

GENERAL INSTRUCTION MANUAL**250.001**

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE
07-23-11 REPLACES
06-21-09SUBJECT **COST SHEET REVIEW AND APPROVAL**APPROVAL
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CONTENTS: This General Instruction details the monthly Cost Sheet review and approval procedures which are applicable to all of Saudi Aramco. The main objective of this GI is to strengthen the control and awareness over each department's operating expenditures.

1. Glossary
2. Background
3. Cost Sheet System
4. Reading the Cost Sheet
5. Cost Sheet Structure
6. Cost Sheet Review, Approval and Analysis

1. GLOSSARY**1.1. Abbreviations & Acronyms**

AP&SD	-	Accounting Policies and Systems Department
CSDB	-	Cost Sheet Dashboard
FAD	-	Financial Accounting Department
FA&PAD	-	Financial Analysis and Performance Advisory Department
FY	-	Full-Year
GI	-	General Instruction
GLAD	-	General Ledger Accounting Division/FAD
IT	-	Information Technology
MIS	-	Management Information System
NDE	-	Net Direct Expenditure
OAD	-	Operations Accounting Department
OPF&AD	-	Operating Programs, Forecast and Analysis Division/FA&PAD
PAD	-	Payables Accounting Division/OAD
PD	-	Payroll Division/OAD
TLX	-	Transportation and Living Expenses
T&CD	-	Training and Career Development
YE	-	Year End
YTD	-	Year-To-Date

1.2. Referenced Instructions

AI 707	Payments to Vendors
GI 216.965	Cost Distribution Rates
GI 287.001	Full Costing

1.3. Definitions

- **Accountability:** Ownership of the underlying costs which is accomplished through the periodic, cyclical analysis and reporting of actual vs. planned manpower and expenses.

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- **Activity:** Used to track usage of a cost center's services. Ensures proper charging to users and crediting to the provider of the service using a pre-determined rate.
- **Company:** Saudi Aramco
- **Cost Center (CC):** A six-digit number (eight-digits for ASC and AOC). The primary accumulation point of operating costs and workforce levels basically used for administrative control and accountability purposes.
- **Cost Center Group (CCG):** Summarizes cost centers and can be at the group, unit, division, department, administrative area or business line level.
- **Cost Element (CE):** A seven-digit code that defines the type of cost planned and incurred. The lowest level of planning occurs at the cost center / cost element level.
- **Cost Element Group (CEG):** Consists of the summation of one or more cost elements and is used primarily for reporting purposes.
- **Direct Controllable:** Activity usage and expenditures which are planned and accounted for jointly by the user organizations and service providers; i.e. leased vehicles, owned vehicles, marine, heavy equipment, and cargo.
- **Key Performance Indicators (KPI):** Indicators used by organizations to monitor their progress towards achieving strategic business objectives.
- **Master Data:** Data that describes the characteristics or properties of an identifier that is used in various business transactions and reports. In SAP's Controlling module, master data includes cost elements, cost centers, cost element groups, cost center groups and other codes that are used to record expenses, plan information and report on the variances. Controlling Module Master Data is maintained by AP&SD.
- **Net Direct Expenditures Excluding Service Income (NDEXSI):** Expenditures which organizations plan and are directly accountable for, i.e. labor, materials, invoices and purchased power. These costs are also referred to as 'First Spent Money' and 'above the line'. Service Income was removed from the Cost Sheet for 2011 reporting to correctly show costs. Historical reporting of 2010 and prior Net Direct Expenditure amounts (including Service Income) can be obtained using the Cost Element Group NDE.
- **FC Revenue:** The cost element group where previous service cost recovery amounts and Net Income (Internal and External, respectively) were moved

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to in 2011, per changes to the Control Cost Element Group 1_ALL7. Amounts in this cost element group are not shown on the Cost Sheets, but may be included in accountability reports provided to management.

- **P&L Dashboard:** This P&L Tab in the COSTS report group of the CSDB shows the cost recovery and net income for all organizations. For Core Business Lines it is the total full cost adjusted by service income and the over/under cost elements.
- **Prorates:** Prorates are the redistribution of a general nature Corporate cost on the basis of related operational cost. These costs (Labor, Materials and Invoices used in providing the service) are allocated as a percentage of the dollar value for the direct service or item cost.
- **Rates:** These are the rates used to prepare the operating plan for a specific year. During the year, benefiting cost centers are charged the planned rates based on manpower, activities and usage. These annual rates are maintained in GI 216.965 "Cost Distribution Rates".
- **Reallocation:** A process that occurs when one account is credited and another account is debited or charged for the same cost below-the-line on the Cost Sheet. Reallocations are important for financial costing purposes, in order to get the appropriate charges to benefiting cost centers.

