CHAPTER 149. UNIFORM SYSTEM OF ACCOUNTS

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Authority

The provisions of this Chapter 149 issued under the Milk Marketing Law (31 P.S. §§ 700j-101—700j-1302), unless otherwise noted.

Source

The provisions of this Chapter 149 adopted September 29, 1978, 8 Pa.B. 2672, unless otherwise noted.

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(390675) No. 523 Jun. 18
§ 149.1. Basic requirements.

Records. Milk dealers subject to license by the Board shall keep, within this Commonwealth, the following records:

(1) A record of the quantity of all milk received or produced, detailed as to location and as to names and addresses of producers or milk dealers from whom received, with butterfat test, weights, prices paid, and deductions or charges made.

(2) A record of the quantity of all milk sold, detailed as to grade, use, location, market outlet, and size and type of container, with prices and amounts received therefore, and the butterfat test thereof.

(3) A record of the quantities of all milk transported, shipped, or hauled; including the distances and the amounts paid for the movement of such milk, in all cases where the dealer pays on his own account or on the account of producers for the movement thereof.

(4) A record of the quantity of each milk product manufactured, the quantity of milk used in the manufacture of each product, and the quantity and value of milk products sold.

(5) The price or cost of containers used, by size and type.

(6) A record of wastage or loss of milk or butterfat.

(7) A record of the spread or handling expense and profit or loss, represented by the difference between the price paid and the price received for all milk and milk products.

(8) In addition to the accounts and records required to be kept by the Uniform System of Accounts, milk dealers subject to license by the Board shall calculate unit cost data as prescribed by and on forms provided by the Board.

Source


§ 149.2. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Accounts—The accounting titles prescribed in this chapter.

Controlled items—The revenues and expenditures generated from the sale of fluid milk products on which the Board establishes a resale price.

Noncontrolled items—The revenues and expenditures generated from the sale of both fluid milk and nonfluid milk products on which the Board does not establish a resale price.

Affiliated and related companies—Companies, groups, or persons that directly or indirectly, through one or more intermediaries, control, are con-
trolled by, or are under common control with the licensed milk dealer, including all subsidiaries, divisions, and branches.

Licensed milk dealer—Any milk dealer duly licensed by the Board who receives, processes, or distributes fluid milk and fluid milk products.

Books and records or books or records—Including all pertinent books, ledgers, journals, records, papers, memoranda, correspondence, vouchers, receipts, cancelled checks, accounts, exhibits, photographs, bills and other documents, including corporate minutes, Federal, State, and local tax returns, and any other records required to verify financial statements.

Licensee—A licensed milk dealer or handler.

Person—including any individual, corporation, association, partnership, limited partnership, or other unincorporated enterprise, owned or conducted by or on behalf of two or more individuals or other persons.

Costs—The amount of money actually incurred for property or services.

Amortization—The gradual extinction of an amount in an account, by distributing such amount over a fixed period during the life of the asset or liability to which it applies or over the period during which it is anticipated that the benefit will be realized.

Depreciation—The systematic write-off of costs over the estimated useful life of tangible assets applicable to the current accounting period.

Cost center—the department, process or function used to gather direct or indirect costs related to that department, process or function.

Tolling—The income and costs associated with performing one or all of the following services to raw milk for the account of another licensee; receiving, processing, packaging, containers and distributing the finished products.

§ 149.3. Records.

(a) Each licensee shall keep its books of account and 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.

(b) The books and records referred to in this chapter include not only accounting records but all other records, such as minute books, stock correspondence, and memoranda, which may be useful in developing the history of all facts regarding any transaction.

(c) No licensee shall destroy any such books or records unless the destruction thereof is permitted by this part.

(d) In addition to the accounts prescribed, clearing accounts, temporary or experimental accounts, and subdivisions of any account may be kept, providing the integrity of the prescribed accounts is not impaired.
(e) All amounts included in the accounts prescribed in this chapter for licensees shall be just and reasonable, and any payments or accruals for or by the licensee in excess of just and reasonable charges shall be included in other expenses.

§ 149.4. Accounting period.

(a) Each licensee shall post its books on a monthly basis so that, for each month, all basic transactions applicable thereto as nearly as may be ascertained shall be recorded chronologically in the books. This requirement does not include adjustments for inventories, accruals or deferrals, or allocations of service centers to productive centers.

(b) Each licensee shall close its books at the end of each calendar year. However, with prior written approval of the Board, a licensee may operate on a fiscal year basis.

§ 149.5. Accounting to be on accrual basis.

(a) Each licensee is required to keep its accounts on the accrual basis. Accruals shall consist of expenses which have been incurred and reflected on the accounting records but have not been paid and of income which has been paid and of income which has been earned and reflected on the accounting records but has not yet been received.

(b) When payments are made in advance for items such as insurance, rents, taxes, interests, the amount applicable to future periods shall be charged to the appropriate prepayment account and spread over the periods to which applicable.

§ 149.6. Records for each plant operated.

If a licensee operates more than one processing plant, separate accounting records shall be maintained for each plant.

§ 149.7. Transactions with subsidiaries, associated, affiliated and parent companies.

Each licensee shall keep its accounts and records so as to be able to furnish, accurately and expeditiously, statements of all transactions with subsidiaries, associated, affiliated, and parent companies.

§ 149.8. Distributing of certain expense classifications.

Underlying or supporting accounting data shall be maintained so that distribution of expense items such as payroll, Social Security Taxes, Workmen’s Compensation Insurance, and depreciation, may be charged to the various cost center accounts.
§ 149.9. Submittal of questions.
To maintain uniformity of accounting, licensees shall submit questions of doubtful interpretation to the Board for consideration and decision.

