Overhead Conductors and Devices

- 1 Conductor, two continuous spans of one circuit
- 2 Circuit breaker
- 3 Lightning arresters, set of
- 4 Line switches, set of

2205 Underground Conduit

- 1 Conduit, section of, between two manholes, or between a manhole and a pole
- 2 Manhole, splicing chamber or vault (not including handholes)
- 3 Ventilating equipment, complete installation at one location
- 4 Tunnel

2206 Underground Conductors and Devices

- 1 Circuit breaker
- 2 Cable (buried), with potheads, section between two terminal points
- 3 Cable (in conduit), with potheads, circuit between two manholes or vaults or between a manhole and a terminal
- 4 Cable (submarine), with potheads, between terminal chambers or manholes
- 5 Lightning arresters, set of
- 6 Line switches, set of
- 7 Pump house, complete structure (oil filled cables)
- 8 Pumping equipment, storage tank, etc , each installation (oil filled cables)

**Distribution Plant**

2308 Structures and Improvements

(See Account 2102 for applicable retirement units of property )

2309 Station Equipment

(See Account 2213 for applicable retirement units of property )

2302 Towers and Fixtures

- 1 Tower
- 2 Foundation

2303 Poles and Fixtures

- 1 Frame, A or H, with associated crossarms, guys, anchors, etc
- 2 Pole, i e , line pole, brace pole, or guy pole, with associated crossarms, guys, anchors, etc

2304 Overhead Conductors and Devices

- 1 Conductor, two continuous spans of one circuit
- 2 Circuit breaker
- 3 Lightning arresters, set of
- 4 Line switches, set of

Note At option of utility, on distribution lines of low voltage, the retirement unit may comprise two continuous spans of one circuit including all associated line equipment

2305 Underground Conduit

- 1 Conduit, section of, between two manholes or between a manhole and a pole
- 2 Manhole, splicing chamber or vault (not including handholes )
- 3 Ventilating equipment, complete installation at one location
- 4 Tunnel

2306 Underground Conductors and Devices

- 1 Circuit breaker
- 2 Conductor (buried), section of cable between two termin points
- 3 Conductor (in conduit), circuit between two manholes or between a manhole and a pole
- 4 Conductor (submarine), submerged length of cable between terminal chambers or manholes
- 5 Lightning arresters, set of
- 6 Line switches, set of
- 7 Pump house, complete structure (oil filled cables)
- 8 Pumping equipment, storage tank etc , each installation (oil filled cables)

2310 Line Transformers

- 1 Transformer, capacitor bank, voltage regulator or network protector, with associated control and protective devices

(See also text of Account 7412, Overhead Line Expenses and Account 7413, Underground Line Expenses )

2311 Meters

- 1 Current limiting device
- 2 Instrument transformers, set of
- 3 Meter
- 4 Time switch

(See also text of Account 7416, Meter Expenses )

2312 Services

- 1 Overhead service
- 2 Underground service, with duct

2313 Distribution - Other

- 1 Cable vault on customer premises
- 2 Commercial lighting equipment installation on one premise
- 3 Equipment installation, such as a frequency changer, a motor generator set, etc on customer premises
- 4 Switchboard and wire or cable connections on one customer premise
- 5 Leased Property on Customer's premises
- 6 Street Lighting and Signal Systems
  - a Capacitor, bank of
  - b Control equipment, such as, contactor, protector, clock operated switch, etc
  - c Post, standard or bracket, with or without luminaire or suspension lamp fixture
  - d Signal installations at one location
  - e Transformer

Note See also units as listed under Accounts 2304, Overhead Conductors and Devices, 2305, Underground Conduit, 2306, Underground Conductors and Devices, and 2310, Line Transformers, when such property is included in this account

## General Plant

### 2741 Group 1 Assets

Each principal item or set of equipment such as

- 1 Passenger automobiles
- 2 Automobile and tractor equipment for use on roads
- 3 Special instruments,
- 4 Sundries and accessories,
- 5 Computers, peripherals and equipment for data processing and facility

### 2742 Group 2 Assets

Each principal item or set of equipment such as

- 1 Trucks, buses, special automobiles, and trailers
- 2 Electronic equipment
- 3 Construction equipment
- 4 Office Furniture

### 2743 Group 3 Assets

Each principal item or set of equipment such as

- 1 Power machines and equipment
- 2 Communication facilities

### 2744 Group 4 Assets

- 1 Buildings
- 2 Structures

(See account 2102, for applicable retirement units of property)

### 2745 Group 5 Assets

Each principal item or set of equipment including general plant assets subject to depreciation not included in other groups

## G Chart of Accounts

### Index

	<b>ASSETS</b>
1000	CURRENT ASSETS
2000	LONG-TERM ASSETS
	<b>LIABILITIES</b>
3000	CURRENT LIABILITIES
4000	LONG-TERM LIABILITIES
	<b>EQUITY</b>
5000	EQUITY
	<b>OPERATING REVENUE</b>
6000	OPERATING REVENUE
	<b>OPERATING EXPENSES</b>
7000	OPERATING EXPENSES
	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>
8000	GENERAL AND ADMINISTRATIVE EXPENSES
	<b>DEPRECIATION</b>
8200	DEPRECIATION
	<b>TAXES OTHER THAN PROFIT - OPERATING</b>
8500	TAXES OTHER THAN PROFIT - OPERATING
	<b>PROFIT TAXES - OPERATING</b>
8600	PROFIT TAXES - OPERATING
	<b>INTEREST CHARGES</b>
9000	INTEREST CHARGES
	<b>NON-OPERATING INCOME AND EXPENSE</b>
9500	NON-OPERATING INCOME AND EXPENSE
	<b>EXTRAORDINARY GAINS AND LOSSES</b>
9800	EXTRAORDINARY GAINS AND LOSSES

Chart of Accounts

FERC	GEO	IAS/REG	DESCRIPTION
(Reference only)			
			<b>ASSETS</b>
		<b>1000</b>	<b>CURRENT ASSETS</b>
			Current assets are intended to be converted into cash during the normal operating cycle or within one year
		<b>1100</b>	<b>Cash</b>
			Includes cash (national & foreign) on hand and petty cash
131	50	1110	Cash on Hand - National Currency
131	50	1120	Cash on Hand - Foreign Currency
135	50	1130	Petty Cash - National Currency
		<b>1200</b>	<b>Bank Deposits</b>
			Includes all bank accounts checks and bank drafts
131	51	1210	Local Bank - national currency
131	52	1220	Local Bank - foreign currency
131	52	1230	International Bank - foreign currency
131	57	1250	In Process of Transfer
		<b>1300</b>	<b>Short-term investments</b>
			Includes short-term (up to 12 months of maturity) investments in securities such as treasury bills, time deposits, government bonds
136	58	1310	Marketable securities
136	58	1320	Government+D45 securities
136	56	1325	Savings certificates
136	58	1330	Bonds, mutual funds and annuities

		1335	Current portion of Long-term Investments
136	58	1340	Other short-term investments
132-134	55	1350	Special Bank Accounts
		<b>1400</b>	<b>Accounts Receivable (AR)</b>
			Includes accounts and other notes receivable due within one year for goods sold and services rendered on a credit basis, advances to employees and other receivable from associated companies
142	45	1401	Accounts receivable - Electric
146	45	1410	AR - Related parties
144	82	1440	Allowance for doubtful accounts - service
	19	1452	AR - VAT on Services
	19	1453	AR - VAT on acquired capital investments
	19	1454	AR - VAT on acquired intangible assets
	19	1455	AR - VAT on acquired fixed assets
	19	1456	AR - VAT on acquired tangible assets
146	79	1458	Receivable from associated companies
143	71	1459	Employee Business Advances
143	73	1460	Employee Non-Business Advances
143	68	1461	Tax receivable
171	76	1462	Interest receivable
171	76	1463	Dividends receivable
	76	1464	Current portion of long-term receivables
143	63	1465	Claims Receivable
143	61	1466	Accounts Receivable - Advances to suppliers
173	83	1467	Accrued Utility Revenues Receivable
143	75	1468	Payments Receivable from Members (Founders) to Capital Stock
143	76	1469	Other receivables
		<b>1500</b>	<b>Notes Receivable</b>
141	62	1510	Notes receivable (due within one year)
144	82	1520	Allowance for doubtful accounts - notes receivable
145	78	1530	Notes receivable - Associated Companies
144	82	1540	Allowance for doubtful accounts - notes receivable - Assoc companies

		<b>1600</b>	<b>Inventory</b>
			Includes raw materials materials fuel purchased prefabricated goods details spare parts building materials and other materials used for production
151	10	1610	Fuel Stock
152	10	1620	Fuel Stock Expenses Undistributed
154	10	1650	Materials and Operating Supplies
163	12,15,16	1675	Stores Expenses Undistributed
156	10	1680	Other inventory
		<b>1800</b>	<b>Prepaid Expenses</b>
			Prepaid expenses are those paid in the current accounting period but related to future accounting period
165	31	1810	Prepaid materials
165	31	1815	Prepaid labor
165	31	1820	Prepayment to suppliers
165	31	1825	Prepayment to suppliers - related parties
165	31	1830	Rent prepayments
165	31	1835	Prepaid insurance
165	31	1840	Prepaid services
165	31	1850	Other prepayments
		<b>1900</b>	<b>Deferred Charges</b>
			Deferred charges are prepayments that can be charged to operations over a period of months
181	31	1901	Unamortized Debt Expense
		1902	Other Regulatory Assets - Current
		<b>1990</b>	<b>Other Current Assets</b>
185	30	1991	Temporary Facilities
174		1992	Miscellaneous Current and Accrued Assets
186		1993	Miscellaneous Deferred Debits
190		1995	Accumulated Deferred Profit Taxes

		2000	<b>LONG-TERM ASSETS</b> Assets that have a useful life of more than one year and are acquired for use in the operations of the business. These are generally not intended for resale.
		2010	<b>Intangible Assets</b>
		2050	<b>Intangible Assets - Amortization</b> Include intangible assets and other assets. Intangible assets have no physical substance but have a value based on rights or advantages accruing to the owner. Examples include franchises, goodwill, patents and copyright. Amortization is a contra-account used to accumulate allocation of cost of an intangible asset or group of assets.
101,301	04	2011	<b>Organization</b>
111	05	2051	<b>Accumulated amortization expense of Organization</b>
101,302	04	2012	<b>Franchises and Consents</b>
111	05	2052	<b>Accumulated amortization expense of Franchises and Consents</b>
101,303	04	2013	<b>Miscellaneous Intangible Plant</b>
111	05	2053	<b>Accumulated amortization expense of Miscellaneous Intangible Plant</b>
			<b>Fixed assets</b> Include items such as land, buildings, machinery, office equipment, furniture and fixtures, vehicles, computers and leasehold improvements. Fixed assets include the accumulated depreciation for these assets categories. Accumulated depreciation is a contra-asset account used to accumulate the depreciation expense of a specific fixed asset or group of assets.
		2100	<b>Production - Plant in Service</b>
		2150	<b>Accumulated Depreciation - Production</b>

			Detailed subsidiary information should be maintained which provides plant account and depreciation information by power plant unit
			<b>Fossil Fueled Plants - Plant in Service</b>
310	01	2101	Land and Land Rights
311	01	2102	Structures and Improvements
342	01	2103	Fuel Holders Producers, and Accessories
312	01	2104	Boiler Plant and Equipment
313,343	01	2105	Engines, Prime Movers (non-steam)
344	01	2106	Generators (non-steam driven)
314	01	2107	Turbogenerator Units
315	01	2108	Accessory Electric Equipment
316	01	2109	Miscellaneous Power Plant Equipment
108	02	2151	Accumulated Depreciation - Fossil Fueled Plants
			<b>Hydro Plants - Plant in Service</b>
330	01	2120	Land and Land Rights
331	01	2121	Structures and Improvements
332	01	2122	Reservoirs, Dams, and Waterways
333	01	2123	Water wheels, turbines, and generators
334	01	2124	Accessory electric equipment
335	01	2125	Miscellaneous Power Plant Equipment
108	02	2152	Accumulated Depreciation - Hydro Plants
		2200	<b>Transmission - Plant in Service</b>
		2250	<b>Transmission - Accumulated Depreciation</b>
			Detailed subsidiary information should be maintained which provides Transmission plant account and depreciation information by voltage 500KV, 330KV 220KV, 110 KV, and 35KV
			<b>Transmission Lines</b>
350	01	2201	Land and Land Rights
354	01	2202	Towers and Fixtures
355	01	2203	Poles and Fixtures
356	01	2204	Overhead Conductors and devices
357	01	2205	Underground Conduit

358	01	2206	Underground Conductors and Devices
108	02	2251	Accumulated Depreciation - Transmission Lines
			<b>Transmission Substations</b>
350	01	2211	Land and Land Rights
352	01	2212	Structures and Improvements
353	01	2213	Substation Equipment
108	02	2252	Accumulated Depreciation - Transmission Substations
		<b>2300</b>	<b>Distribution - Plant in Service</b>
		<b>2350</b>	<b>Distribution - Accumulated Depreciation</b>
			Detailed subsidiary information should be maintained which provides Distribution plant account and depreciation information by voltage 35KV, 6-10KV, 4KV
			<b>Distribution Overhead Lines</b>
360	01	2301	Land and Land Rights
364	01	2302	Towers and Fixtures
364	01	2303	Poles and Fixtures
365	01	2304	Overhead Conductors and Devices
108	02	2351	Accumulated Depreciation - Distribution Overhead Lines
			<b>Distribution Underground Lines</b>
366	01	2305	Underground Conduit
367	01	2306	Underground Conductors and Devices
108	02	2352	Accumulated Depreciation - Distribution Underground Lines
			<b>Distribution Substations</b>
360	01	2307	Land and Land Rights
361	01	2308	Structures and Improvements
362	01	2309	Station Equipment
108	02	2353	Accumulated Depreciation - Distribution Substations
			<b>Distribution Line Transformers</b>
368	01	2310	Line Transformers
108	02	2354	Accumulated Depreciation - Line Transformers

			<b>Distribution Meters</b>
370	01	2311	Meters
108	02	2355	Accumulated Depreciation - Meters
			<b>Distribution Services</b>
369	01	2312	Services
108	02	2356	Accumulated Depreciation - Services
			<b>Distribution - Other</b>
371,372,373	01	2313	Other
108	02	2357	Accumulated Depreciation - Other
		<b>2400</b>	<b>General Plant - Plant in Service</b>
		<b>2450</b>	<b>General Plant - Accumulated Depreciation</b>
389	01	2410	General Plant Land (Vacant)
389	01	2411	General Plant Land (Occupied by Building)
392	01	2401	Group 1 Assets - Plant in Service
108	02	2451	Group 1 Assets - Accumulated Depreciation
391,393-396	01	2402	Group 2 Assets - Plant in Service
108	02	2452	Group 2 Assets - Accumulated Depreciation
397	01	2403	Group 3 Assets - Plant in Service
108	02	2453	Group 3 Assets - Accumulated Depreciation
390	01	2404	Group 4 Assets - Plant in Service
108	02	2454	Group 4 Assets - Accumulated Depreciation
398	01	2405	Group 5 Assets - Plant in Service
108	02	2455	Group 5 Assets - Accumulated Depreciation

		<b>2500</b>	<b>Other Plant in Service</b>
101	03	2501	Plant in Service - Leased
104	01	2502	Electric Plant Leased to Others
103	01	2503	Experimental Electric Plant Unclassified
105	01	2504	Electric Plant Held for Future Use
106	01 08	2505	Completed Construction Not Yet Classified
118	01	2506	Other Utility Plant
		<b>2550</b>	<b>Other Plant in Service - Accumulated Depreciation</b>
108	02	2551	Accumulated Depreciation/Amortization - Other Plant In Service
119		2556	Accumulated Depreciation/Amortization - Other Utility Plant
		<b>2600</b>	<b>Construction Work In Progress (CWIP)</b>
			Detailed information should be maintained which provides the power plant unit and voltage information required for Plant In Service
			<b>Intangible Plant</b>
107	08	2601	Organization
107	08	2602	Franchises and Consents
107	08	2603	Miscellaneous Intangible Plant
			<b>Fossil Fueled Plants</b>
107	08	2604	Land and Land Rights - Fossil Fueled Plants
107	07,08 10	2605	Structures and Improvements
107	07,08 10	2606	Fuel Holders, Producers, and Accessories
107	07,08,10	2607	Boiler Plant and Equipment
107	07,08,10	2608	Engines Prime Movers (Non-Steam)
107	07,08 10	2609	Generators (non-steam)
107	07,08,10	2610	Turbogenerator Units
107	07,08,10	2611	Accessory Electric Equipment
107	07,08,10	2612	Miscellaneous Power Plant Equipment
			<b>Hydro Plants</b>
107	08	2613	Land and Land Rights - Hydro Plants
107	07,08,10	2614	Structures and Improvements

107	07 08 10	2615	Reservoirs Dams and Waterways
107	07,08,10	2616	Water wheels turbines and generators
107	07 08 10	2617	Accessory electric equipment
107	07,08,10	2618	Miscellaneous Power Plant Equipment
			<b>Transmission Lines</b>
107	08	2619	Land and Land Rights
107	07 08 10	2620	Towers and Fixtures
107	07,08,10	2621	Poles and Fixtures
107	07,08,10	2622	Overhead Conductors and devices
107	07 08 10	2623	Underground Conduit
107	07,08 10	2624	Underground Conductors and Devices
			<b>Transmission Substations</b>
107	08	2625	Land and Land Rights
107	07,08,10	2626	Structures and Improvements
107	07,08,10	2627	Substation Equipment
			<b>Distribution Overhead Lines</b>
107	08	2628	Land and Land Rights
107	07,08,10	2629	Towers and Fixtures
107	07,08,10	2630	Poles and Fixtures
107	07,08 10	2631	Overhead Conductors and Devices
			<b>Distribution Underground Lines</b>
107	07,08 10	2632	Underground Conduit
107	07,08,10	2633	Underground Conductors and Devices
			<b>Distribution Substations</b>
107	08	2634	Land and Land Rights
107	07 08 10	2635	Structures and Improvements
107	07,08 10	2636	Station Equipment
			<b>Distribution Line Transformers</b>
107	07 08,10	2637	Line Transformers
			<b>Distribution Meters</b>

