

BANGLADESH RURAL ELECTRIFICATION BOARD

BREB INSTRUCTION 600-15

SUBJECT: Depreciation Rates of BREB Plants/Assets  
and its charging Methods/Procedures

I. General:

This Instruction sets forth to prescribe the specific rates to be used by the Finance Department of BREB for accounting for depreciation on BREB Plants/Assets.

II. Policy:

The depreciations rates set forth herein will be used in accounting depreciation of utility plant. No deviations are to be made from the prescribed rates and depreciation procedures without specific approval of the Board.

III. Depreciation Defined:

Depreciation is defined in the BREB/PBS General Accounts Manual and it is "the loss in Service value not restored by current maintenance, incurred in connection with the consumption or perspective retirement of electric plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities".

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৬২১ তম বোর্ড সভায় অনুমোদিত সিদ্ধান্ত নং ১৭০

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**IV. Objectives of depreciation accounting:**

The objectives of depreciation accounting is to charge the capital investment in certain fixed assets, less salvage at the time of retirement, the expense account over their useful lives. Thus it may be noted 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 like no use, misuse, maintenance and obsolescence. The charge to expense account is accomplished by establishing depreciation rates as a percentage(%).

This percentage is applied to the cost of the asset yielding a monthly or annual amount of depreciation expense. 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.

**V. Method of Deprecation:**

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


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To keep conformity with the practice of other utility organizations, 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"

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 property included in each group have some homogeneity. Under the group method when retirement of a depreciable unit of plant occurs, cost of the unit less net salvage value 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.

- VI. The rate of depreciation on materials used for training or other unusual purposes will be determined annually by the committee assigned with this job.

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### VIII. Depreciation Rates:

SL. No.	Asset Group	Annual depreciation
1.	Structures and improvements	2%
2.	<b><u>Office Furniture &amp; Fixtures</u></b> Furniture & miscellaneous office Fixtures and equipment. Adding Machines, Calculator. Typewriters, Photocopying Machines, Mimeograph and offset printing machines. Data processing equipment/computers.	8% 15% 15% 20%
3.	<b><u>Transportation equipments:</u></b> Automobiles. Motorcycles. Jeeps Pick-ups, Light Trucks including Auxiliary equipment. Heavy Trucks, Buses, Vans including auxiliary equipment. Trailers.	12% 15% 08% 12% 10% 10%
4.	Store Equipment.	10%
5.	Tools, Garage Equipment.	10%
6.	Test Equipment	12%
7.	Laboratory Equipment.	12%
8.	Power Operated Equipment.	15%
9.	Communication Equipment.	10%
10.	Misc Equipment.	16%
11.	Other Tangible property.	16%

### XI. Accounting:

While charging depreciation, the respective accounts of the items under BREB Chart of Accounts will be debited and Accumulated provision for depreciation Account will be credited.

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**X. Utilization of depreciation fund:**

Purchases as replacement can be made by Utilizing depreciation fund with the approval of the competent authority. Utilization of the fund shall be maintained separately and accounting of the same to be made so that how much fund has been utilized can be traced out at a glance.

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