**KUWAIT UNIVERSITY**

**COLLEGE OF BUSINESS ADMINISTRATION**

**ACCOUNTING DEPARTMENT**

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**Course Syllabus**

**Fall 2023/2024**

**Petroleum & Minerals Accounting (435)**

**(Prerequisites: Acc. 201 & Acc. 214)**

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**Instructor**: **DR. Metwally Kayed**

**DEPT**: Accounting Dept.

**Class Information:**

**Location:** D21017/BUA-S

**Section: 1020435-01A**

**Schedule: 24 (11:00 a.m.-12.15 P.m.)**

**Total Seats: 37**

**Final Exam: 30/12/2023**

**Time:11:00-01:00 p.m.**

**Contact Information:**

**Office Location**: 1037-4th Floor- Acc. Dep.

**Email** : [kayed@cba.edu.kw](mailto:kayed@cba.edu.kw)

: [metwally.kayed@ku.edu.kw](mailto:metwally.kayed@ku.edu.kw)

**Office Hours** : 2,4 from 10:45-11:45 a.m.

**Social Media** : E-mail- what/s up//M.S. Teams

**Teaching Assistant:** (Not Applicable)

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**Course Description:**

#### This course provides the fundamentals of a broad range of accounting and reporting issues to upstream E & P operations conducted in Kuwait and outside Kuwait, espicially USA. Emphasizes accounting for costs incurred in the acquisition, exploration, drilling, development, and production of oil and natural gas using both successful efforts (SE) and full cost (FC) accounting methods. Also introduces students to joint interest accounting, accounting for basic conveyances, and the required disclosures for oil and gas producing activities. In Addition, provides students with a basic understanding of the primary activities required to find and develop oil and gas reservoirs as well as the implication of the accounting standards related to oil and gas activities, particularly in Kuwait.

**Course Learning Outcomes:**

The learning outcomes for this course, listed below, relate to the learning goals of the College of Business Administration Undergraduate Program, which can be found in the appendix at the end of this syllabus. The numbers in parenthesis indicate to which specific learning goal the outcome relates.

Upon successful completion of the course, students will be able to:

* Improve communication effectiveness in oral presentation and in writing.
* Display critical thinking and analysis abilities through examinations and homework cases.
* Develop interpersonal and groups skills and provide depth in ethical issues through Team-Homework.
* Explain project analysis and investment decision making Uses IT and computers.

**Course Learning Objectives:**

The general objective of this course is to examine the financial and cost accounting issues related to exploration, drilling, development, production activities, and other issues of interest in today’s environment. This objective will achieved through class discussion, lectures, problem solving, reading and written assignments, and other activities such as exchange of knowledge with professionals and field visits. This objective will also be achieved through proper selection of relevant text materials, hand-out, exercises, and cases.

LO1: Coverage of “Upstream Oil and Gas Operations” with special emphasis on various terms of the oil and gas industry, the legal principles behind the terminology, and be able to apply or relate them to specific situations which may arise in the future.

LO2: Basic understanding of oil and gas accounting; Full Cost (FC) and Successful Efforts (SE) methods; special emphasis will be placed upon the main differences between the two methods and their effects upon the company’s financial reporting.

LO3: Understanding of the nature, types, and accounting treatment of Non-Drilling exploration costs under SE. Special accounting treatment for certain non-drilling costs will be addressed.

LO4: Understanding of the nature, types, and accounting treatment of acquisition costs of Unproved Property (UP) under SE. Special emphasis will be placed upon options to lease, top leasing, asset retirement obligations and asst impairment. Also discuss disposition of Proved Capitalized Costs (PP) through assessment, surrender or abandonment, and reclassification.

LO5: An in-depth understanding of accounting treatment of Drilling and development Costs under SE. Special emphasis will be placed upon certain drilling operations and problems. Partial abandonment and reclassification would also be utilized.

LO6: An in-depth understanding of methods and problems related to the calculations of DD&A for Proved Property Cost under SE.

LO7: Understanding the accounting treatment of the four basic costs associated with oil and gas activities under FC. Special emphasis will be placed upon the primary differences with SE method.

LO8: Understanding of cost behavior and cost classifications in oill and gas industry; Special emphasis will be placed upon the utilization of the concept of relevant cost and benefits in decision making.

LO9: Understanding the accounting treatment for revenue from oil and gas.

LO10: Basic understanding of some other different issues such as disclosure, cash Flows, basic economic interest (conveyances), and discuss asset exchanges and fair value reporting requirements

**Required Material:**

**Textbook** :

The main text covering the topics included in the course outline is:

1. Wright, Charlotte J. & Gallun, Rebecca A., “Fundamentals of Oil & Gas Accounting”, 5th ed., 2008.
2. Hand-out: several hand-outs will be made available to students covering other topics not covered in the text; or explain in more details some concepts and techniques which the text covers lightly.