107	07 08,10	2638	Meters
			<b>Distribution Services</b>
107	07 08 10	2639	Services
			<b>Distribution - Other</b>
107	07 08,10	2640	Other
			<b>General Plant</b>
107	08	2641	General Plant Land (Vacant)
107	08	2642	General Plant Land (Occupied by Building)
107	07,08,10	2643	Group 1 Assets
107	07,08,10	2644	Group 2 Assets
107	07,08,10	2645	Group 3 Assets
107	07,08,10	2646	Group 4 Assets
107	07 08,10	2647	Group 5 Assets
107	07 08,10	2649	Other Plant in Service
		2700	<b>Removal Work In Progress - Electric</b>
			Detailed information should be maintained which provides the power plant unit and voltage information required for Plant In Service
			<b>Intangible Plant</b>
108		2701	Organization
108		2702	Franchises and Consents
108		2703	Miscellaneous Intangible Plant
			<b>Fossil Fueled Plants</b>
108		2704	Land and Land Rights - Fossil Fueled Plants
108		2705	Structures and Improvements
108		2706	Fuel Holders Producers and Accessories
108		2707	Boiler Plant and Equipment
108		2708	Engines, Prime Movers (Non-Steam)
108		2709	Generators (non-steam)

108		2710	Turbogenerator Units
108		2711	Accessory Electric Equipment
108		2712	Miscellaneous Power Plant Equipment
			<b>Hydro Plants</b>
108		2713	Land and Land Rights - Hydro Plants
108		2714	Structures and Improvements
108		2715	Reservoirs, Dams, and Waterways
108		2716	Water wheels, turbines, and generators
108		2717	Accessory electric equipment
108		2718	Miscellaneous Power Plant Equipment
			<b>Transmission Lines</b>
108		2719	Land and Land Rights
108		2720	Towers and Fixtures
108		2721	Poles and Fixtures
108		2722	Overhead Conductors and devices
		2723	Underground Conduit
108		2724	Underground Conductors, and Devices
			<b>Transmission Substations</b>
108		2725	Land and Land Rights
108		2726	Structures and Improvements
108		2727	Substation Equipment
			<b>Distribution Overhead Lines</b>
108		2728	Land and Land Rights
108		2729	Towers and Fixtures
108		2730	Poles and Fixtures
108		2731	Overhead Conductors and Devices
			<b>Distribution Underground Lines</b>
108		2732	Underground Conduit
		2733	Underground Conductors and Devices
			<b>Distribution Substations</b>
108		2734	Land and Land Rights

108		2735	Structures and Improvements
108		2736	Station Equipment
			<b>Distribution Line Transformers</b>
108		2737	Line Transformers
			<b>Distribution Meters</b>
108		2738	Meters
			<b>Distribution Services</b>
108		2739	Services
			<b>Distribution - Other</b>
108		2740	Other
			<b>General Plant</b>
108		2741	General Plant Land (Vacant)
108		2742	General Plant Land (Occupied by Building)
108		2743	Group 1 Assets
108		2744	Group 2 Assets
108		2745	Group 3 Assets
108		2746	Group 4 Assets
108		2747	Group 5 Assets
108		2749	Other Plant in Service
		<b>2800</b>	<b>Long-term Assets</b>
			Include notes receivables and other receivables not due within one year for goods sold and services rendered on a credit basis, as well as other long-term receivables
124	06	2801	Notes receivable
124	06	2802	Long-term Loans to customers
124	06	2804	Other long-term receivables
145	79	2805	Other long-term receivables - related parties
144	82	2806	Allowance for bad debts - long-term

128	06	2807	Other Special Funds
181	31	2808	Unamortized Debt Expense
182 1		2809	Extraordinary Property Losses (Regulatory)
182 2		2810	Unrecovered Plant and Regulatory Study Costs
182 3		2811	Other Regulatory Assets - Long-term
183	08	2812	Preliminary Survey and Investigation
186	31	2813	Miscellaneous Deferred Debits
189		2814	Unamortized Loss on Reacquired Debt
190		2815	Accumulated Deferred Profit Taxes
		<b>2850</b>	<b>Long-term Investments</b>
			Include investments in securities with maturity longer than one year
124	06	2851	Bonds
123	06	2852	Investments in subsidiary companies
123	06	2853	Investments in joint-ventures
123	06	2854	Investments in associated companies
124	06	2855	Long-term Bank Investments
124	06	2856	Other long-term investments
		<b>2950</b>	<b>Non-Utility Property</b>
121	01	2951	Non-Utility Property
122	02	2952	Accumulated Depreciation / Amortization - Non-Utility Property
121	04	2953	Non-Utility Property - Intangible Assets
122	05	2954	Accumulated Depreciation / Amortization - Non-Utility Property - Intang
121	08	2955	Non-Utility Property - In Progress
121	30	2956	Non-Utility Property - Non Capital Works
			<b>LIABILITIES</b>
		<b>3000</b>	<b>CURRENT LIABILITIES</b>

			Current liabilities include debts and other obligations due during the normal operating cycle or within one year
		<b>3100</b>	<b>Accounts Payable</b>
			Include accounts payable and notes payable to suppliers and vendors for goods or services purchased on a credit basis
232	60	3110	Accounts Payable
232	60	3111	Accounts Payable - Suppliers and Contractors
232	64	3120	Accounts Payable - Advances Received
232	65	3130	Accounts Payable - Property and Personal Insurance
232	69	3140	Accounts Payable - Social Insurance and Medical Insurance
234	78	3150	Accounts Payable - Associated Companies
232	76	3170	Accounts Payable - Other
		<b>3300</b>	<b>Short-Term Debt</b>
			Includes amounts owed for a period of repayment of less than one year Short-term debt includes current portion of a long-term debt owed to banks and non-banking institutions or associated companies
231	90	3310	Short-term Bank Loans
231	94	3320	Other short-term Loans
233	78	3330	Short term loans owed to associated companies
		3340	Current portion of long-term debt
231	94	3350	Other short-term debt
		<b>3400</b>	<b>Taxes Payable</b>
			Includes accrued taxes for wages and salaries to employees, VAT, profit tax and excise tax
236	68	3410	Profit taxes payable

236	241	68	3420	Payroll taxes payable
236		68	3430	Value Added Tax (VAT) payable
236		68	3440	Excise taxes payable
236		68	3450	Custom fees payable
236		68	3460	Local taxes payable
241		68	3470	Tax Collections Payable
236		68	3490	Other taxes payable
			<b>3500</b>	<b>Accrued Liabilities</b>
				Include expenses incurred during the accounting period but not yet paid Examples include paid for vacations interest, etc
237,239		76	3510	Accrued interest
			3520	Accrued holidays and compensations
			3530	Accrued discounts
			3540	Accrued premiums
			3550	Accrued pensions
		69	3560	Accrued social insurance
			3570	Accrued charges
			3590	Other accrued expenses
			<b>3600</b>	<b>Current Liabilities</b>
232		70	3610	Wages and salaries payable
238		75	3620	Dividends payable
232		76	3630	Liability for fees, royalties, commissions
232		71,73	3640	Payable to employees, officers directors
235		64	3650	Customer Deposits
		75	3660	Shareholders loans
239		95	3670	Matured Long-Term Debt
243			3680	Obligations under Finance Leases - Current
242			3690	Other Current liabilities
254			3695	Other Regulatory Liabilities - Current
			<b>4000</b>	<b>LONG-TERM LIABILITIES</b>
				Debts and liabilities payable over one year

		<b>4100</b>	<b>Long-Term Debt</b>
			Includes amounts owed to a bank non-banking institution or an associated company for a repayment period of over a year The current portion of due within one year will be shown as a current asset
221	95	4110	Bonds payable
224	92	4120	Notes payable to banks
224	95	4130	Notes payable to non-banking institutions
223	78	4140	Notes payable to associated companies
224	95	4150	Notes payable - other
224	97	4160	Obligations under finance leases - Noncurrent
223	78	4170	Long term loans - related parties
222		4180	Reacquired Bonds
225	83	4185	Unamortized Premium on Long-Term Debt
226	80	4190	Unamortized Discount on Long-Term Debt-Debit
224	95	4290	Other long-term debt
		<b>4300</b>	<b>Long-term deferred payables and other long-term liabilities</b>
			Taxes expected to be paid in the future resulting from timing Long-Term debt which cannot be classified into other categories Examples include deferred income
282		4310	Accumulated Deferred Profit Taxes
252	64	4320	Customer Advances for Construction
254		4330	Other Regulatory Liabilities - Long-term
257		4340	Unamortized Gain on Reacquired Debt
229	76	4350	Other long-term liabilities
253		4360	Other Deferred Credits
229		4370	Accumulated Provision for Rate Refunds
		<b>4390</b>	<b>Operating Reserves</b>
228 1	86	4391	Property Insurance Reserve
228 2	86	4392	Injuries and Damages Reserve

228 3	86	4393	Pensions and Benefits Reserve
228 4	86	4394	Miscellaneous Operating Reserves
			<b>EQUITY</b>
	85 86	<b>5000</b>	<b>EQUITY</b>
			Equity is the interest in the assets of an entity after deduction of its liabilities Equity is increased or decreased based on the operations, additional investments by owners or distributed to owners
			<b>Capital Stock</b>
			Includes investments made by the founding (charter) members and additional investments made by other shareholders or charter members through purchase of stock Charter funds may include common, preferred and treasury stock
		<b>5100</b>	<b>Common stock</b>
			Share of stock that carries voting rights below preferred stock in terms of dividends and distribution of assets
201	85	5101	Common stock issued
202	75	5102	Common stock subscribed
203		5103	Common stock liability for conversion
		<b>5200</b>	<b>Preferred stock</b>
			Share of stock that has preference over common stock in terms of dividends and distribution of assets
204	85	5201	Preferred stock issued

205	75	5202	Preferred stock subscribed
206		5203	Preferred stock liability for conversion
		<b>5300</b>	<b>Treasury stock</b>
			Common and preferred stock is that issued and reacquired by the entity and has not been resold or retired
217	85	5301	Treasury stock
		<b>5400</b>	<b>Additional Paid in Capital</b>
			Includes amounts paid beyond the par value of the stock and also cost of granted assets
207	85	5401	Premium on Capital Stock
208	75	5402	Donations received from Stockholders
209	85	5403	Reduction in Par or Stated Value of Capital Stock
210	80	5404	Gain on Resale or Cancellation of Reacquired Capital Stock
211	85	5405	Miscellaneous Paid-In-Capital
212	75	5406	Installments Received on Capital Stock
213	85	5407	Discount on Capital Stock
214	85	5408	Capital Stock Expense
		<b>5900</b>	<b>Retained Earnings - Unappropriated</b>
			Include entity's earnings since its start less any losses, dividends and other capital expenses
216	87	5901	Retained Earnings - Unappropriated
		<b>5970</b>	<b>Retained Earnings - Appropriated</b>
			Retained earnings restricted to distribution among shareholders and used for special purposes
215	86	5971	Retained Earnings - Appropriated

	86	5975	<b>Reservcs</b>
		<b>5980</b>	<b>Revaluation Adjustments</b>
			Includes net increases or decreases resulting from revaluation of assets
		5981	Fixed Asset revaluation adjustments
		5982	Inventory revaluation adjustment
		5983	Investments revaluation adjustment
		<b>6000</b>	<b>OPERATING REVENUE</b>
		<b>6100</b>	<b>Operating Revenue</b>
			Includes increase of equity resulting from sales of goods, performance of services or other operations These accounts are specific to the nature of the electric business
440	46	6110	Residential Sales
442	46	6120	Commercial Sales
442	46	6130	Industrial Sales
445	46	6140	Sales to Public Authorities
447	46	6150	Sales for Resale - Capacity
447	46	6151	Sales for Resale - Energy
447	46	6152	Sales for Resale - Other Charges
447	46	6153	Sales for Resale - Capacity & Energy
456	46	6160	Transmission of electricity for Others - Capacity (Wheeling)
456	46	6161	Transmission of electricity for Others - Energy (Wheeling)
456	46	6162	Transmission of electricity for Others - Other Charges
456	46	6163	Transmission of Electricity for Others - Capacity & Energy
456	80	6170	Other Electric Revenues
Stm Dept	46	6171	Steam Revenues
440-447	83	6175	Unbilled Revenue
411 6		6180	Gains from Disposition of Utility Plant

412		6185	Rental / Lease Revenue
414		6190	Other Utility Operating Revenue
449 1		6191	Provision for Rate Refunds
407 4		6195	Regulatory Credits
		6199	Gain from Foreign Exchange Differences from Transactions with Foreign Countries - Operating
		<b>7000</b>	<b>OPERATING EXPENSES</b>
		<b>7100</b>	<b>Fuel</b>
			Cost of fuel used in producing electric power
501	20	7101	Fuel - Natural Gas
501	20	7102	Fuel - Coal
501	20	7103	Fuel - Muzat
		<b>7200</b>	<b>Purchased Power</b>
555	20	7201	Purchased Power - Capacity Charges
555	20	7202	Purchased Power - Energy Charges
555	20	7203	Purchased Power - Other Charges
555	20	7204	Purchased Power - Capacity & Energy
		<b>7400</b>	<b>Operation Expense</b>
500-507	25	7401	Fossil Fueled Power
535-540	25	7402	Hydro Power
556	25	7403	Generation System Control and Load Dispatching
565	25	7404	Transmission of Electricity by others - Capacity
565	25	7405	Transmission of Electricity by others - Energy
565	25	7406	Transmission of Electricity by others - Capacity & Energy
561	25	7407	Transmission System Control and Load Dispatching
563	25	7408	Transmission Lines
562	25	7409	Transmission Substations
566	25	7410	Other Transmission Operation Expense
581	25	7411	Distribution System Control and Load Dispatching
583	25	7412	Distribution Overhead Lines
584	25	7413	Distribution Underground Lines
582	25	7414	Distribution Substations

588	25	7415	Distribution Transformers
586	25	7416	Distribution Meters
585-589	25	7417	Other Distribution Operation Expense
		<b>7500</b>	<b>Maintenance Expense</b>
510-514	25	7501	Fossil Fueled Power
541-545	25	7502	Hydro Power
571	25	7503	Transmission Lines
569,570	25	7504	Transmission Substations
573	25	7505	Other Transmission Maintenance Expense
593	25	7506	Distribution Overhead Lines
594	25	7507	Distribution Underground Lines
591,592	25	7508	Distribution Substations
595	25	7509	Distribution Line Transformers
597	25	7510	Distribution Meters
598	25	7511	Other Distribution Maintenance Expense
		<b>7600</b>	<b>Rehabilitation Expense</b>
510-514	25	7601	Fossil Fueled Power
541-545	25	7602	Hydro Power
571	25	7603	Transmission Lines
569,570	25	7604	Transmission Substations
573	25	7605	Other Transmission Rehabilitation Expense
593	25	7606	Distribution Overhead Lines
594	25	7607	Distribution Underground Lines
591,592	25	7608	Distribution Substations
595	25	7609	Distribution Transformers
597	25	7610	Distribution Meters
598	25	7611	Other Distribution Rehabilitation Expense
		<b>7700</b>	<b>Customer Accounts and Service</b>
902	26	7701	Meter Reading
903	26	7702	Billing and Customer Records
903	26	7703	Collection Expense

904	26	7704	Uncollectible Accounts
907-910	26	7705	Customer Service and Informational Expenses
		<b>8000</b>	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>
			Expenses related to general overheads of business Includes all non-selling expenses administrative rent, other supplies, etc
920	26	8010	Salaries - Administrative and General
926	26	8011	Employee Benefits and Insurance
921	26	8012	Travel Expense - Local
921	26	8013	Travel Expense - International
920	26	8014	Staff Training
921	26	8015	Office equipment and supplies
931,932	26	8016	Rent or maintenance of buildings
921	26	8017	Utilities
921	26	8018	Communication
921	26	8019	Technical Security Costs
921	26	8020	Guard and Security
924	26	8021	Property Insurance
925	26	8022	Liability Insurance
928	26	8023	License fees and other Regulatory expense
923	26	8024	Audit
923	26	8025	Legal
923	26	8026	Consulting
923	26	8027	Public relations
930 2	26	8028	Miscellaneous General Expense
930 1	26	8029	General Advertising Expense
921	26	8030	Other general and administrative expenses
411 7	26	8031	Losses from Disposition of Utility Plant
407 3		8032	Regulatory Debits
		8099	Loss from Foreign Exchange Differences from Transactions with Foreign Countries - Operating
		<b>8200</b>	<b>DEPRECIATION</b>

403	25	8201	Fossil Fueled Plants
403	25	8202	Hydro Plants
403	25	8203	Transmission Lines
403	25	8204	Transmission Substations
403	25	8205	Distribution Overhead Lines
403	25	8206	Distribution Underground Lines
403	25	8207	Distribution Substations & Switching stations
403	25	8208	Distribution Line Transformers
403	25	8209	Distribution Meters
403	25	8210	Distribution Services
403	25	8211	Other Distribution Plant
403	25	8212	Depreciation - Group 1 assets
403	25	8213	Depreciation - Group 2 assets
403	25	8214	Depreciation - Group 3 assets
403	25	8215	Depreciation - Group 4 assets
403	25	8216	Depreciation - Group 5 assets
404,405,406	25	8300	Amortization / Depreciation - Other
407		8301	Amortization of Property Losses Unrecovered Plant & Regulatory Study Cost
		<b>8500</b>	<b>TAXES OTHER THAN PROFIT - OPERATING</b>
408	26	8501	Payroll Taxes
408	26	8502	Value Added Tax
408	26	8503	Property
408	26	8504	Land Use
408	26	8505	Transport
408	26	8506	Tax of Natural Resources
408	26	8507	Local Taxes
408	26	8508	Other Taxes
		<b>8600</b>	<b>PROFIT TAXES - OPERATING</b>

