

BANGLADESH RURAL ELECTRIFICATION BOARD
DHAKA, BANGLADESH

PBS INSTRUCTION 200-21

SUBJECT: DEPRECIATION AND AMORTIZATION RATES AND PROCEDURES

I. GENERAL

This instruction sets forth to prescribe specific rates and procedures to be used for accounting by the PBSs for depreciation and amortization.

II. POLICY

The procedures set forth herein will be used in accounting for depreciation of utility plant and amortization of intangible plant or other electric utility plant which does not have a definite life and which is not subject to depreciation expenses.

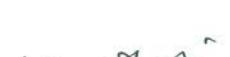
III. OBJECTIVE OF DEPRECIATION AND AMORTIZATION ACCOUNTING

A. The objective of depreciation accounting is to spread the expenditure incurred in acquiring the assets, over their useful lives. Thus it may be stated that the cost of capital investments in plant is recovered by means of proper depreciation accounting. The useful life of such assets is dependent upon such factors as use, misuse, maintenance and obsolescence. The charge to expense is accomplished by establishing depreciation rates as a percentage. This percentage is applied to the asset cost to yield a monthly or annual amount of depreciation expense.

B. Depreciation accounting provides for the systematic, periodic write down or allocation of the cost of a limited-life asset or asset group. The established rate of depreciation should recognize useful life and recovery values.

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C. The objective of amortization accounting is to allocate the cost of intangible plant or other electric utility plant which does not have a definite life and which is not subject to depreciation expenses and other expenses, to a certain period for writing off the costs and expenses. The amortization period is dependent upon nature and value of such intangible assets and expenses.

IV. METHOD OF DEPRECIATION AND AMORTIZATION

A. PBS will adopt the straight line method of computing depreciation. The PBS General Accounts Manual defines straight depreciation as "a method for periodically computing the expense represented by loss in service value of depreciable plant, under which the objective is to prorate such loss in equal installments over the estimated or remaining estimated service life".

B. To keep conformity with PBS General Accounts Manual, depreciation will be charged on composite rate basis for each class of property including General Plant. This is commonly referred to as "group method depreciation". In order to ensure that depreciation is not charged on different categories of assets in the utility plant whose useful life had expired, year-wise record of each category of electric and general plant should be maintained in the CPR as per provisions provided in PBS Instruction 200-06, PBS Accounting Procedures Manual. In order to ascertain the cost, accumulated depreciation and written down value of individual vehicles under general plant, item wise record should be maintained in the CPR as per instructions provided in PBS Accounting Procedures Manual 200-06.

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C. The group method consists of grouping a number of units of property for depreciation accounting purposes; depreciation is computed for the whole group. The units may be grouped by primary accounts or by functions, the essential requirement being that the properties included in each group have some homogeneity. Under the group method when depreciable unit of plant retires, the cost of the unit less net salvage is charged to the appropriate accumulated provision for depreciation account. No recognition will be given to so called gain or loss until all the units included in the particular group are abandoned except in the case of disposal of transportation equipment.

D. Cost of intangible plant and any other development costs if are deferred to future periods, their amortization should commence with the energization or effective use of the same or at the time which BREB may consider appropriate. The cost should be allocated on a systematic basis to each accounting period. The time frame and the percentage of write off will be determined and set by BREB and subject to revision from time to time as required.

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V. DEPRECIATION RATES

<u>Account No.</u>	<u>Asset Group</u>	<u>Annual Depreciation rates</u>
361.10	Structure and Improvements	2%
362.10 thru 369.10	Distribution Plant	5%
Except 368.10 and 371.10 thru 373.10		
368.10	Line Transformers	
Five to Fifty-KVA transformers:		10%
370.10		
Single Phase analogue meter:		10%
Single Phase digital meter:		20%
Three-Phase analogue meter:		10%
Three-Phase digital meter:		10%
Pre-paid meter:		20%
ACR/OCR:		20%
Voltage regulator		10%
Wooden-cross arm:		7%
Steel- cross arm:		4%
Wooden Pole:		5%
SPC Pole:		4%
Conductor:		4%
Hardware item:		4%
Super enamel coil:		10%
Insulator:		10%
Oil switch/ ASB/ Disconnect Switch/		
Lighting arrester/DOFC etc:		20%
Server:		10%
Air Cooler:		10%
373.10	Street Lightning and Signal System	10%
375.10	Solar Unit	15%

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	General Plant: Structures and improvements	2%
390.10		
391.10	Office furniture & Equipment	
	1. Furniture & Miscellaneous office Fixture & equipment (steel, wooden & plastic furniture)	8%
	2. Adding Machine & Calculator	15%
	3. Photocopy Machine, Offset Printing Machine	15%
	4. Data Processing equipment/ Computers	20%
392.10	Transportation equipment	
	1. Bi-cycles	15%
	2. Motor Cycle	20%
	3. Pickups, light trucks, car, including auxiliary equipment	10%
	4. Heavy trucks, buses, vans, trailers including auxiliary equipment	10%
	5. Jeep	08%
393.10	Store equipment	10%

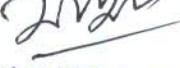
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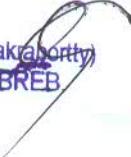

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394.10	Tools, shop and garage equipment	10%
395.10	Laboratory equipment	12%
396.10	Power operated equipment	15%
397.10	Communication equipment	10%
	Mobile Set	25%
398.10	Miscellaneous equipment	16%
399.10	Other tangible property	16%

VI. AMORTIZATION PERIOD:

<u>Account no.</u>	<u>Asset Group</u>	<u>Amortization Period</u>
301.10	Organization	10 Years
302.10	Intangible Plant	Grant 10 Years
303.10	Other Intangible	Plant 10 Years

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