

**Ontario Energy Board
Accounting Procedures Handbook
Frequently Asked Questions
April 2003**

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Q.1 Should the actual payments in lieu of taxes paid to Ontario Electricity Financial Corporation (OEFC) and non-section 93 income and capital taxes paid to the taxing authorities be recorded in Account 1562?

A.1 The actual PILs paid to the OEFC (or to the taxing authorities) should **not** be recorded in Account 1562. The expenditures related to the actual PILs payments should be recorded in Account 6105 and 6110. The related accrued liabilities should be recorded in Account 2294. The accounting entries to record the actual PILs paid to the OEFC or to the taxing authorities should be in accordance to Generally Accepted Accounting Principles. Utilities should refer to the CICA handbook for further guidance on how to record PILs paid to OEFC or the taxing authorities.

Q.2 Please explain the accounting entries to record the Payment in Lieu of Taxes (PILs) variances in Account 1562.

A.2 The Deferred Payments in Lieu of Taxes Variance Account 1562 is established to track and record the variances that results from the difference between the Board approved PILs amount and the amount of actual billings that relates to the recovery of PILs. It also provides for periodic adjustments and an allowance for deemed interest.

The following information provides guidance on Account 1562 with respect to recording the variances between the total annual recovery of PILs approved by the Board for the year and the actual amount collected from customers. It includes general descriptions of three alternative types of entries that can be used for recording in Account 1562 and provides detailed examples to illustration these three alternative methods of recording the PILs variances.

The following guidance also apply to utilities which pay the non-section 93 income and capital taxes and which use the SIMPIL model to determine the amount of income and capital taxes that they can recover from customers.

The acronym “PILs” used in the following guidance stand for Payments in Lieu of Taxes (section 93 taxes), and for utilities which actually pay income and capital taxes, PILs may be read to be such income and capital taxes paid to tax authorities.

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Four Principal Entries in Account 1562:

As outlined in Article 220 of the Accounting Procedures Handbook (APH), there are four principal entries recorded in the Account:

- Entry 1 records the amount resulting from the Board approved PILs methodology on a monthly accrual basis. Thus, a monthly entry is made that is equal to the total Board-approved PILs allowance divided by 12.
- Entry 2 records any variances between estimated liabilities resulting from the Board approved PILs methodology and actual tax liabilities. There are basically two types of variances:
 - A) the Deferral Account Variance which is the difference between the Initial Estimate Column and the Deferral Account Allowance Column, as calculated and shown in the Deferral Account Variance Column of the SIMPIL Spreadsheet. The calculation of these variances is normally completed at the end of the year when there are changes to the tax legislation affecting the current year; and
 - B) the True-up Variance which is the difference between certain items in the Deferral Account Allowance Column and the Ministry of Finance (MoF) Filing column, as calculated and shown under Part IV, in Ministry of Finance Filing Variance Column, of TAXCALC Spreadsheet (after taking into consideration the gross up of the tax effect of the true-up adjustments).

Please note if there is no change in tax legislation affecting the utility industry, the Deferral Account Allowance Column will be the same as the Initial Estimate Column and the Deferral Account Variance will be zero.

- Entry 3 records all amounts included in rates that represent recovery of the Board-approved PILs allowance made through service billings to customers.
- Entry 4 records interest amounts based on opening monthly balances in the Account 1562. Please note simple interest should be calculated based on monthly opening balance in the account, exclusive of the accumulated interest.

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It is not the intent of the Board to prescribe a specific method to account for the recovery of PILs through current rates nor at this time to decide what additional amounts, if any, should be recoverable in future rates. Whichever methodology is chosen to record the recovery of PILs currently approved in rates, Account 1562 must show the PILs variances as prescribed in accordance with the Board's Accounting Procedures Handbook and the related interest. Utilities are required to identify the accounting method used to account for the recovery of PILs (currently approved in rates) in a new section that has been added to the SIMPIL spreadsheets.

Three Alternative Accounting Methods:

The following section provides the journal entries for three alternative accounting methods to record the variances of PILs in Account 1562 using an example of a typical utility for a 12-month period from January 1, 2003 to December 31, 2003. Explanations of the journal entries along with an example entry of each are provided. Tables outlining notional journal entries for each alternative are provided in Appendices A and B.