**Additional Material** :

**E-Learning System** :

**Course Website** :

**Course Requirements and Policies:**

* Attendance on time!
* Do not miss exam! No make-up exam.
* Please do your-self a favor and do not miss class!!
* The final exam is all -inclusive and includes all topics studies during the term.
* Grades will be based entirely upon the earned % relative to the regular examinations, homework, attendance, class performance, and final exams.

**Individual Assignments:**

* 8 Team HWs
* 10 Individual HWs

**In-Class Tests:**

* 2 Midterms
* Final Exam

**Participation:**

* In class quizzes
* In class discussion
* Presentations

**Class Preparation – Readings, Videos, and Online Quizzes:**

* Professor will notify students to read chapters from the textbook in advance before next lecture.

**Attendance and Participation:** Every student in this course must abide by the Kuwait University Policy on Attendance (published in the Student Guide, Chapter 3, Section 13). A copy of the student guide can be accessed online on:

http://www.kuniv.edu/cs/groups/ku/documents/ku\_content/kuw055940.pdf

This course has a significant seminar component and class participation is critical to the learning experience. Participation will be assessed in each class period. Your class participation and attendance will both contribute to your score of in-class performance.

**Cheating and Plagiarism:** Every student in this course must abide by the Kuwait University Policy on Cheating and Plagiarism (published in the Student Guide, Chapter 3, Section 2). A copy of the student guide can be accessed online on:

http://www.kuniv.edu/cs/groups/ku/documents/ku\_content/kuw055940.pdf

Please carefully note all sources and assistance when you turn in your work. Under no circumstances should you take credit for work that is not yours. You should neither receive nor give any unauthorized assistance on any deliverable. If you have any questions about what constitutes “unauthorized assistance” please email me before the deliverable is submitted.

**Writing Style:** Students must refer to APA writing style for their assignments and report writing. Refer to the English Language Center for help.

**Grading:**

The scores in this course will be the weighted average of the following items:

|  |  |
| --- | --- |
| **Weight** | **Description** |
| 20% | Exam 1 |
| 20% | Exam 2 |
| 10% | Home-works, Attendance, Class Discussions and Seminars |
| 10% | 4 quizzes |
| 40% | Final Exam |
| 100% | TOTAL |

**Important Dates:**

|  |  |
| --- | --- |
| **Event** | **Date** |
| First-Mid -Term Exam- Chap 1,2,4. | Oct. 30th, 2023 |
| Second Mid-Term Exam- chap5, 6,7. | Dec. 6th, 2023 |
| Final Exam-from 11:00 p.m-01:00 p.m. | Dec. 30th, 2023 |

**Grade Distribution:**

|  |  |
| --- | --- |
| **Grade** | **Range** |
| A | ≥ 95 |
| A- | ≥ 90 and < 95 |
| B+ | ≥ 87 and < 90 |
| B | ≥ 83 and < 87 |
| B- | ≥ 80 and < 83 |
| C+ | ≥ 77 and < 80 |
| C | ≥ 73 and < 77 |
| C- | ≥ 70 and < 73 |
| D+ | ≥ 65 and < 70 |
| D | ≥ 60 and < 65 |
| F | < 60 |

**Course Outline:**

|  |  |  |  |
| --- | --- | --- | --- |
| ***Week*** | ***Topic*** | Readings | ***Problems*** |
| **1** | **Upstream Oil and Gas Operations:**   * Exploration methods & procedures * Acquisition of mineral interests in property * Lease provisions * Drilling operations * Recovery processes * Production & sales * What does the future hold? | Ch. 1, PP.8-30 | 8,9,10,11,13,14 |
| **2** | **Introduction to Oil and Gas Accounting:**   * Historical cost accounting methods * Historical development of accounting methods and current status * Introduction to Successful-Efforts Accounting * Introduction to Full-Cost Accounting | Ch. 2, PP. 37-63. | 10,11,12,13,14 |
| **3** | **Non-drilling Exploration Costs- SE:**   * G & G costs * Carrying & Retaining costs * Test-well contribution * Support equipment & facilities | Ch. 3, PP. 75-86. | 3,4,6,9,10,11,12, 14 |
| **4,5** | **Acquisition Costs of Unproved Property Under Successful Efforts(SE):**   * Purchase In Fee * Internal costs * Options to Lease * Disposition of capitalized costs – impairment of unproved property * Disposition of capitalized costs – Surrender or Abandonment of property * Post-balance sheet events * Disposition of capitalized cost – Reclassification of an unproved property | Ch. 4, PP.95-116. | 3,6,9,11,13,14, 16,17,20,21,22, 25 |
|  | **First Mid Exam** |  |  |
| **6,7** | **Drilling and Development Costs Under SE:**   * Financial Accounting for drilling & development costs. * Well classification * Exploratory drilling costs * Development drilling costs * Special drilling operations and problems * Support equipment and facilities * Post-balance sheet events * Interest Capitalization | Ch. 5, PP. 137-165. | 2, 8, 10, 13, 14, 15,16, 17, 20, 21, 23, 24 |