2. BACKGROUND

The Cost Sheet provides summarized cost element and cost element group information on monthly and year-to-date actual costs, planned costs and the variances and full year plans for each specific cost center and/or cost center group.

This report provides a view that enables management to compare actual with the plan, review and investigate any variances, and ensure appropriate control and monitoring of the spending.

The review and approval process of the Cost Sheet is applicable to all departments at the Net Direct Expenditure (NDE) level. An automated workflow is sent monthly to each department's reviewers in Saudi Aramco. This workflow contains the Cost Sheet information for their review and Manager's approval. Additionally, a workflow item is sent at the division level for division heads to review and acknowledge.

Each department is accountable for costs reported at the NDE level. However, if the department's total expenditure is used as a base for third party billing, then the total cost including below the line costs (Direct Controllable, Support Services and Reallocations & Miscellaneous cost) should also be considered.

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The basic cost control cycle consists of three stages:

- a. Preparation and receipt of approval for a detailed plan for the year.
- b. Monthly review of Cost Sheet, i.e. comparing the actual costs incurred against the planned amounts.
- c. Requesting error corrections and explaining and reporting variances from plan (accountability reports).

Prior to 2007, cost reports emphasized NDEs, which provided a partial picture of the cost of any business decision and did not include all supporting and overhead costs associated with each operation.

Effective January 2007, Saudi Aramco adopted full costing principles for the Cost Sheet. The full cost process accounts for all costs, direct and indirect, associated with a distinct operation in the company, giving management at all levels a thorough look at company resources used in their operations. This involves costs reported below the NDE level such as employee benefits, medical, training & career development, security, information technology, administrative & general and depreciation/amortization.

Effective January 2010, the Company introduced the dual accountability program which provides for shared responsibility between the users and the service providers for the overall usage and corresponding expense for those services. The review of the direct controllable section of the Cost Sheet is now shared between the user organizations who review their usage of services, and the service providers who check to ensure costs incurred are fully recovered from user organizations.

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Report Groups

- COSTS**
- MANPOWER
- PLANNING
- OVERTIME
- ORDERS
- YBU REPORTS
- UNIT COST
- ASSETS
- MASTER DATA
- CSDB ADMINISTRATION
- FAVORITES

Cost Sheet Dashboard

Period: 009/2010

Cost Center

CC Hierarchy: SH_9999.1009

SAUDI ARAMCO STANDARD HIERARCHY

- SAUDI ARAMCO
- ARAMCO SERVICES COMPANY
- ARAMCO OVERSEAS COMPANY

Saudi Aramco Cost Sheet Report - (\$US)

Jul 2010	Aug 2010	Sep 2010	Cost Element / Description	YTD Actual	YTD Plan	YTD Var
464,686,426	471,690,355	463,486,179	▷ LABOR	3,975,448,058	4,110,908,201	(135,460,143)
111,180,295	24,690,191	53,256,560	▷ MATERIALS	583,925,403	661,507,489	(77,582,086)
426,708,734	440,793,368	251,546,928	▷ INVOICES	3,408,448,002	3,899,736,500	(491,288,498)
37,894,417	49,907,413	46,001,780	▷ ARAMCO PURCHASED POWER	357,167,704	386,776,100	(29,608,396)
1,040,469,873	987,081,326	814,291,447	△ NDE EXCLUDING SERVICE INCOME	8,324,989,167	9,058,928,290	(733,939,123)
			▷ LEASED VEHICLES			
			▷ OWNED VEHICLES			
(13,758,948)	(15,359,981)	(13,531,360)	▷ MARINE SERVICES	(126,720,755)	0	(126,720,755)
(96,328)	(50,283)	(46,844)	▷ HEAVY EQUIPMENT SERVICES	(697,469)		(697,469)
(4,528,045)	(4,981,729)	(4,360,391)	▷ CARGO SERVICES	(40,795,903)	(0)	(40,795,903)
(18,383,321)	(20,391,992)	(17,938,595)	△ DIRECT CONTROLLABLE	(168,214,127)	(0)	(168,214,127)
1,022,086,552	966,689,334	796,352,852	△ NDE & DIRECT CONTROLLABLE	8,156,775,040	9,058,928,290	(902,153,250)
471,944,814	498,671,336	484,433,084	▷ SUPPORT SERVICES	4,123,673,190	4,485,598,587	(361,925,397)
1,494,031,366	1,465,360,670	1,280,785,936	△ DIRECT FULL COSTS	12,280,448,230	13,544,526,876	(1,264,078,646)
81,717,239	116,693,256	177,613,259	▷ REALLOCATIONS & MISC COSTS	1,929,900,088	34,837,241	1,895,062,847
81,717,239	116,693,256	177,613,259	△ INDIRECT COSTS	1,929,900,088	34,837,241	1,895,062,847
1,575,748,605	1,582,053,926	1,458,399,194	△ FC GRAND TOTAL	14,210,348,318	13,579,364,117	630,984,201

