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ACCOUNTING AND FINANCE

The Fundamentals And Advanced Issues In Oil And Gas Accounting

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The Fundamentals And Advanced Issues In Oil And Gas Accounting

Introduction:

Finance and accounting in the oil and gas industry proves to be challenging with the constant changes from within the field. This is further established with its extremely high levels of speculative investment with absolutely no guarantee of a successful return. It is characterized by lengthy time periods between the initial investment and any returns and it attracts many regulatory accounting rules and standards.

This seminar, in the first two days, discusses the diverse accounting practices among companies in the worldwide extractive industry (oil and gas and mining) and equips delegates with fundamental but fully updated accounting principles for Oil and Gas Operations. The next three days will deal with advanced accounting issues on Oil and Gas operations. You will leave with a clear understanding of current international practices in finance and accounting within the international energy industry. This is achieved through the analysis of accounting standards, financial statements, and the discussion of financial management implications of exploring/producing oil and gas. Gaining an understanding of accounting and financial statements and practices will also allow your company to trace your competitor's actions and make strategic decisions competitively.

This training course will allow you to keep abreast with current knowledge of finance and accounting to achieve strategic planning and decision-making; which will boost your ability to survive and profit in the rapidly changing Oil and Gas industry.

Who Should Attend?

This programme is designed specifically for all who work on the preparation and interpretation of financial information for Oil & Gas Exploration & Production activities, and people seeking to advance their career by improving their understanding of industry financial management. It is also beneficial to non-financial management to know how to analyze financial performance and financial position of their firm and also their competitors. The target people seeking to broaden knowledge to improve job performance include:

- Finance Directors and Managers
- Financial Controllers
- Chief Accountants
- Treasury Officers
- Asset Accountants
- Joint Venture Accountants
- Management Accountants
- Internal and External Auditors
- Government Regulators
- Financial Analysts
- Public Accountants
- Production and marketing managers
- Business analysts

Development Opportunity

- Understanding the major accounting methods for oil and gas operations
- Practical corporate analysis

- Seeing better the role of finance and accounting in an Oil and Gas organization
- An appreciation of financial reporting policies and practices applicable in Oil and Gas Industries
- An understanding of the requirements of International Financial Reporting Standards (including International Accounting Standards) relevant to Oil and Gas Industries
- An understanding of analysis of your company's performance and how to compare the business performance of your company with the business performance of others in the industry

Program Outline:

Day 1

Overview of the industry & Introduction to Oil and Gas Accounting

Overview of the industry & Introduction to Oil and Gas Accounting

- A profile of Oil and Gas operations and contracts
- Problem solving: exercises

Oil and Gas accounting terminology

- Problem solving: Exercises

Introduction to Oil and Gas Accounting: Accounting concepts and historical cost accounting methods

- Problem solving: Exercises

Financial reporting standards and generally accepted accounting principles

- Accounting concepts
- Problem Solving: exercises

Successful – effort Accounting

Acquisition of proved & unproved properties – under Successful-effort Accounting method

- Accounting for lease bonuses, options to lease, top leasing, and impairment and abandonment of proved & unproved properties. How are the costs of acquiring rights in proven & unproved property handled?
- Problem Solving: exercises

Exploration costs – under Successful-effort Accounting method

- Accounting for non-drilling exploration costs – under Successful Accounting method
- Problem Solving: exercises

Day 2

Successful – effort Accounting (cont'd)

Development costs – under Successful-effort Accounting method

- Accounting for exploratory drilling costs, workovers, development wells, and production facilities. How do we account for drilling costs?
- Problem Solving: exercises

Proved property cost disposition - under Successful-effort Accounting method

- Computing depreciation, depletion and amortization (DD&A) on producing fields, depreciation of support equipment and facilities, and accounting for future dismantlement and site restoration costs. How are capitalized costs written off?
- Problem Solving: exercises

Depletion and impairment and abandonment – under Successful-effort Accounting method

- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Day 3

Full Cost Accounting and

Accounting for Production Activities

Full cost accounting and Successful-effort accounting methods: A comparative analysis

Full-Cost accounting including the discussion of non-drilling exploration costs, acquisition costs, drilling and development costs and proved development costs

Disposition of capitalized costs and Accounting for Cost Recovery

- Inclusion of additional costs
- Exclusion of Costs
- Impairment

Abandonment of Properties

- Reclassification of properties
- Support E&F, and DD&A
- Interest capitalization

Reasons for changing methods

- Limitations on capitalized costs – A Ceiling
- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Accounting for Production Activities

Accounting for Production Activities

- Accounting treatment (direct and indirect costs)
- Individual production costs
- Secondary and tertiary recovery
- Gathering systems
- Saltwater disposal systems
- Tubular goods
- Severance Taxes / production taxes
- Production costs statements
- Joint interest operations
- Decision to complete a well
- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Day 4

Accounting for Revenue / Accounting for Cost Recovery and

Oil and Gas Tax Accounting and

Accounting for International and Joint venture Operations

Accounting for Revenue

- Measurement and sale of O&G
- Determination of Revenue
- Unitisations & Cooperative unit
- Intercompany prices / transfer pricing
- Free fuel or gas and Crude Oil Exchange
- Timing of Revenue Recognition
- Gas imbalances
- Allocation of Oil and Gas
- Minimum Royalty – An Advance Revenue to Royalty Owners
- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Accounting for Cost Recovery

Oil and Gas Tax Accounting

Oil and Gas Tax Accounting:

- Nondrilling, Acquisition, drilling and equipment costs
- Production operations
- Losses from unproductive property
- Summary – Three Accounting Methods – SE vs. FC vs. Tax
- DD&A under tax accounting, SE and FC accounting
- Percentage depletion
- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Accounting for International and Joint Venture Operations

Accounting for International Petroleum Operations

- Fiscal, Concessionary and Contractual Systems
- Production Sharing Contracts (China /USA/UK/Middle East, Iran, Yemen, China)

- Service Contracts
- Joint Operating Agreements
- Contracts Governing Joint Operations
- Payments and Advances and Cash Flow Management
- Interest Settlement and Billing Statement
- Methods of Accounting, Accounting Procedure Terms and Financial Accounting Issues
- International Accounting Standards
- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Joint Interest Accounting

- Accounting as an Operator
- Accounting as a Partner
- Problem solving: Exercises

Day 5

Oil and Gas Financial Statement Analysis

Analysis of Oil and Gas Companies' Financial Statements

- Comparing Financial Statements
- Reserve Ratios: Reserve Cost Ratio, Reserve Value Ratio
- Financial Ratios
- Problem Solving: exercises
- Review of accounting standards
- Discussion on key issues

Real Case analysis:

- Study of BP (British Petroleum/Beyond Petroleum) financial statements and analyses
- BP in comparison with other companies in the same field
- **Accounting policies and practices in BP, Shell, Santos, Woodside, Tap Oil, Cue Energy, STAR Energy, PTTEP, Petronas.**

Open Discussion