409	81	8601	Profit Tax - Operating
410		8602	Provision for Deferred Profit Taxes - Operating
411		8603	Provision for Deferred Profit Taxes - Cr - Operating
		<b>9000</b>	<b>INTEREST CHARGES</b>
427		9001	Interest expense on Long Term Debt
431		9002	Interest expense on bank loans
431		9003	Interest expense on non-bank loans
431		9004	Interest expense on intercompany loans
431		9005	Interest expense on associated companies loans
428		9006	Amortization of debt discount and expense
428 1		9007	Amortization of loss on reacquired debt
429		9008	Amortization of premium on debt - Cr
429 1		9009	Amortization of gain on reacquired debt - Cr
431		9010	Other interest expense
432		9011	Allowance for Borrowed Funds Used During Construction - Cr
		<b>9500</b>	<b>NON-OPERATING INCOME AND EXPENSE</b>
			Income received as a result of non-principal business Include income from investments and interest earned on loans to customers
			Expenses not related to principal business Include expenses on loan or credit received by the entity
			<b>Non-Operating Income</b>
419		9501	Interest income on short-term investments
418 1		9502	Equity in earnings of subsidiary companies
419 1		9503	Allowance for Other Funds used During Construction
419		9504	Interest income from other investments
419		9505	Interest income on government securities
418 1		9506	Income from intercompany transactions
418 1		9507	Income from associated companies
419		9508	Income from dividends

		9510	Income from foreign exchange differences from transactions with foreign currencies - Non-Operating
415 417,418		9511	Other non-operating income
421 1		9512	Gain on Disposition of Property
			<b>Non-Operating Expense</b>
		9550	Losses from foreign exchange differences from transactions with foreign currencies - Non-Operating
426 1		9551	Donations
426 2		9552	Insurance
426 3		9553	Penalties & Fines
426 4		9554	Expenditures for certain civic, political, and related activities
426 5		9555	Other Deductions
416 417 1		9556	Expenses of Non-Utility Operations
408 2		9557	Taxes Other than Profit - Non-Operating
421 2		9558	Loss on Disposition of Property
		9600	<b>Profit Taxes - Non-Operating</b>
409 2	81	9601	Profit Tax - Non-Operating
410 2		9602	Provision for deferred Profit taxes - Non-Operating
411 2		9603	Provision for deferred Profit taxes - Cr - Non-Operating
		9800	<b>EXTRAORDINARY GAINS AND LOSSES</b>
			Transaction or an event that is both infrequent in occurrence and unusual in nature
434		9810	Extraordinary gain
435		9820	Extraordinary loss

Notes

- 1 FERC column is presented for reference purposes only and refers to the FERC Uniform System of Accounts
- 2 GEO column is presented for reference purposes only and refers to Georgian Statutory Chart of Accounts
- 3 IAS/REG column contains the accounts being established for use in compliance with IAS and meeting the Regulatory Accounting information needs of GNERC

## Detailed Index

	<b>ASSETS</b>
1000	CURRENT ASSETS
1100	Cash
1200	Bank Deposits
1300	Short-term Investments
1400	Accounts Receivable (AR)
1500	Notes Receivable
1600	Inventory
1800	Prepaid Expenses
1900	Deferred Charges
1990	Other Current Assets
2000	LONG-TERM ASSETS
2010	Intangible Assets
2100	Production - Plant in Service
2150	Accumulated Depreciation - Production
2200	Transmission - Plant in Service
2250	Accumulated Depreciation - Transmission
2300	Distribution - Plant in Service
2350	Accumulated Depreciation - Distribution
2400	General Plant - Plant in Service
2450	Accumulated Depreciation - General Plant
2500	Other Plant in Service
2550	Accumulated Depreciation - Other Plant in Service
2600	Construction Work in Progress
2700	Removal Work in Progress
2800	Long-term Assets
2850	Long-term Investments
2950	Non-Utility Property
	<b>LIABILITIES</b>
3000	CURRENT LIABILITIES
3100	Accounts Payable
3300	Short-Term Debt
3400	Taxes Payable
3500	Accrued Liabilities
3600	Current Liabilities
4000	LONG-TERM LIABILITIES
4100	Long-Term Debt
4300	Long-term deferred payables and other long-term liabilities
4390	Operating Reserves
	<b>EQUITY</b>
5000	EQUITY
5100	Common Stock
5200	Preferred Stock

5300	Treasury Stock
5400	Additional Paid in Capital
5900	Retained Earnings - Unappropriated
5970	Retained Earnings - Appropriated
5975	Reserves
5980	Revaluation Adjustments
	<b>OPERATING REVENUE</b>
6000	OPERATING REVENUE
6100	Operating Revenue
	<b>OPERATING EXPENSES</b>
7000	OPERATING EXPENSES
7100	Fuel
7200	Purchased Power
7400	Operation Expense
7500	Maintenance Expense
7600	Rehabilitation Expense
7700	Customer Accounts and Service
	<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>
8000	General and Administrative Expenses
	<b>DEPRECIATION</b>
8200	Depreciation
	<b>TAXES OTHER THAN PROFIT - OPERATING</b>
8500	Taxes Other Than Profit - Operating
	<b>PROFIT TAXES - OPERATING</b>
8600	Profit Taxes - Operating
	<b>INTEREST CHARGES</b>
9000	INTEREST CHARGES
	<b>NON-OPERATING INCOME AND EXPENSE</b>
9500	NON-OPERATING INCOME AND EXPENSE
9600	PROFIT TAXES - NON-OPERATING
	<b>EXTRAORDINARY GAINS AND LOSSES</b>
9800	EXTRAORDINARY GAINS AND LOSSES

## **H Description of Accounts**

Presented below is information describing the types of items which should be included in the indicated Accounts

### **1000 CURRENT ASSETS**

#### **1100 Cash**

1110 Cash on Hand - National Currency

1120 Cash on Hand - Foreign Currency

1130 Petty Cash - National Currency

These accounts include the amount of current cash funds held by the enterprise

#### **1200 Bank Deposits**

1210 Local Bank - national currency

1220 Local Bank - foreign currency

1230 International Bank - foreign currency

These accounts should include the amount of funds deposited at the bank which are available for general corporate purposes

#### 1250 In Process of Transfer

This account is used in conjunction with transfers from one bank account to another to maintain an audit trail for funds being transferred

#### **1300 Short-term Investments**

1310 Marketable Securities

1320 Government Securities

1325 Savings Certificates

1330 Bonds, Mutual Funds and Annuities

1335 Current Portion of Long-term Investments

1340 Other short-term investments

These accounts include the book cost of investments, such as demand and time deposits, certificates of deposit, and other similar investments acquired for the purpose of temporarily investing cash. It also includes the current portion of Long-term Investments

#### 1350 Special Bank Accounts

This account should include the deposits and the cost of investments which have been segregated into special funds for the purposes of making capital investments, debt service or dividend payments, or any other special purpose. Entries to this account shall specify the purpose for which

the deposit is made Assets available for general corporate purposes shall not be included in this account

#### **1400 Accounts Receivable**

##### 1401 Accounts Receivable - Electric

This account should include amounts due from customers for utility service, merchandising and contract work This account should not include amounts due from associated companies

##### 1410 AR - Related Parties

This account should include amounts due from associated companies

##### 1440 Allowance for doubtful accounts - service

This account is credited with amounts provided for losses on accounts receivable which may become uncollectible, and also with collections on accounts previously charged hereto Concurrent charges shall be made to Account 7704, Uncollectible Accounts, for amounts applicable to utility operations

##### 1452 AR - VAT on Services

##### 1453 AR - VAT on Acquired Capital Investments

##### 1454 AR - VAT on Acquired Intangible Assets

##### 1455 AR - VAT on Acquired Fixed Assets

##### 1456 AR - VAT on Acquired Tangible Assets

The value-added-tax (VAT) is a consumption tax There are two methods the credit-invoice method and the subtraction method VAT Most foreign governments, including Georgia, use the credit-invoice method Under the credit-invoice method, a tax is imposed on each enterprise's gross receipts A credit is calculated to offset the gross tax Generally the credit applies to the enterprises purchases (cost of goods) The VAT equals the tax (debit) less the credits These accounts contain the VAT paid on the indicated items which will be taken as credit against the VAT due on services of the company

##### 1458 Receivable from associated companies

This account contains amount receivable from associated companies (other than electric service billings)

##### 1459 Employee Business Advances

This account contains amounts advanced to employees for business purposes

1460 Employee Non-business Advances

This account contains amounts advanced to employees for non-business purposes

1461 Tax receivable

1462 Interest Receivable

1463 Dividends Receivable

These accounts contain amounts earned and receivable from parties, as indicated by the account title

1464 Current portion of Long-term receivables

This account contains amounts of Long-term receivables and investments due within one year

1465 Claims Receivable

This account contains amounts receivable from others relative to property damage claims, etc

1466 Accounts Receivable - Advances to suppliers

This account contains amounts advanced to suppliers

1467 Accrued Utility Revenues Receivable

This account contains the amount accrued at the end of the accounting period for revenues associated with kilowatt hours delivered to customers, but not billed

1468 Payments Receivable from Members (Founders) to Capital Stock

This account includes amounts receivable from stockholders, including debt of founders and shareholders subscribed for shares

1469 Other Receivables

This account includes other current receivables not provided for elsewhere

**1500 Notes Receivable**

1510 Notes Receivable

1530 Notes Receivable From Associated Companies

This account should contain amounts receivable from for which the due date is less than one year away

1520 Allowance for Doubtful Accounts - Notes Receivable

1540 Allowance for Doubtful Accounts - Notes Receivable - Associated Companies

This account is credited with amounts provided for losses on notes receivable which may become

uncollectible, and also with collections on accounts previously charged hereto Concurrent charges shall be made to Account 7704 Uncollectible Accounts for amounts applicable to utility operations

## **1600 Inventory**

### 1610 Fuel Stock

This account should include the book cost of fuel on hand Cost items are as follows

- Invoice price of fuel less any cash or other discounts
- Freight and other transportation charges, not including, however, any charges for unloading items from the shipping medium
- Purchasing agents' commissions, insurance and other charges directly assignable to the cost of fuel
- Operating, maintenance and depreciation expenses on utility-owned transportation equipment used to transport fuel from the point of acquisition to the unloading point
- Lease or rental costs of transportation equipment used to transport fuel from the point of acquisition to the unloading point

### 1620 Fuel Stock Expenses Undistributed

This account may include the cost of labor and of supplies used and expenses incurred in unloading fuel from the shipping medium and in the handling thereof prior to its use, if such expenses are sufficiently significant in amount to warrant being treated as a part of the cost of fuel inventory rather than being charged direct to expense as incurred

Amounts included herein shall be charged to expense as the fuel is used to the end that the balance herein shall not exceed the expenses attributable to the inventory of fuel on hand

### 1650 Materials and Operating Supplies

These accounts should include the cost of materials purchased primarily for use in the utility business for construction, operation and maintenance purposes It should also include the book cost of materials recovered in connection with construction, maintenance or the retirement of property

Materials and supplies issued shall be credited hereto and charged to the appropriate construction, operating expense, or other account on the basis of a unit price determined by the use of cumulative average, first-in-first-out, or such other method of inventory accounting as conforms with IAS

### 1675 Stores Expenses Undistributed

This account should include the cost of supervision, labor and expenses incurred in the operation of general storerooms, including purchasing, storage, handling and distribution of materials and supplies This account shall be cleared by adding to the cost of materials and supplies issued a suitable loading charge which will distribute the expense equitable over stores issues The balance in the account at the close of the year shall not exceed the amount of stores expenses reasonably attributable to the inventory of materials and supplies

### 1680 Other Inventory

This account shall include the book cost of materials and supplies held primarily for nonutility purposes

### **1800 Prepaid Expenses**

1810 Prepaid Materials

1815 Prepaid Labor

1820 Prepayment to Suppliers

1825 Prepayment to Suppliers - Related parties

1830 Rent Prepayments

1835 Prepaid Insurance

1840 Prepaid Services

1850 Other Prepayments

These accounts should include amounts representing prepayments of insurance, rents, taxes, interest and other miscellaneous items, and should be kept or supported in such manner as to disclose the amount of each class of prepayment

### **1900 Deferred Charges**

1901 Unamortized Debt Expense

This account should include expenses related to the issuance or assumption of debt securities. Amounts recorded in this account should be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization should be on a monthly basis, and the amounts thereof should be charged to account 9006, Amortization of Debt Discount and Expense

1902 Other Regulatory Assets - Current

Assets that result from rate actions of the Commission. Regulatory assets arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Chart of Accounts but for it being probable that such items will be included in a different period for purposes of developing the rates the utility is authorized to charge for its utility service

### **1990 Other Current Assets**

1991 Temporary Facilities

These accounts should include amounts shown by work orders for plant installed for temporary use in utility service for periods of less than one year. Such work orders should be charged with the cost of temporary facilities and credited with payments received from customers and net salvage realized on removal of the temporary facilities. Any net credit or debit resulting should be cleared to account 6190 Other Utility Electric Revenues

1992 Miscellaneous Current and Accrued Assets

This account shall include the book cost of all other current and accrued assets, appropriately

designated and supported so as to show the nature of each asset included herein

1993 Miscellaneous Deferred Debits

This account should include all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses not included in other accounts, which are in the process of amortization and items for which the proper final disposition is uncertain

1995 Accumulated Deferred Profit Taxes

This account should be debited and account 8603, Provision for Deferred Profit Taxes - Cr - Operating, should be credited with an amount equal to that by which profit taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for IAS reporting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years (Example Provision for Bad Debts)

This account should be credited and account 8602, Provision for Deferred Profit Taxes - Operating, should be debited with an amount equal to that by which profit taxes payable for the year are lower because of the prior payment of taxes as provided in the previous paragraph, because of difference in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for IAS purposes

**2000 LONG-TERM ASSETS**

**2010 Intangible Assets**

2011 Organization

This account shall include all fees paid to governments for the privilege of incorporation and expenditures incident to organizing the corporation or other enterprise and putting it into readiness to do business

2012 Franchises and Consents

This account shall include amounts paid to the government or a political subdivision thereof in consideration of franchises, consents, licenses, or certificates, running in perpetuity or for a specified term of more than one year, together with necessary and reasonable expenses incident to procuring such items

2013 Miscellaneous Intangible Plant

This account shall include the cost of patent rights, licenses, privileges, and other intangible property necessary or valuable in the conduct of utility operations and not specifically chargeable to any other account

2051 Accumulated amortization expense of Organization

2052 Accumulated amortization expense of Franchises and Consents

2053 Accumulated amortization expense of Miscellaneous Intangible Plant

These accounts contain the accumulated amortization associated with the indicated accounts

## **Fixed Assets**

### **2100 Production - Plant in Service**

#### **Fossil Fueled Plants**

##### 2101 Land and Land Rights

This account should include the cost of land and land rights used in connection with fossil fuel power generation

##### 2102 Structures and Improvements

This account should include the cost in place of structures and improvements used in connection with thermal power generation. It should include the cost of all buildings and facilities to house, support or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also include costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant.

##### 2103 Fuel Holders, Producers and Accessories

This account should include the cost of fuel storage and handling equipment and fuel moving machinery used between the point of fuel delivery to the station and the intake mechanism to the generator, including fuel oil tanks, fuel pipelines and allied equipment and other related accessories and equipment.

##### 2104 Boiler Plant and Equipment

This account should include the cost of furnaces, boilers, steam and feed water piping, boiler apparatus and accessories used in the production of steam, and oil-burning equipment, including tanks, heaters, pumps with drive, burner equipment and piping control equipment, etc., to be used primarily for generating electricity.