Alternatives 1 and 2 are similar except that Alternative 1 credits the recovery of PILs approved by the Board to a **“Distribution Revenue Sub-account”** whereas Alternative 2 credits the recovery of PILs approved by the Board to the **“Regulatory Credit”** account. Both Alternative 1 and Alternative 2 provide the journal entries to record as revenue for reporting financial information to the OEB the total annual amount of PILs recovery approved by the Board.

Alternative 3 shows the journal entries required to record as revenue for reporting financial information to the OEB the actual PILs collected from customers. In order to have the actual amounts collected from customers shown as revenue earned, a contra account is created on the Balance Sheet to ensure the difference between the recovery of PILs approved by the Board and the actual amounts collected from customers is identifiable in Account 1562.

Detailed Example:

Assume the following information:

- The Board has approved PILs allowance of \$144,000 for fiscal 2003 (\$12,000 per month). (See Entry Item 1.)
- The Initial Estimate of PILs recovery (before gross-up) was \$180,000 for fiscal 2002. As a result of legislative changes, the income tax rates for 2002 were reduced and the Initial

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Estimate of PILs recovery (before gross-up) for 2002 would decrease to \$177,070. The Deferral Account Variance for fiscal 2002 would therefore be -\$3,600 [(\$177,070 - \$180,000)/(1- 2003 tax rate¹)]. (See Entry Item 2A.)

- The total of the true-up items reported for tax purposes is \$48,118 based on the Ministry of Finance information after the elimination of non-wires operations. The total of the true-up items initially reported for regulatory purposes is \$16,000. The True-up Variance² after taking into consideration the gross-up of the tax effect for the fiscal 2002 is \$7,500. (See Entry Item 2B.)
- The monthly recovery of PILs collected from customers varied throughout the year due to monthly variations in the volumetric level of total billings³. For the fiscal year 2003, the utility collected \$17,500 per month from March to July, and \$22,500 per month for August and September, and \$20,000 per month from October to December. (See Entry Items 3.)
- The utility was assumed to have a deemed interest rate of 7.25 percent. (See Entry Item 4.)

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- 1 Please note the gross-up calculation is based on the tax rates legislated for the year during which the corresponding PILs is recovered from customers.
 - 2 The True-up Variance is the gross-up of the tax effect of the difference between certain items initially reported by the utility in the SIMPIL model and the actual amounts reported for tax purposes, all net of the portion related to the non-wire (i.e. not rate-regulated) operations. Please refer to the Notes to the Proxy PILs Model (“SIMPIL”) for a listing of items true-up for regulatory purposes. The True-up Variance is calculated under Future True-ups, in Part IV of the “TAXCALC” spreadsheet. Please note that the gross-up calculation is based on the tax rate legislated for the year when PILs is recovered from consumers.
 - 3 For the purpose of the example, it is assumed that these monthly amounts vary throughout the year due to monthly variations in the level of total billings.

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Explanation of Entry Items under Alternative 1:

Alternative 1 shows the journal entries required to show the total annual PILs recovery allowed by the Board as revenue for reporting financial information to the Board by crediting the Distribution Services Revenue Sub-account.

Please refer to Appendix B-1 for a numerical example showing the journal entries for the accounts affected from January 1, 2003 to December 31, 2003.

Entry 1:

The following entry records the recovery of PILs approved by the Board as revenue earned. At the end of each month, the utility makes an entry debiting one twelfth the total annual PILs amount approved by the Board as the basis for the Rates Order, i.e. \$144,000/12. (This should equal to the total PILs rate adjustment as calculated in Initial Estimate Column of the TAXCALC spreadsheet.)

Dr. 1562 Deferred Payments in Lieu of Taxes	\$12,000	
Cr. 4080 sub-account Distribution Services Revenue - PILs recovery		\$12,000

Entry 2:

The following entries record the variances resulting from: a) changes in tax legislation and, b) true-up of certain items initially reported for regulatory purposes to the actual amounts filed for tax purposes.

Entry 2A:

This entry records the Deferral Account Variance which is normally calculated at the end of the calendar year. However, note that since there is currently no annual rate adjustments (at Mar. 1), this entry can be made at the time of the True-up Variance entry (see Entry 2B below).

