BLACKBIRD FOR TRAINING

Upstream E&P Accounting and IFRS Reporting Course



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Upstream E&P accounting is the accounting and financial reporting of oil and gas exploration and production: how acquisition, exploration, development and production costs are recorded, depleted, tested for impairment and disclosed. This one-week course is for accountants, financial controllers and auditors working with upstream assets, and its final deliverable is an accounting treatment memo for a case field comparing successful efforts and full cost results.

Introduction

Three standards and methods frame the course. IFRS 6 Exploration for and Evaluation of Mineral Resources governs how exploration and evaluation spending is recognised and tested. IAS 16 Property, Plant and Equipment applies once assets move into development and production. The successful efforts and full cost methods are the two traditional ways of capitalising upstream costs. The level is practitioner: delegates already know general accounting and want the upstream specifics. Teaching uses worked numerical exercises, published reports of listed oil companies and a case field.

Course Objectives

- Define acquisition, exploration, development and production costs and the accounting treatment each one receives
- Distinguish the successful efforts method from the full cost method and compare their effect on profit and assets
- Apply IFRS 6 and IAS 16 to exploration and evaluation assets and to producing assets
- Interpret reserve classifications and calculate depreciation, depletion and amortisation by units of production
- Compare impairment tests with full cost ceiling tests and select the right treatment for decommissioning obligations
- Justify accounting for joint ventures and production sharing contracts in management and statutory reports



Target Audience

- Upstream accountants and financial controllers who must decide how costs are capitalised or expensed
- Joint venture and partner accountants who must judge cost allocations and billing under operating agreements
- Internal and external auditors of oil and gas companies who must assess reserve-based estimates and policies
- Finance staff in national and international oil companies who must choose how production sharing terms are reported
- Budget and planning analysts handling authorisations for expenditure who must select how variances are reported

Course Outline

Day 1: The Upstream Sector and Its Accounting Issues

- Upstream Value Chain: Acquisition, Exploration, Development and Production Phases
- Industry Financial Risks: Commodity Prices, Currency, Interest Rates, Political and Environmental Factors
- Successful Efforts vs Full Cost: Two Methods for Capitalising Upstream Costs
- IFRS 6 Exploration and Evaluation Assets: Recognition, Measurement and Reclassification
- IAS 16 for Producing Assets: Componentisation and Subsequent Measurement

Day 2: Contracts, Joint Ventures and Accounting Policies

- Production Sharing Contracts vs Concessions: Cost Recovery, Profit Oil and Royalties
- Joint Venture Accounting: Operator Billing, Partner Shares and Cost Allocation
- Accounting Policy Comparison: Reading Policy Notes of Listed Oil Companies
- Financial Statements of Oil Majors: Income Statements, Balance Sheets and Cash Flows
- Share Price and Investment Performance: Market Measures Used for Upstream Companies

Day 3: Reserves, Depletion and Impairment

- Proved vs Probable Reserves: Classification and Reserve Quantity Disclosures
- Production Cost Analysis: Lifting Costs, Maintenance Costs and Royalties per Barrel
- Depreciation, Depletion and Amortisation: Units-of-Production Calculations from Reserves
- Impairment Tests vs Full Cost Ceiling Tests: Two Ways of Limiting Asset Values
- Decommissioning and Restoration Obligations: Measuring Provisions and Unwinding the Discount



Day 4: Financial Analysis, Budgets and Management Reports

- Profitability vs Liquidity vs Solvency: Ratios for Assessing Oil and Gas Companies
- DuPont Analysis for Upstream Companies: Margin, Asset Turnover and Leverage Effects
- Authorisation for Expenditure: Budget Approval and Control in Upstream Projects
- Management Reports and Variance Analysis: Tracking Field Costs Against Budget
- Financing Upstream Projects: Financial Implications of Funding Exploration and Development

Day 5: Upstream Reporting, Governance and Case Practice

- Creative Accounting vs Faithful Representation: Warning Signs in Upstream Reports
- Auditors, Ethics and Corporate Governance: Internal and External Audit Roles and Investor Confidence
- Regulatory Compliance in Upstream Reporting: Disclosure Expectations and Audit Committee Oversight
- Case Field Exercise: Applying Both Methods, Depletion and Impairment to One Asset
- Accounting Treatment Memo: Completing the Successful Efforts and Full Cost Comparison

Skills You Will Gain

- Upstream Cost Classification
- Successful Efforts Accounting
- Full Cost Accounting
- Exploration and Evaluation Asset Testing
- Units-of-Production Depletion
- Decommissioning Provision Measurement
- Joint Venture Accounting
- Production Sharing Contract Analysis

Why Attend This Course

- From applying general accounting rules to upstream costs to using the treatments built for exploration and production
- From reading one company's results in isolation to comparing outcomes under successful efforts and full cost
- From treating reserves as a technical figure to using them in depletion, impairment and disclosure
- From scattered policy notes to an accounting treatment memo for a case field comparing both methods



Conclusion

Upstream accounting answers a question general accounting does not: when, and how far, the cost of searching for and producing oil and gas becomes an asset. The course makes three distinctions clear: successful efforts versus full cost, impairment tests versus ceiling tests, and production sharing contracts versus concessions. It suits accountants, controllers and auditors working on exploration and production who want one week on the upstream specifics, rather than a foundation course on oil and gas accounting and finance in general.

Course FAQs

What is upstream E&P accounting?

It is the accounting and reporting of oil and gas exploration and production activities, covering how acquisition, exploration, development and production costs are capitalised or expensed, depleted, tested for impairment and disclosed.

What is the difference between successful efforts and full cost accounting in upstream E&P?

Under successful efforts, only costs linked to finding reserves are capitalised and dry-hole costs are expensed. Under full cost, all exploration costs within a cost pool are capitalised, whether or not they find reserves.

Which standards does the upstream E&P accounting course follow?

The course follows IFRS 6 for exploration and evaluation assets and IAS 16 for producing assets, and compares the successful efforts and full cost methods used in the industry.

Is upstream E&P accounting training suitable for an external auditor?

Yes. External auditors of oil and gas companies use the sessions on reserves, depletion, impairment, decommissioning and joint ventures to assess management estimates and accounting policies.

What do delegates produce in upstream E&P accounting training?

Delegates produce an accounting treatment memo for a case field, showing results under successful efforts and full cost, with depletion, impairment and decommissioning calculations and a recommended policy.

