

5-3-75

AAM Supply Department Operating Procedure

1. Subject:

Sale of Parts and Property from AAM to AACL.

2. Purpose:

The purpose of this directive is to outline how the sales of parts and property from AAM to AACL will be processed.

3. Scope:

This directive will include all materials classified as expendables, recoverables, rotatables, property items on the mechanized property list, property items in the account 1604 list and property items in the account 1606 list.

4. Responsibility:

It will be the responsibility of MS-AAM to ensure that this directive is fully implemented. Specific detailed responsibilities will be enumerated in Procedures below.

5. Procedures:

A. Billing prices for items sold will be established as follows:

- (1). Expendable Parts. Such items are not depreciated and consequently the billing price will be the average moving cost plus the uplift percentage for the class concerned.
- (2). Recoverable Parts. Such items are depreciated over a 24 month period or at the rate of 4.167% per month. Therefore, the average age of a line item will be determined as of 31 Jan. 1975 and if less than 24 months, that figure will be multiplied by the 4.167 factor to arrive at the depreciation experienced up to 31 Jan. 1975.

The residual depreciation will then be multiplied by the moving average price. The resultant will then be multiplied by the uplift percentage for the class to give the billing price. If the average age for the item is over 24 months, the billing price will be a flat 20% of the latest invoice cost or a fair market value if no recorded cost is available.

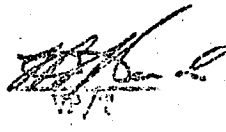
- (3). Rotable Parts. Such items will be handled the same as recoverable parts except that since they are depreciated over a 72 month period, the monthly depreciation factor is 1.389% per month and the flat 20% of latest cost factor will be applied for items with an average age of 72 months and over. For both recoverables and rotables, items on the records at no cost (N/C) will be considered as fully depreciated and the 20% factor will apply.
 - (4). Property Items on the Mechanized List. Such items will be billed at the residual value as of 31 Jan. 1975.
 - (5). Property Items on the Account 1604 and 1605 listings. Such items will be billed at the residual value as of 31 Jan. 1975 if individually accounted for in the Property Accounting Section. If not individually accounted for, the average age principle will apply with depreciation calculated at 10% per year. If the average age can not be determined, individual agreements will be made by the parties concerned.
- B. Requests to procure items will be received from AACL in the form of a Purchase Requisition (PR) or a Direct Delivery Procurement (DDP) as specified in AACL Memorandum, NSA 7508 dated 19 Feb. 1975.
 - C. When a PR or DDP for parts is received by AAM it will be processed to the Posting Clerks who will note upon it the quantity on hand and the billing price. It will then be returned to MS-AAI who will determine if the item can be spared for sale. For a PR or DDP for property items, MS-AAI will establish the billing price in accordance with A. above.
 - D. If available for sale the approved DDP or PR will be sent to the AAM storekeepers for issue. The Storekeepers will prepare an Air America Stores Issue for the item(s) indicating AACL in the Project Number block and the PR or DDP number in the Job Number block. The item(s) with the Stores Issue and DDP or PR will then be forwarded to AACL Receiving Unit. (If a Property Item is involved, there will also be a copy of the Survey Report which is required to drop the item from the Property Accounting records).
 - E. AACL Receiving Unit will validate the delivery, assign a Receiving Report Number and sign the Receiving Report section of the PR. One copy of the PR (with the AAM Stores Issues) will be sent to AAM Stock Control for posting and processing to Accounting in accordance with standard procedures. A second copy of the PR will be forwarded to MS-AAI for invoicing purposes.
 - F. Invoices for items sold to AACL will be prepared once a month. All items with a unit billing price of under U.S.\$ 1,000.00 will be invoiced on a CATOL uniform invoice prepared by MS-AAI and will be payable in NFE. All items with a unit billing price of U.S.\$ 1,000.00 or more will be invoiced on an AAM Ltd. Hong Kong uniform invoice prepared by MS-AAI and will be payable in U.S.\$.

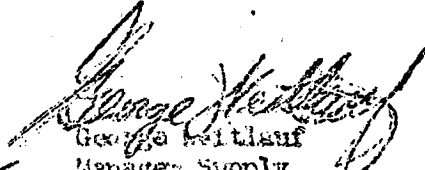
NOTE:

Invoices for any items sold to customers other than AACL will be processed in the same way except that all sales (regardless of unit cost) outside of the Republic of China will be invoiced on an AAM Ltd. Hong Kong uniform invoice and be payable in U.S.D.

Concurred by


AVF-TSR


AVF-TSR


George Weitzlauf
Manager Supply

AAM Dist:

CEO WAS
VP-T WAS
AAM Ltd. HKG
CATCL TPE
SD-IA WAS
VP-SVND SCH (2)
AVT-TSR TNN
MS-AAM TNN

Posting Clerks (5)
Storekeepers (4)

AACL Dist:

Mr. A. Neals
T. C. Wang (3)
DS
MSCD (2)
MSD (2)