3.1.1 Saudi Aramco's monthly Cost Sheets can be viewed online through the Corporate Portal in the Cost Sheet Dashboard within the COSTS Report Group. For an online course on how to use the CSDB please follow the link below:

<http://sapcc.aramco.com.sa/sapeto/courses.asp?id=338>

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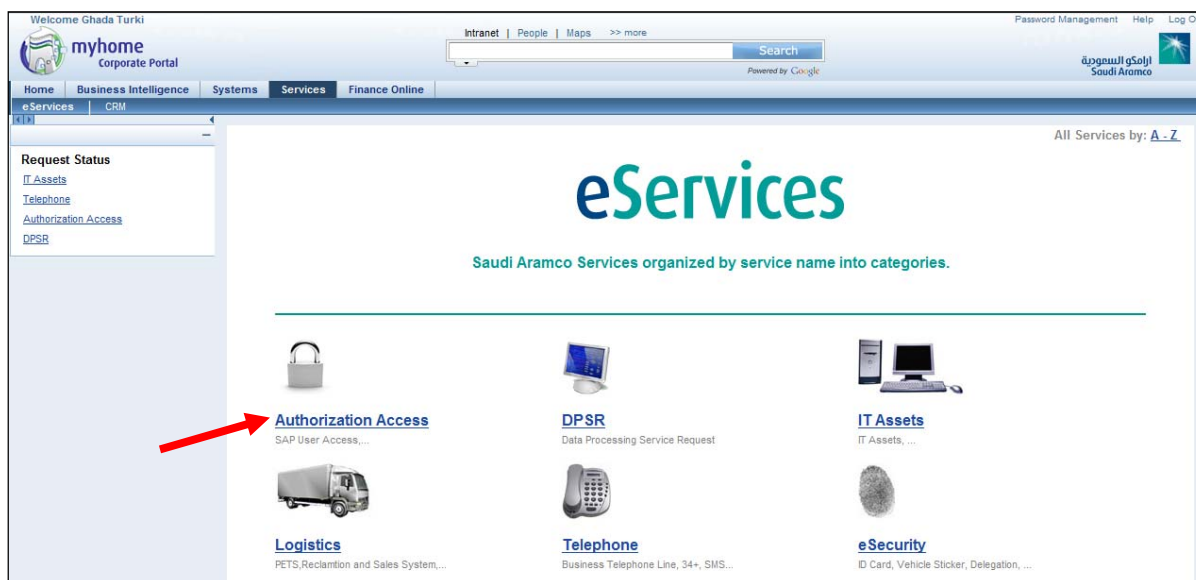
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- 3.1.2 Monthly Cost Sheets are available on the third working day of the subsequent month. A workflow item is sent to authorized departmental reviewers (previously identified by the manager), immediately after the cost sheet is released. Only one reviewer will be allowed to view the workflow content and process it to the Manager for approval once the workflow item is opened. When the first reviewer opens the workflow, it will be removed from the other reviewers' inbox. The first reviewer, however, has the option to send the workflow to other reviewers. A workflow item is also sent to the division heads for review and acknowledgement.

3.2 Access to the Cost Sheet Dashboard

Cost Sheet Dashboard access is obtained through the eServices tab in the Corporate Portal. An Access Request will be routed automatically to the division head and department head for approval.

**3.3 Cost Sheet Review and Approval Workflow Process**

- 3.3.1 The Cost Sheet Review and Approval Workflow Process is intended to automate the review and approval of the Cost Sheet in accordance with section 6.
- 3.3.2 The process begins with a workflow being sent to the departmental reviewers with a summary of the department Cost Sheet.
- 3.3.3 The reviewer will have twenty-one (21) days after the workflow is sent to complete the review of the cost sheet and process it for Manager's approval.

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A reminder email will be sent to the reviewer every seven (7) days until the review is complete. If the review was not completed and processed for approval by day 22, then the workflow is escalated to the reviewer's Department Head.

- 3.3.4 The reviewer can add attachments and comments to the workflow item to support the completion of the review. Additionally, the reviewer can monitor and check from the departmental level workflow whether division heads have reviewed and acknowledged their division's Cost Sheet.
- 3.3.5 After the reviewer has clicked the reviewed button in the workflow, it will automatically be sent to the Manager for approval.
- 3.3.6 The Manager will have twenty-one (21) days to approve the Cost Sheet once the review is completed.
- 3.3.7 If the Manager does not approve the reviewed Cost Sheet within twenty-one (21) days, an e-mail is sent to the immediate supervisor based on the HR Organizational Hierarchy.
- 3.3.8 If the workflow is returned by the Manager, it will go back to all reviewers. This feature is available to the Manager in the case he wants the reviewers to investigate or explain further certain variances before approving the Cost Sheet.
- 3.3.9 Status reporting is available in the Cost Sheet Dashboard in the COSTS Report Group under the CS Review Tab to track Cost Sheet Review & Approval Status to fulfill internal audit requirements.
- 3.3.10 Any errors identified should be noted in the remarks area and supporting documents attached if required. All error corrections do not have to be complete for Cost Sheet approval to occur.