Dr. 4080 sub-account Distribution Services Revenue - PILs recovery	\$3,600	
Cr. 1562 Deferred Payments in Lieu of Taxes		\$3,600

Entry 2B:

This entry records the True-up Variance. This is normally done after the utility has filed the tax returns for its 2002 taxation period (January 1, 2002 to December 31, 2002) and has updated the

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SIMPIL Spreadsheets to determine the Deferral Account Entry (True-up) which is calculated under Part IV, in the MoF Filing Variances Column of the TAXCALC spreadsheet.

Dr. 1562 Deferred Payments in Lieu of Taxes	\$7,500	
Cr. 4080 sub-account Distribution Services Revenue - PILs recovery		\$7,500

Entry 3:

The following entries record the actual recovery of PILs collected from customers. The first entry is to set up the accounts receivable when the utility bills customers for the recovery of PILs. The next entry is to reverse the actual amount of PILs recovery billed to customers from revenue. Thus the amount of recovery of PILs approved by the Board will be shown as revenue for reporting financial information to the OEB. This example assumes that the utility received its approved rates in March 2003 and implemented the rate changes in their April 2003 customers billings. At the end of that month and each subsequent month, the utility makes an entry crediting the portion of monthly billing that represents the recovery of PILs.

a) To set up the accounts receivable when the utility bills the customers for the recovery of PILs.

Dr. 1100 Accounts receivable	\$17,500	
Cr. 4080 Distribution Services Revenue		\$17,500

b) To reverse the actual amount of PILs recovery billed to customers from revenue.

Dr. 4080 Distribution Services Revenue	\$17,500	
Cr. 1562 Deferred Payments in Lieu of Taxes		\$17,500

Entry 4:

At the end of each month, the utility makes an entry to record interest. The interest amount is calculated on the monthly opening balance (exclusive of any previously computed interest). For the purposes of the example, the deemed interest rate is assumed to be 7.25 percent.

Dr. 1562 - sub-account PILs - Interest Receivable	\$73	
Cr. 4405 Interest and Dividend Income		\$ 73

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Explanation of Entry Items under Alternative 2:

Alternative 2 is almost identical to Alternative 1 except that the recovery of PILs is credited to the Regulatory Credit account.

Please refer to Appendix B-2 for a numerical example showing the journal entries for the accounts affected from January 1, 2003 to December 31, 2003.

Entry 1:

The following entry records as revenue for reporting financial information to the OEB the monthly portion of the total annual recovery of PILs approved by the Board. (Please refer to Alternative 1 for a detailed explanation of the entry.)

Dr. 1562 Deferred Payments in Lieu of Taxes	\$12,000	
Cr. 4310 Regulatory Credits		\$12,000

Entry 2:

The following entries record the variances resulting from changes in tax legislation and true-up of certain items from the deferral account allowance column to the actual amounts filed for tax purposes. (Please refer to Alternative 1 for detailed explanation of the entries.)

Entry 2A:

This entry records the Deferral Account Variance which is normally calculated at the end of the calendar year.

Dr. 4310 Regulatory Credits	\$3,600	
Cr. 1562 Deferred Payments in Lieu of Taxes		\$3,600

Entry 2B:

This entry records the True-up Variance.

Dr. 1562 Deferred Payments in Lieu of Taxes	\$7,500	
Cr. 4310 Regulatory Credits		\$7,500

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Entry 3:

The following entries record the actual recovery of PILs collected from customers. The first entry is to record initial entry when the utility bills the customers for the recovery of PILs.

Dr. 1100 Accounts Receivable	\$17,500	
Cr. 4080 Distribution Services Revenue		\$17,500

The next entry reverses the amount billed to customers from income so that the amount approved by the Board will be shown as revenue. (Please refer to Alternative 1 for a detailed explanation of these entries.)

Dr. 4310 Regulatory Credits	\$17,500	
Cr. 1562 Deferred Payments in Lieu of Taxes		\$17,500

Entry 4:

The following entry records the interest. (Please refer to Alternative 1 for a detailed explanation of the entry.)

Dr. 1562 - sub-account PILs - Interest Receivable	\$73	
Cr. 4405 Interest and Dividend Income		\$73

Explanation of Entry Items under Alternative 3:

Alternative 3 shows the journal entries required to have the actual recovery of PILs billed to customers as revenue for reporting financial information to the OEB. A contra account to Account 1562 is created on the Balance Sheet to record the credit side of the recovery of PILs approved by the Board and the related adjusting entries.

