

UNIFORM ACCOUNTING PROCEDURES

EQUIPMENT ACCOUNTING RECORDS (Continued)

Equipment Expense - Operating

Charges to Activity #512 - Equipment Expense - Operating should include operating costs for such maintenance items as fuel, lubricants, anti-freeze, and associated labor.

Equipment Expense Summary Ledger Report

An accumulative equipment report is suggested by generating costs from the equipment master listing and the general ledger detail, which should include the unit number of the equipment, state code designation, name of equipment, purchase date, purchase price, previous year's depreciation, current year's depreciation, equity, disposal date, gain or loss on disposal, direct expense minus the depreciation, prorated indirect expense, operating expense, total hours used, total equipment rental earned, and net gain or loss (difference between the total equipment rental earned and the total expenses incurred).

Underbody and Grader Blades

Blades and bolts and the labor of removing worn-out blades and installing new blades will be a direct repair charge to the unit of equipment upon which the blade is being installed, namely, Motor Grader or Underbody Scraper, etc.

Blades will be placed in Account #110 - Inventory - Equipment Materials and Parts at the time of purchase. When blades are removed from inventory and installed on the equipment, a journal entry will be made crediting Account #110 and Debiting Activity #510 in the general ledger, and the appropriate unit of equipment in the Equipment Subsidiary Ledger for the cost of the blades and bolts.

Tires and Tubes

Tires and tubes may be charged directly to the equipment upon which the tire is being installed. Tires can be placed in Account #110 - Inventory - Equipment Materials and Parts at the time of purchase. When tires are removed from inventory and installed on the equipment, an entry will be made crediting Account #110 and Debiting Activity #510 in the general ledger and the appropriate unit of equipment in the Equipment Subsidiary Ledger for the cost of the tire/tubes.

An alternative method to charge the tires and tubes would be to create a separate inventory item or account number for each size tire used by the road commission equipment.

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EQUIPMENT ACCOUNTING RECORDS (Continued)

These tire inventory accounts will accumulate and should be charged by transfer voucher at the end of the fiscal year with the value of tires, tubes, and recapping taken from inventory and charged to the appropriate piece of equipment in Activity #510 by calculating the prorated costs by tire size on a wheel-hour basis using the following procedure.

Group the equipment by tire sizes. (Exclude equipment that has specialized tire sizes and should be charged out directly to that piece of equipment at the time of purchase).

Determine the total number of wheels normally mounted on the equipment (including spare, if carried) in each tire size group.

Multiply the total hours of operation of each piece of equipment by the total number of tires (including spare, if normally carried) mounted on each piece of equipment. The result will be the total tire hours used by each piece of equipment.

Add the tire hours for all pieces of equipment in each tire size group to obtain the total tire hours by tire size.

Divide the total annual tire and tube costs for each size by the total tire hours to obtain the tire and tube cost, per tire size, per hour of use.

To determine the tire and tube cost to be charged to each piece of equipment, multiply the number of hours the piece of equipment was used by the tire and tube cost per hour and by the number of wheels normally mounted on the piece of equipment.

The total amount of tire and tube expense to be charged to all the equipment should equal the total tire and tube expense for all tire size expense accounts. Transfer the expense as computed to the individual pieces of equipment to the Activity #510 - Equipment Expense - Direct and offset that charge with the Account #110 - Equipment Materials and Parts which should zero out the tire inventory for the new fiscal year.

In addition to the above tire accounting procedures, a memo record should be maintained indicating the date of purchase of each tire, the tire location and changes in location, and the date and manner of disposition of each tire. This memo record should be in agreement with the total number of tires in stock and in use.

Fuel

To this account will be posted the cost of fuel consumed by county road commission equipment. The entry will be posted monthly (or more frequently) in which the inventory account is credited and the Equipment Expense - Operating Activity #512 is debited. Fuel purchased through a commercial vendor will be charged to each vehicle at the time of purchase or invoice data entry.