##### 2105 Engines, Prime Movers (non-steam)

This account shall include the cost installed of steam engines, reciprocating or rotary, diesel or

other prime movers and their associated auxiliaries

2106 Generators (non-steam)

This account shall include the cost installed of diesel or other power driven main generators, except turbogenerator units

2107 Turbogenerator Units

This account should include the cost of main turbine-driven units and accessory equipment used in generating electricity by steam

2108 Accessory Electric Equipment

This account should include the cost of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors should be included in the account in which the equipment with which they are associated is included

2109 Miscellaneous Power Plant Equipment

This account should include the cost of equipment, apparatus, etc., used in and about the steam generating plant devoted to general station use, and which is not includible in any other account. Examples of items includible in this account are, kitchen and restaurant equipment, employees' recreation equipment, radios, and other miscellaneous equipment

2152 Accumulated Depreciation - Fossil Fueled Plants

This account contains the accumulated depreciation relative to Fossil Fueled Plants. See below for more detailed description of the accumulated depreciation accounts

**Hydro Plants**

2120 Land and Land Rights

This account should include the cost of land and land rights used in connection with hydro power generation

2121 Structures and Improvements

This account should include the cost in place of structures and improvements used in connection with hydraulic power generation. It should include the cost of all buildings and facilities to house, support or safeguard property or persons, including all fixtures permanently attached to and made a part of buildings and which cannot be removed therefrom without cutting into the walls, ceilings or floors, or without in some way impairing the buildings, and improvements of a permanent character on or to land. Also include costs incurred in connection with the first clearing and grading of land and rights-of-way and the damage costs associated with construction and installation of plant

### 2122 Reservoirs, Dams, and Waterways

This account should include the cost of facilities used for impounding, collecting, storage diversion regulation and delivery of water used primarily for generating electricity

### 2123 Water Wheels, turbines, and generators

This account should include the cost of water wheels and hydro turbines (from connection with penstock or flume to tailrace) and generators devoted to the production of electricity by water power or for the production of power for industrial or other purposes, if the equipment used for such purposes is a part of the hydro power plant works

### 2124 Accessory Electric Equipment

This account should include the cost of auxiliary generating apparatus, conversion equipment, and equipment used primarily in connection with the control and switching of electric energy produced by hydro power, and the protection of electric circuits and equipment, except electric motors used to drive equipment included in other accounts. Such motors should be included in the account in which the equipment with which they are associated is included

### 2125 Miscellaneous Power Plant Equipment

This account should include the cost of equipment, apparatus, etc., used in and about the hydroelectric generating plant devoted to general station use, and which is not includible in any other account. Examples of items includible in this account are hospital and infirmary equipment, kitchen and restaurant equipment, employees' recreation equipment, radios, and other miscellaneous equipment

### 2152 Accumulated Depreciation - Hydro Plants

This account contains the accumulated depreciation relative to Hydro Plants. See below for more detailed description of the accumulated depreciation accounts

## **2200 Transmission - Plant in Service**

### **Transmission Lines**

#### 2201 Land and Land Rights

This account shall include the cost of land and land rights used in connection with transmission line operations

#### 2202 Towers and Fixtures

This account shall include the cost installed of towers and appurtenant fixtures used for supporting overhead transmission conductors

#### 2203 Poles and Fixtures

This account shall include the cost installed of transmission line poles, wood, steel, concrete, or

other material, together with appurtenant fixtures used for supporting overhead transmission conductors

#### 2204 Overhead Conductors and devices

This account shall include the cost installed of overhead conductors and devices used for transmission purposes, including circuit breakers, conductors, ground wires and clamps insulators, lightning arresters, switches, and other line devices

#### 2205 Underground Conduit

This account shall include the cost installed of underground conduit and tunnels used for housing transmission cables or wires

#### 2206 Underground Conductor and Devices

This account shall include the cost installed of underground conductors and devices used for transmission purposes

#### 2251 Accumulated Depreciation - Transmission Lines

This account contains the accumulated depreciation relative to Transmission Lines See below for more detailed description of the accumulated depreciation accounts

### **Transmission Substations**

#### 2211 Land and Land Rights

This account shall include the cost of land and land rights used in connection with transmission substation operations

#### 2212 Structures and Improvements

This account shall include the cost in place of structures and improvements used in connection with transmission substation operations

#### 2213 Substation Equipment

This account shall include the cost installed of transforming, conversion, and switching equipment used for the purpose of changing the characteristics of electricity in connection with its transmission or for controlling transmission circuits, including transformers, breakers, bus compartments conduit, control equipment, conversion equipment, fences, condensers, switching equipment, foundations and settings, general station equipment, primary and secondary voltage connections, and switchboards

#### 2252 Accumulated Depreciation - Transmission Substations

This account contains the accumulated depreciation relative to Transmission Substations See below for more detailed description of the accumulated depreciation accounts

## **2300 Distribution - Plant in Service**

### **Distribution Lines**

#### 2301 Land and Land Rights

This account shall include the cost of land and land rights used in connection with distribution line operations

#### 2302 Towers and Fixtures

This account shall include the cost installed of towers and appurtenant fixtures used for supporting overhead distribution conductors

#### 2303 Poles and Fixtures

This account shall include the cost installed of distribution line poles wood, steel, concrete, or other material, together with appurtenant fixtures used for supporting overhead distribution conductors

#### 2304 Overhead Conductors and Devices

This account shall include the cost of overhead conductors and devices used for distribution purposes

#### 2351 Accumulated Depreciation - Distribution Overhead Lines

This account contains the accumulated depreciation relative to Distribution Overhead Lines See below for more detailed description of the accumulated depreciation accounts

#### 2305 Underground Conduit

This account shall include the cost installed of underground conduit and tunnels used for housing distribution cables or wires

#### 2306 Underground Conductors, and Devices

This account shall include the cost installed of underground conductors and devices used for distribution purposes

#### 2352 Accumulated Depreciation - Distribution Underground Lines

This account contains the accumulated depreciation relative to Distribution Underground Lines See below for more detailed description of the accumulated depreciation accounts

### **Distribution Substations**

#### 2307 Land and Land Rights

This account shall include the cost of land and land rights used in connection with distribution substation operations

### 2308 Structures and Improvements

This account shall include the cost in place of structures and improvements used in connection with distribution substation operations

### 2309 Station Equipment

This account shall include the cost installed of transforming, conversion, and switching equipment used for the purpose of changing the characteristics of electricity in connection with its distribution or for controlling distribution circuits, including transformers, breakers, bus compartments, conduit, control equipment, conversion equipment, fences, condensers, switching equipment, foundations and settings, general station equipment, primary and secondary voltage connections and switchboards

### 2353 Accumulated Depreciation - Distribution Substations

This account contains the accumulated depreciation relative to Distribution Substations See below for more detailed description of the accumulated depreciation accounts

### 2310 Line Transformers

This account shall include the cost installed of overhead and underground distribution line transformers and poletype and underground voltage regulators, for use in transforming electricity to the voltage at which it is to be used by the customer

### 2354 Accumulated Depreciation - Line Transformers

This account contains the accumulated depreciation relative to Distribution Line Transformers See below for more detailed description of the accumulated depreciation accounts

### 2311 Meters

This account shall include the cost installed of meters or devices and appurtenances thereto, for use in measuring the electricity delivered to its users (This account shall not include meters for recording output of a generating station, substation meters, etc It includes only those meters used to record energy delivered to customers )

### 2355 Accumulated Depreciation - Meters

This account contains the accumulated depreciation relative to Distribution Line Transformers See below for more detailed description of the accumulated depreciation accounts

### 2312 Services

This account shall include the cost installed of overhead and underground conductors leading from a point where wires leave the last pole of the overhead system or the distribution box or manhole, or the top of the pole of the distribution line, to the point of connection with the customer's outlet or wiring

### 2356 Accumulated Depreciation - Services

This account contains the accumulated depreciation relative to Distribution Services See

below for more detailed description of the accumulated depreciation accounts

#### 2313 Other

This account shall include the cost of other facilities used in the distribution function, not provided for elsewhere

#### 2357 Accumulated Depreciation - Other

This account contains the accumulated depreciation relative to Distribution - Other See below for more detailed description of the accumulated depreciation accounts

### **2400 General - Plant in Service**

#### 2410 General Plant Land (Vacant)

This account shall include the cost of land (vacant) and land rights used for utility purposes, the cost of which is not includible in other land and land rights account

#### 2411 General Plant Land (Occupied by Building)

This account shall include the cost of land (occupied by building) and land rights used for utility purposes, the cost of which is not includible in other land and land rights account This account includes only the cost of the land, and not the building

#### 2401 Group 1 Assets - Plant in Service

This account shall include passenger automobiles, automobile and tractor equipment for use on roads, special instruments, sundries and accessories, computers, peripherals and equipment for data processing and facility

#### 2402 Group 2 Assets - Plant in Service

This account shall include automotive transport rolling stock, trucks, buses, special automobiles, and trailers, machines and equipment for all sectors of industry, forging and pressing equipment, electronic equipment, construction equipment, agricultural machines and equipment, office furniture

#### 2403 Group 3 Assets - Plant in Service

This account shall include railway, sea, and river transport vehicles, power machines and equipment, turbine equipment, electric motors and diesel generators, communication facilities, pipelines

#### 2404 Group 4 Assets - Plant in Service

This account shall include buildings and structures (excluding the associated land which is accounted for in other accounts)

#### 2405 Group 5 Assets - Plant in Service

This account includes assets subject to depreciation not included in other groups

2451 Group 1 Assets - Accumulated Depreciation

2452 Group 2 Assets - Accumulated Depreciation

2453 Group 3 Assets - Accumulated Depreciation

2454 Group 4 Assets - Accumulated Depreciation

2455 Group 5 Assets - Accumulated Depreciation

These accounts contain the accumulated depreciation relative to the indicated assets See below for more detailed description of the accumulated depreciation accounts

### **Accumulated Depreciation Accounts**

2000 through 2500 series with "5" or "6" as third digit -- Accumulated Depreciation - Utility Plant

The applicable accumulated depreciation account should be credited with the following

- Amounts charged to 8200 series accounts, Depreciation Expense, or to clearing accounts for current depreciation expense for electric plant in service
- Amounts of depreciation applicable to electric properties acquired as operating units or systems

At the time of retirement of depreciable electric utility plant, these accounts should be charged with the book cost of property retired and the cost of removal, and should be credited with the salvage value and any other amounts recovered, such as insurance

For general ledger and balance sheet purposes, these accounts should be regarded and treated as a single composite provision for depreciation For purposes of analysis, however, the utility should maintain subsidiary records to show (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance

### **2500 Other Plant in Service**

2501 Plant in Service - Leased

This account contains the amount recorded under capital leases for plant leased from others and used by the utility in its utility operations Records shall be maintained with respect to each capital lease reflecting (1) name of lessor, (2) basic details of lease, (3) terminal date, (4) original cost or fair market value of property leased, (5) future minimum lease payments, (6) executory costs, (7) present value of minimum lease payments, (8) the amount representing interest and the interest rate used, and (9) expenses paid

2502 Electric Plant Leased to Others

This account shall include the original cost of electric plant owned by the utility, but leased to others as operating units or systems, where the lessee has exclusive possession. Depreciation expense should be charged to the applicable Depreciation Expense account (8200 series)

#### 2503 Experimental Electric Plant Unclassified

This account should include the cost of electric plant which is used for research, development and demonstration plant. Amounts in this account should be transferred to the applicable plant account, as appropriate when such plant is no longer considered experimental. Depreciation should be charged to the applicable Depreciation Expense account (8200 series)

#### 2504 Electric Plant Held for Future Use

This account should include the original cost of electric plant owned and held for future use in electric service under a definite plan for such use

#### 2505 Completed Construction Not Yet Classified

At the end of the year or such other date as a balance sheet may be required, this account should include the total of the balance of all work orders for electric plant which have been completed and placed in service but which work orders have not been classified for transfer to the detailed plant accounts. This is only an intermediary account which should be cleared as construction costs are finalized and can be transferred to appropriate fixed asset accounts

#### 2506 Other Utility Plant

This account shall include the balances in utility plant, other than electric plant, such as for steam

#### **2550 Other Plant in Service - Accumulated Depreciation**

#### 2551 Accumulated Depreciation / Amortization - Other plant in Service

This account shall contain the balance of accumulated depreciation relative to Accounts 2501 through 2505 described above. This account should be credited with the following

- Amounts charged for depreciation or amortization expense on property included in accounts  
2501, Plant in Service - Leased, 2502, Electric Plant Leased to Others, 2503, Experimental Electric Plant unclassified, 2504, Electric Plant Held for Future Use, 2505, Completed Construction not Yet Classified
- Amounts charged to account 8300, Amortization Expense not provided for elsewhere

When any property to which this account applies is sold, relinquished or otherwise retired from service, this account should be charged with the amount previously credited in respect to such property. The book cost of the property so retired less the amount chargeable to this account and less the net proceeds realized at retirement should be included in account 6180, Gains from Disposition of Utility Plant or account 8031, Losses from Disposition of Utility Plant, as appropriate

#### 2556 Accumulated Depreciation / Amortization - Other Utility Plant

This account should include the accumulated provision for depreciation and amortization

applicable to Account 2506, Other Utility Plant

## **2600 Construction Work In Progress (CWIP)**

### 2600 Series -- Construction Work In Progress (CWIP)

These accounts should include the balances of construction work orders, including the cost of equipment not yet installed, for electric plant in process of construction. The charges to these accounts should be associated with a work order number which describes the specifics of the construction project. Work orders should be cleared from this account as soon as practicable after completion of the job.

The accounts in the 2600 series relate to particular plant in service accounts with similar titles in the 2000 through 2500 series of accounts.

## **2700 Removal Work in Progress (RWIP)**

These accounts should include the balances of removal work orders, for electric plant in process of being removed. The charges to these accounts should be associated with a work order number which describes the specifics of the project. Work orders should be cleared from this account as soon as practicable after completion of the job.

The accounts in the 2700 series relate to particular plant in service accounts with similar titles in the 2000 through 2500 series of accounts.

## **2800 Long-term Assets**

### 2801 Notes Receivable

### 2802 Long-term Loans to Customers

These accounts include Notes Receivable and Long-term loans which are due more than one year from the reporting date.

### 2804 Other long-term receivables

### 2805 Other long-term receivables - related parties

These accounts contain receivables from the indicated parties which are due more than one year from the reporting date.

### 2806 Allowance for bad debts - long-term

This account is credited with amounts provided for losses on long-term receivables which may become uncollectible, and also with collections on accounts previously charged hereto. Concurrent charges shall be made to Account 7704, Uncollectible Accounts, for amounts

applicable to utility operations

#### 2807 Other Special Funds

This account should include the cost of investments which have been segregated in special funds for insurance, employee pensions, savings relief and other purposes not provided for elsewhere. A separate account with appropriate title should be kept for each fund. Amounts deposited with a trustee under the terms of an irrevocable trust agreement for pensions or other employee benefits should not be included in this account.

#### 2808 Unamortized Debt Expense

This account shall include expenses related to the issuance or assumption of debt securities. Amounts recorded in this account shall be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization shall be on a monthly basis, and the amounts thereof shall be charged to account 9006, Amortization of Debt discount and expense.

#### 2809 Extraordinary Property Losses (Regulatory)

When authorized by the Commission, this account shall include extraordinary losses, which could not reasonably have been anticipated and which are not covered by insurance or other provisions, such as unforeseen damages to property.

Application to the Commission for permission to use this account shall be accompanied by a statement giving a complete explanation with respect to the items which it is proposed to include herein, the period over which, and the accounts to which it is proposed to write off the charges, and other pertinent information.

#### 2810 Unrecovered Plant and Regulatory Study Costs

This account shall include (1) Nonrecurring costs of studies and analyses mandated by regulatory bodies related to plants in service, and not resulting in construction, and, (2) when authorized by the Commission, significant unrecovered costs of plant facilities where construction has been cancelled or which have been prematurely retired.

This account shall be credited and account 8301, Amortization of Property Losses, Unrecovered Plant and Regulatory study costs, shall be debited over the period specified by the Commission.

In the event that the recovery of costs included herein is disallowed in the rate proceedings, the disallowed costs shall be charged to account 9555, Other Deductions, or account 9820, Extraordinary loss, in the year of such disallowance.

#### 2811 Other Regulatory Assets - Long-term

This account shall include the amounts of regulatory-created assets not includible in other accounts, resulting from the ratemaking actions of the Commission.

The amounts included in this account are to be established by those charges which would have been included in net income determination in the current period under the general requirements of this Chart of Accounts, but for it being probable that such items will be included in a different

period for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory asset cannot be made, such as in plant phase-ins, rate moderation plans, or rate levelization plans, Account 6195, Regulatory Credits shall be credited. The amounts recorded in this account are generally to be charged, concurrently with the recovery of the amounts in rates to the same account that would have been charged if included in income when incurred, except all regulatory assets established through the use of Account 6195, Regulatory Credits, shall be charged to Account 8032, Regulatory Debits, concurrent with the recovery of the amounts in rates.

If rate recovery of all or part of an amount included in this account is disallowed, the disallowed amount shall be charged to Account 9555, Other Deductions, or Account 9820 Extraordinary Loss, in the year of the disallowance.

The records supporting the entries to this account shall be so kept so that the utility can furnish full information as to the nature and amount of each regulatory asset included in this account, including justification for inclusion of such amounts in this account.

#### 2812 Preliminary Survey and Investigation

This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of utility projects under contemplation.

#### 2813 Miscellaneous Deferred Debits

This account shall include all debits not elsewhere provided for, such as miscellaneous work in progress, and unusual or extraordinary expenses, not included in other accounts, which are in process of amortization and items the proper final disposition of which is uncertain.

The records supporting the entries to this account shall be so kept that the utility can furnish full information as to each deferred debit.

#### 2814 Unamortized Loss on Recquired Debt

This account shall include the losses on long-term debt reacquired or redeemed.

#### 2815 Accumulated Deferred Profit Taxes

This account shall be debited and the appropriate Provision for Deferred Profit Taxes - Credit account credited with an amount equal to that by which income taxes payable for the year are higher because of the inclusion of certain items in income for tax purposes, which items for general accounting purposes will not be fully reflected in the utility's determination of annual net income until subsequent years.

This account shall be credited and the appropriate Provision for Deferred Profit Taxes account debited with an amount equal to that by which income taxes payable for the year are lower because of prior payment of taxes as provided by the paragraph above, because of difference in timing for tax purposes of particular items of income or income deductions from that recognized by the utility for general accounting purposes.

Vintage year records with respect to entries to this account shall be so maintained as to show the factor of calculation with respect to each annual amount of the item or class of items for which deferred tax accounting by the utility is utilized.

## **2850 Long-term Investments**

2851 Bonds

2855 Long-term Bank Investments

2856 Other long-term investments

These accounts include investments in securities with maturity longer than one year

2852 Investments in Subsidiary Companies

2853 Investments in joint ventures

2854 Investments in associated companies

These accounts should include the book cost of investments in securities issued or assumed by associated companies and investment advances to such companies, including accrued interest that is not subject to current settlement. Also included in the applicable account should be the equity in undistributed earnings of subsidiary companies

## **2950 Non-utility Property**

2951 Non-Utility Property

2953 Non-Utility Property - Intangible Assets

2955 Non-Utility Property - In Progress

2956 Non-Utility Property - Non Capital Works

These accounts should include the book cost of land, structures, equipment, or other tangible or intangible property owned by the utility, but not used in utility service and not includible in account 2504, Electric Plant Held for Future Use

2952 Accumulated Depreciation / Amortization – Non-Utility Property

2954 Accumulated Depreciation / Amortization – Non-Utility Property - Intangible

These accounts should include the accumulated provision for depreciation and amortization applicable to non-utility property

## **LIABILITIES**

### **3000 CURRENT LIABILITIES**

3110 Accounts Payable

3111 Accounts Payable - Suppliers and Contractors

3120 Accounts Payable - Advances Received

3130 Accounts Payable - Property and Personal Insurance

3140 Accounts Payable - Social Insurance and Medical Insurance

3170 Accounts Payable - Other

These accounts include accounts payable to suppliers, vendors, and others for goods or services purchased on a credit basis. The amounts are payable one year

### 3150 Accounts Payable - Associated Companies

This account should include amounts owed to associated companies on advances or similar evidence of indebtedness payable on demand or not more than one year from date of creation or issuance

### **3300 Short-term Debt**

#### 3310 Short-term Bank Loans

#### 3320 Other Short-term Loans

#### 3330 Short-term loans to associated companies

#### 3350 Other Short-term debt

These accounts include amounts owed for a period of repayment of less than one year

#### 3340 Current portion of long-term debt

This account includes the portion of long-term debt which is maturing within one year

### **3400 Taxes Payable**

#### 3410 Profit Taxes payable

#### 3420 Payroll Taxes payable

#### 3440 Excise taxes payable

#### 3450 Custom fees Payable

#### 3460 Local taxes payable

#### 3490 Other Taxes payable

These accounts should be credited with the amounts of taxes accrued during the accounting period, corresponding debits being made to the appropriate accounts for tax charges. Such credits may be based upon estimates, but from time to time during the year, as the facts become known, the amounts of the period credits should be adjusted so as to include as nearly as can be determined in each year the taxes applicable thereto. If accruals for taxes are found to be insufficient or excessive, correction should be made through current tax accruals. Accruals for taxes should not include any amounts for interest on tax deficiencies or refunds. These amounts are due within one year.