SPECIFIC INSTRUCTIONS

§ 149.21. Sales to affiliated and related organizations.
All sales to affiliated or related organizations shall be recorded as controlled or non-controlled, whether or not the Board controls the resale prices. Prices recorded for sales to such organizations shall be commensurate to those charged to independent organizations for similarly delivered products in similar quantities.

§ 149.22. Returns, allowances, and discounts.
Sales, as used throughout this chapter, are gross sales, and they are thus recorded in the appropriate account classification. Discounts on sales are to be shown as separate items and thus recorded in the appropriate accounts. “Returns” refer to products which have no further use and which are returned for credit and ultimate discard. Invoices and statements shall always indicate gross sales prices and discounts. Invoices shall not be prepared or recorded as “net of discount.”

§ 149.23. Separating costs into controlled and non-controlled.
Although it is agreed that both the Board and, in some areas, the Federal government “control” the cost of raw products purchased from producers, the division of costs into controlled and noncontrolled for financial reporting is dependent only on whether or not the Board establishes a price for the sale of the packaged item. Costs must be classified as controlled or noncontrolled to parallel the classification of the related sales. For example: Sales of packaged fluid milk products delivered to an out-of-State customer are noncontrolled because the Board does not establish the sales prices. Even though the product delivered in the was purchased as raw product from a producer in this Commonwealth at a price established by the Board, the cost of sales for these items is non-controlled, as are the containers in which they are packaged. All plant and delivery expenses must also be noncontrolled so the “points” or “dollars” related to the sale must be recorded as noncontrolled in worksheets used for computing allocation percentages. An in-State sale to an agency of the Federal government on ceded land is also noncontrolled, so all costs associated with it must be recorded as noncontrolled.

§ 149.24. Separating expenditures for raw product into controlled and noncontrolled amounts.
(a) From the milk dealer’s monthly report, the product and butterfat pounds sold or utilized shall be determined for each producer payment category, as follows:
(1) Controlled, Class I  
(2) Controlled, Class II  
(3) Noncontrolled, Class I  
(4) Noncontrolled, Class II  
(5) Noncontrolled, Class III  
(6) Noncontrolled, Class IV  

(b) The value of each category, using the applicable Federal or State prices adjusted for zone and butterfat differentials, shall be determined.  

(c) The pounds and dollar values for controlled and noncontrolled shall be totalled.  

(d) The difference between the total dollars accounted for in subsection (c) and the total paid for the milk, including payments to settlement and assessment funds shall be determined. This difference shall consist of market administration fees, shrinkage, plant loss and premiums.  

(e) The dollar difference specified in subsection (d) shall be divided between controlled and noncontrolled, in the same proportion as the controlled and non-controlled pounds totalled in subsection (c).  

(f) Add or subtract the differences separated in subsection (e) to the two dollar figures computed in subsection (c). The total of the controlled and noncontrolled dollar figures shall then equal the total payment for milk for the month.  

(g) If bulk product is purchased from other sources in addition to producers, the payments to both shall be totalled and divided between controlled and noncontrolled, using the steps set forth in subsections (a)—(f). The amounts of the total controlled and total noncontrolled shall then be divided between purchases and purchases from others, in the same proportion as the totals paid to producers and to others. The resultant four figures shall next be charged to the four accounts specified in § 149.42(c)(2)—(4) (relating to income and cost of sales accounts), with a credit to “Total Purchases of Milk,” specified in § 149.42(c)(1).  

(h) At the end of an accounting period, either calendar or as specified by the Board for cross-section purposes, the summarization of the monthly total figures may not equal the figure from the adjusted trial balance because of period beginning and ending inventory or other adjustments. This difference, plus or minus, shall be divided between controlled and noncontrolled in the same proportion as the total controlled and noncontrolled pounds sold in the entire period.  

(i) A dealer operating a partially Federally regulated plant paying marketing administration fees and payments to settlement funds for fluid milk products delivered to a Federal order area should assign all such payments to controlled cost of sales except for deliveries to locations on which the Board does not establish prices, such as out-of-State locations and Federally owned land.  

(j) If a dealer that produces both fluid and manufactured products purchases items, such as cream and powder that can be readily identified as raw product for...
the manufactured items, the cost of these items may be excluded from the computations specified in subsections (a)—(h) and assigned directly to noncontrolled cost of sales accounts.

**Authority**

The provisions of this § 149.24 amended under sections 608 and 704 of the Milk Marketing Law (31 P.S. §§ 700j-608 and 700j-704); and section 5 of the Milk Producers' and Cooperative Security Funds Act (31 P.S. § 625.5).

**Source**

The provisions of this § 149.24 amended September 24, 1999, effective September 25, 1999, 29 Pa.B. 4952. Immediately preceding text appears at serial pages (237872) to (237873).

§ 149.25. Hauling by affiliated or related organizations.

Such hauling organizations, regardless of organization or name, will be considered a part of the sponsoring dealer. Expenses shall be included in the receiving cost center while revenue shall be included in the hauling reimbursement account.

**Source**


§ 149.26. Distribution of costs.

(a) Natural expense accounts shall be allocated directly, wherever possible, to the appropriate cost center, except for “Executive Salaries,” which shall be allocated only to the “Administrative” center.

(b) Distribution of costs accumulated in the service centers shall be allocated in the following order:

1st—Administrative
2nd—General Plant
3rd—Warehouse
4th—Power Plant
5th—Transportation
6th—Garage

(c) Distribution of the costs accumulated in the service cost centers shall be allocated to the appropriate productive cost centers.

(d) Final distribution shall be allocated between controlled and noncontrolled products.

**Source**


§ 149.27. Purchase discounts.