Please refer to Appendix B-3 for a numerical example showing the journal entries for the accounts affected from January 1, 2003 to December 31, 2003.

Entry 1:

The following entry records the monthly recovery of PILs approved by the Board. Alternative 3 shows as revenue for reporting financial information to the OEB the actual PILs collected from customers rather than the recovery of PILs approved by the Board. Hence, in order to reflect

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variances between the recovery of PILs approved by the Board and the actual amounts collected from consumers in Account 1562, a contra account is created on the Balance Sheet . (Please refer to Alternative 1 for a detailed explanation of this entry.)

Dr. 1562 Deferred Payments in Lieu of Taxes	\$12,000	
Cr. 1563 Deferred PILs contra account - recovery of PILs (Balance Sheet Account)		\$12,000

Entry 2A:

This entry records the variances resulting from changes in tax legislation. (Please refer to Alternative 1 for a detailed explanation of this entry.)

Dr. 1563 Deferred PILs contra account - recovery of PILs	\$3,600	
Cr. 1562 Deferred Payments in Lieu of Taxes		\$ 3,600

Entry 2B:

This entry records the True-up Variance. (Please refer to Alternative 1 for a detailed explanation of this entry.)

Dr. 1562 Deferred Payments in Lieu of Taxes	\$7,500	
Cr. 1563 Deferred PILs contra account - recovery of PILs		\$7,500

Entry 3:

a) This entry records the actual amount of recovery of PILs collected from customers as revenue.

Dr. 1100 Accounts receivable	\$17,500	
Cr. 4080 - sub-account Distribution Services Revenue - PILs recovery		\$17,500

b) This entry reduces the recovery of PILs approved by the Board by the actual amount collected from customers. (Please refer to Alternative 1 for detailed explanation of the entries.)

Dr. 1563 Deferred PILs contra account - recovery of PILs	\$17,500	
Cr. 1562 Deferred Payments in Lieu of Taxes		\$17,500

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Entry 4:

The following entry records the interest. (Please refer to Alternative 1 for a detailed explanation of the entry.)

Dr. 1562 - sub-account	PILs - Interest Receivable	\$73
Cr. 1563 - sub-account	Deferred PILs contra account	
	- Interest contra account	\$73

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Appendix A								
PILS Variance Accounting								
Entry #	A/C #	Description	ALTERNATIVE # 1		ALTERNATIVE # 2		ALTERNATIVE # 3	
			Dr.	Cr.	Dr.	Cr.	Dr.	Cr.
1	1562	Deferred Payments In Lieu of Taxes	\$12,000		\$12,000		\$12,000	
	4080 sub-a/c	Distribution Services Revenue- PILs recovery		\$12,000				
	4310	Regulatory Credits				\$12,000		
	1563	Deferred PILs - Contra Account						\$12,000
2A	4080 sub-a/c	Distribution Services Revenue- PILs recovery	\$3,600					
	4310	Regulatory Credits			\$3,600			
	1563	Deferred PILs - Contra Account					\$3,600	
	1562	Deferred Payments In Lieu of Taxes		\$3,600		\$3,600		\$3,600
2B	1562	Deferred Payments In Lieu of Taxes	\$7,500		\$7,500		\$7,500	
	4080 sub-a/c	Distribution Services Revenue- PILs recovery		\$7,500				
	4310	Regulatory Credits				\$7,500		
	1563	Deferred PILs - Contra Account						\$7,500
3	1100	Accounts Receivable	\$17,500		\$17,500		\$17,500	
	4080	Distribution Services Revenue		\$17,500		\$17,500		
	4080 sub-a/c	Distribution Services Revenue- PILs recovery						\$17,500
	4080	Distribution Services Revenue	\$17,500					
	4310	Regulatory Credits			\$17,500			
	1563	Deferred PILs - Contra Account					\$17,500	
	1562	Deferred Payments In Lieu of Taxes		\$17,500		\$17,500		\$17,500
4	1562 sub-a/c	Deferred PILs - interest receivable	\$73		\$73		\$73	
	4405	Interest and Dividend Income		\$73		\$73		
	1563 sub-a/c	Deferred PILs Contra Account- Interest Contra Account						\$73