#### 3430 Value Added Tax (VAT) payable

The value-added-tax (VAT) is a consumption tax. There are two methods: the credit-invoice method and the subtraction method. Most foreign governments, including Georgia, use the credit-invoice method. Under the credit-invoice method, a tax is imposed on each enterprise's gross receipts. A credit is calculated to offset the gross tax. Generally the credit applies to the enterprise's purchases (cost of goods). The VAT equals the tax (debit) less the credits. This account contains the VAT relative to the company's services. (Special analysis is required to determine the amount actually due at any given point in time, as utilities do not have to pay the tax until it has been collected from customers.)

3470 Tax Collections payable

This account should include the amount of taxes collected by the utility through payroll deductions or otherwise pending transmittal of such taxes to the proper taxing authority

**3500 Accrued Liabilities**

3510 Accrued Interest

3520 Accrued holidays and compensation

3530 Accrued discounts

3540 Accrued premiums

3550 Accrued pensions

3560 Accrued social insurance

3570 Accrued charges

3590 Other Accrued expenses

These accounts include the indicated expenses incurred during the accounting period but not yet paid

**3600 Current Liabilities**

3610 Wages and Salaries payable

3630 Liability for fees, royalties, commissions

3640 Payable to employees, officers, directors

3690 Other Current liabilities

These accounts include liabilities of the indicated nature which are due within one year

3620 Dividends Payable

This account should include the amount of dividends which have been declared but not yet paid  
Dividends should be credited to this account when they become a liability

3650 Customer Deposits

This account includes all amounts deposited with the utility by customers as security for the payment of bills

3660 Shareholder Loans

This account includes amounts owed to shareholders

3670 Matured Long-term Debt

This account includes the amount of long-term debt matured and unpaid

3680 Obligations under Finance Leases - Current

This account includes the current portion of the obligations under a Finance Lease

3695 Other Regulatory Liabilities - Current

This account shall include the amounts of regulatory-created liabilities not includible in other accounts, resulting from the ratemaking actions of the Commission

The amounts included in this account are to be established by those credits which would have been included in net income determination in the current period under the general requirements of this Chart of Accounts, but for it being probable that such items will be included in a different period for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at the Commission, Account 8032, Regulatory Debits shall be debited. The amounts recorded in this account are generally to be credited to the same account that would have been credited if included in income when earned, except (1) all regulatory liabilities established through the use of Account 8032, Regulatory Debits shall be credited to Account 6195, Regulatory Credits, and (2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 9511, Other Non-operating income, or account 9810, Extraordinary Gain, as appropriate in the year such determination is made.

The records supporting the entries to this account shall be so kept so that the utility can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

## **4000 LONG-TERM LIABILITIES**

### **4100 Long-Term Debt**

#### 4110 Bonds Payable

This account shall include in a separate subdivision for each class and series of bonds the face value of the actually issued and unmatured bonds which have not been retired or cancelled.

#### 4120 Notes Payable to Banks

#### 4130 Notes Payable to non-banking institutions

#### 4140 Notes Payable to associated companies

#### 4150 Notes Payable - Other

These accounts contain notes payable to the indicated parties which are due more than one year from reporting date.

#### 4160 Obligations under finance leases - Noncurrent

This account should include the portion not due within one year, of the obligations recorded for the amounts applicable to leased property recorded as assets in account 2501, Electric Plant in Service-Leased.

#### 4170 Long term loans - related parties

This account contains long-term loans made to related parties

4180 Reacquired Bonds

This account includes the face value of bonds actually issued by the utility and reacquired by it and not retired or canceled

4185 Unamortized premium on Long-term Debt

This account should include the excess of the cash value of consideration received over the face value upon the issuance or assumption of long-term debt securities. Amounts recorded in this account should be amortized over the life of each respective issue under a plan which will distribute the amount equitably over the life of the security. The amortization should be on a monthly basis, with the amounts thereof to be credited to account 9008, Amortization of Premium on Debt - Credit

4190 Unamortized discount on Long-term Debt

This account should include the excess of the face value of long-term debt securities over the cash value of consideration received, related to the issue or assumption of all types and classes of debt. Amounts recorded in this account should be amortized over the life of the respective issues under a plan which will distribute the amount equitably over the life of the securities. The amortization should be on a monthly basis, with the amounts thereof charged to account 9006, Amortization of Debt Discount and Expense

4290 Other long-term debt

This account includes, until maturity all long-term debt not otherwise provided for

**4300 Long-term deferred payables and other long-term liabilities**

4310 Accumulated Deferred Profit Taxes

This account should be credited and account 8602, Provision for Deferred Profit Taxes - Operating, should be debited with an amount equal to the tax effects where taxable income is lower than pre-tax accounting income for IAS reporting due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pre-tax accounting income for IAS reporting purposes

This account should be debited and account 8602, Provision for Deferred Profit Taxes - Operating, should be credited with an amount equal to the tax effects where taxable income is higher than pre-tax accounting income for IAS reporting due to differences between the periods in which revenue and expense transactions affect taxable income and the periods in which they enter into the determination of pre-tax accounting income for IAS reporting purposes

4320 Customer Advances for Construction

This account should include advances received from customers for construction which are to be refunded either wholly or in part. When a customer is refunded the entire amount to which he is entitled, the balance remaining in this account, if any, should be credited to the respective plant

account

4330 Other Regulatory Liabilities - Long-term

This account shall include the amounts of regulatory-created liabilities not includible in other accounts, resulting from the ratemaking actions of the Commission

The amounts included in this account are to be established by those credits which would have been included in net income determination in the current period under the general requirements of this Chart of Accounts, but for it being probable that such items will be included in a different period for purposes of developing the rates that the utility is authorized to charge for its utility services. When specific identification of the particular source of a regulatory liability cannot be made or when the liability arises from revenues collected pursuant to tariffs on file at the Commission, Account 8032 Regulatory Debits shall be debited. The amounts recorded in this account are generally to be credited to the same account that would have been credited if included in income when earned, except (1) all regulatory liabilities established through the use of Account 8032, Regulatory Debits shall be credited to Account 6195, Regulatory Credits, and (2) in the case of refunds, a cash account or other appropriate account should be credited when the obligation is satisfied.

If it is later determined that the amounts recorded in this account will not be returned to customers through rates or refunds, such amounts shall be credited to Account 9511, Other Non-operating income, or account 9810, Extraordinary Gain, as appropriate in the year such determination is made.

The records supporting the entries to this account shall be so kept so that the utility can furnish full information as to the nature and amount of each regulatory liability included in this account, including justification for inclusion of such amounts in this account.

4340 Unamortized Gain on Reacquired Debt

This account shall include the amounts of discount realized upon re-acquisition or redemption of long-term debt.

4350 Other long-term liabilities

This account should include all amounts for non-current liabilities that have not been accounted for elsewhere.

4360 Other Deferred Credits

This account should include advance billings and receipts and other deferred credit items, not provided for elsewhere, including amounts which cannot be entirely cleared or disposed of until additional information has been received.

4370 Accumulated Provision for Rate Refunds

This account shall be credited with amounts charged to Account 6191, Provision for Rate Refunds, to provide for estimated refunds where the utility is collecting amounts in rates subject to refund.

When refund of any amount recorded in this account is ordered by a regulatory authority, such amount shall be charged hereto and credited to account 3690, Other Current Liabilities.

Records supporting the entries to this account shall be kept so as to identify each amount recorded by the respective rate filing number

#### **4390 Operating Reserves**

No amounts shall be credited to these accounts unless authorized by the Commission to be collected in a utility's rate levels

#### **4391 Property Insurance Reserve**

This account shall include amounts reserved by the utility for losses through accident, fire, flood, or other hazards to its property not covered by insurance. The amounts charged to Account 8021, Property Insurance, or other appropriate accounts to cover such risks shall be credited to this account. A schedule of risks covered shall be maintained, giving a description of the property involved, the character of the risks covered and the rates used.

Charges shall be made to this account for losses covered, not to exceed the account balance. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

#### **4392 Injuries and Damages Reserve**

This account shall be credited with amounts charged to account 8022, Liability Insurance or other appropriate accounts, to meet the probable liability, not covered by insurance, for deaths or injuries to employees and others and for damages to property neither owned nor held under lease by the utility.

When liability for any injury or damage is admitted by the utility either voluntarily or because of the decision of a court or other lawful authority, such as a worker's compensation board, the admitted liability shall be charged to this account and credited to the appropriate current liability account. Details of these charges shall be maintained according to the year the casualty occurred which gave rise to the loss.

#### **4393 Pensions and Benefits Reserve**

This account shall include provisions made by the utility and amounts contributed by employees for pensions, accident and death benefits, savings, relief, hospital and other provident purposes, where the funds are included in the assets of the utility either in general or in segregated fund accounts.

Amounts paid by the utility for the purposes for which this liability is established shall be charged hereto.

A separate account shall be kept for each kind of provision included herein.

#### **4394 Miscellaneous Operating Reserves**

This account shall include all operating provisions which are not provided for elsewhere.

This account shall be maintained in such a manner as to show the amount of each separate

provision and the nature and amounts of the debits and credits thereto

This account includes only provisions as may be created for operating purposes and does not include any reservations of income

## EQUITY

### 5000 EQUITY

#### 5100 Common Stock

##### 5101 Common Stock Issued

##### 5201 Preferred Stock Issued

These accounts should include the stated value of stock of each class of capital stock actually issued. When actual cash value of the consideration received is more or less than the stated value of any stock, the difference should be credited or debited, as the case may be, to the premium or discount account for the particular class and series of stock. When capital stock is retired, this account should be charged with the amount at which such stock was carried herein.

##### 5102 Common Stock Subscribed

##### 5202 Preferred Stock Subscribed

These accounts shall include the amount of legally enforceable subscriptions to capital stock of the utility. They shall be credited with the par or stated value of the stock subscribed, exclusive of accrued dividends, if any. Concurrently, a debit shall be made to subscriptions to capital stock, included as a separate subdivision of account 1469, Other Receivables, for the agreed price, and any discount or premium shall be debited or credited to the appropriate discount or premium account. When properly executed stock certificates have been issued representing the shares subscribed, this account shall be debited, and the appropriate capital stock account credited, with the par or stated value of such stock.

##### 5103 Common Stock Liability for conversion

##### 5203 Preferred Stock Liability for conversion

These accounts shall include the par value or stated value, as appropriate, of capital stock which the utility has agreed to exchange for outstanding securities of other companies in connection with the acquisition of properties of such companies under terms which allow the holders of the securities of the other companies to surrender such securities and receive in return therefor capital stock of the accounting utility.

When the securities of the other companies have been surrendered and capital stock issued in accordance with the terms of the exchange, these accounts shall be charged and accounts 5101, Common Stock Issued, or 5201, Preferred Stock Issued, as the case may be, shall be credited.

## **5300 Treasury Stock**

### 5301 Treasury Stock

This account includes the cost of capital stock actually issued by the utility and reacquired by it and not retired or canceled

## **5400 Additional Paid in Capital**

### 5401 Premium on Capital Stock

This account shall include, in a separate subdivision for each class and series of stock, the excess of the actual cash value of consideration received on original issues of capital stock over the par or stated value and accrued dividends of such stock, together with assessments against stockholders representing payments required in excess of par or stated values

### 5402 Donations received from Stockholders

This account shall include the balance of credits for donations received from stockholders consisting of capital stock of the utility, cancellation or reduction of debt of the utility, and the cash value of other assets received as a donation

### 5403 Reduction in Par or Stated Value of Capital Stock

This account shall include the balance of credits arising from a reduction in the par or stated value of capital stock

### 5404 Gain on Resale or Cancellation of Reacquired Capital Stock

This account shall include the balance of credits arising from the resale or cancellation of reacquired capital stock

### 5405 Miscellaneous Paid-In Capital

This account shall include the balance of all other credits for paid in capital which are not properly includible in the foregoing accounts. This account may include all commissions and expenses incurred in connection with the issuance of capital stock

### 5406 Installments Received on Capital Stock

This account shall include in a separate subdivision for each class and series of capital stock the amount of installments received on capital stock on a partial or installment payment plan from subscribers who are not bound by legally enforceable subscription contracts

As subscriptions are paid in full and certificates issued, this account shall be charged and the appropriate capital stock account credited with the par or stated value of such stock. Any discount or premium on an original issue shall be included in the appropriate discount or premium account

#### 5407 Discount on Capital Stock

This account shall include in a separate subdivision for each class and series of capital stock all discount on the original issuance and sale of capital, including additional capital stock of a particular class or series as well as first issues

#### 5408 Capital Stock Expense

This account shall include in a separate subdivision for each class and series of stock all commissions and expenses incurred in connection with the original issuance and sale of capital stock, including additional capital stock of a particular class or series as well as first issues Expenses applicable to capital stock shall not be deducted from premium on capital stock

#### **5900 Retained Earnings - Unappropriated**

##### 5901 Retained Earnings - Unappropriated

This account should include the balance, either debit or credit, of unappropriated retained earnings arising from earnings of the utility

#### **5970 Retained Earnings - Appropriated**

##### 5971 Retained Earnings - Appropriated

This account shall include the amount of retained earnings which has been appropriated or set aside for specific purposes Separate subaccounts shall be maintained under such titles as will designate the purpose for which each appropriation was made

#### **5975 Reserves**

The current Georgian use of this account is not supported under IAS This account has been used to "reserve" funds for future capital expenditures, employee assistance and other purposes, which is not necessary or permitted under IAS

#### **5980 Revaluation Adjustments**

##### 5981 Fixed Asset Revaluation Adjustments

##### 5982 Inventory Revaluation Adjustment

##### 5983 Investments revaluation adjustment

These accounts should include the off-setting cumulative balances of revaluations of specific assets Such balances are treated as a component of owners' equity Adjustments to revalued assets should correspondingly be recorded, as appropriate, to the off-setting equity balances Detailed records of revaluations should be maintained so that future adjustments to the revaluation of assets and prior revaluations may be properly recorded

#### **6000 OPERATING REVENUE**

##### **6100 Operating Revenue**

Records shall be maintained for these accounts so that the quantity of electricity sold and the

revenue received under each rate schedule shall be readily available

6110 Residential Sales

This account shall include the net billing for electricity supplied for residential purposes

6120 Commercial Sales

This account shall include the net billing for electricity supplied for commercial purposes

6130 Industrial Sales

This account shall include the net billing for electricity supplied for industrial purposes

6140 Sales to Public Authorities

This account shall include the net billing for electricity supplied to public authorities

6150 Sales for Resale - Capacity

6151 Sales for Resale - Energy

6152 Sales for Resale - Other Charges

6153 Sales for Resale - Capacity and Energy

These accounts shall include the net billing for the applicable component for electricity supplied to other electric utilities or to public authorities for resale purposes. Where available, the capacity (KW demand) and energy (kwh) charge should be reported separately as indicated in the accounts provided above

6160 Transmission of electricity for Others - Capacity (Wheeling)

6161 Transmission of electricity for Others - Energy (Wheeling)

6162 Transmission of electricity for Others - Other Charges

6163 Transmission of electricity for Others - Capacity and Energy

These accounts shall include the net billing for the transmission of electricity of others over the transmission facilities of the utility. Where available, these revenues shall be detailed by component as indicated in the accounts provided above

6170 Other Electric Revenues

This account shall include revenues derived from electric operations not includible in any of the other revenue accounts

6171 Steam Revenues

This account shall include the revenues derived from the sale of steam

6175 Unbilled Revenue

This account contains the amount accrued at the end of the accounting period for revenues associated with kilowatt hours delivered to customers, but not billed

6180 Gains from Disposition of Utility Plant

This account contains the amounts relating to gains from the disposition of utility plant

6185 Rental / Lease Revenue

This account shall include rents received for the use by others of land, buildings, and other property devoted to electric operations by the utility

6190 Other Utility Operating Revenue

This account shall include the revenues received in connection with utility plant, the book cost of which is included account 2506, Other Utility Plant

6191 Provisions for Rate Refunds

This account shall include the provisions for the estimated portions of amounts being collected subject to refund which are estimated to be required to be refunded. Such provision shall be credited to account 4370, Accumulated Provision for Rate Refunds

This account shall also be charged with amounts refunded when such amounts had not been previously accrued

6195 Regulatory Credits

This account shall be credited, when appropriate, with the amounts debited to Account 1902, Other Regulatory Assets (Current) or Account 2811, Other Regulatory Assets (Long-term), to establish regulatory assets. This account shall also be credited, when appropriate, with the amounts debited to Account 3695, Other Regulatory Liabilities (Current) or Account 4330, Other Regulatory Liabilities (Long-term), concurrent with the return of such amounts to customers through rates

6199 Gain from Foreign Exchange Differences from Transactions with Foreign Countries - Operating

This account shall be credited upon recognition of foreign exchange differences from transactions (related to operations) with foreign countries

**7000 OPERATING EXPENSES**

**7100 Fuel**

7101 Fuel - Natural Gas

7102 Fuel - Coal

7103 Fuel - Muzat

These accounts shall include the cost of the applicable fuel used in the generation of electricity, including expenses in unloading fuel from the shipping media and handling thereof up to the point where the fuel enters the boiler or engine. Records shall be maintained to show the quantity, BTU

content and cost of each type of fuel used

**7200 Purchased Power**

7201 Purchased Power - Capacity Charges

7202 Purchased Power - Energy Charges

7203 Purchased Power - Other Charges

7204 Purchased Power - Capacity & Energy

These accounts shall include the net billing for the applicable component for electricity purchased for resale purposes. Where available, the capacity (KW demand) and energy (kwh) charge should be reported separately as indicated in the accounts provided above.

