



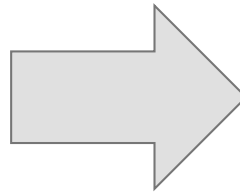
# Vurderingsenhet – betydning for regnskapsføringen

Tor Inge Skjellevik



# Why is this an issue?

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Exploration drilling has proved that reserves are present

The 3rd appraisal well is dry

# Unit of account

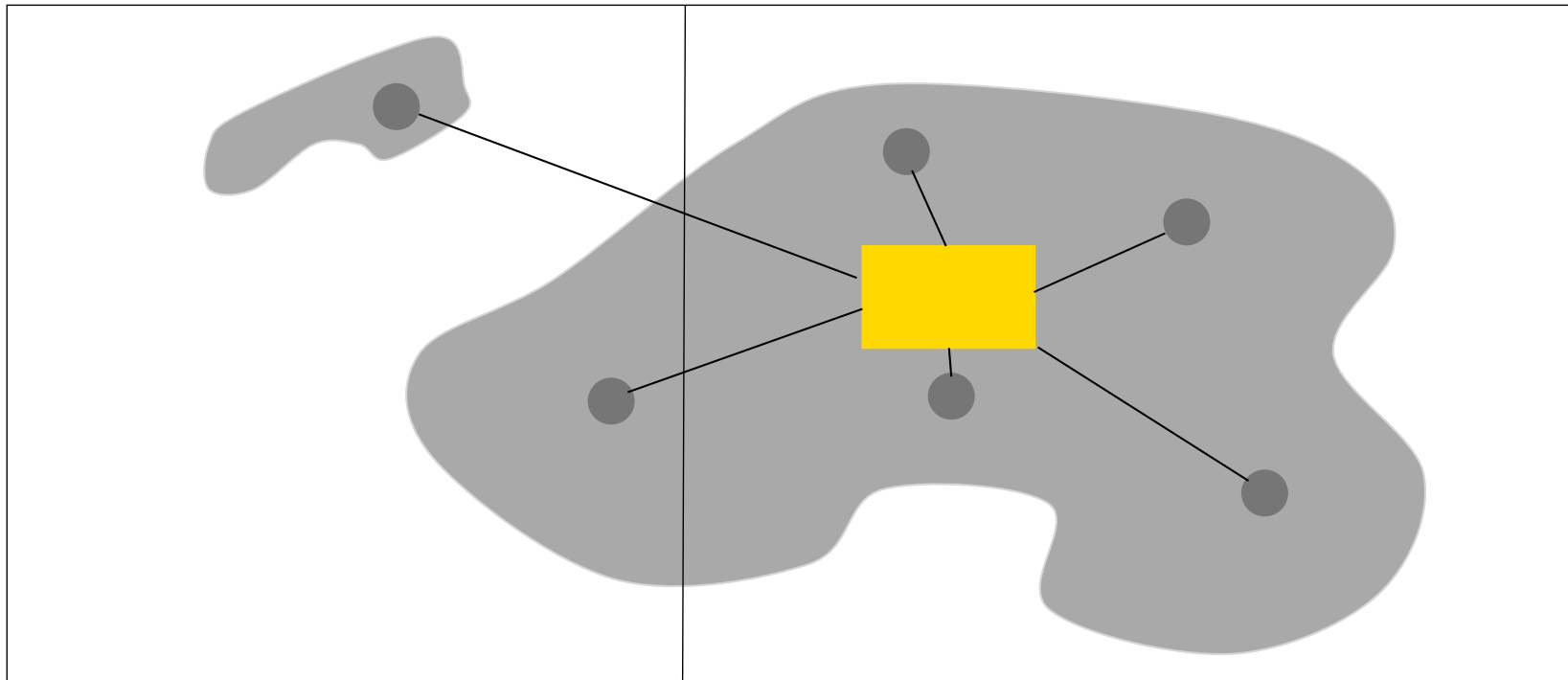
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- ▶ Capable of being used separately
  - ▶ Useful economic life
  - ▶ Separate economic benefits
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- ▶ Industry specific guidance in IFRS?
  - ▶ Conventional vs unconventional oil and gas projects?