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Appendix B - 1														
Journal entries to record PILs variance in Account #1562 : Alternative 1														
		BALANCE SHEET							INCOME STATEMENT					
Account Number:		1100		1562		1562 Sub-account			4080		4080- sub-account		4405	
Account Description:		Accounts Receivable		Deferred PILs		Deferred PILs - Interest Receivable			Distribution Services Revenue		Distribution Service Revenue - PILs Recovery		Interest and Dividend Income (see Note 1)	
Date:	Entry Item	Description	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance
Jan. 1. 03	2a	Deferral account variance		0	(3,600)	(3,600)		0		0	3,600	3,600		0
Jan.31. 03	1	PILs monthly accrual		0	12,000	8,400		0		0	(12,000)	(8,400)		0
Jan.31. 03	4	Interest amount		0		8,400	(22)	(22)		0		(8,400)	22	22
Feb.28.03	1	PILs monthly accrual		0	12,000	20,400		(22)		0	(12,000)	(20,400)		22
Feb.28.03	4	Interest amount		0		20,400	51	29		0		(20,400)	(51)	(29)
Mar.31.03	1	PILs monthly accrual		0	12,000	32,400		29		0	(12,000)	(32,400)		(29)
Mar.31.03	3	Monthly billing	17,500	17,500		32,400		29	(17,500)	(17,500)		(32,400)		(29)
Mar.31.03	3	Monthly billing		17,500	(17,500)	14,900		29	17,500	0		(32,400)		(29)
Mar.31.03	4	Interest amount		17,500		14,900	123	152		0		(32,400)	(123)	(152)
Apr.30.03	1	PILs monthly accrual		17,500	12,000	26,900		152		0	(12,000)	(44,400)		(152)
Apr.30.03	3	Monthly billing	17,500	35,000		26,900		152	(17,500)	(17,500)		(44,400)		(152)
Apr.30.03	3	Monthly billing		35,000	(17,500)	9,400		152	17,500	0		(44,400)		(152)
Apr.30.03	4	Interest accrual		35,000		9,400	90	242		0		(44,400)	(90)	(242)
May 31.03	1	PILs monthly accrual		35,000	12,000	21,400		242		0	(12,000)	(56,400)		(242)
May 31.03	3	Monthly billing	17,500	52,500		21,400		242	(17,500)	(17,500)		(56,400)		(242)
May 31.03	3	Monthly billing		52,500	(17,500)	3,900		242	17,500	0		(56,400)		(242)
May 31.03	4	Interest accrual		52,500		3,900	57	299		0		(56,400)	(57)	(299)
Jun.30.03	1	PILs monthly accrual		52,500	12,000	15,900		299		0	(12,000)	(68,400)		(299)
Jun.30.03	3	Monthly billing	17,500	70,000		15,900		299	(17,500)	(17,500)		(68,400)		(299)
Jun.30.03	3	Monthly billing		70,000	(17,500)	(1,600)		299	17,500	0		(68,400)		(299)