**7400 Operation Expense**

7401 Fossil Fueled Power Operation Expense

This account contains expenses incurred in operation of fossil-fueled generation.

7402 Hydro Power Operation Expense

This account contains expenses incurred in operation of hydro generation.

7403 Generation System Control and Load Dispatching

This account contains expenses incurred in system control and load dispatching activities relative to the generation function.

7404 Transmission of Electricity by Others - Capacity

7405 Transmission of Electricity by Others - Energy

7406 Transmission of Electricity by Others - Capacity and Energy

These accounts contain the applicable categories of expenses associated with the transmission of electricity by other companies.

7407 Transmission System Control and Load Dispatching Operation Expense

This account contains the cost of labor, materials used and expenses incurred in load dispatching operations pertaining to the transmission of electricity.

7408 Transmission Lines Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operating transmission lines.

7409 Transmission Substations Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operating transmission substations and switching stations.

7410 Other Transmission Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operating the transmission system not provided for elsewhere

7411 Distribution System Control and Load Dispatching Operation Expense

This account contains the cost of labor, materials used and expenses incurred in load dispatching operations pertaining to the distribution of electricity

7412 Distribution Overhead Lines Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operation of distribution overhead lines

7413 Distribution Underground Lines Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operation of distribution underground lines

7414 Distribution Substations Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operation of distribution substations

7415 Distribution Transformers Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operation of distribution transformers

7416 Distribution Meters Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operation of distribution meters

7417 Other Distribution Operation Expense

This account contains the cost of labor, materials used and expenses incurred in operation of distribution system not provided for elsewhere

**7500 Maintenance Expense**

7501 Fossil Fueled Power Maintenance Expense

7502 Hydro Power Maintenance Expense

7503 Transmission Lines Maintenance Expense

7504 Transmission Substations Maintenance Expense

7505 Other Transmission Maintenance Expense

7506 Distribution Overhead Lines Maintenance Expense

7507 Distribution Underground Lines Maintenance Expense

- 7508 Distribution Substations Maintenance Expense
- 7509 Distribution Line Transformers Maintenance Expense
- 7510 Distribution Meters Maintenance Expense
- 7511 Other Distribution Maintenance Expense

The above accounts contain the cost of labor, materials used, and expenses incurred in maintaining the indicated utility assets. Maintenance expenses are those routinely incurred to keep the utility assets in proper working order and include routine repair and preventive maintenance activities.

#### **7600 Rehabilitation Expense**

- 7601 Fossil Fueled Power Rehabilitation Expense
- 7602 Hydro Power Rehabilitation Expense
- 7603 Transmission Lines Rehabilitation Expense
- 7604 Transmission Substations Rehabilitation Expense
- 7605 Other Transmission Rehabilitation Expense
- 7606 Distribution Overhead Lines Rehabilitation Expense
- 7607 Distribution Underground Lines Rehabilitation Expense
- 7608 Distribution Substations Rehabilitation Expense
- 7609 Distribution Line Transformers Rehabilitation Expense
- 7610 Distribution Meters Rehabilitation Expense
- 7611 Other Distribution Rehabilitation Expense

The above accounts contain the cost of labor, materials used, and expenses incurred in rehabilitating the indicated utility assets. Rehabilitation expenses are those incurred to restore the utility assets to a good condition and proper working order.

#### **7700 Customer Accounts and Service**

##### 7701 Meter Reading Expense

This account shall include the cost of labor, materials used, and expenses incurred in reading customer meters, and determining consumption when performed by employees engaged in reading meters.

##### 7702 Billing and Customer Records Expense

This account shall include the cost of labor, materials used, and expenses incurred in work on customer applications, contracts, orders, credit investigations, billing and accounting, and complaints.

##### 7703 Collection Expense

This account shall include the cost of labor, materials used, and expenses incurred in collecting amounts owed to the utility. This may be utility employees or third party collection agents.

#### 7704 Uncollectible Accounts Expense

This account shall be charged with amounts sufficient to provide for losses from uncollectible utility revenues. Concurrent credits shall be made to account 1440, Allowance for doubtful accounts - service. Losses from uncollectible accounts shall be charged to account 1440.

#### 7705 Customer Service and Informational Expense

This account shall include the cost of labor and expenses incurred in customer service activities, the object of which is to encourage safe, efficient and economical use of the utility's service.

### **8000 GENERAL AND ADMINISTRATIVE EXPENSES**

#### 8010 Salaries - Administrative and General

This account should include the compensation (salaries, bonuses and other consideration for services, but not including directors' fees) of officers, executives, and other employees of the utility properly chargeable to utility operations and not chargeable directly to particular operating function.

#### 8011 Employee Benefits and Insurance

This account should include pensions paid to or on behalf of retired employees, or accruals to provide for pensions, or payments for the purchase of annuities for this purpose, when the utility has definitely, by contract, committed itself to a pension plan under which the pension funds are irrevocably devoted to pension purposes, and payments for employee accident, sickness, hospital, and death benefits, or insurance therefor. Include, also, expenses incurred in medical, educational or recreational activities for the benefit of employees, and administrative expenses in connection with employee pensions and benefits.

#### 8012 Travel Expense - Local

This account should include the cost of local travel including transportation, meals, lodging, and incidentals.

#### 8013 Travel Expense - International

This account should include the cost of international travel, including transportation, meals, lodging, and incidentals.

#### 8014 Staff Training

This account should include the cost of general staff training.

#### 8015 Office Equipment and Supplies

This account should include office supplies and expenses incurred in connection with the general administration of the utility's operations which are assignable to specific administrative or general

departments and are not specifically provided for in other accounts. Office expenses which are clearly applicable to any group of operating expenses other than the administrative and general group should be included in the appropriate account in such group.

#### 8016 Rent or maintenance of buildings

This account should include rents properly includible in utility operating expenses for the property of others used, occupied, or operated in connection with the power generating activities and general and administrative functions of the utility.

#### 8017 Utilities

This account should include the cost of utilities including gas, water, and electricity.

#### 8018 Communication

This account should include the cost of communication including telephone and radio communication.

#### 8019 Technical Security Costs

This account should include the cost of maintaining technical security with respect to the electric system.

#### 8020 Guard and Security

This account should include the cost of guards and security relative to the utility's facilities.

#### 8021 Property Insurance

This account should include the cost of insurance or reserve accruals to protect the utility against losses and damages to owned or leased property used in its utility operations. It should include also the cost of labor and related supplies and expenses incurred in property insurance activities. Recoveries from insurance companies or others for property damages should be credited to the account charged with the cost of the damage. If the damaged property has been retired, the credit should be to the appropriate accounts to which the insurance premiums were charged.

#### 8022 Liability Insurance

This account should include the cost of insurance or reserve accruals to protect the utility against injuries or damages claims of employees or others, losses of such character not covered by insurance, and expenses incurred in settlement of and damage claims. Reimbursements from insurance companies or others for expenses charged hereto on account of injuries and damages and insurance dividends or refunds should be credited to this account.

### 8023 License fees and other Regulatory Expense

This account should include all expenses properly includible in utility operating expenses incurred by the utility in connection with all activities carried out in the utility's dealings with regulatory commissions including payments made to a regulatory commission for fees assessed against the utility for pay and expenses of such commission

Costs should include

Salaries of staff working directly on Commission matters, fees of outside consultants working on Commission matters, materials and supplies used in connection with Commission matters, fees paid to Commissions, traveling expenses in connection with Commission matters and any other expenses incurred directly in association with Commission matters

### 8024 Audit

This account should include the cost of the independent audit which is performed annually in accordance with IAS

### 8025 Legal

This account should include the cost of legal services and legal counsel retained by the company

### 8026 Consulting

This account should include the fees and expenses of professional consultants and others for general services which are not applicable to a particular operating function or to other accounts It should include also the pay and expenses of persons engaged for a special or temporary administrative or general purpose in circumstances where the person so engaged is not considered as an employee of the utility This account should be maintained as to permit ready summarization according to the nature of service and the person furnishing the same

### 8027 Public Relations

This account should include the cost of expenditures made to promote the general image of the utility with the public

### 8028 Miscellaneous General Expense

This account should include the cost of labor and expenses incurred in connection with the general management of the utility not provided for elsewhere

### 8029 General Advertising Expense

This account should include the cost of general advertising done by the utility

8030 Other General and Administrative Expenses

This account should include General and Administrative expenses not provided for elsewhere

8031 Losses from Disposition of Utility Plant

This account contains the amounts related to losses from the disposition of utility plant

8032 Regulatory Debits

This account shall be debited, when appropriate, with the amounts credited to Account 3695, Other Regulatory Liabilities - Current or Account 4330 Other Regulatory Liabilities - Long-term, to record regulatory liabilities imposed on the utility by the ratemaking actions of the Commission. This account shall also be debited, when appropriate, with the amounts credited to Account 1902, Other Regulatory Assets - Current or Account 2811, Other Regulatory Assets - Long-term concurrent with the recovery of such amounts in rates

8099 Loss from Foreign Exchange Differences for Transactions with Foreign Countries - Operating

This account shall be charged upon recognition of foreign exchange differences from transactions (related to operations) with foreign countries

**8200 DEPRECIATION**

8201 Fossil Fueled Plants

8202 Hydro Plants

8203 Transmission Lines

8204 Transmission Substations

8205 Distribution Overhead Lines

8206 Distribution Underground Lines

8207 Distribution Substations & Switching Stations

8208 Distribution Line Transformers

8209 Distribution Meters

8210 Distribution Services

8211 Other Distribution Plant

8212 Depreciation - Group 1 assets

8213 Depreciation - Group 2 assets

8214 Depreciation - Group 3 assets

8215 Depreciation - Group 4 assets

8216 Depreciation - Group 5 assets

8300 Amortization / Depreciation - Other

8301 Amortization of Property Losses, Unrecovered Plant and Regulatory Study Costs

These accounts should contain the depreciation expense for the period for the indicated types of assets

**8500 TAXES OTHER THAN PROFIT - OPERATING**

8501 Payroll Taxes

8502 VAT

8503 Property

8504 Land Use

8505 Transport

8506 Tax of Natural Resources

8507 Local Taxes

8508 Other Taxes

These accounts should contain the tax expenses (other than profit) which are incurred by the utility which are attributable to operations

**8600 PROFIT TAXES - OPERATING**

8601 Profit Tax - Operating

This account shall include the profit taxes which related to utility operating income

8602 Provision for Deferred Profit Taxes - Operating

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to utility operating income

8603 Provision for Deferred Profit Taxes - Cr - Operating

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to utility operating income

**9000 INTEREST CHARGES**

9001 Interest expense on Long Term Debt

This account shall include the amount of interest on outstanding long-term debt issued or assumed by the utility This account shall be so kept or supported as to show the interest accruals on each class and series of long-term debt

9002 Interest expense on Bank Loans

This account shall include the amount of interest on outstanding Bank Loans

9003 Interest expense on non-bank loans

This account shall include the amount of interest on outstanding loans (non-bank)

9004 Interest expense on inte. company loans

This account shall include the interest on obligations related to intercompany loans

9005 Interest expense on associated company loans

This account shall include the interest on obligations to associated companies

9006 Amortization of debt discount and expense

This account shall include the amortization of unamortized debt discount and expense on outstanding long-term debt. Amounts charged to this account shall be credited concurrently to accounts 2808, Unamortized Debt Expense, and 4190, Unamortized Discount on Long-Term Debt - Debit

9007 Amortization of loss on reacquired debt

This account shall include the amortization of the losses on reacquisition of debt. Amounts charged to this account shall be credited concurrently to account 2814, Unamortized Loss on Reacquired Debt

9008 Amortization of Premium on debt - Cr

This account shall include the amortization of unamortized net premium on outstanding long-term debt. Amounts credited to this account shall be charged concurrently to account 4185, Unamortized Premium on Long-term Debt

9009 Amortization of gain on reacquired debt - Cr

This account shall include the amortization of the gains realized from reacquisition of debt. Amounts credited to this account shall be charged concurrently to account 4340, Unamortized Gain on Reacquired Debt

9010 Other Interest Expense

This account shall include all interest charges not provided for elsewhere

9011 Allowance for Borrowed Funds Used During Construction - Cr

This account shall include the concurrent credit to interest expense upon capitalization of interest to ongoing construction projects

**9500 NON-OPERATING INCOME AND EXPENSE**

**Non-operating Income**

9501 Interest Income on short-term investments

This account shall include interest revenues on short-term securities, loans, notes, advances, special deposits, and all other interest-bearing assets

9502 Equity in earnings of subsidiary companies

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

9503 Allowance for Other Funds used During Construction

This account shall include the concurrent credits for the allowance for other funds used during construction upon capitalization to construction projects

9504 Interest Income from other investments

This account shall include interest income from investments not accounted for elsewhere

9505 Interest income from government securities

This account shall include interest income from investments in government securities

9506 Income from Intercompany transactions

This account shall include income from intercompany transactions

9507 Income from associated companies

This account shall include interest income from investments in associated companies

9508 Income from Dividends

This account shall include dividend income from investments in other companies

9510 Income from foreign exchange differences from transactions with foreign currencies - Non-Operating

This account shall be credited upon recognition of foreign exchange differences from transactions (related to non-operating activities) with foreign countries

9511 Other Non-Operating Income

This account shall include all revenue not provided for elsewhere

9512 Gain on Disposition of Property

This account shall be credited with the gain on the sale, conveyance, exchange, or transfer of non-utility property to another

**Non-Operating Expense**

9550 Losses from foreign exchange differences from transactions with foreign currencies - Non-Operating

This account shall be charged upon recognition of foreign exchange differences from transactions (related to non-operating activities) with foreign countries

9551 Donations

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

9552 Insurance

This account shall include all payments for life insurance of officers and employees where the company is beneficiary

9553 Penalties and fines

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

9554 Expenditures for certain civic, political and related activities

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

9555 Other Deductions

This account shall include other miscellaneous expenses which are non-operating in nature, but which are not provided for elsewhere

9556 Expenses of Non-utility Operations

This account shall include other miscellaneous expenses which are incurred in non-utility operations

9557 Taxes other than Profit - Non-Operating

This account shall contain taxes (other than Profit Taxes) relative to Non-Operating activities

9558 Loss on Disposition of Property

This account shall be credited with the loss on the sale, conveyance, exchange, or transfer of non-utility property to another

**9600 Profit Taxes - Non-Operating**

9601 Profit Tax - Non-Operating

This account shall include the profit taxes which related to Non-operating income

9602 Provision for Deferred Profit Taxes - Non Operating

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to Non-operating income

9603 Provision for Deferred Profit Taxes - CR - Non-Operating

This account shall include the amounts of those deferrals of taxes and allocations of deferred taxes which relate to Non-operating income

**9800 EXTRAORDINARY GAINS AND LOSSES**

An extraordinary item (gain or loss) is unusual and infrequent in occurrence. Each event or transaction must be viewed separately, or it may be an extraordinary item for one enterprise, but not an extraordinary item for another enterprise.

“Virtually all items of income and expense included in the determination of net profit or loss for the period arise in the course of the ordinary activities of the enterprise. Therefore, only on rare occasions does an event or transaction give rise to an extraordinary item.” International Accounting Standards 1998, Chapter IAS 8 para 12

Any item that is extraordinary must be reported separately after reporting income and losses from operations. An extraordinary item must also be reported net of the tax effects that result from that item or transaction.

9810 Extraordinary gain

9820 Extraordinary loss

## **5 REPORTING REQUIREMENTS OF LICENSEES**

GNERC needs to receive certain information from the licensees on a regular basis in order to carry out its regulatory responsibilities. We feel the minimum filing requirements for the licensees should be as follows:

### **A Financial statements**

The licensees should be required to submit certified year end financial statements which have been prepared in accordance with International Accounting Standards, including

- Balance Sheet (Current & Prior Year)
- Statement of Income (Current & Prior Year)
- Statement of Cash Flow (Current & Prior Year)
- Statement of Retained Earnings
- Notes to Financial Statements

### **B Cost and Operating Data**

The licensees should be required to submit cost data for each year along the lines of that recently requested by GNERC in the following schedules:

- Schedule A - Cost Data for Generating Licensees
- Schedule B - Cost Data for Transmission Licensees
- Schedule C - Cost Data for Distribution Licensees

GNERC should review the responses received from the licensees in response to the recent data requests, as well as the proposed chart of accounts, and make applicable changes to the instructions and forms. The plant, operating cost, and revenue information requested should be consistent with that being proposed in the Chart of Accounts.

Clarification of the instructions and developing specific forms should improve the quality of the responses and promote consistency in responses from the licensees.

Additionally, in conjunction with the information already being requested from the Licensees, the filing requirements should specifically include the schedules described below. This will facilitate collection of statistical information about the individual licensees, as well as the electric energy sector taken as a whole (an example form for each schedule is included at the end of this section).

#### **Schedule 1 Power Accounting**

Each licensee should be required to prepare a schedule of energy generated, purchased, exchanged, and wheeled during the year. This schedule requires the licensee to list all the sources of energy received, as well as the disposition of the energy.