|  |  |  |  |
| --- | --- | --- | --- |
| **8,9** | **Proved Property Cost Disposition- SE:**   * Cost disposition through Amortization * DD & A when oil & gas reserves are produced jointly. * DD & A on a field-wide basis * Estimated future dismantlement, site restoration, and abandonment costs. * Revision of DD & A rates * Depreciation of support equipment and facilities * Cost disposition through abandonment or retirement of proved property. * Successful efforts impairment | Ch. 6, PP. 179-216. | 2, 4, 5, 11, 13, 15, 16, 17, 20, 23, 24 |
| **10** | **Full Cost Accounting** | Chp7. 227-266 | 3,4,5,9,11,15 |
| **10** | **Accounting for Production Activities:**   * Accounting treatment * Accumulation and Allocation of costs * Individual production costs * Production cost statement * Decision to complete a well. * Project analysis and investment decision-making. | Ch. 8, PP. 281-296. | 2, 4, 8, 9, 10, 12,13, 14, 15, 17 |
|  | **Second Mid-Term Exam** |  |  |
| **11,12** | **Accounting for Asset retirement Obligations and Asset impairment**  **• Accounting for asset retirement obligations**  **• Accounting for the impairment and disposal of long-lived assets** | Ch. 9, PP. 313-338. |  |
| **13,14** | **Accounting for Revenue from Oil and Gas Sales:**   * Measurement and sale of oil and gas * Oil measurement and sales * Gas measurement and sales * Determination of revenue * Payment of oil and gas revenue * Recording oil revenue * Crude oil Exchange * Recording gas revenue * Timing of revenue recognition * Allocation of oil & gas | Ch. 10, PP. 349-403. | 4, 5, 6, 7, 8, 13, 21 |
| **15** | **Oil and Gas Disclosures** | Ch.14 PP. 617-652. | 2, 3, 5 |

**CBA Vision:**

To be the leading provider of quality business education in the region.

**CBA Mission:**

As part of Kuwait University, the leading national institution of higher education, the College of Business Administration is committed to providing quality business education, engaging in research and community services to contribute to the socio-economic development of the country.

**Undergraduate Program Learning Goals:**

**LG1. Ethical Skills:** A CBA graduate shall be able to recognize ethical issues present in business environment, analyze the tradeoffs between different ethical perspectives, and make a well-supported ethical decision.

**Student Learning Objectives:**

1.1. Identify the ethical dimensions of a business decision.

1.2. Recognize and analyze the tradeoffs created by application of competing ethical perspectives.

1.3. Formulate and defend a well-supported recommendation for the resolution of an ethical issue.

**LG2. Decision Making Skills:** A CBA graduate shall be able to recognize the extent of the implications of business decisions, evaluate different proposals based on available facts, and make a well-supported business decision.

**Student Learning Objectives:**

2.1. Recognize the implications of a proposed business decision from a variety of diverse, internal and external, stakeholder perspectives.

2.2. Evaluate the integrity of the supporting evidence and data for a given decision based on business principles.

2.3. Analyze a given business decision using integrative techniques, structures, and frameworks.

**LG3. IT and Computer Skills:** A CBA graduate shall demonstrate capabilities in using general-purpose computer applications.

**Student Learning Objectives:**

3.1. Use a word-processing application to type and format a business document.

3.2. Use a data-processing application to analyze or solve a business problem.

3.3. Use a presentation-making application to prepare a slideshow for a business issue.

**LG4. Communication Skills:** A CBA graduate shall be able to communicate effectively in a wide variety of business settings.

**Student Learning Objectives:**

4.1. Deliver clear, concise, and audience-centered presentations.

4.2. Write clear, concise, and audience-centered business documents.

**LG5. Analytical Skills:** A CBA graduate shall be able to apply quantitative and qualitative methods to solve business problems.

**Student Learning Objectives:**

5.1. Use appropriate tools to solve a given business problem.

5.2. Analyze business problems using suitable business theories and techniques.

5.3. Structure logic and frame quantitative analysis to solve business problems