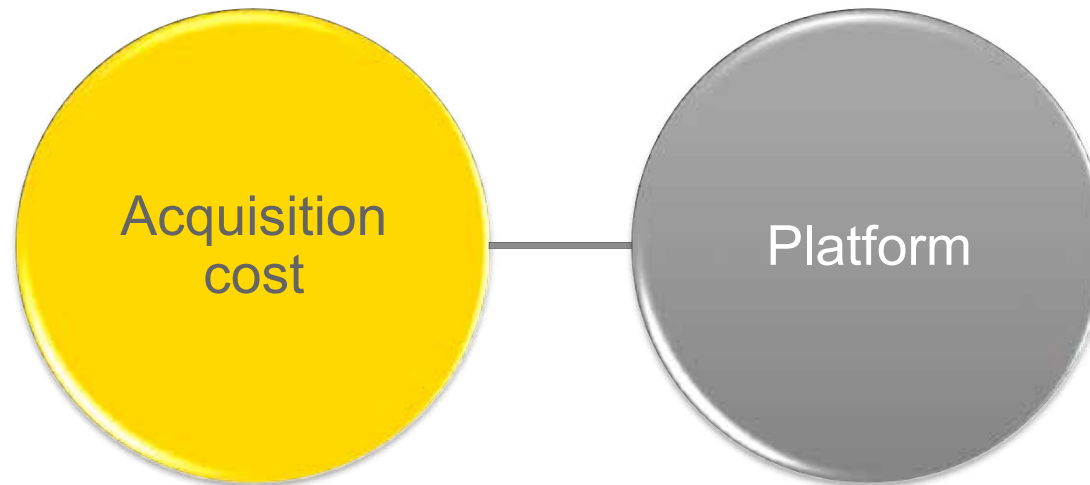
# Unit of account

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# Allocation of acquisition cost Before...

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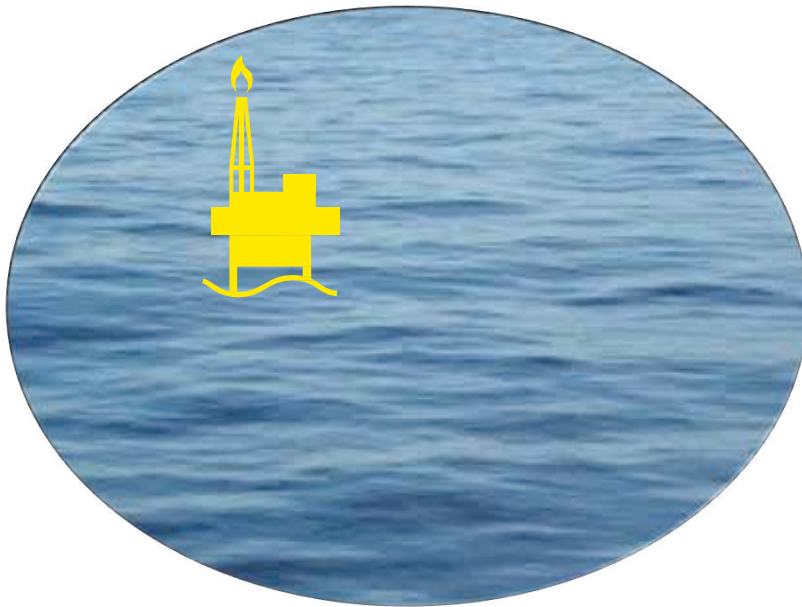
# Allocation of acquisition cost