3.4 Levels Applicable To The Cost Sheet

The Cost Sheet can be reviewed at the cost center or cost center group levels. A cost center is the basic unit that collects costs.

Transaction code KSH3 in the SAP "Finance & Logistics" system (PRC) displays the cost center group (use cost center group "30002946" to see all cost center levels) and provides the hierarchical structure.

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Saudi Aramco Cost Sheet Report - (\$US)								SAUDI
Apr 2011	May 2011	Jun 2011	Cost Element / Description	YTD Actual	YTD Plan	YTD Var	Var %	FY Plan
432,755,649	433,911,088	454,863,407	▷ LABOR	3,145,308,652	2,727,092,500	418,216,152	15	5,595,587,000
70,314,500	85,453,237	78,396,383	▷ MATERIALS	455,767,436	461,640,015	(5,872,580)	(1)	927,726,657
449,101,946	449,615,986	561,481,024	▷ INVOICES	2,610,046,773	2,609,707,996	338,776	0	5,301,745,414
73,366,208	45,318,989	32,889,916	▷ ARAMCO PURCHASED POWER	248,130,927	266,740,549	(38,609,622)	(13)	575,169,603
1,025,538,303	1,014,299,299	1,127,630,729	△ NDE EXCLUDING SERVICE INCOME	6,459,253,787	6,085,181,061	374,072,727	6	12,400,228,675
			▷ LEASED VEHICLES		9,682,566	(9,682,566)	(100)	19,365,132
			▷ OWNED VEHICLES				X	
(13,648,250)	(13,546,438)	(12,707,877)	▷ MARINE SERVICES	(78,493,062)	0	(78,493,063)	(25,320,342,745)	1
(83,672)	(151,216)	(94,076)	▷ HEAVY EQUIPMENT SERVICES	(538,826)	0	(538,826)	(149,673,989)	1
(3,843,444)	(3,888,863)	(3,895,036)	▷ CARGO SERVICES	(23,396,245)	(0)	(23,396,245)	(77,987,484,467)	(0)
(17,575,365)	(17,586,518)	(16,696,989)	△ DIRECT CONTROLLABLE	(102,428,134)	9,682,567	(112,110,700)	(1,158)	19,365,133
1,007,962,938	996,712,782	1,110,933,740	△ NDE & DIRECT CONTROLLABLE	6,356,825,654	6,094,863,627	261,962,026	4	12,419,593,808
			▷ TRAINING EXPENSE				X	
			▷ ELECTRIC POWER SERVICES				X	
(1,844,898)	(915,590)	(2,334,172)	▷ AIRCRAFT SERVICES	(8,001,586)	26,129,366	(34,130,952)	(131)	52,434,795
(311,850)	(244,640)	(255,140)	▷ SURVEY SERVICES	(3,401,413)	0	(3,401,413)	(2,125,882,913)	0
			▷ ARB-1 & ARB-3 BARGE SERVICES				X	
			▷ MECHANICAL SHOPS SERVICE				X	
			▷ NEW BUSINESS DEVELOPMENT				X	
			▷ ENGINEERING SERVICES				X	
503,448,323	513,497,700	513,613,640	▷ DEPRECIATION & AMORTIZATION	2,995,282,836	3,081,112,233	(85,829,397)	(3)	6,162,224,459
501,491,774	512,337,470	511,024,328	△ SUPPORT SERVICES	2,983,879,837	3,107,241,599	(123,361,762)	(4)	6,214,659,254
1,509,454,712	1,509,050,252	1,621,958,068	△ DIRECT FULL COSTS	9,340,705,491	9,202,105,226	138,600,265	2	18,634,253,062
			▷ EMPLOYEE SUPPORT COST				X	
			▷ MATERIAL SUPPORT COST				X	
			▷ OTHER SUPPORT COST				X	
			▷ ADMIN & GENERAL OVERHEAD COST				X	
			▷ SAUDI ARAMCO UTILITY COST				X	
	87,240		▷ PLANNING ONLY PROJECT ELEMENTS	87,240		87,240	X	
65,276,350	36,502,417	176,511,476	▷ OVHDS/PRORA/ALLOC	586,410,128	42,028,557	544,381,571	1,295	82,979,004
65,276,350	36,589,656	176,511,476	△ REALLOCATIONS & MISC COSTS	586,497,368	42,028,557	544,468,811	1,295	82,979,004
65,276,350	36,589,656	176,511,476	△ INDIRECT COSTS	586,497,368	42,028,557	544,468,811	1,295	82,979,004
1,574,731,062	1,545,639,908	1,796,469,544	△ FC GRAND TOTAL	9,927,202,859	9,244,133,783	683,069,076	7	18,717,232,066