Purchase discounts shall reduce the cost of an asset or expense.
§ 149.28. Point values.

(a) Point value for allocation of plant cost centers shall be as follows:

- 1 fluid gallon-milk, etc., ice cream fruit drinks, yogurt: 4 points, others in proportion
- Dips, sour cream, cottage cheese 12-16 oz.: 1 point
- Under 12 oz.: 1/2 point
- Butter, margarine, bread, eggs: 1 point-lb., loaf, doz.
- Aerated whips, cream, reddi whip: 1 point per can
- Ice cream novelties: 2 points per doz.
- All other items: 2 points per $1.00 sales

(b) All other items shall include nonprocessed fruit drinks, purchased for resale in unchanged form and package.

Source


§ 149.29. Deliveries of “Dock Pick-Up” sales by affiliated or related organizations.

Affiliated or related delivery organizations, with or without a milk hauling or P.U.C. license, will be considered a part of the sponsoring dealer. Expenses shall be included in the applicable delivery cost centers, while income shall be credited against the expenses of the applicable delivery centers.

§ 149.30. Bad debts.

A reserve for bad debts account must be established and maintained. In order to maintain uniformity, the bad debts reserve at month’s end cannot exceed the average percentage that the actual bad debts for the preceding moving average 5-year period relates to the average actual sales for the same period. The following example sets forth the method of determining the allowable reserve for bad debts at the end of the reporting year using the preceding 5-year experience:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ACTUAL BAD DEBTS</th>
<th>NET SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>IN EXCESS OF RECOVERIES</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>$1,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>2</td>
<td>800</td>
<td>150,000</td>
</tr>
<tr>
<td>3</td>
<td>1,200</td>
<td>75,000</td>
</tr>
<tr>
<td>4</td>
<td>1,100</td>
<td>75,000</td>
</tr>
<tr>
<td>5</td>
<td>900</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>$5,000</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

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§ 149.31. Depreciation.

(a) Depreciation on each capital asset shall be computed on a straight line basis. Accordingly, it is necessary to establish a schedule setting forth the useful lives of each capital asset. The following table presents the lives that shall be used:

<table>
<thead>
<tr>
<th>ASSET</th>
<th>All depreciation straight-line</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td></td>
</tr>
<tr>
<td>Land Improvements</td>
<td>20</td>
</tr>
<tr>
<td>Buildings</td>
<td>40</td>
</tr>
<tr>
<td>Building Improvements</td>
<td>40</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>12</td>
</tr>
<tr>
<td>Autos</td>
<td>3</td>
</tr>
<tr>
<td>Light Trucks</td>
<td>5</td>
</tr>
<tr>
<td>Heavy Trucks</td>
<td>6</td>
</tr>
<tr>
<td>Tractors—Over the Road</td>
<td>5</td>
</tr>
<tr>
<td>Trailers</td>
<td>6</td>
</tr>
<tr>
<td>Furniture &amp; fixtures</td>
<td>10</td>
</tr>
<tr>
<td>Re-useable containers</td>
<td></td>
</tr>
<tr>
<td>(Pallets, Cans, Cases &amp; Other Materials Handling)</td>
<td>4</td>
</tr>
</tbody>
</table>

(b) Depreciation of assets formerly owned and fully depreciated by another Commonwealth milk dealer shall be recorded as “Other Non-Dairy Operations Expense,” paragraph 2(k), Chapter VIII. Depreciation of assets partially depreciated by a previous owner shall be charged to the appropriate operating expense account in an amount not exceeding the remaining value on the books of the original owner at the time of sale or transfer.

§ 149.32. Crediting “other income” against expenses.

Since miscellaneous “other income” items are usually the result of expenses incurred, they shall be considered as credits against expenses in the most appropriate cost center. For example: Consulting income or income from clerical or
computer service rendered an affiliated or other organization shall be credited against administrative expense.

§ 149.33. Adjusting and closing the books.
  (a) At the close of each annual accounting period, adjustments for accruals, deferrals, and so on shall be recorded on worksheets and the books in accordance with standard accounting practice. The supporting documents and calculations for these adjustments shall be retained for use by the auditors.
  (b) There is no requirement to close service centers into productive centers “on the books.” However, they shall be allocated on the annual “Milk Dealers' Financial Statements” in accordance with the instructions and schedules included in the blank forms. No service centers shall be reported individually on the annual “Statement of Operations.”
  (c) In the event the Board requests a partial year “Statement of Operations” from selected licensees for price-hearing purposes, partial-year adjusting entries for accruals, deferrals, and so on may be accomplished on work sheets which shall be retained for use by the auditors.

CHART OF ACCOUNTS

§ 149.41. Balance sheet accounts.
  (a) Current assets. Current assets shall conform with the following:
    (1) Cash undeposited. This account shall be a clearing account for all cash received in the ordinary course of business and not yet deposited in the bank.
    (2) Cash in bank. This account shall include the total of all cash deposited. If more than one bank account is maintained, this account may be sub-accounted.
    (3) Petty cash account. This shall be an account set aside for use to pay small purchases that cannot conveniently be paid by check and as a change or cashier fund.
    (4) Notes receivable. This account shall include the total of the unpaid balances of all notes due on demand or within 1 year from the date of issue.
    (5) Accounts receivable. This account shall include amounts due from customers for sales of products, equipment and other accounts receivable arising from the normal course of business and currently collectible.
    (6) Allowance for doubtful accounts. This account shall include all amounts written off or reserved for debts determined as uncollectible at month end.
    (7) Inventory: raw milk. This account shall include the inventory of all raw milk.
    (8) Inventories: controlled milk products. This account shall include all milk and cream products inventory on which the Board establishes a resale price.
(9) Inventories: non-controlled milk products. This account shall include the inventory of milk and cream products which are not subject to the resale pricing regulations of the Board.