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# Depreciation rate

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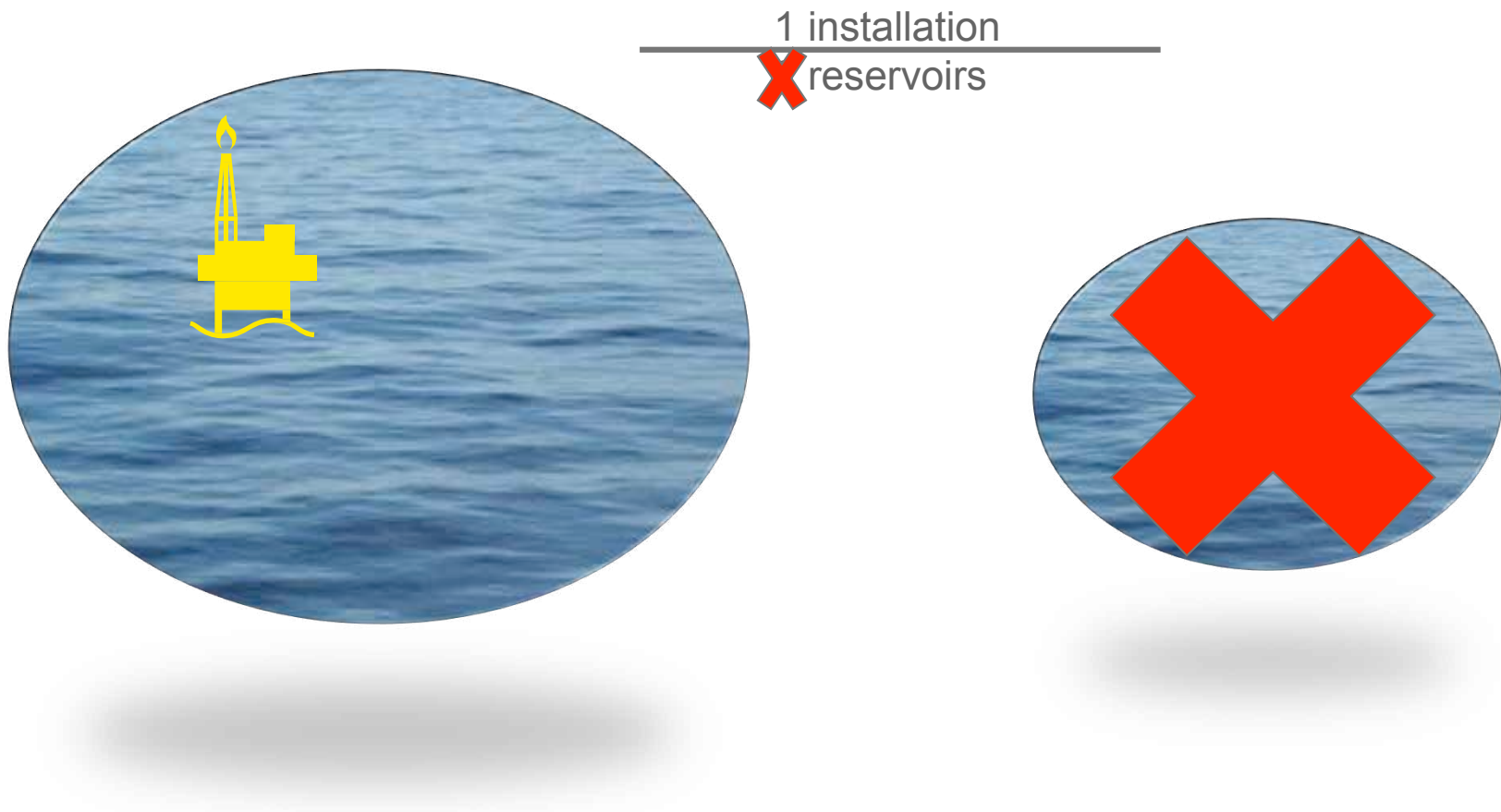
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1 installation  
1 reservoir