* CHANGE

** ADDITION

NEW INSTRUCTION □

COMPLETE REVISION ■

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- A.** Latest Three Months: The actual cost of the current month and the two prior months.
- B.** Cost Element/Description: Cost elements are used to collect and categorize costs. Related cost elements are collected into sub-groups. In turn, these sub-groups are totaled into expenditure-type groups. Transaction code KAH3 in PRC displays the cost element groups. The control cost element group for the Cost Sheet is 1_ALL7.
- C.** YTD Actual: This column provides the total actual cost incurred from the beginning of the current calendar year including the current month.
- D.** YTD Plan: Is the total planned amount of the cost from the beginning of the current calendar year including the current month.
- E.** YTD Var: Is the variance amount which equals the YTD Actual minus the YTD Plan amounts.
- F.** Var (%): Is the YTD variance percent which equals YTD Variance divided by YTD Plan times 100 (for full numeral % reporting in the cost sheet).
- G.** FY Plan: Is the approved plan for the current calendar year.

Right-clicking on cost categories enables drill-down to line item details.

If an organization has neither YTD actual nor FY plan amounts in a Cost Element and/or a Cost Element Group, then the Cost Element and/or Cost Element Group will not show on the organization's cost sheet.

5. COST SHEET STRUCTURE**5.1. The Cost Sheet Sections**

- a. Net Direct Expenditures Excluding Service Income or above-the-line items (first spent money), includes: Labor, Materials, Invoices and Aramco Purchased Power.
- b. Direct Controllable or dual accountability items, includes: Leased Vehicles, Owned Vehicles, Marine Services, Heavy Equipment Services and Cargo Services. In 2012, Survey Services (Surveying Services and Mapping Services) will be added to this cost group.
- c. Below-the-line items (second spent money), includes Support Services and Reallocations & Miscellaneous Costs.

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NDEs Excluding Service Income, Direct Controllable, and Support Services are grouped into Direct Full Costs. Reallocations & Miscellaneous Costs are considered Indirect Costs.

5.2. Labor

The Labor section provides a detailed listing of labor cost by cost element and cost center for the selected period. For confidentiality reasons, these charges are based on plan labor rates, and differences from actual amounts are represented under the Labor Rate Variance cost element (described in section 5.11.1).

This Cost Sheet section provides information about:

- 5.2.1. Labor costs charged to a particular cost center including: details of labor hours, both regular and overtime, the badge number and name for each employee and labor cost posted.
- 5.2.2. Total labor charges for all employees, by nationality category.
- 5.2.3. Detailed costs for grade codes 3-10 and 11+ within each nationality category.

5.3. Materials

The Materials section provides a detailed listing by cost element of material charges for the selected period by cost center. Costs are grouped by material type, primarily in two categories:

- 5.3.1. Materials Issued From Stock (Cost Element 7205001) – items issued from a Company plant and priced at the Moving Average Unit Price.
- 5.3.2. Direct Charge (D/C) Materials Purchased (Cost Element 7205010) – materials purchased at proponent's request by Materials Supply, either in-Kingdom or out-of-Kingdom.

5.4. Invoices

The Invoices section provides a list of invoice costs by cost center showing reference information such as cost element number and name, document numbers, posting date, reference document number, offsetting account name and number, purchasing document and value amounts. There is sufficient reference provided to locate the source document, if needed.

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The total of all contractor or non-material vendor invoices affecting direct operating expenses is grouped into 3 cost element groups, as follows:

- 5.4.1. Invoiced Labor – Labor represents at least 80% of the total invoice.
- 5.4.2. Invoiced Services – Neither labor or Purchases/Leases/Other invoice charges are 80% of the total invoice.
- 5.4.3. Invoiced Purchases/Leases/Others – Comprised mainly of costs related to the supply of equipment or materials.

5.5 Aramco Purchased Power

Saudi Aramco purchased power costs are charged to users' cost centers based on actual consumption or estimated usage. The Power Operation Department prepares a monthly schedule on Purchased Power Actual Cost Charges. The costs to be charged are the net of the actual invoices received, invoice accrual for the month and reversal of the prior month's accrual. Finance posts these costs in primary cost elements 74020001-Saudi Aramco Purchased Power and 7408201-Capital Leases-Power Only.

5.6 Service Income

Effective in 2011, Service Income was removed from the Cost Sheet to better reflect true costs. Reporting of Service Income is available in a separate report within the COSTS Report Group under the P&L Tab (Profit and Loss) in the Cost Sheet Dashboard. Service Income information can also be seen in the Cost Element Group FCREVENUE (FC Revenue).

