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DIRECTORATE OF COOPERATIVE AUDIT, ORISSA: BHUMANESEWAR.

REG. NO. 11/108/05 3704 ^{CH} / Audit-2 Dated: 27.6.2011

To

All the Assistant Auditor General of Cooperative Societies of Circles.

Subj: Depreciation of Assets of Cooperative Institutions.

Sir,

This has a reference to this Directorate Circular No.2828 dt.12.05.2004 on the subject cited above.

In order to obviate the difficulties faced by the Cooperative Institutions in preparing their financial statements for statutory audit purpose by following the prescription of Registrar of Cooperative Societies, Orissa for charging depreciation on different type of assets and for I.T. return purpose by adopting a different rate prescribed under the I.T. Act, the rate of depreciation to be charged on different assets was prescribed in the above referred circular and communicated to all concerned for adoption.

The norms fixed earlier in the aforementioned circular for charging depreciation on computer including software was to calculate at the rate of 60% on written down value method. But, subsequently, NABARD and RBI have observed that due to rapid developments in technology, the installed computers and related hardware may become out dated/obsolete within a short period, needing replacement/ up-gradation. In order to enable the Banks to replace the outdated/obsolete computers and related hardware within a period of three years and also with a view to ensuring adoption of uniform method of charging depreciation on computers by all the Cooperative Banks the NABARD and RBI have issued instructions to all the State Cooperative Banks, DCCBs and Urban Cooperative Banks in Country to charge depreciation on computers on a straight line method at the rate of 33.33% per annum.

Keeping the instructions of NABARD and RBI in view it is now decided to revise the method and rate of depreciation to be charged on computers. The depreciation on computers should hence forth be calculated on a straight line method at a rate of 33.33% per annum. It may be explained with an example:

EXAMPLE:

Suppose a Cooperative Institution purchased a computer on 01.04.2003 at a cost of Rs.50,000/-. The rate of depreciation to be charged per annum is 33.33%. So after depreciation the value of the computer as 31.03.2004 will be Rs.33,335.00. On 31.03.2005 it will be Rs.16,670.00 after depreciation. Further on 31.03.2006 the value of the computer after depreciation will be Rs.5,000.

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Under this method a fixed percentage of the Original value of the asset is written off every year so as to reduce the asset amount to nil or its scrap value at the end of the estimated life of the asset.

Thus, the modified norm for charging depreciation on computers should be circulated amongst all auditors of your Circle for calculation of depreciation on computers in the above manner with immediate effect.

The Circular instructions issued in this Directorate letter No.2828 dt.12.05.2004 stands modified to this extent.

Yours faithfully

Auditor General
Cooperative Societies, Orissa.

Memo No. 3705 (-+)

Dated. 27.6.2011

Copy forwarded to the R.C.S (O)/Director Textiles and Handlooms/ Director of A.H. & V.S., Orissa/Director of Fisheries, Orissa/Director of Handicrafts and Cottage Industries, Orissa/Director of Agriculture and Food Productions, Orissa for information and necessary action. They are requested to instruct their field functionaries to circulate the modified norm to the Cooperative institutions functioning under their local authority.

Joint Auditor General of
Cooperative Societies, Orissa.

Memo No. 3706 (56)

Dated. 27.6.2011

Copy forwarded to the Managing Directors of all APEX Cooperative Institutions/ Secretaries of All CCBs/Secretaries of All UCBs for information and necessary action.

Joint Auditor General of
Cooperative Societies, Orissa.

Memo No. 3707

Dated. 27.6.2011

Copy submitted to the Commissioner-Conn-Secretary to Government of Orissa, Cooperation Department for favour of kind information.

Joint Auditor General of
Cooperative Societies, Orissa.

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Memo No. 3708 (10)

Dated 27.6.11

Copy to G.D. Audit-I Seal/ All Auditors of APEX Cooperative Institutions including Chartered Accountants/ 15 Spare Copies.

[Signature]
27/6/11

Joint Auditor General of
Cooperative Societies, Orissa.

AES.
Ans.