# Depreciation rate

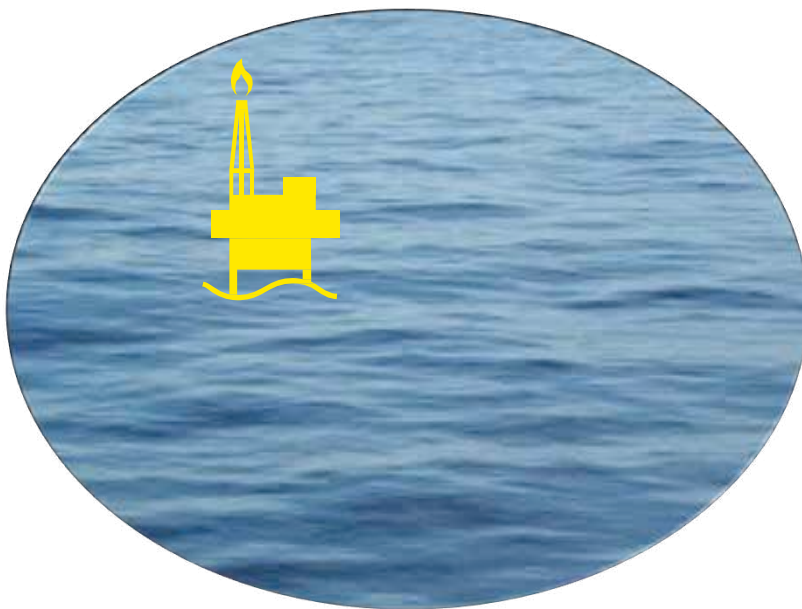
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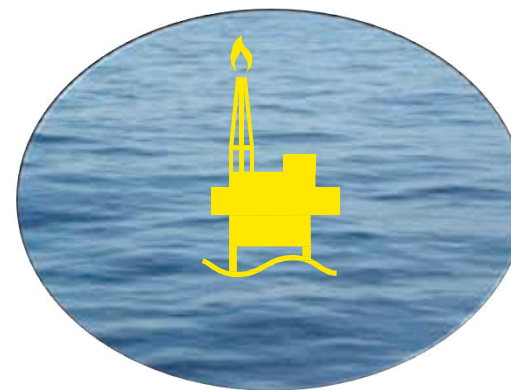
# Depreciation rate