5.7 Net Direct Expenditures

NDEs are the sum of Labor, Materials, Invoices, and Aramco Purchased Power.

5.8 Direct Controllable

The cost of services classified as direct controllable is planned and accounted for jointly by the service provider and the user organizations. These costs are charged to user organizations. Please see GI 287.001 (Full Costing) for details on charging calculations. Direct Controllable costs include:

- 5.8.1. Leased Vehicles - Transportation & Equipment Services Department's monthly leased vehicles' costs charged to customer organizations.
- 5.8.2. Owned Vehicles - Transportation & Equipment Services Department's monthly owned vehicles' costs charged to customer organizations.

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- 5.8.3. Marine Services - Marine Department's monthly vessel services, diving services, pollution services and marine inspection services costs charged to customer organizations.
- 5.8.4. Heavy Equipment Services Cargo Services - Equipment Services Department's monthly heavy equipment service's costs charged to customer organizations.
- 5.8.5. Cargo Services - Transportation & Equipment Services Department's monthly cargo services, sulfur hauling services and contractor cargo costs charged to customer organizations.
- 5.8.6. Survey Services – Surveying Services and Mapping Services will be added to the Direct Controllable costs group in 2012.

5.9 Support Services

Support Services represent centralized/specialized services provided by designated organizations. The initial cost of such services is planned and accounted for by the organization providing the service. These costs are charged to user organizations on secondary cost elements as second spent money. Please see GI 287.001 (Full Costing) for details on charging calculations. Support Services include:

- 5.9.1 Training Expense – Total monthly costs of Training & Career Development charged out to all users of their services.
- 5.9.2 Electric Power Services – Power Operation Department redistributed monthly costs of the services provided and related to electrical power maintenance and inspection.
- 5.9.3 Aircraft Services – Aviation Department's monthly airplane services and helicopter services costs charged to customer organizations.
- 5.9.4 Survey Services – The Survey Services Division's monthly costs charged to customer organizations.
- 5.9.5 ARB-1 & ARB-3 Barge Services- This cost element group collects Aramco Barges ARB-1 and ARB-3 charges to the owner organization(Safaniyah Producing).
- 5.9.6 Mechanical Shops Service - This cost element group collects Mechanical Services Shops Department's monthly costs which are charged to customer organizations.

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- 5.9.7 New Business Development - This cost element group collects monthly costs of new business development (30009702) and charges 100% of its cost to cost center 208400 – Joint Venture Holding.
- 5.9.8 Engineering Services - This cost element group collects monthly costs of the Engineering Services Admin Area charged to customer organizations.
- 5.9.9 Depreciation & Amortization - This cost element group collects the monthly costs for depreciation and/or amortization expense.

5.10 Direct Full Costs

The sum of NDEs, Direct Controllable and Support Services.

5.11 Reallocations & Miscellaneous Costs (Indirect Costs)

These costs are charged to user organizations. Please see GI 287.001 (Full Costing) for details on charging calculations. This cost element group collects the following costs:

- 5.11.1 Employee Support Costs - This cost element group collects the monthly employee support costs including Transportation & Living Expenses, Labor Rate Variance, Medical Expense, and Employee Benefits charged to Company cost centers.
- Transportation & Living Cost - Total monthly employee support costs (transportation & living expenses "TLX") charged to customer organizations.
 - Labor Rate Variance - Actual monthly labor payments versus labor posted to cost centers above-the-line based on labor rates which is charged to Company cost centers.
 - Medical Expense - Total Medical costs which are charged out monthly to each employee's cost center.
 - Employee Benefits – This cost element represents employee benefits packages for each of the four payroll groups which are charged to Company cost centers.
- 5.11.2 Material Support Cost - Total monthly costs of Materials Supply Admin Area charged to users throughout the Company.
- 5.11.3 Other Support Cost - Various Industrial Relations and Information Technology organizations' support costs are included and charged in this cost element group:

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- Facility Planning Department's Costs charged to the core businesses (Upstream and Downstream).
- Environmental Protection Services Costs charged to Company cost centers.
- Human Resources Costs charged to Company cost centers.
- SAP Operations Costs charged to Company cost centers.
- Telecommunications Costs charged to Company cost centers.
- Computer Operations Costs charged to Company cost centers.
- Office Services Costs charged to Company cost centers.
- Utilities (Water & Sewage) Costs charged to Company cost centers.
- Fire & Loss Prevention Costs charged to Company cost centers.
- Security Costs charged to Company cost centers.

5.11.4 Admin & General Overhead Cost - This cost element group collects monthly overhead costs including Admin & General and Saudi Aramco Affairs costs which are charged to cost centers.