Jun.30.03	2b	True-up variance		70,000	7,500	5,900		299		0	(7,500)	(75,900)		(299)
Jun.30.03	4	Interest accrual		70,000		5,900	24	323		0		(75,900)	(24)	(323)
July 31.03	1	PILs monthly accrual		70,000	12,000	17,900		323		0	(12,000)	(87,900)		(323)
July 31.03	3	Monthly billing	22,500	92,500		17,900		323	(22,500)	(22,500)		(87,900)		(323)
July 31.03	3	Monthly billing		92,500	(22,500)	(4,600)		323	22,500	0		(87,900)		(323)
July 31.03	4	Interest accrual		92,500		(4,600)	36	358		0		(87,900)	(36)	(358)
Aug.31.03	1	PILs monthly accrual		92,500	12,000	7,400		358		0	(12,000)	(99,900)		(358)
Aug.31.03	3	Monthly billing	22,500	115,000		7,400		358	(22,500)	(22,500)		(99,900)		(358)
Aug.31.03	3	Monthly billing		115,000	(22,500)	(15,100)		358	22,500	0		(99,900)		(358)
Aug.31.03	4	Interest accrual		115,000		(15,100)	(28)	330		0		(99,900)	28	(330)
Sept.30.03	1	PILs monthly accrual		115,000	12,000	(3,100)		330		0	(12,000)	(111,900)		(330)
Sept.30.03	3	Monthly billing	22,500	137,500		(3,100)		330	(22,500)	(22,500)		(111,900)		(330)
Sept.30.03	3	Monthly billing		137,500	(22,500)	(25,600)		330	22,500	0		(111,900)		(330)
Sept.30.03	4	Interest accrual		137,500		(25,600)	(91)	239		0		(111,900)	91	(239)
Oct.31.03	1	PILs monthly accrual		137,500	12,000	(13,600)		239		0	(12,000)	(123,900)		(239)
Oct.31.03	3	Monthly billing	20,000	157,500		(13,600)		239	(20,000)	(20,000)		(123,900)		(239)
Oct.31.03	3	Monthly billing		157,500	(20,000)	(33,600)		239	20,000	0		(123,900)		(239)
Oct.31.03	4	Interest accrual		157,500		(33,600)	(155)	85		0		(123,900)	155	(85)
Nov.30.03	1	PILs monthly accrual		157,500	12,000	(21,600)		85		0	(12,000)	(135,900)		(85)
Nov.30.03	3	Monthly billing	20,000	177,500		(21,600)		85	(20,000)	(20,000)		(135,900)		(85)
Nov.30.03	3	Monthly billing		177,500	(20,000)	(41,600)		85	20,000	0		(135,900)		(85)
Nov.30.03	4	Interest accrual		177,500		(41,600)	(203)	(118)		0		(135,900)	203	118
Dec.31.03	1	PILs monthly accrual		177,500	12,000	(29,600)		(118)		0	(12,000)	(147,900)		118
Dec.31.03	3	Monthly billing	20,000	197,500		(29,600)		(118)	(20,000)	(20,000)		(147,900)		118
Dec.31.03	3	Monthly billing		197,500	(20,000)	(49,600)		(118)	20,000	0		(147,900)		118
Dec.31.03	4	Interest accrual		197,500		(49,600)	(251)	(370)		0		(147,900)	251	370
	Total			197,500		(49,600)		(370)		0		(147,900)		370