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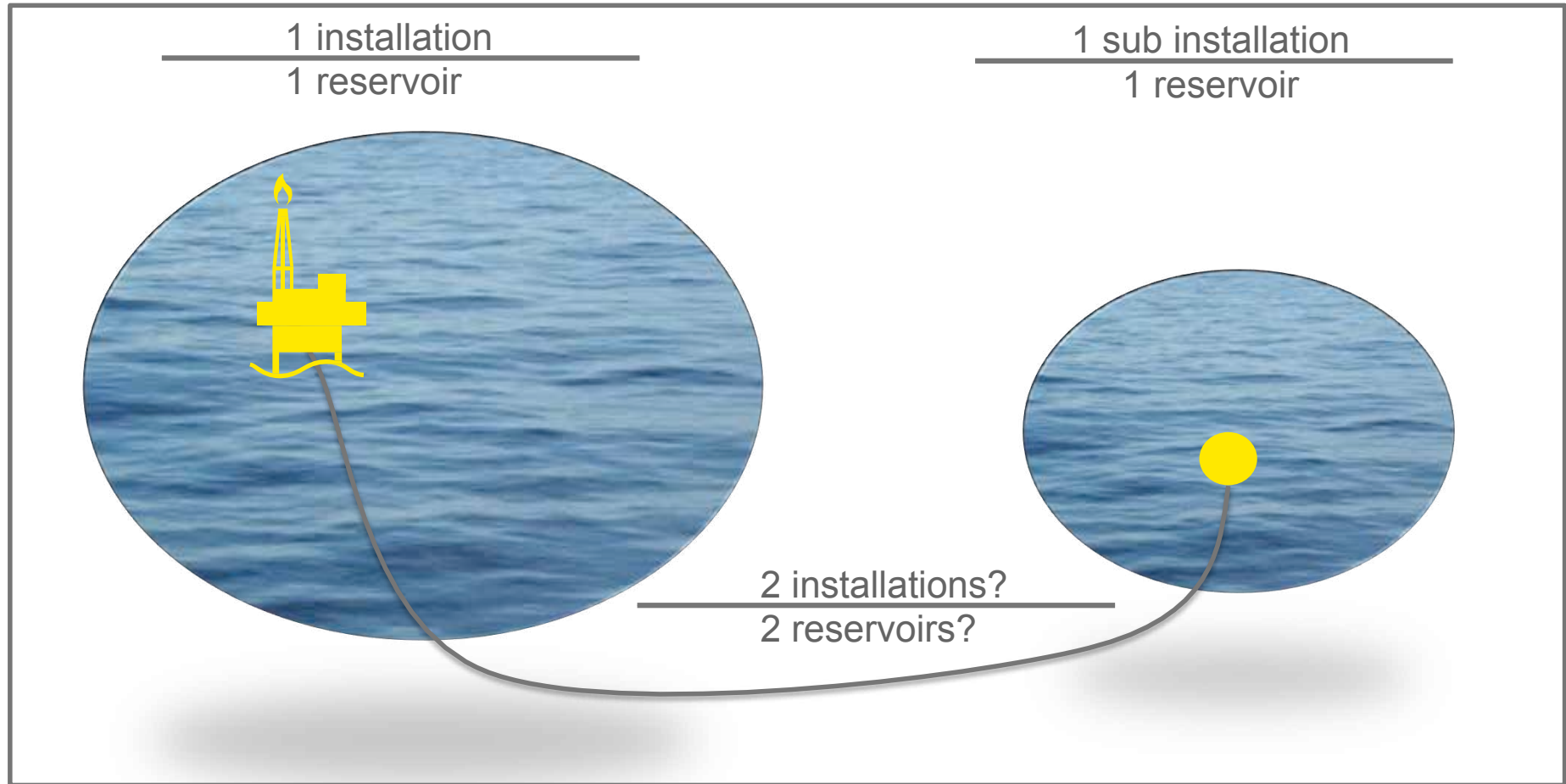
1 installation  
1 reservoir