(10) Inventory: non-milk items. This account shall include the inventory of all non-milk items.

(11) Inventories: product ingredients. This account shall include the inventory of any ingredients and materials which are added to the basic product to produce the finished product.

(12) Container inventory—controlled. This account shall include all inventory items of paper, glass bottles, plastic bottles, cartons, caps, closures, and so on, for milk and cream products on which the Board establishes a resale price for all products handled.

(13) Container inventory: non-controlled. This account shall include all inventory items of paper, glass bottles, plastic bottles, cartons, caps, closures, and so on, for milk and cream products handled which are not subject to the pricing regulations of the Board.

(14) Other inventory items. This account shall include all inventory items which were not specified in other accounts.

(15) Prepaid expense. This account shall include amounts representing prepaid items or portions thereof normally written off during the next year, such as, prepaid insurance, taxes, licenses, advertising, interest, workmen’s compensation, group insurance, royalties and rent.

(16) Short term investments. This account shall include investments readily available for conversion into cash which are intended by management to be held for less than 1 year.

(17) Other current assets. This account shall include all other current and accrued assets appropriately designated and supported so as to show the nature of each asset included.

(b) Investments. Investments shall conform with the following:

(1) Cash surrender value—life insurance. This account shall include the net cash surrender value of all life insurance policies of which the licensee is owner and beneficiary.

(2) Investment in subsidiaries. This account shall include any noncurrent advances to subsidiaries and affiliated companies.

(3) Advances to subsidiaries. This account shall include current advances to subsidiaries and affiliated companies.

(4) Investment in real estate. This account shall include the total investment in real estate other than land and buildings actually used in the operation of the licensee.

(5) Other investments. This account shall include any other investments that would be normally included under any other specified investment accounts.

(c) Fixed assets. Fixed assets shall conform with the following:
(1) **Land.** This account shall include the cost of land for use in the operation of the licensee.

(2) **Buildings.** This account shall include the cost of buildings purchased or constructed for use in the business of the licensee, including the cost of improvements, alterations, additions, and permanent fixtures attached to the buildings and the amount of legal fees, architecture fees, excavating and grading costs, and so on.

(3) **Allowance for depreciation—buildings.** This account shall include all reserve accounts for depreciation on buildings.

(4) **Machinery and equipment.** This account shall include all assets, such as plant machines, and machine tools, store equipment, ice cream cabinets, and milk vending equipment.

(5) **Allowance for depreciation—machinery and equipment.** This account shall include all reserve accounts for depreciation on machinery and equipment.

(6) **Transportation equipment.** This account shall include the book cost of all motor vehicles, trailers, tanks, and so on used for the transportation of milk and milk products in the business.

(7) **Allowance for depreciation—transportation equipment.** This account shall include all reserved depreciation accounts on transportation equipment.

(8) **Furniture and fixtures.** This account shall include the book cost of such items as desks, chairs, tables, carpets, showcases, window fixtures, and general office items, of a fixed or permanent nature.

(9) **Allowance for depreciation—furniture and fixtures.** This account shall include all reserved depreciation accounts for furniture and fixtures.

(10) **Reuseable containers.** This account shall include the book cost of such items as glass and plastic returnable bottles, cases, and pallets.

(11) **Allowance for depreciation—reuseable containers.** This account shall include all reserved depreciation accounts for reuseable containers.

(d) **Deferred charges.** Deferred charges shall conform with the following:

(1) **Unamortized debt discount and expense.** This account shall include the total of the debit balances of those accounts having debit balances and the total of the discount, expense, and premiums accounts for all classes of long term debt.

(2) **Miscellaneous deferred charges.** This account shall include all debits not elsewhere provided for the proper final disposition of which is uncertain and shall include unusual or extraordinary expenses not included in other accounts which are in process of amortization.

(e) **Current liabilities.** Current liabilities shall conform with the following:

(1) **Notes payable.** This account shall include all notes payable to trade creditors, banks, officers, stockholders, employees, and creditors for equipment purchases. Notes payable that mature within the ensuing 12-month period are to be included under this heading. Liabilities for all notes payable that mature
beyond the ensuing 12-month period are to be classified as long-term debts, less any portions currently payable, which are to be shown as current portions of long-term debts.

(2) **Accounts payable—milk patrons.** This account shall include all obligations due milk producers or any other supplier of raw milk.

(3) **Accounts payable—trade.** This account shall include all obligations to trade creditors except accounts payable to milk patrons for purchases of goods and services, which are normally paid on a regular basis.

(4) **Accrued salaries and wages.** This account shall include all amounts earned by dealer executives and employees, including drivers’ commissions, but not paid to date.

(5) **Accrued F.I.C.A. taxes.** This account shall include the liability account of all F.I.C.A. taxes withheld from employees.

(6) **Accrued unemployment taxes.** This account shall include the liability account of all unemployment taxes accrued.

(7) **Accrued interest.** This account shall include the accrued interest owned by the licensee for normal business operations.

(8) **Accrued State income tax.** This account shall include the accrued State income taxes withheld from employees.

(9) **Accrued Federal income tax.** This account shall include accrued Federal income taxes withheld from employees.

(10) **Other current and accrued liabilities.** This account shall include other liabilities not specified in this subsection, such as cash dividends properly declared by the board of directors and charged to retained earnings but not paid. Dividends payable in the form of stock are to be recorded under the capital section as retained earnings in process of transfer of capital stock.

(f) **Long-term debt.** Long-term debts shall conform with the following:

(1) **Mortgage payable.** This account shall include any liabilities arising from mortgage notes which are not presently classified as current.