5.11.5 Saudi Aramco Utility Cost - This cost element group collects the reallocation of utility costs across Company operations such as internally generated power costs from refining to gas and terminal operations.

5.11.6 Planning Only Project Elements - This cost element group applies to cost elements used in early Capital Project Planning.

5.11.7 Overheads/Prorates/Allocations - This cost element group collects general corporate overheads, prorates and allocations for costs such as redistributed maintenance labor, capitalized operating expenses from owned drilling rigs and internal exploration expenses, interest expense, Joint Venture fees and reallocated public service projects.

5.12 Grand Total

The sum of Net Direct Expenditures, Direct Controllable, Support Services and Indirect Costs.

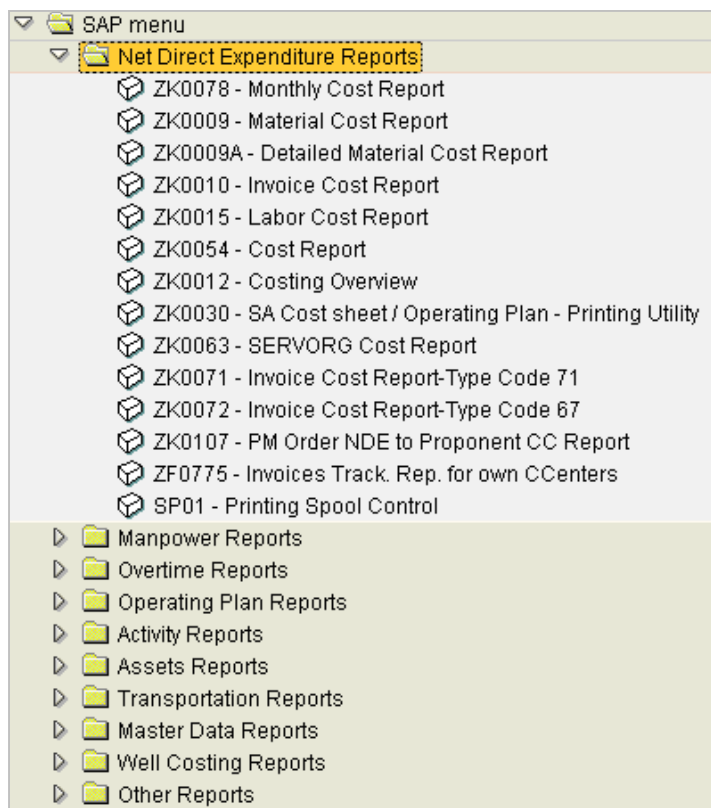
In addition to Cost Sheet Dashboard drill-down and printing, the following PRC reports and print utilities are available to support Cost Sheet review and analysis.

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This menu can be accessed by typing ZK0032 in the transaction bar.



6. COST SHEET REVIEW, APPROVAL AND ANALYSIS

6.1. General Review and Approval

- 6.1.1. The review and approval function is the verification of charges appearing on the organization's Cost Sheet and the approval by the department head that adequate review has been done to ensure that the department cost is accurately reported. Charges appearing on the Cost Sheet not belonging to your organization should be investigated and corrected immediately.
- 6.1.2. Each department head shall formalize the review according to his requirements. The review should highlight exceptions (variances to plan or incorrect charges) within the major categories of costs (Labor, Material, Invoice costs and Purchased Power).
- 6.1.3. While department heads have overall responsibility for the review and approval of their department's Cost Sheet, the plan coordinator or a

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designated staff member should perform the monthly analysis by breaking down the cost categories and ensuring the existence of supporting documents.

6.1.4. The department head (being the plan controller) should verify that Cost Sheet review has been performed satisfactorily and is required to approve the reviewed Cost Sheet.

6.1.5. The approved Cost Sheet, with all its support, should be retained in the department for reference and audit purposes for a minimum period of two years. Approvals and supporting documentation that is included as part of the Cost Sheet Workflow will be accessible in the CSDB to satisfy this requirement. No paper copies are necessary if adequate supporting documentation is included with the workflow, as determined by each department manager.

6.2. General Analysis

6.2.1. In accordance with the Saudi Arabian Oil Company System of Management Control, analysis of the Net Direct Expenditures variance is required for all departments.

6.2.2. The Cost Sheet is analyzed when producing the monthly MIS report as follows:

6.2.2.1. Compiling the Net Direct Expenditures Variance Analysis Summary Report.

6.2.2.2. Preparing detailed supporting variance reports for the Summary Report in 6.2.2.1 for the various cost categories.

6.2.2.3. Recording clear explanations and comments of variances from plan.

6.2.2.4. Calculation of the financial KPIs for MIS reports should be based on total full costs. The Cost Sheet "Grand Total" cost summary reflects the total full cost of an organization except in the case of Core Business Lines. For Core Business Lines, calculation of the financial KPIs for MIS reports should be based on the "Service Income" in the P&L Dashboard.