Note 1: Monthly interest = prior month-end balance of Account # 1562 X deemed interest rate / 12

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Appendix B - 2														
Journal entries to record PILs variance in Account #1562 : Alternative 2														
		Account Number:	BALANCE SHEET				INCOME STATEMENT							
			1100		1562		1562 Sub-account		4080		4310		4405	
Date:	Entry Item	Account Description:	Accounts Receivable		Deferred PILs		Deferred PILs - Interest Receivable		Distribution Services Revenue		Regulatory Credits		Interest and Dividend Income (see Note 1)	
			Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance
Jan. 1, 03	2a	Deferral account variance		0	(3,600)	(3,600)		0		0	3,600	3,600		0
Jan.31. 03	1	PILs monthly accrual		0	12,000	8,400		0		0	(12,000)	(8,400)		0
Jan.31, 03	4	Interest amount		0		8,400	(22)	(22)		0		(8,400)	22	22
Feb.28.03	1	PILs monthly accrual		0	12,000	20,400		(22)		0	(12,000)	(20,400)		22
Feb.28.03	4	Interest amount		0		20,400	51	29		0		(20,400)	(51)	(29)
Mar.31.03	1	PILs monthly accrual		0	12,000	32,400		29		0	(12,000)	(32,400)		(29)
Mar.31.03	3	Monthly billing	17,500	17,500	(17,500)	14,900		29	(17,500)	(17,500)	17,500	(14,900)		(29)
Mar.31.03	4	Interest amount		17,500		14,900	123	152		(17,500)		(14,900)	(123)	(152)
Apr.30.03	1	PILs monthly accrual		17,500	12,000	26,900		152		(17,500)	(12,000)	(26,900)		(152)
Apr.30.03	3	Monthly billing	17,500	35,000	(17,500)	9,400		152	(17,500)	(35,000)	17,500	(9,400)		(152)
Apr.30.03	4	Interest accrual		35,000		9,400	90	242		(35,000)		(9,400)	(90)	(242)
May 31.03	1	PILs monthly accrual		35,000	12,000	21,400		242		(35,000)	(12,000)	(21,400)		(242)
May 31.03	3	Monthly billing	17,500	52,500	(17,500)	3,900		242	(17,500)	(52,500)	17,500	(3,900)		(242)
May 31.03	4	Interest accrual		52,500		3,900	57	299		(52,500)		(3,900)	(57)	(299)
Jun.30.03	1	PILs monthly accrual		52,500	12,000	15,900		299		(52,500)	(12,000)	(15,900)		(299)
Jun.30.03	3	Monthly billing	17,500	70,000	(17,500)	(1,600)		299	(17,500)	(70,000)	17,500	1,600		(299)
Jun.30.03	2b	True-up variance		70,000	7,500	5,900		299		(70,000)	(7,500)	(5,900)		(299)
Jun.30.03	4	Interest accrual		70,000		5,900	24	323		(70,000)		(5,900)	(24)	(323)
July 31.03	1	PILs monthly accrual		70,000	12,000	17,900		323		(70,000)	(12,000)	(17,900)		(323)
July 31.03	3	Monthly billing	22,500	92,500	(22,500)	(4,600)		323	(22,500)	(92,500)	22,500	4,600		(323)
July 31.03	4	Interest accrual		92,500		(4,600)	36	358		(92,500)		4,600	(36)	(358)
Aug.31.03	1	PILs monthly accrual		92,500	12,000	7,400		358		(92,500)	(12,000)	(7,400)		(358)
Aug.31.03	3	Monthly billing	22,500	115,000	(22,500)	(15,100)		358	(22,500)	(115,000)	22,500	15,100		(358)
Aug.31.03	4	Interest accrual		115,000		(15,100)	(28)	330		(115,000)		15,100	28	(330)
Sept.30.03	1	PILs monthly accrual		115,000	12,000	(3,100)		330		(115,000)	(12,000)	3,100		(330)
Sept.30.03	3	Monthly billing	22,500	137,500	(22,500)	(25,600)		330	(22,500)	(137,500)	22,500	25,600		(330)
Sept.30.03	4	Interest accrual		137,500		(25,600)	(91)	239		(137,500)		25,600	91	(239)
Oct.31.03	1	PILs monthly accrual		137,500	12,000	(13,600)		239		(137,500)	(12,000)	13,600		(239)
Oct.31.03	3	Monthly billing	20,000	157,500	(20,000)	(33,600)		239	(20,000)	(157,500)	20,000	33,600		(239)
Oct.31.03	4	Interest accrual		157,500		(33,600)	(155)	85		(157,500)		33,600	155	(85)
Nov.30.03	1	PILs monthly accrual		157,500	12,000	(21,600)		85		(157,500)	(12,000)	21,600		(85)
Nov.30.03	3	Monthly billing	20,000	177,500	(20,000)	(41,600)		85	(20,000)	(177,500)	20,000	41,600		(85)
Nov.30.03	4	Interest accrual		177,500		(41,600)	(208)	(118)		(177,500)		41,600	208	118
Dec.31.03	1	PILs monthly accrual		177,500	12,000	(29,600)		(118)		(177,500)	(12,000)	29,600		118
Dec.31.03	3	Monthly billing	20,000	197,500	(20,000)	(49,600)		(118)	(20,000)	(197,500)	20,000	49,600		118
Dec.31.03	4	Interest accrual		197,500		(49,600)	(251)	(370)		(197,500)		49,600	251	370
		Total		197,500		(49,600)		(370)		(197,500)		49,600		370

Note 1: Monthly interest = prior month-end balance of Account # 1562 X deemed interest rate / 12