(2) **Notes payable.** This account shall include the amounts due bank and finance companies on notes payable, either secured by collateral or unsecured, which are due and payable beyond one year.

(3) **Other long-term debt.** This account shall include all liabilities that are not presently classified as current.

(g) **Deferred credits.** Deferred credits shall conform with the following:

(1) **Unamortized premium on debt.** This account shall include the total of the credit balances and the discount expense and premium accounts for all classes of long-term debts.

(2) **Other deferred credits.** This account shall include 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.

(h) **Corporation equity.** Corporation equity shall conform with the following:
(1) **Preferred stock.** This account shall include the outstanding preferred stock as reflected in the appropriate stock certificate book.

(2) **Common stock.** This account shall include the amount of the outstanding common stock as reflected in the appropriate stock certificate book.

(3) **Treasury stock.** This account shall include the total value of any preferred or common stock which has been reacquired by the corporation.

(4) **Paid-in capital.** This account shall include the total amount received over and above the par value of preferred and common stock issued.

(5) **Retained earnings.** This account shall reflect the amount of net earnings accumulated in prior years and retained in the business.

(6) **Profit-loss.** This account shall reflect the net earnings or loss for the current year after provision for income taxes.

(j) **Proprietorship or partnership equity.** Proprietorship or partnership equity shall conform with the following:

(1) **Capital accounts—proprietor or partners.** This account shall represent the total investment in the business, including the net earnings of prior years retained in the business.

(2) **Drawing account—proprietor or partners.** This account shall represent the amount of withdrawals, cash or merchandise, or both, and credit for that portion of salaries not taken.

(3) **Adjustments.** This account shall reflect all adjustments of a capital nature, such as adjustments in proprietorship or partnership investment accounts.

(4) **Profit-loss.** This account shall reflect the net earnings or loss for the current year after provision for income taxes.

§ 149.42. Income and cost of sales accounts.

(a) **Sales.** Sale shall conform with the following:

(1) [Reserved].

(2) [Reserved].

(3) [Reserved].

(4) [Reserved].

(5) **Noncontrolled sales of bulk milk and cream and condensed and powder**—Includes the total dollar value of sales of bulk milk and cream, skim condensed, whole condensed and powder.

(i) Sales of bulk milk.

(ii) Sales of bulk cream.

(iii) Sales of condensed and other.

(6) **Products delivered by ice cream equipment**—Includes the total dollar value of sales of all products delivered by ice cream equipment.

(7) **Nonregulated sales of packaged fluid milk and cream products**—Includes the total dollar value of sales of all fluid milk and cream products sold out-of-State and to Federal installations.
(8) [Reserved].
(9) *Processing services income*—Includes the gross income derived from performing one or several services to raw product of another licensee.
(10) *Subdealers—controlled*—Includes the total dollar value of sales of all products on which the Board establishes prices to subdealers.
(11) *Subdealers—noncontrolled*—Includes the total value of sales of all products to subdealers other than those products on which the Board establishes prices.
(12) *Other dealers—controlled*—Includes the total dollar value of sales of all products on which the Board establishes prices to other dealers.
(13) *Other dealers—noncontrolled*—Includes the total dollar value of sales of all products to other dealers other than those products on which the Board establishes prices.
(14) *Milk and cream controlled*—Includes the total dollar value of sales of all products on which the Board establishes prices.
(15) *Noncontrolled products*—Includes the total dollar value of sales of all products other than those products on which the Board establishes prices.

(b) *Returns, allowances and discounts.* Returns, allowances and discounts shall conform with the following:

(1) [Reserved].
(2) [Reserved].
(3) [Reserved].
(4) [Reserved].
(5) [Reserved].
(6) [Reserved].
(7) *Limited service discount, controlled, wholesale*—Includes the total discounts given for limited service delivery of controlled products.
(8) *Limited service discount, noncontrolled, wholesale*—Includes the total discounts given for limited service delivery of noncontrolled products.
(9) *Full service discount, controlled, wholesale*—Includes the total discounts given for full service delivery of controlled products.
(10) *Full service discount, noncontrolled, wholesale*—Includes the total discounts given for full service delivery of noncontrolled products.
(11) *Dock pick-up discount, controlled, wholesale*—Includes the total discounts given for dock pick-up by customers of controlled products.
(12) *Dock pick-up discount, noncontrolled, wholesale*—Includes the total discounts given for dock pick-up by customers of noncontrolled products.
(13) *Discounts—ice cream equipment*—Includes the total discounts given for products delivered by ice cream equipment.
(14) *Returns, controlled*—Includes the total credit given for return of controlled products.
(15) *Returns, noncontrolled*—Includes the total credit given for return of noncontrolled products.
(16) Discounts, controlled—Includes total discounts given for controlled products.

(17) Discounts, noncontrolled—Includes total discounts given for noncontrolled products.

c) Cost of sales. Cost of sales shall conform with the following:

(1) Total purchases of milk—This account is a temporary account into which all charges for raw products from all sources for a month are accumulated, including payments to settlement funds and market administrator fees. At the close of each month, after the amounts of controlled and noncontrolled have been determined separately for purchases from producers and from others, this account shall be closed by transferring all charges to any of the accounts listed in paragraphs (2)—(7).

(2) Purchases from producers, controlled—Includes the total dollar value of purchases from producers of milk utilized in controlled items.

(3) Purchases from producers, noncontrolled—Includes the total dollar value of purchases from producers of milk utilized in noncontrolled items.

(4) Purchases from others, controlled—Includes the total dollar value of purchases from others of bulk milk utilized in controlled items.

(5) Purchases from others, noncontrolled—Includes the total dollar value of purchases from others of bulk milk utilized in noncontrolled items.

