

§ 32.2680

is reusable in place. The amounts thus charged shall be included in the non-metallic buried cable or metallic buried cable subsidiary record category, as appropriate.

(d) The cost of pipes or other protective covering for underground drop and block wires shall be included in Account 2421, Aerial Cable, or Account 2423, Buried Cable, as appropriate. The amounts thus charged shall be included in the nonmetallic or metallic subsidiary record category, as appropriate.

§ 32.2680 Amortizable tangible assets.

This account shall be used by Class B carriers to record amounts for property acquired under capital leases and the original cost of leasehold improvements of the type of character required of Class A companies in Accounts 2681 and 2682.

§ 32.2681 Capital leases.

(a) This account shall include all property acquired under a capital lease. A lease qualifies as a capital lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

(c) The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

§ 32.2682 Leasehold improvements.

(a) This account shall include the original cost of leasehold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. This account shall also include those improvements which will revert to the lessor.

(b) Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

(c) Amounts contained in this account shall be amortized over the term of the related lease.

§ 32.2690 Intangibles.

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's telecommunications operations.

(b) Subsidiary records for this account shall include a description of each class of intangible property.

(c) The cost of other intangible assets, not including software, having a life of one year or less shall be charged directly to Account 6564, Amortization Expense—Intangible. Such intangibles acquired at small cost may also be charged to Account 6564, irrespective of their term of life. The cost of software having a life of one year or less shall be charged directly to the applicable expense account with which the software is associated.

(d) This account shall not include any discounts on securities issued, nor