

BREB Instruction 600-16
BREB General Accounts Manual

Section-E-1

IDENTIFICATION OF ASSETS

General Plant/Fixed Assets

General plant instructions relating to amounts included in accounts 1210 to 1225 are included below:


General Instructions

- A. This account shall include the original cost of the BREB general plant and shall be the controlling account for all 1210 – 1251 subsidiary accounts. This account shall include all general plant having useful life in service of more than one year from date of installation. (See also account 1285 – 1298 for unclassified construction costs of completed plant actually in service.)
- B. The cost of additions and improvements to property leased from others, which are includable in this account, shall be recorded in subdivisions separately from those relating to owned property.
- C. The detailed plant accounts (1210 – 1251) shall be stated on the basis of cost record of BREB and the original cost of plant acquired after giving effect to any accumulated provision for depreciation or amortization.
- D. When the consideration given for property is not cash, the value of such consideration shall be determined on a cash basis. In the entry for recording such transaction, the actual consideration shall be described with sufficient supporting information to identify it.
- E. When property is purchased under a plan involving deferred payments, (if not otherwise specified), no charge shall be made to the plant accounts for interest (except IDC), insurance or other expenditures which come about solely because of such payment.
- F. The plant accounts shall not include the amount of contributions received to offset construction costs. Contributions in the form of money (or its equivalent) toward the construction of plant shall be credited to accounts charged with the cost of such construction. Plant constructed from contributions of cash (or its equivalent) shall be shown as a reduction to gross plant constructed when assembling cost data in work orders for posting to plant ledgers of accounts.


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The accumulated gross costs of plant accumulated in the work order shall be recorded as a debit in the plant ledger of accounts along with the related amount of contributions concurrently recorded as a credit. Amounts received by BREB in the form of cash (or other assets) that are not to be used to offset construction costs shall be debited to the appropriate asset account, and the credit should be made to Account 2112-01 Donated Capital – Foreign or Account 2112-02 Donated Capital – Local as appropriate.

INSTRUCTIONS CONCERNING EQUIPMENT

- G. The cost of equipment chargeable to the BREB plant accounts, unless otherwise indicated in the text of an equipment account, includes the net purchase price thereof, sales taxes, investigation and inspection expenses necessary to such purchase, expenses of transportation when borne by the BREB, labor employed, materials and supplies consumed, and expenses incurred by the BREB in unloading and placing the equipment for making ready to operate. Also included are those costs incurred in connection with the first clearing and grading of land and rights of way and damage costs associated with construction and installation of plant.
- H. Excluded from equipment accounts are hand and other portable tools, which are likely to be lost or stolen or which have relatively small value (for example, 2,000 Taka or less) or short life, unless the correctness of the accounting thereof as plant is verified by current inventories. Special tools acquired and included in the purchase of equipment shall be included in the appropriate plant account. Portable drills and similar tool equipment, when used in connection with the operation and maintenance of a particular department shall be charged to the appropriate plant account.
- I. The equipment accounts shall include angle irons and similar items which are installed at the base of an item of equipment. Account 1212, civil construction shall include piers and foundations which are designed to be as permanent as the buildings which house the equipment or which are constructed as a part of the building and which cannot be removed without cutting into the walls, ceilings or floors or without in some way impairing the building.
- J. The equipment accounts shall include (if not otherwise specified) the necessary costs of testing or running a plant or parts thereof during an experimental or test period prior to such plant becoming ready for or placed in service.
- K. The cost of efficiency or other tests made subsequently to the date equipment becomes available for service shall be charged to the appropriate expense accounts. Tests to determine whether equipment meets the specifications and requirements as to efficiency, performance, etc, guaranteed by manufacturers, made after operations have commenced and within the period specified in the agreement of contract of purchase, may be charged to the appropriate BREB plant account.

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INSTRUCTIONS RELATING TO ADDITIONS AND RETIREMENTS OF PLANT

- L. To avoid undue refinement in accounting for additions to (and retirements and replacements of) plant, all property shall be considered as it consists of (1) Retirement units and (2) Minor items of property. BREB shall use such list of retirement units to provide a fair basis for accounting for costs of adding and retiring plant. Consistency of units should be maintained, when possible, to provide an equitable distribution of costs between accounting periods. Changes to the retirement units should be approved by the appropriate authority.
- M. The addition and retirement of plant units shall be accounted for in the following manners:
1. When a retirement unit is added to plant, the cost shall be added to the appropriate plant account.
 2. When a retirement unit is retired from plant, with or without replacement, the book cost shall be credited to the plant account in which it is included, determined in the manner set forth in paragraph 'N' below. The book cost of the unit retired and credited to plant shall be charged to the accumulated provision for depreciation applicable to such property. The cost of removal and salvage shall be charged or credited, as appropriate, to such depreciation account.
- N. The addition and retirement of minor items of property shall be accounted for in the following manners:
1. When a minor item of property is added to plant, the cost shall be accounted for in the same manner as for the addition of a retirement unit (as set forth in paragraph 'M.1' above), if a substantial addition results. Otherwise, the charge shall be to the appropriate maintenance expense account.
 2. When a minor item of property is retired and not replaced, the book cost shall be credited to the plant account in which it is included and the account for accumulated provision for depreciation shall be charged with the book cost and cost of removal and be credited with the salvage. If the minor item of property retires along with the retirement unit, no entry to credit the property account is required. The entries to record removal costs and salvage shall still be made.
 3. When a minor item of property is replaced independently of the retirement unit of which it is a part, the cost of replacement shall be charged to the maintenance account appropriate for the item. If the replacement results in a substantial betterment (the primary aim of which is to make the property more useful, more efficient, of greater durability, or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without improvement shall be charged to the appropriate plant account.

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- O. The book cost of plant retired shall be the amount at which such property is included in the plant accounts, including all components of construction costs. The book cost shall be determined from BREB's records. If this cannot be done, it shall be estimated.
- P. The book cost of land disposed shall be credited to the appropriate land account. If the land is sold, the difference between the book cost (less any accumulated provision for amortization which has been authorized) and the sale price of the land (less commissions and other expenses of making the sale) shall be recorded in account 2113-20, Capital Gain – Others when the transaction is complete.
- Q. The book cost less net salvage of depreciable plant retired shall be charged entirely to the appropriate subaccount of 1261, Accumulated Provision for Depreciation. Any amounts which are charged to account 1840, Extraordinary Property Losses, shall be credited to Accumulated Provision for Depreciation.

WORK ORDER AND PROPERTY RECORD SYSTEM REQUIRED

- R. BREB shall record all construction and retirement of plant through work orders or job orders. Separate work orders may be opened for additions to and retirements of plant or the retirements may be included with the construction work order. However, all items relating to the retirements shall be kept separate from those relating to construction and any maintenance cost involved in the work shall likewise be segregated.
- S. BREB shall keep its work order system so as to show the nature of each addition to or retirement of plant, the total cost thereof, the source or sources of costs, and the plant account or accounts to which charged or credited. Work orders covering jobs of short duration may be cleared monthly.
- T. BREB shall maintain records in which, for each plant account, the amounts of the annual additions and retirements are classified so as to show the number and cost of the various record units or retirement units.

TRANSFER OF PROPERTY


- U. When property is transferred from one plant account to another, the transfer shall be recorded by transferring the original cost from one account to the other. Any related amounts carried in the accounts for accumulated provision for depreciation or amortization shall be transferred in accordance with the segregation of such accounts.


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