(6) Purchases of condensed, powder, and so on, controlled—Includes the total dollar value of purchases utilized in controlled items.

(7) Purchases of condensed, powder, and so on, noncontrolled—Includes the total dollar value of purchases utilized in noncontrolled items.

(8) Total purchases of packaged fluid milk products—This account is a temporary account which shall be closed at the end of each month into the two accounts listed in paragraphs (9) and (10).

(9) Purchases of packaged fluid milk products, controlled—Includes the total dollar value of purchases utilized in controlled items.

(10) Purchases of packaged fluid milk products, noncontrolled—Includes the total dollar value of purchases utilized in noncontrolled items.

(11) Purchases of other dairy products, noncontrolled—Includes the total dollar value of purchases of other noncontrolled dairy products.

(12) Purchases of other products, noncontrolled—Includes the total dollar value of purchases of other noncontrolled products.

(13) Total purchases of ingredients—This account is a temporary account which shall be closed at the end of each month into the two accounts listed in paragraphs (14) and (15).

(14) Ingredients, controlled—Includes the total value of purchases utilized in controlled items.

(15) Ingredients, noncontrolled—Includes the total value of purchases utilized in noncontrolled items.
Total purchases of containers—This account is a temporary account which shall be closed at the end of each month into the two accounts listed in paragraphs (17) and (18).

Containers, controlled—Includes the total value of purchases utilized in controlled items.

Containers, noncontrolled—Includes the total value of purchases utilized in noncontrolled items.

[Reserved].

[Reserved].

[Reserved].

[Reserved].

[Reserved].

[Reserved].

Source

Cross Reference
This section cited in 7 Pa. Code § 149.24 (relating to separating expenditures for raw product into controlled and noncontrolled amounts).

§ 149.43. Cost centers and operating accounts.

Cost centers shall be as follows:

(1) Receiving, laboratory, and field work.

(2) Standardization and pasteurization. Productive cost center, which includes accountable costs associated with standardizing, pasteurizing and homogenizing milk.

(3) Bottling. Productive cost center, which includes accountable costs associated with the bottling and packaging of fluid milk and cream items.

(4) Manufacturing other than ice cream. Productive cost center, which includes all accountable costs associated with the manufacture of sour cream, cottage cheese, dips, and so on.

(5) Ice cream manufacturing. Productive cost center, which includes accountable costs associated with the manufacture of ice cream and other frozen products.

(6) Ice cream hardening room. Productive cost center, which includes accountable costs associated with operating the ice cream and frozen products hardening room.

(7) Cold room, shipping and loading. Productive cost center, which includes accountable costs associated with storing finished fluid milk products and other perishable products handled by the licensee, including shipping and loading and unloading of transportation units.

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(8) Delivery. Productive cost center, which includes accountable costs associated with the delivery of milk, cream and other products (excluding ice cream and other frozen products) on routes.

(9) Delivery, ice cream. Productive cost center, which includes accountable costs associated with the delivery of ice cream and other frozen products to customers.

(10) Selling. Productive cost center, which includes accountable costs associated with selling of the products handled, and shall be separated into the following categories:
   (i) Ice cream, which includes ice cream and other frozen products.
   (ii) Packaged milk and cream, which includes packaged fluid milk, cream, sour cream and any other products for which the Board sets minimum prices (whether the transaction is controlled or noncontrolled).
   (iii) Other products, which include items such as drinks, juices, ice cream mix, dips, bulk sales of fluid milk and cream, and any other items not included in subparagraph (i) or (ii).

(11) Administrative. Productive cost center, which includes the total accountable costs associated with administering the overall business of the licensee.

(12) Garage. Service cost center from which all expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the garage renders to other cost centers.

(13) Transportation. Service cost center which includes accountable costs associated with transporting milk of the licensee from the plant where processed to the distribution point or center of licensee. Costs accumulated in this center shall be distributed to the respective productive cost centers in proportion to the benefit that this cost center renders to the productive cost centers.

(14) Power plant and refrigeration. Service cost center from which expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the power plant and refrigeration renders to other cost centers.

(15) Warehouse. Service cost center from which all warehouse expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the warehouse renders to other cost centers.

(16) General plant maintenance. Service cost center from which all general plant maintenance expenditures shall be distributed to the productive and service cost centers in proportion to the benefit that the general plant maintenance renders to other cost centers.

(17) Blow-molder. Productive cost center which includes accountable costs associated with the production of blow-mold plastic containers.

(b) Operating ledger accounts for the operations of the licensed dealer shall be as follows:
(1) **Executive salaries.** Includes salaries, wages, and other forms of compensation assigned to corporate officers, such as president, vice president, secretary and treasurer, partners and single proprietors, but excludes any fringe benefits.

(2) **Other salaries and wages.** Includes all other salaries and wages paid.

(3) **Payroll taxes.** Includes F.I.C.A. tax, Pennsylvania unemployment compensation tax and Federal unemployment compensation tax.

(4) **Workers' compensation insurance.** Includes the premiums paid and costs incurred for workers' compensation coverage.

(5) **Employee health and welfare.** Includes group life insurance premiums, health and accident insurance premiums, and medical insurance premiums paid by the employer for the benefit of employees. If the premiums are divided between the employer and the employee, only that portion paid by the employer should be included in this account.

(6) **Employee pension plan.** Includes contributions made to pension plans by the employer for the benefit of the employees. If the contributions are divided between the employer and the employee, only that portion paid by the employer should be included in this account.

(7) **Employee uniforms.** Includes cost of uniforms paid by the employer for the benefit of the employees. If the cost is divided between the employer and the employee, only that portion paid by the employer should be included in this account.