#### **Schedule 2 Revenue Accounting**

Each licensee should be required to prepare a schedule which details the revenues, customers, and related MWH by the following categories

Residential  
Commercial  
Industrial  
Sales to Public Authorities  
Sales for Resale  
Transmission of electricity for others  
Other electric revenues  
Steam Revenues  
Unbilled Revenue  
Gains from Disposition of Utility Plant  
Rental / Lease Revenue  
Other Utility Operating Revenue  
Total Electric Operating Revenue

### **Schedule 3 Sales for Resale Accounting**

Each licensee should be required to prepare a schedule which details the following information for each customer

Customer  
Average Monthly Billing Demand (MW)  
Average Monthly Non-Coincident Peak (NCP) Demand (MW)  
Average Monthly Coincident Peak (CP) Demand (MW)  
MWH Sold  
Demand Charges  
Energy Charges  
Other Charges  
Total Charges

### **Schedule 4 Transmission of Electricity for Others**

Each Licensee should be required to prepare a schedule which details the following information regarding charges for transmission of electricity for others (wheeling) by customer

Customer  
Energy Received From (company)  
Energy Delivered To (company)  
Point of Receipt (Substation or other designation)  
Point of Delivery (Substation or other designation)  
Billing Demand  
MWH Received

MWH Delivered  
Demand Charges  
Energy Charges  
Other Charges  
Total Revenues

#### **Schedule 5 Transmission of Electricity by Others**

Each Licensee should be required to prepare a schedule which details the following information regarding payments for transmission of electricity by others (wheeling) by company

Company  
Energy Received  
Energy Delivered  
Demand Charges  
Energy Charges  
Other Charges  
Total Charges

#### **Schedule 6 Purchased Power Accounting**

Each licensee should be required to prepare a schedule which details the following information regarding power purchased from each supplier

Company  
Average Monthly Billing Demand (MW)  
Average Monthly Non-Coincident Peak (NCP) Demand (MW)  
Average Monthly Coincident Peak (CP) Demand (MW)  
MWH purchased  
Demand Charges  
Energy Charges  
Other Charges  
Total Charges

#### **C Future Additional Information Requirements**

In future years, GNERC should prescribe regulations requiring additional information from the licensees as necessary in the performance of its regulatory activities. For instance, additional details of revenues would be necessary if additional rate schedules are implemented.

**Schedule 1 Power Accounting**

Company \_\_\_\_\_ Year of Report \_\_\_\_\_ Date of Report \_\_\_\_\_

Line #	Item	Megawatt Hours
1	SOURCES OF ENERGY	
2	Generation (excluding station use)	
3	Fossil Fuel	
4	Hydro	
5	Net Generation (total lines 3+4)	
6	Purchases	
7	Power Exchanges	
8	Received	
9	Delivered	
10	Net Exchanges (line 8 minus 9)	
11	Transmission for Others (Wheeling)	
12	Received	
13	Delivered	
14	Net Transmission for Others (Line 12 minus 13)	
15	Transmission By Others Losses	
16	Total (lines 5,6,10,14 and 15)	
17	DISPOSITION OF ENERGY	
18	Sales to Retail Customers	
19	Sales for Resale	
20	Energy furnished without charge	
21	Energy used by the company	
22	Commercial losses	
23	Technical losses	
24	Total (lines 18 through 23) (Must equal line 16)	

**Schedule 2 Revenue Accounting**

Company \_\_\_\_\_ Year of Report \_\_\_\_\_ Date of Report \_\_\_\_\_

<b>Line #</b>	<b>Account</b>	<b>Title of Account</b>	<b>Operating Revenues</b>	<b>Megawatt Hours Sold</b>	<b>Average No of Customers Per Month</b>
1	6110	Residential Sales			
2	6120	Commercial Sales			
3	6130	Industrial Sales			
4	6140	Sales to Public Authorities			
5	6150-6153	Sales for Resale			
6	6160-6163	Transmission of electricity for Others			
7	6170	Other Electric Revenues			
8	6171	Steam Revenues			
9	6175	Unbilled Revenue			
10	6180	Gains from Disposition of Utility Plant			
11	6185	Rental / Lease Revenue			
12	6190	Other Utility Operating Revenue			
13	6191	Provision for Rate Refund			
14	6195	Regulatory Credits			
15					
16		Total			

**Schedule 3 Sales for Resale Accounting**

Company \_\_\_\_\_ Year of Report \_\_\_\_\_ Date of Report \_\_\_\_\_

Line #	Customer	Average Monthly Billing Demand MW	Average Monthly NCP Demand MW	Average Monthly CP Demand MW	MWH Sold	Demand Charges	Energy Charges	Other Charges	Total Charges
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18	<b>Total</b>								

Note NCP = Non-coincident Peak (individual peak of the customer)  
 CP = Coincident Peak (peak of the customer at time of system peak)

**Schedule 4** Transmission of Electricity for Others

Company \_\_\_\_\_ Year of Report \_\_\_\_\_ Date of Report \_\_\_\_\_

Line #	Customer	Energy Received From	Energy Received By	Point of Receipt	Point of Delivery	Billing Demand MW	MWH Received	MWH Delivered	Demand Charges	Energy Charges	Other Charges	Total Charges
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21	Total											

**Schedule 5** Transmission of Electricity by Others

Company \_\_\_\_\_ Year of Report \_\_\_\_\_ Date of Report \_\_\_\_\_

Line #	Customer	MWH Received	MWH Delivered	Demand Charges	Energy Charges	Other Charges	Total
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21	Total						

**Schedule 6 Purchased Power Accounting**

Company \_\_\_\_\_ Year of Report \_\_\_\_\_ Date of Report \_\_\_\_\_

Line #	Company	Average Monthly Billing Demand MW	Average Monthly NCP Demand MW	Average Monthly CP Demand MW	MWH Purchased	Demand Charges	Energy Charges	Other Charges	Total
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									
21	Total								

Notes NCP = Non-coincident Peak (individual peak of the customer)  
 CP = Coincident Peak (peak of the customer at time of system peak)

## 6 FINANCIAL STATEMENTS

The final objective of financial reporting is the preparation of financial statements. Financial accounting is employed primarily for users of financial statements who are external to the company. The common characteristic of external users is their lack of authority to prescribe the information they want from an enterprise. They depend on general-purpose external financial reports provided by management. International Accounting Standard No. 1 describes the objectives of financial reporting as follows:

“ Financial statements must be clear and understandable. They are based on accounting policies which vary from enterprise to enterprise, both within a single country and among countries. Disclosure of the significant accounting policies on which the financial statements are based is therefore necessary so that they may be properly understood. Financial statements give information which is used by a variety of users, especially shareholders, creditors (present and potential) and employees. Other important categories of users include suppliers, customers, trade unions, financial analysts, statisticians, economists, and taxing and regulatory authorities” (International Accounting Standards 1998, IAS 1, para 10 & 11, p 71, © 1998)

External users of financial information encompass a wide range of interests but can be classified into three groups:

- creditors and equity investors,
- government, which includes the regulatory bodies and tax authorities, and
- the general public and special interest groups

Although these three groups have different objectives in the analysis of financial information, equity investors and creditors are the primary users of financial information. The underlying objective of financial analysis is the comparative measurement of risk and return to make investments or credit decisions.

A complete set of financial statements includes a balance sheet, an income statement, a statement of cash flow, a statement of retained earnings, and footnotes supplementing the information provided by these statements.

### BALANCE SHEET

The balance sheet shows the property and cash owned by a firm and the amounts owed to it (assets). The money that a firm owes, and the source of the money used to purchase those assets (liabilities and capital) are also shown. Data is given as of the end of business on a stated day, usually the end of the year or the end of an accounting period. Thus, a balance sheet is referred to as a snapshot of a point in time.

The asset portion of the balance sheet shows the cost of what the company owns plus what is owed to it by others plus what the company has already paid for future expenses. Utility Plant is the section that records the costs of plant that has been completed, and the equipment that is part of an incomplete project (Construction Work in progress). Many utilities have invested in other

businesses Those investments are shown under Other Property and Investments

The Capitalization and Liabilities portion of the balance sheet shows amounts that owners invested in the business and the amounts the business owes its creditors The utility accounts usually begin with a statement of Capitalization which shows the amount that has been invested in the business for the long term The company has obligations that must be paid within 12 months of the date of the balance sheet Those obligations are Current Liabilities Other Credits and Long Term Liabilities commonly are deferred income taxes (temporary or permanent differences derived from the use of accelerated depreciation)

## INCOME STATEMENT

The income statement covers a specific period It shows the amount of money that the enterprise earned from products and services within that period (revenues) and the costs that were incurred by the firm to provide those products and services (expenses) The difference between revenue and expense is the profit or net income that is left for the owners of the business Some of the income may be paid to owners in the form of dividends The rest is kept by the firm for use in the business (retained earnings)

The utility sells a certain amount of electricity in the year at particular prices Receipts from customers produce Operating Revenues The costs of producing the electricity are called Operating Expenses The difference between operating revenues and operating expenses is called Utility Operating Income Non-Utility Operating income includes the income from various affiliated companies, interest earned on investments, and a variety of other items including expenses related to those items Total Operating Income is the sum of utility and non-utility operating income Subtracting Interest Expense from Total Operating Income gives Net Income, which is the money left for the owners of the business

## CASH FLOW STATEMENT

The balance sheet tells what the company owns and owes at the end of a given day The income statement helps to determine how profitable the operations of the firm were for a given period The statement of cash flows analyzes the cash received and disbursed in a given period The statement of cash flows is conceptually simple it is intended to show all the cash inflows and outflows of the firm during the period However, as the cash flow statement must combine items from both the balance sheet and the income statement, it is procedurally more difficult

The statement begins with "Cash Flow from Operating Activities," basically what is left over from the year's revenues after the expenses that require cash outlay are paid There are two methods, both in accordance to IAS, to calculate cash flow from operating activities the direct method, which uses major categories of gross cash receipts and payments, and the indirect method, which provides a reconciliation of net income to net cash flow from operating activities This manual assumes the use of the indirect method for the cash flow statement The first item is the Net Income which is reported before adjusting for any items that do not result in cash Expenses that do not require cash outlays must be added to that, and reported income that does not bring any cash must be subtracted This process requires that increases (decreases) in current assets from the previous accounting period be subtracted from (added to) to net income In addition, increases (decreases) in current

liabilities are added to (subtracted from) income Depreciation and losses (gains) are added to (subtracted from) to Net Income to arrive at Net Cash Provided from Operating Activities

Cash Flow from Investing Activities is that resulting from

- Acquisition or sale of property, plant, and equipment,
- Acquisition or sale of a subsidiary or segment, and
- Purchase or sale of investments in other firms

Similarly, Cash Flow from Financing Activities is that resulting from

- Issuance or retirement of debt and equity securities,
- Dividends paid to stockholders

IAS requires gross rather than net reporting of significant investing and financing activities thereby providing improved disclosure For example, the acquisition of property must be shown separately from the sale of property

### THE STATEMENT OF RETAINED EARNINGS

The owners' equity increases through earnings and decreases when earnings are paid out in the form of dividends The difference between the total earnings to date and the total amount of dividends paid to the shareholders to date is retained earnings That is, the difference represents the amount of accumulated earnings retained for use in the business If this difference is negative, the item is labeled as a deficit

The amount of retained earnings on a given date is the cumulative amount that has been retained in the business from the beginning of the corporation's existence up to that date Note also that the amount of retained earnings does not indicate the form in which the earnings were retained They may be invested in any of the resources that appear on the assets side of the balance sheet This last issue is emphasized because there is a common misconception that there is some connection between the amount of retained earnings and the amount of cash

The retained earnings statement is divided into Unappropriated and Appropriated retained earnings Appropriated retained earnings, in contrast to retained earnings restrictions, which are binding by law or by contract, are voluntarily made by the enterprise Special purpose funds (e g payment of social and welfare type benefits) should be recorded in this section of the retained earnings statement

### FOOTNOTES TO THE FINANCIAL STATEMENTS

Four financial statements have been discussed the balance sheet, the income statement, the cash flow statement, and the statement of retained earnings A fifth type of required information is also important This is the footnotes that accompany these financial statements, and is deemed to be an integral part of them Footnotes are designed to allow users to improve assessments of the amounts, timing, and reliability of the information reported in the financial statements Some supplementary information is provided voluntarily by management

One of these notes, usually the first, summarizes the accounting policies the company has followed in preparing the statements Among other topics, this note usually describes the basis of

consolidation (if the statements are consolidated), depreciation methods, policies with respect to the amortization of intangible assets, inventory methods and policies regarding the recognition of revenues

Footnotes also provide a detailed discussion of and additional disclosure related to fixed assets inventories, taxes, pensions, other post-employment benefits, debt, compensation plans and other elements of the financial statements

## EXAMPLE OF FOOTNOTES TO FINANCIAL STATEMENTS

### Description of the Company

A brief description of the Company's history, its generation capacity, transmission, and distribution assets, customer base and other important characteristic should be included in this section

### Principles of Accounting

If statements are prepared according to International Accounting Standards (IAS), this section should disclose that fact and additional necessary information

### Ratemaking and Regulation

The Georgian regulatory environment for electric tariffs should be described

### Equity Investment in Non-consolidated Affiliates

The accounting method used to record equity investment should be disclosed

### Revenue Recognition

The method of revenue recognition should be described

### Operating Expenses

A description of the major operating expenses and the accounting methods should be included

### Fixed Asset Accounting

The accounting basis for recording utility plant should be included in this section For example, if utility plant is accounted at cost of construction, but some revaluation has performed, a list of the revaluations and limited details of each should be disclosed

### Depreciation

This section would include the depreciation method used and any additional information For example whether and what rates are applied to revaluations made to plant in service

### Inventories

The inventory method should be discussed in this section

#### Profit Taxes

The Georgian profit tax rate should be disclosed along with the discussion of items that are tax deductible or any specific regulation that allows for deferred credits. This section usually shows the tax calculations and the actual amount of cash paid for taxes. In addition, amounts required to be accrued as expenses in excess of taxes currently due arising from tax-book timing differences would be described. Often included in this is a reconciliation of tax and book income.

#### VAT Accounting

The valued added tax rate and its base of application are explained in this section.

#### Special Purpose Funds

The accounting for Special Purpose Funds should be described.

#### Regulatory Matters

This section would include significant regulatory matters, such as changes in tariffs, and environmental issues.

#### Plant in Service

A list with major assets with additions and retirements for the year and an ending balance would be shown in this section.

#### Capital Stock

This section would show the capital structure of the enterprise. This would include a listing of all the capital account identifying different kinds of shares, paid in capital, and preferred stock. Any issue of new securities and treasury stock operations must be disclosed in this section. Dividends declared and dividends paid are also part of this section.

#### Long-term Debt

This footnote should provide details about applicable interest rates, maturity schedules, and contractual terms for outstanding debt.

#### Short-Term Loans and Lines of Credit

This section should include a description on short-term loans and available lines of credit.

#### Retirement and Post-employment Benefits

Annual contributions and cumulative balances to the state for retirement and post-employment benefits would be disclosed under this footnote.

## Legal Matters

This footnote would include a brief discussion of pending legal matters, including management's assessment of the likely outcome

## Segment Reporting

IAS 14 requires that publicly quoted enterprises and other economically significant entities should describe the activities of each significant industry segment

For each segment, disclosure should be made of

- sales of other operating revenues (analyzed between external customers and other segments),
- results,
- net assets employed, and
- basis of inter-segment pricing

Reconciliations between the sum of the information on individual segments and the aggregated information in the financial statements should be given

Disclosure should also be made of the nature of any change in the identification of segments or in the way in which segmental information is reported, the reasons for the change and, if determinable, the effect of the change

Examples of the recommended financial statement formats for electric licensees are presented in the following pages

**ENTERPRISE'S NAME**  
**BALANCE SHEET**  
(in Thousands of Lari)

	<u>Current Period</u>	<u>Prior Period</u>
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash		
Investments		
Accounts Receivable		
Less Allowance for Doubtful Accounts		
Notes Receivable		
Inventory		
Prepaid Expenses		
Deferred Charges		
Other Current Assets		
<i>Total Current Assets</i>	_____	_____
<i>Utility Plant</i>		
Utility Plant in Service		
Less Accumulated Depreciation		
Net Plant in Service		
Construction Work in Progress		
Removal Work in Progress		
<i>Net Utility Plant</i>	_____	_____
<i>Other Long-term Assets</i>		
Notes Receivable		
Long-term Investments		
Non-Utility Property		
Other Long-term Assets		
<i>Net Other Long-term Assets</i>	_____	_____
<b>TOTAL ASSETS</b>	=====	=====

See Notes to Financial Statements

**ENTERPRISE'S NAME**  
**BALANCE SHEET**  
(in Thousands of Lari)

	<u>Current Period</u>	<u>Prior Period</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
<i>Capitalization</i>		

Equity		
Common Stock		
Preferred Stock		
Additional Paid In Capital		
Retained Earnings - Unappropriated		
Retained Earnings - Appropriated		
Revaluation Adjustments		
Treasury Stock		
Total Equity		
Long-Term Debt	_____	_____
<i>Total Capitalization</i>		
<i>Current Liabilities</i>		
Currently Maturing Long-Term Debt		
Short-Term Debt		
Accounts Payable		
Taxes Payable		
Accrued Liabilities		
Other Current Liabilities	_____	_____
<i>Total Current Liabilities</i>		
<i>Other Credits and Long-term Liabilities</i>		
Accumulated Deferred Profit Taxes		
Deferred Credits		
Other Long-Term Liabilities	_____	_____
<i>Total Other Credits and Long-term Liabilities</i>		
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	=====	=====

See Notes to Financial Statements  
**ENTERPRISE'S NAME**  
**INCOME STATEMENT**  
(in Thousands of Lari)

	<u>Current Period</u>	<u>Prior Period</u>
<b>UTILITY OPERATING INCOME</b>		
Operating Revenues		
Operating Expenses		
Operation		
Fuel		
Purchased Power		
Other Operation Expense		
Customer Accounts and Service Expense		
General and Administrative Expense	_____	_____
Total Operation Expenses		
Maintenance Expenses		