Accounting Procedures Handbook

Frequently Asked Questions

Appendix B - 3														
Journal entries to record PILs variance in Account #1562 : Alternative 3														
BALANCE SHEET													INCOME STATEMENT	
Account Number:		1100		1562		1562 Sub-account		1563		1563-Sub-account		4080-Sub-account		
Account Description:		Accounts Receivable		Deferred PILs		Deferred PILs - Interest Receivable		Deferred PILs Contra Account		Interest Contra Account (see Note 1)		Distribution Services Revenue - PILs recovery		
Date:	Entry Item	Description	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance	Debit/ (Credit)	Balance
Jan. 1, 03	2a	Deferral account variance			(3,600)	(3,600)		0	3,600	3,600				
Jan.31.03	1	PILs monthly accrual		0	12,000	8,400	(22)	(22)	(12,000)	(8,400)	22	22		
Feb.28.03	1	PILs monthly accrual		0	12,000	20,400		(22)	(12,000)	(20,400)				
Feb.28.03	4	Interest amount		0		20,400	51	29		(20,400)	(51)	(29)		
Mar.31.03	1	PILs monthly accrual		0	12,000	32,400		29	(12,000)	(32,400)				
Mar.31.03	3	Monthly billing	17,500	17,500	(17,500)	14,900		29	17,500	(14,900)			(17,500)	(17,500)
Mar.31.03	4	Interest amount		17,500		14,900	123	152		(14,900)	(123)	(152)		
Apr.30.03	1	PILs monthly accrual		17,500	12,000	26,900		152	(12,000)	(26,900)				
Apr.30.03	3	Monthly billing	17,500	35,000	(17,500)	9,400		152	17,500	(9,400)			(17,500)	(35,000)
Apr.30.03	4	Interest accrual		35,000		9,400	90	242		(9,400)	(90)	(242)		
May 31,03	1	PILs monthly accrual		35,000	12,000	21,400		242	(12,000)	(21,400)				
May 31,03	3	Monthly billing	17,500	52,500	(17,500)	3,900		242	17,500	(3,900)			(17,500)	(52,500)
May 31,03	4	Interest accrual		52,500		3,900	57	299		(3,900)	(57)	(299)		
Jun.30.03	1	PILs monthly accrual		52,500	12,000	15,900		299	(12,000)	(15,900)				
Jun.30.03	3	Monthly billing	17,500	70,000	(17,500)	(1,600)		299	17,500	1,600			(17,500)	(70,000)
Jun.30.03	2b	True-up variance		70,000	7,500	5,900		299	(7,500)	(5,900)				
Jun.30.03	4	Interest accrual		70,000		5,900	24	323		(5,900)	(24)	(323)		
July 31,03	1	PILs monthly accrual		70,000	12,000	17,900		323	(12,000)	(17,900)				
July 31,03	3	Monthly billing	22,500	92,500	(22,500)	(4,600)		323	22,500	4,600			(22,500)	(92,500)
July 31,03	4	Interest accrual		92,500		(4,600)	36	358		4,600	(36)	(358)		
Aug.31.03	1	PILs monthly accrual		92,500	12,000	7,400		358	(12,000)	(7,400)				
Aug.31.03	3	Monthly billing	22,500	115,000	(22,500)	(15,100)		358	22,500	15,100			(22,500)	(115,000)
Aug.31.03	4	Interest accrual		115,000		(15,100)	(28)	330		15,100	28	(330)		
Sept.30.03	1	PILs monthly accrual		115,000	12,000	(3,100)		330	(12,000)	3,100				
Sept.30.03	3	Monthly billing	22,500	137,500	(22,500)	(25,600)		330	22,500	25,600			(22,500)	(137,500)
Sept.30.03	4	Interest accrual		137,500		(25,600)	(91)	239		25,600	91	(239)		
Oct.31.03	1	PILs monthly accrual		137,500	12,000	(13,600)		239	(12,000)	13,600				
Oct.31.03	3	Monthly billing	20,000	157,500	(20,000)	(33,600)		239	20,000	33,600			(20,000)	(157,500)
Oct.31.03	4	Interest accrual		157,500		(33,600)	(155)	85		33,600	155	(85)		
Nov.30.03	1	PILs monthly accrual		157,500	12,000	(21,600)		85	(12,000)	21,600				
Nov.30.03	3	Monthly billing	20,000	177,500	(20,000)	(41,600)		85	20,000	41,600			(20,000)	(177,500)
Nov.30.03	4	Interest accrual		177,500		(41,600)	(203)	(118)		41,600	203	118		
Dec.31.03	1	PILs monthly accrual		177,500	12,000	(29,600)		(118)	(12,000)	29,600				
Dec.31.03	3	Monthly billing	20,000	197,500	(20,000)	(49,600)		(118)	20,000	49,600			(20,000)	(197,500)
Dec.31.03	4	Interest accrual		197,500		(49,600)	(251)	(370)		49,600	251	370		
		Total		197,500		(49,600)		(370)		49,600		370		(197,500)

Note 1: Monthly interest = prior month-end balance of Account # 1562 X deemed interest rate / 12