(8) **Employee relations.** Includes expenditures made by the employer for personnel relations.

(9) **Repair and maintenance, machinery and equipment.** Includes materials and purchased services for general repairs and maintenance of plant machinery and equipment, furniture and fixtures.

(10) **Repair and maintenance, buildings.** Includes materials and purchased services for general repairs and maintenance of buildings.

(11) **Supplies and equipment, office.** Includes the cost of computer hardware and software, printers, copiers, stationary, paper, envelopes, pencils, pens, typewriter ribbons, copy paper and other supplies of this nature.

(12) **Operating and cleaning supplies.** Includes manufacturing and cleaning supplies and materials used in the processing and manufacturing centers.

(13) **Depreciation, machinery and equipment.** Includes depreciation on plant machinery and equipment, and office equipment.

(14) **Depreciation, buildings.** Includes depreciation on buildings used for processing, manufacturing, garage, warehouse and branch buildings.

(15) **Depreciation, milk cases and pallets.** Includes depreciation on milk cases and pallets used for all products handled by the licensee.

(16) **Light, power, water and sewage.** Includes costs incurred for operating office and plant, electricity, water, power, gas and sewage.
(17) **Fire and other insurance.** Includes premiums paid for fire insurance coverage on buildings and contents, trucks, trailers and automobiles, and premiums paid for theft insurance coverage, public liability coverage and product liability coverage.

(18) **Real estate taxes.** Includes real estate taxes paid to cities, counties, boroughs and townships.

(19) **Taxes other than income and real estate.** Includes all other taxes paid except F.I.C.A., Pennsylvania unemployment tax, and State and Federal income taxes.

(20) **State sales and use tax.** Includes sales and use tax paid on all expense type items. Sales and use tax paid on capitalized items shall be included in the asset amount capitalized.

(21) **Rent—land and buildings.** Includes rental payments for land, office buildings, plant, warehouse space and so on, provided the lessor/lessee relationship is between two completely independent parties.

(22) **Gasoline, oil and grease.** Includes expenditures for gasoline, oil, and grease for plant and transportation equipment.

(23) **Licenses and permits.** Includes the cost of licenses and permits required by the Commonwealth and by any cities, counties, boroughs and townships for the operation of the business.

(24) **Advertising.** Includes expenditures for local, regional and National advertising and promotions, including newspapers, magazines, pamphlets, circulars and calendars, radio and television, signs and displays, and product sampling.

(25) **Travel and entertainment.** Includes traveling and subsistence expenses of salesmen, officers and any other employee on company business; also includes entertainment expenses normally incurred in business travel under this item.

(26) **Telephone and Internet.** Includes telephone, postage and Internet charges.

(27) **Subscriptions.** Includes expenses for periodic professional publications.

(28) **Rent—equipment.** Includes cost of renting, leasing, and using any office, plant or transportation equipment; includes royalties paid on equipment.

(29) **Professional services.** Includes all legal, accounting, auditing and similar expenses.

(30) **Tires and tubes, new and repairing.** Includes all expenditures for tires, tubes, recaps, and repairs to tires and tubes.

(31) **Commissions and wages.** Includes commissions and wages paid to route drivers, route runners and supervisors.

(32) **Repair and maintenance, delivery equipment.** Includes materials and purchased services for general repairs and maintenance of delivery trucks.

(33) **Depreciation, delivery equipment.** Includes depreciation on delivery vehicles.
(34) **Bad debts.** Includes amount charged as expense resulting from uncollectible sales.

(35) **Contract hauling and delivery expense.** This account is set up to capture all contracted bulk milk and cream hauling costs and finished product delivery costs.

(36) **Hauling reimbursement.** This account is set up to capture all reimbursements received by the dealer to cover hauling costs.

(37) **Heating fuel.** Costs incurred for heating fuel such as natural gas and fuel oil.

(38) **Cases expense.** Costs incurred for shipping cases and pallets.

(39) **Home office expense.** Organizational overhead which can be allocated to the licensed dealer.

(40) **Garage income.** Income received by the organization for services performed in its garage facilities.

(41) **Back hauling income (delivery cost center only).** Income received for back hauling shall be separated into the following categories:

(i) Back hauling after deliveries of ice cream and frozen dessert products.

(ii) Back hauling after deliveries of other products.

(42) **Market Administrator fees (receiving, laboratory, and field work cost center only).** Fees paid to the United States Department of Agriculture Market Administrator excluding producer-settlement fund payments.

(43) **Plant closing costs.** Expenses incurred by the closing of a processing plant, if the closing directly impacts the product volume of a licensed dealer, and the dealer is an affiliated or related company or the same company that closed the plant.

(44) **Turnpike and other tolls.** Costs incurred for the Pennsylvania Turnpike and other tolls.

(45) **Employee reimbursement.** Costs incurred for reimbursing employees for use of their personal vehicles or other property.

(46) **Rental income.** Income received for the rental or other use of any of the property for which costs are reported, which is not reported in any other income category.

(47) **Interest expense.** Costs incurred for interest on loans related to the dealer’s operations.

(48) **Miscellaneous.** Accountable costs incurred for the dealers’ operations that are not captured in any other account. The dealer should provide an explanation of any miscellaneous costs.

(c) All allocations and reports must be in accordance with generally accepted accounting principles. Dealers that are not in the reporting cross-section shall submit a less detailed report.

(d) The annual reporting deadline is May 1 for dealers that are included in the reporting cross-section and June 15 for all other dealers.
Authority
The provisions of this § 149.43 amended under section 301 of the Milk Marketing Law (31 P.S. § 700j-301).

Source

Cross References
This section cited in 7 Pa. Code § 149.46 (relating to cooperative cost centers).