Rehabilitation Expenses  
 Depreciation  
 Taxes other than Profit  
 Profit Taxes  
 Total Operating Expenses

\_\_\_\_\_

**NET UTILITY OPERATING INCOME**

**NON-OPERATING INCOME AND EXPENSES**

Interest Income  
 Allowance for Other Funds Used During Const  
 Miscellaneous Non-Operating Income  
 Miscellaneous Non-Operating Expenses  
 Taxes Other Than Profit  
 Profit Taxes - Non-Operating

\_\_\_\_\_

**TOTAL NON-OPERATING INCOME AND EXPENSE**

**INTEREST CHARGES**

Interest on Long-Term Debt  
 Other Interest - net  
 Allowance for Borrowed Funds Used During Const - Cr

\_\_\_\_\_

**TOTAL INTEREST CHARGES**

**NET INCOME BEFORE EXTRAORDINARY ITEMS**

Extraordinary Income  
 Extraordinary Deductions

**NET INCOME**

=====

See Notes to Financial Statements

**ENTERPRISE'S NAME  
 STATEMENT OF CASH FLOWS  
 (in Thousands of Lari)**

Current Period      Prior Period

**Cash Flow from Operating Activities**

Net Income  
 Gain (Loss) on Sale of Assets  
 Annual Depreciation  
 Decrease or (Increase) in Receivables  
 Decrease or (Increase) in Fuel Inventory  
 Decrease or (Increase) in Other Inventory  
 Decrease or (Increase) in Prepayments and Other  
 Decrease or (Increase) in Taxes Reclaimable and Receivable  
 Increase or (Decrease) in Payables  
 Increase or (Decrease) in Accrued Liabilities  
 Increase or (Decrease) in Profit Taxes Payable

\_\_\_\_\_

**Net Cash Provided from Operating Activities**

**Cash Flow from Investing Activities**

Acquisition of Property Plant, and Equipment  
Proceeds from the Sale of Property, Plant, and Equipment  
Construction Expenditures  
Investments in enterprises  
Investments in Securities  
Sale of Investments

\_\_\_\_\_

**Net Cash from Investing Activities**

**Cash Flow from Financing Activities**

Retirement of Long-term Debt  
Issuance of Long-term Debt  
Retirement of Notes Payable  
Issuance of Notes Payable  
Treasury Stock Acquired  
Dividends Paid

\_\_\_\_\_

**Net Cash from Financing Activities**

**Net Increase in Cash**

Beginning Balance in Cash

Ending Balance in Cash

See Notes to Financial Statements

**ENTERPRISE'S NAME**  
**STATEMENT OF RETAINED EARNINGS**  
**(in Thousands of Lari)**

Current Period      Prior Period

**Retained Earnings - Unappropriated**

Beginning Balance  
Add Net Income  
Less Dividends Declared  
Less Amounts Allocated

\_\_\_\_\_

**Ending Balance Retained Earnings - Unappropriated**

**Retained Earnings - Appropriated**

Beginning Balance  
Amounts allocated from Current Earnings for  
    List all the Balances and Purposes  
Amounts distributed  
    List all the Balances and Purposes

\_\_\_\_\_

**Ending Balance Retained Earnings - Appropriated**

**TOTAL RETAINED EARNINGS**

=====

See Notes to Financial Statements

## 7 SAMPLE TRANSACTIONS / EXAMPLES OF ACCOUNTING ENTRIES

Many differences in accounting practices primarily result from the timing of revenue and expense recognition. Georgian accounting procedures do not recognize revenues until cash has been received. Additionally, there are other differences in the fundamental approach to accounting for transactions.

The sample transactions that follow are presented for comparative purposes to provide practical examples of the differences between Georgian and IAS Accounting. They are intended for illustrative purposes only and do not necessarily reflect economic reality. (For instance, the entries concerning VAT may not reflect the current tax code.)

Geo	Georgian Entries	DR	CR	IAS	IAS/Regulatory Entries	DR	CR
Acct				Acct			
	<b>A. Purchase of Direct Materials</b>						
10	Materials	225		1610	Fuel Stock	225	
19	Vat Paid	50		1456	AR-VAT on acquired tangible assets	50	
51	Cash in Bank		275	1210	Local Bank - national currency		275
	<i>to record the purchase of fuel</i>				<i>to record the purchase of fuel</i>		
10	Materials	75		1650	Materials and Operating Supplies	75	
19	Vat Paid	15		1456	AR-VAT on acquired tangible assets	15	
60	Settlements with Suppliers		90	3111	Accounts Payable - Suppliers and Contractors		90
	<i>to record other materials and supplies purchased on credit</i>				<i>to record other materials and supplies purchased on credit</i>		

	<b>B Transfer / Use of Materials</b>						
20	Basic Production	175					
87	Retained Earnings (loss)	25		7103	Fuel – Muzat	200	
10	Materials		200	1610	Fuel Stock		200
	<i>to record the use of muzat fuel and the cost of the quantity that was over the plan</i>				<i>to record the cost of fuel</i>		
					International accounting standards require that the full cost of the fuel used in production be expensed		
25	General Production Costs	100		7501	Maintenance Expense – Fossil Fueled Power	100	
10	Materials		100	1650	Materials and Operating Supplies		100
	<i>to record the use of materials for maintenance of fossil fueled electric plant</i>				<i>to record the use of materials for maintenance of fossil fueled electric plant</i>		
					Note the more descriptive information regarding both the DR and CR		
26	General Admin Costs	50		8015	Office Equipment and supplies	50	
60	Settlements with suppliers		50	3111	Accounts Payable – Suppliers and Contractors		50
	<i>to record the purchase and use of office supplies</i>				<i>to record the purchase and use of office supplies</i>		

<b>C Labor Costs</b>							
20	Basic Production	45		7401	Operation Expense – Fossil Fuelcd Power	60	
25	General Production Costs	60		7402	Operation Expense – Hydro Power	30	
26	General Admin Costs	55		7411	Operation Expense – Dist Syst Cont & Load Disp	16	
70	Salary and wage settlements		160	7501	Maintenance Expense – Fossil Fuelcd Power	20	
	<i>to record accrued salaries</i>			7601	Rehabilitation Expense – Distribution Meters	24	
				7701	Meter Reading	30	
				8010	Salaries – Administrative & General	36	
70	Salary and wage settlements	56		3420	Payroll Taxes Payable		56
68	State Budget Settlements		56	3610	Wages and salaries payable		160
	<i>to record taxes withheld</i>				<i>to record accrued salaries including payroll taxes withheld</i>		
					<i>Note the more descriptive information about the types of expenses based on interpretation by users</i>		
26	General Administrative Costs	80		8501	Payroll Taxes	80	
69	Social Insurance Settlements		80	3560	Payroll Taxes Payable (Accrued Social Insurance)		80
	<i>to record employer's share of payroll taxes</i>				<i>to record employer s share of payroll taxes(also known as social insurance)</i>		
26	General Administrative Costs	35		8011	Employee Benefits and Insurance	35	
89	Provisions for future expenditures		35	3590	Other Accrued Expense		35
	<i>to record employee benefits payable in the future</i>				<i>to record an employee benefits liability that is certain and can be reasonably estimated</i>		

<b>D Interest Expense</b>							
20	Basic Production	55		9001	Interest on Long term Debt	65	
76	Settlements with Debtors and Creditors		55	3510	Accrued Interest		65
	<i>to record interest accrued on long-term debt obligations at market rates</i>				<i>to record interest accrued on long term debt obligations</i>		
86	Reserve Fund (or 87 Retained Earnings)	10		2620	Constr Work in Progress- Towers & Fixtures	5	
76	Settlements with Debtors and Creditors		10	9011	Allow for Borrowed Funds Used During Const		5
	<i>to record interest accrued on long-term debt obligations at rates above market</i>				<i>to allocate a portion of the interest expense that was incurred due to funds used to finance current construction projects</i>		

<b>E Depreciation</b>							
				8201	Depreciation - Fossil Fueled Plants	10	
20	Basic Production	40		8203	Depreciation - Transmission Lines	5	
25	General Production Costs	20			Depreciation - Etc	65	
26	General Administrative Costs	15		2150	Accumulated Depreciation - Production		10
44	Distribution Costs	5		2251	Accumulated Depreciation - Trans Lines		5
02	Depreciation of Fixed Assets		80		Accumulated Depreciation - Etc		65
	<i>to record the monthly depreciation of fixed assets used in production</i>				<i>to record the monthly depreciation of fixed assets used in production</i>		

F Realization of Revenues							
					1401	Accounts Receivable - Electric	573
45	Goods Delivered	515			6110	Residential Sales	477
20	Basic Production		515		3430	VAT Payable	96
	<i>to transfer production costs associated with the amounts of electricity invoiced</i>				<i>to record revenues based on invoices presented to customers</i>		
45	Goods Delivered	58					
83	Profits of Future Periods		58				
	<i>to record "the profits" associated with the invoices presented to customers</i>						
51	Cash in Bank	100			1210	Local Bank - national currency	100
46	Sales of Production		100		1401	Accounts Receivable - Electric	100
	<i>to record the collection of amounts invoiced</i>				<i>to record the collection of amounts invoiced</i>		
46	Sales of Production	100					
45	Goods Delivered		100				
	<i>to record the costs associated with the realization of income</i>						
83	Profits of Future Periods	17			3430	VAT Payable	17
68	State Budget Settlements		17		1210	Local Bank - national currency	17
	<i>to record the VAT due on realized sales</i>				<i>to pay taxing authorities amount of VAT collected from customers</i>		
83	Profits of Future Periods	3					
80	Profit and Loss		3				
	<i>to record the profit of the realized sales</i>						

<b>G Other Income – Sale of Fixed Assct</b>							
47	Sales and disposal of fixed assets	300		2726	Removal WIP - Trans Substation - Struct & Impr	300	
01	Fixed Assets		300	2212	Transmission Plant in Service - Substation - Str & Imp		300
	<i>to record decrease in fixed assets due to sale</i>				<i>to record decrease in fixed assets due to sale</i>		
02	Depreciation of Fixed Assets	250					
47	Sales and disposal of fixed assets		250				
	<i>to record write-off of depreciation related to asset sold</i>				Note that no entry for the existing depreciation reserve is required -- typically this number is not known		
51	Cash in Bank	225		1210	Local Bank - national currency	225	
47	Sales and disposal of fixed assets		225	2726	Removal WIP - Trans Substation		225
	<i>to record the cash received on disposal</i>				<i>to record cash received due to sale of fixed asset</i>		
47	Sales and disposal of fixed assets	175		2252	Accumulated Depreciation - Trans Substation	75	
80	Profit and Loss		175	2726	Removal WIP - Trans Substation		75
	<i>to close account 47 to profit and loss</i>				<i>to close the RWIP work order to Accumulated Depreciation</i>		
					Note that no gain or loss is recognized on the normal disposition of assets Rather, the difference impacts accumulated depreciation which impacts depreciation charges the next time depreciation rates are changed		

<b>H Non-deductible Expense</b>							
87	Retained Earnings	45			9555	Non-Operating Expense - Other Deductions	45
51	Cash in Bank		45		1210	Local Bank - national currency	45
	<i>to record the expense of business trip that was excess of allowable expenditures</i>					<i>to record the expense of business trip that was excess of allowable expenditures</i>	
						Under IAS the full cost of all expenses is recorded Items that are not deductible for tax purposes are adjusted on the tax return	

<b>I Closing Subledgers</b>							
20	Basic Production	300					
25	General Production Costs		180				
26	General Administrative Costs		120				
	<i>to transfer general expenses to production accounts</i>					This entry is not necessary under IAS as the expenses are directly charged to the correct account	

<b>J Accrue Income and Assoc Entries</b>							
86	Reserve Fund, or 87 Undistributed Profit	30			7704	Uncollectible accounts expense	70
82	Reserves (Provision) for Doubtful Debts		30		1440	Allowance for doubtful accounts - service	70
	<i>to establish provision for doubtful debts done by specific identification</i>					<i>to establish provision for doubtful debts determined by estimate</i>	
62	Settlements with Buyers and Customers	5			1440	Allowance for doubtful accounts - service	5
82	Reserves (Provisions) for Doubtful Debts		5		1401	Accounts Receivable - Electric	5
	<i>to write off receivable determined to be uncollectible</i>					<i>to write off receivable determined to be uncollectible</i>	

<b>K. Calculate Tax Expense</b>							
81	Profit Utilization	44			8601	Profit Tax - Operating	44
68	State Budget Settlements		44		3410	Profit Taxes Payable	44
	<i>to record the profit tax expense</i>					<i>to record the profit tax expense</i>	
					8602	Provision for Deferred Profit Taxes - Operating	5
					4310	Accumulated Deferred Profit Taxes	5
						<i>to record deferred taxes due to timing differences between book and tax -- specifically the case wherein tax deductions are larger than book purposes</i>	

<b>L Transfer of Net Income to Ret Earn</b>							
81	Profit Utilization	44					
80	Profit and Loss		44				
	<i>to close use of profit (taxes) to profit</i>						
80	Profit and Loss	104					
87	Retained Earnings (Loss)		104				
	<i>transfer net result of period's business activity to undistributed</i>						
						These entries are not necessary under IAS, as the net income is assigned to the Account 5901 - Retained Earnings on a monthly basis during the closing process	

<b>M Declaration of Dividends</b>							
				5901	Retained Earnings - Unappropriated	100	
81	Profit Utilization	100		3620	Dividends payable		90
75	Settlements with founders		100	3470	Tax Collections payable		10
	<i>to declare dividend to shareholders</i>				<i>to declare dividend to shareholders and withhold applicable taxes</i>		
75	Settlements with founders	10					
68	State budget settlements		10				
	<i>to withhold taxes on dividends</i>						
75	Settlements with founders	90		3620	Dividends payable	90	
51	Cash in Bank		90	1210	Local Bank - national currency		90
	<i>to pay shareholders dividends</i>				<i>to pay shareholders dividends</i>		

<b>N Issuance of Common Stock</b>							
01	Fixed Assets	20		2410	General Plant Land (vacant)	20	
04	Intangible Assets	2		2013	Miscellaneous Intangible Plant	2	
06	Long-term financial investments	5		2855	Long-term Bank Investments	5	
07	Equipment to be installed	4		1650	Materials and Operating Supplies	8	
10	Materials	3		1210	Local Bank - national currency	6	
12	Low-value and short-life items	1		5101	Common stock		41
50	Cash on hand	6					
75	Settlements with founders		41				
	<i>to record amounts relative to various items received from founders</i>				<i>to record issuance of stock in exchange for assets</i>		

<b>O Foreign Currency Exchange</b>							
52	Foreign Currency Account	1300		1220	Local Bank – Foreign Currency	1300	
	<i>\$1000 Cash in Bank in U S Currency at the beginning of month (\$1=1 3Lari)</i>				<i>\$1000 Cash in Bank in U S Currency at the beginning of month (\$1=1 3Lari)</i>		
51	Cash in bank	1170		1210	Local Bank – Local Currency	1170	
??	Loss from Foreign Exch Differences	130		8099	Loss from Foreign Exchange Differences	130	
52	Foreign Currency Account		1300	1220	Local Bank – Foreign Currency		1300
	<i>to record transfer of beginning of month foreign currency balance and related foreign exchange loss due to 10% drop in exchange rate to \$1=1 17Lari</i>				<i>to record transfer of beginning of month foreign currency balance and related foreign exchange loss due to 10% drop in exchange rate to \$1=1 17Lari</i>		

<b>P Establish Reserves</b>							
81	Profit Utilization (loss)	100					
86	Reserve Fund		100				
	<i>to set up reserve fund for employee assistance or other purposes (from current year)</i>						
87	Retained Earnings (Loss)	75					
86	Reserve Fund		75				
	<i>to set up reserve fund for employee assistance or other purposes (from prior year)</i>						
					Under IAS, the current Georgian use of reserves is not supported Reserves may be established if the creation of such reserves is required by statute or other law in order to provide an added measure of protection from the effects of losses Transfer to the reserves in an appropriation of retained earnings rather than an expense		

Q VAT Accounting example							
20	Basic Production	10		7103	Fuel Expense	10	
68	State Budget Settlements	2		1456	AR-VAT on acquired tangible assets	2	
60	Settlements with suppliers		12	3111	Accounts Payable - Suppliers and Contractors		12
	<i>to record purchase of supplies and associated VAT</i>				<i>to record purchase of supplies and associated VAT</i>		
45	Goods Delivered	36		1401	Accounts Receivable - Electric	36	
68	State Budget Settlements		6	3430	VAT Payable		6
46	Sales of Production		30	6110	Residential Sales		30
	<i>to record sale of electricity including VAT</i>				<i>to record sale of electricity including VAT</i>		
50	Cash on hand	20		1210	Local Bank - national currency	20	
45	Goods Delivered		20	1401	Accounts Receivable - Electric		20
	<i>to record receipt of cash from customers</i>				<i>to record receipt of cash from customers</i>		
68	State Budget Settlements	33		3430	VAT Payable	33	
50	Cash on hand		33	1210	Local Bank - national currency		33
	<i>to pay VAT on amount collected</i>				<i>to pay VAT on amount collected</i>		
					Note that subsidiary records must be maintained to determine the amount of VAT actually collected, which is due to be remitted to the taxing authority		

	<b>R. Accrue Unbilled Revnuc</b>						
				1467	Accrued Utility Revenues Receivable	100	
				6175	Unbilled Revenue		100
	No such entry under Georgian Accounting				<i>to record kwh delivered but unbilled as of the end of the period (period 1)</i>		
					Note that this amount should be deducted when calculating profit taxes payable such that is does not impact current taxes payable		
				8602	Provision for Deferred Profit Taxes - Operating	20	
				4310	Accumulated Deferred Profit Taxes		20
					<i>to record deferred taxes on unbilled revenue</i>		