



# ELIZADE UNIVERSITY, ILARA-MOKIN, ONDO STATE

**FACULTY:** HUMANITIES, SOCIAL & MANAGEMENT SCIENCES  
**DEPARTMENT:** ACCOUNTING & FINANCE  
**FIRST SEMESTER EXAMINATIONS 2020/2021 ACADEMIC SESSION**  
**COURSE CODE:** ACF 411  
**COURSE TITLE:** Oil and Gas Accounting.  
**DURATION:** 2 Hours.  
**INSTRUCTION:** ATTEMPT ANY FOUR (4) QUESTIONS

## QUESTION 1

Dunke Petroleum Company Limited incurred the following costs during its oil and gas operations for the year ended December 31, 2020.

	N'000
Geological & Geophysical Studies (G&G)	30,000
Acquisition cost	50,000
Exploratory dry hole	1,200,000
Exploratory well – Successful or Wet	400,000
Development cost Dry or unsuccessful	200,000
Development cost Successful	300,000
Production costs	25,000
DD&A	40,000-SE & 90,000-FC
Revenue	100,000

You have been consulted as a petroleum accountant to:

a. Prepare the Statement of Financial Operation and the Statement of Financial Position employing the Successful Effort method (SE) and the Full Cost method (FC) for the year ended December 31, 2020. **(10 marks)**

b. List and discuss the licenses to be obtained for carrying out petroleum operations in Nigeria. **(5 marks)**

**(Total: 15marks)**

## QUESTION 2

A) Lagos Oil Plc is a full costs company, and has a fully developed lease located at Okiti in Ondo State. The following data relates to the operation of the company for the year ended December 31, 2020.

Unrecovered cost 1,400,000

Estimated future development	200,000
Estimated future decommissioning cost	400,000
Future salvage value of properties	120,000

	<b>OIL</b>	<b>GAS</b>
Proved reserves 31/12/2020	200,000	600,000
Proved developed reserves 31/12/2020	150,000	240,000
Production during the year	40,000	100,000
Selling price during the year	N120/bbl	N10/mcf
Selling price 31/12/2020	N140/bbl	N15/mcf
Expected selling price in 2021	N148/bbl	N16/mcf

Required:

Compute amortization (DD&A) for the year 2020 using:

- (a) A common unit of measure
- (b) The unit of revenue basis.

(5 marks)

(5 marks)

B) According to IAS 36, define any **FIVE** of the following terms:

1. Impairment
2. Carrying cost
3. Recoverable amount
4. Fair value
5. Value in use
6. The cash generating unit (CGU)

(5 marks)

(Total: 15marks)

### QUESTION 3

(a) SAS 14 requires Oil and Gas costs to be classified under 6 (six) groups. Enumerate these groups and briefly discuss them. (12 marks)

(b) There are two generally accepted methods of accounting in the oil and gas industry which are the Successful - Effort method, and Full Cost method. Discuss **THREE** principles each of these methods (3 marks)

(Total: 15marks)

### QUESTION 4

(a) According to SAS 14 paragraphs 91 & 92 discuss what a joint venture is. (5 marks)

(b) Discuss five features of joint venture arrangement in the petroleum industry. (10 marks)

(Total 15marks)

### QUESTION 5

Muyi Oil & Gas Production Company Limited gave the following costs and reserve estimates.

Item	2017	2018	2019	2020
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	N	N	N	N
G & G	20,000	300,000	400,000	580,000
Development wells	400,000	500,000	600,000	800,000
Exploration wells	800,000	750,000	700,000	800,000
Delay rentals	2,000	4,000	6,000	8,000
Proved property Acquisition	200,000	-	300,000	-
Operating costs	120,000	40,000	160,000	180,000
Unproven property Acquisition	20,000	40,000	60,000	80,000
Pipeline and wellheads	200,000	300,000	400,000	450,000
G & A	20,000	30,000	30,000	30,000
Purchased reserves	100,000bbls	-	120,000bbls	-
Extensions & discovery	200,000bbls	150,000bbls	300,000bbls	200,000bbls
Revisions	100,000bbls	50,000bbls	-	50,000bbls

**Required:**

1. Compute the Company's finding costs of a three-year average for 2018-2020. (9 marks)
2. Explain finding costs (3 marks)
3. Discuss **THREE** problems associated with calculating finding costs (3 marks)

(TOTAL: 15 marks)

**QUESTION 6**

- a. Discuss Oil and Gas Reserves and its classifications (10 marks)
- b. Give **THREE** uses of Reserves. (3 marks)
- c. Discuss the differences between proved and unproved property. (2 marks)

(Total: 15marks)