§ 149.44. Other income and expense accounts (non-operating).
(a) Other income. Other income accounts shall conform with the following:
   (1) Gain on sale of equipment—Includes gain realized upon disposition of a fixed asset.
   (2) Sale of farm supplies—Includes income from sale of farm supplies.
   (3) Interest received—Income derived from interest received.
   (4) Rental of equipment income—Includes income received from leasing refrigerator and other equipment to customers.
   (5) Other rents—Includes income from leasing other property.
(b) Other expenses. Other expenses shall conform with the following:
   (1) Loss on sale of equipment—Includes losses sustained upon disposition of a fixed asset.
   (2) Cost of farm supplies—Includes cost of farm supplies sold.
   (3) Interest expense—Includes interest expenses incurred on any type of loan and interest paid as a result of Federal or State income tax assessments and so forth.
   (4) Repairs and maintenance, rental equipment—Includes materials and purchased services for general repairs and maintenance of equipment leased to customers.
   (5) Depreciation, rental equipment—Includes depreciation on equipment leased to customers.
   (6) Bad debts, rental equipment—Includes the amount charged as expense resulting from uncollectibles from equipment leased to customers.
   (7) Expenses associated with other rents—Includes expenses resulting from leasing other property.
   (8) Nondairy travel and entertainment—Includes travel and entertainment expense for other than dairy operations.
   (9) Contributions—Includes all contributions made to any organization for any purpose. No contributions can be charged as an operating expense.
   (10) Nondairy dues and subscriptions—Includes all dues to organizations with other than a strictly business purpose or to organizations which act to influence prices and all subscriptions to other than industry publications.
(11) **Other nondairy operations expense**—Includes all other nondairy operations expense.

(12) **Nonrecurring expenses**—Includes all expenses of an intermittent nature.

§ 149.45. Supporting documents for annual financial statements.

(a) Each month, sales summaries shall be prepared which shall include quantities and dollar values for each separate category of product. The dollar values shall equal dollars recorded in appropriate sales accounts and shall be supported by invoices and statements. The quantities, converted to pounds, shall equal applicable figures recorded in appropriate sections of the monthly Milk Dealer’s Reports. Sections of these monthly summaries shall consider the following:

1. **Type product**—Homogenized, 2.0%, Orange Juice, Iced Tea, and so on.
2. **Type container**—Paper, plastic, glass, and so on.
3. **Size container**—Gallon, quart, 1/2 pint, and so on.
4. **Type sale**—Retail, wholesale delivered, wholesale dock, bulk, sub-dealer, and so on.
5. **Location of delivery**—PMMB Area, out-of-State, United States Government land, and so on.

(b) The following documents shall be available on request to PMMB auditors in the event the Board has directed an audit of the financial activity of a dealer:

1. All journals—Sales, purchases, cash receipts, cash disbursements, and so on.
2. All ledgers—General, subsidiary, equipment, and so on.
3. Other inventory, equipment, and so on, records such as Kardex files, 3 x 5 files, and so on.
4. Delivery slips, sales invoices, statements, and so on.
5. Supporting documents and worksheets for computing discounts, rebates, and so on.
6. Check books, bank statements, and cancelled checks.
7. Cash receipt and disbursement records required by PMMB Regulations.
8. Monthly Milk Dealer’s Reports and all supporting documents.
9. Chart of accounts.
10. Independent accountant’s financial statement and certification.
11. All leases and other agreements with customers as required by PMMB Regulations.
12. Information concerning salaries earned by executives from other affiliated or unaffiliated organizations.
13. All Federal and State payroll tax returns.
15. Federal and State corporate returns including consolidated returns if appropriate.
16. Copies of Internal Revenue Service audit reports for previous years.
(18) Other supporting documents not listed in this subsection.
(c) In the event more ledger accounts are maintained that are combined into one PMMB account for financial reporting purposes, separate schedules indicating the detailed amounts and their totals as entered in the Financial Report must be available for use by PMMB auditors. Adding machine tapes are not acceptable unless each account number or title has been entered on the tapes by the side of each amount.

§ 149.46. Cooperative cost centers.
(a) Cost centers for cooperatives, as defined in the act, shall be as follows:
(1) Field services. Providing direct assistance to producers by inspecting and improving producer milk production and quality.
(2) Laboratory. Testing for quality and components of producer milk and bulk milk delivered to dealers including direct testing costs and related materials.
(3) Producer payroll. Making payment to producers for milk.
(4) Sales invoicing. Invoicing producer milk customers.
(5) Dispatch, logistics and hauling. Hauling and coordinating the hauling of producer milk for both collection and delivery of raw milk.
(6) Calibration services. Providing producer calibration services including cooperative-owned vehicles.
(7) Producer relations. Developing and maintaining producer relationships.
(8) Customer relations. Developing and maintaining customers for producer milk.
(9) General and administrative. Administering and managing the cooperative’s milk marketing activity including costs related to human resources, information technology, corporate and executive expenses, professional fees and occupancy. The amount shall be a proportion of these costs which the cooperative reasonably allocates to its milk marketing activity.
(b) Cooperatives shall report these cost centers and allocate them into the applicable operating ledger accounts described in § 149.43(b) (relating to cost centers and operating accounts). Allocations and reports must be in accordance with generally accepted accounting principles. Cooperatives that are not in the reporting cross-section shall submit a less detailed report.
(c) The cost allocations must be based only on the cooperatives’ milk marketing activities for their producers (members and nonmembers).
(d) The annual reporting deadline is May 1 for cooperatives that are included in the reporting cross-section and June 15 for all other cooperatives.

Source
The provisions of this § 149.46 adopted March 9, 2018, effective March 10, 2018, 48 Pa.B. 1416.