6.2.2.5. Department level Cost Sheets are consolidated at the Admin Area level and further consolidated at Business Line level. The corporate Cost Sheet is consolidated by FA&PAD as part of the corporate MIS Report and presented to Management Committee, monthly.

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- 6.3.1.1. Review the Labor Cost Report to verify that the charges shown are accurately reflected in the Cost Sheet under the various labor cost element categories.
- 6.3.1.2. Overtime, if any, should agree to the charges using the CSDB.
- 6.3.1.3. Charges are recorded based on the hourly rates published in General Instruction No. 216-965 "Cost Distribution Rates" and not the actual pay.
- 6.3.1.4. Right-click on a labor cost listing in the CSDB Cost Sheet and choose "Goto > Cost Analyzer" to show labor details.

6.3.2. MATERIALS

- 6.3.2.1. Review the Materials Cost Report to verify that the charges shown are accurately reflected in the Cost Sheet under the various categories of materials.
- 6.3.2.2. The supporting documentation (copy of purchase order, delivery note, etc.) for all materials ordered, delivered and received should be available in the department for verification purposes, if not uploaded in the system.
- 6.3.2.3. Right-click on a material cost listing in the CSDB Cost Sheet and choose "Goto > Cost Analyzer" to show materials' details.

6.3.3. INVOICES

- 6.3.3.1. These expenditures may contain labor, material and/or service charges by outside parties.
- 6.3.3.2. Review the Invoice Cost Report to verify that the charges shown accurately reflect the costs under the various invoice categories.
- 6.3.3.3. The supporting documentation for all of the items (copies of contractor invoices, copies of expense reports, etc.) should be available in the department for verification purposes.
- 6.3.3.4. The reviewer should ensure that expenditure bookings have been made to the correct cost element as planned for or determine why an alternate cost element was posted. Activity process and

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related system cost posting automation, such as with eTravel, has resulted in such alternate postings. These are not errors and no change/correction should be requested.

- 6.3.3.5. Right-click on an Invoice cost listing in the CSDB Cost Sheet and choose "Goto > Cost Analyzer" to show the invoices details.

6.3.4. ARAMCO PURCHASED POWER

- 6.3.4.1. Saudi Aramco purchased power costs are allocated to users' cost centers on actual consumption or estimated usage. The Power Operations Department prepares a monthly schedule of Purchased Power Actual Cost Allocation and submits this to Operations Accounting for posting. The costs to be allocated are the net of the actual invoices received, invoice accrual for the month and reversal of the prior month's accrual.

- 6.3.4.2. Right-click on the Aramco Purchased Power cost listing in the CSDB Cost Sheet and choose "Goto > Cost Analyzer" to show the purchased power's cost details.

6.4. Review of Support Services Cost

- 6.4.1. These expenditures should be reviewed to ensure that the charges shown in the report are accurately reflected in the Cost Sheet.
- 6.4.2. Right-click on a support service cost listing in the CSDB Cost Sheet and choose "Goto > Cost Analyzer" to show details.

6.5. Other General Review Procedures

Other than those review procedures mentioned above, certain general procedures that can be applied by reviewers are as follows:

- 6.5.1. Review the YTD VAR column, see Section 3 for an example Cost Sheet Report, and investigate any variance to determine the reason for it, for example, late charges, increased or reduced activity, etc. Record and explain the reason for the variance and any appropriate action.
- 6.5.2. At the beginning of the financial year (i. e. when January Cost Sheet is produced), check the YE PLAN column and ensure that all the department's Operating Plan amounts are shown and that they agree with the approved Operating Plan.
- 6.5.3. Every month (except in January and February) compare the actual amounts shown in the LATEST THREE MONTHS columns to ensure that major

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fluctuations are noted and the reason for these fluctuations are investigated and recorded.

6.6. Cost Sheet Related Questions and Inquires

6.6.1. Inquiries on Plan Amounts: Contact Coordinator, OPF&AD/FA&PAD, Room T-682, Telephone 874-6435, Fax 874-4425.

6.6.2. Cost Sheet Query "HELP DESK":

CONCERNED ACCOUNTING DEPT	COST ITEM	TELEPHONE
PD/OAD	Labor	874 - 7355
PAD/OAD	Materials	874 - 7600
GLAD/FAD	Invoices	874 - 6942

6.6.3. Inquiries on Actual Amounts of Invoice Cost:

Contact the appropriate accounting unit and provide relevant information. Refer to AI 707 "Payments to Vendors".

APPROVED: [Original with signature on file]
I. A. Al-Muhaiza, Manager (A)
Accounting Policies & Systems
Department

MDH / JKW
WC #T1275