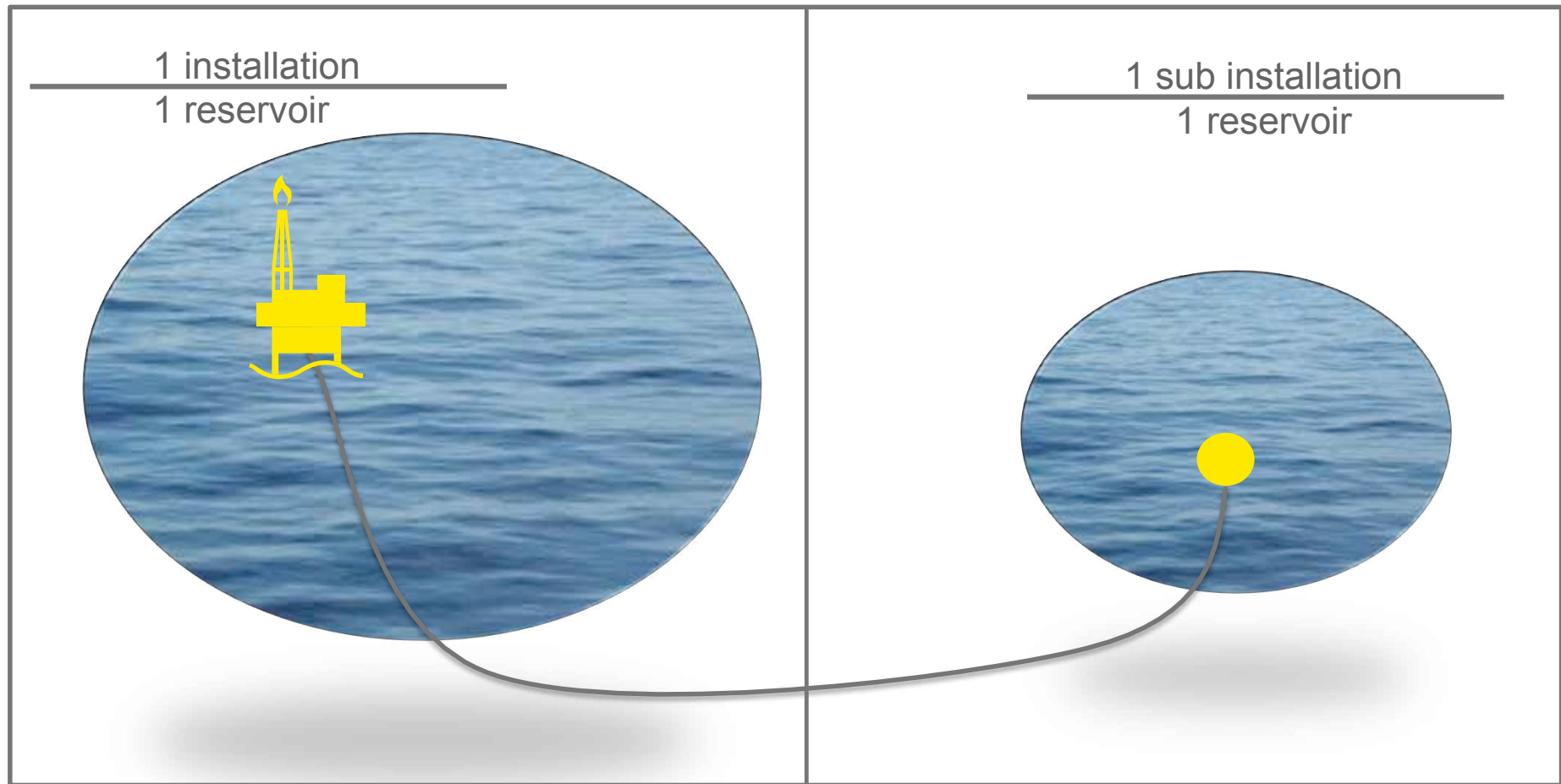
1 installation  
1 reservoir



# Depreciation rate

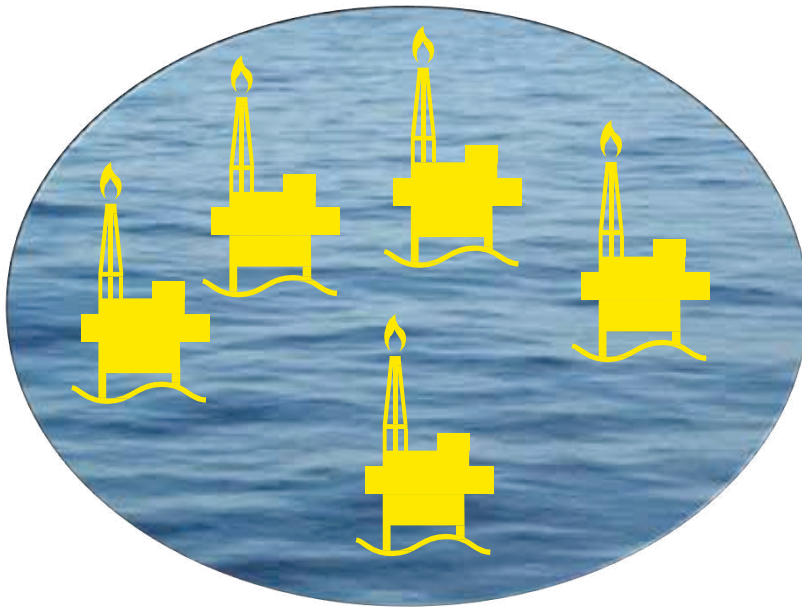


# Depreciation rate



# Depreciation rate

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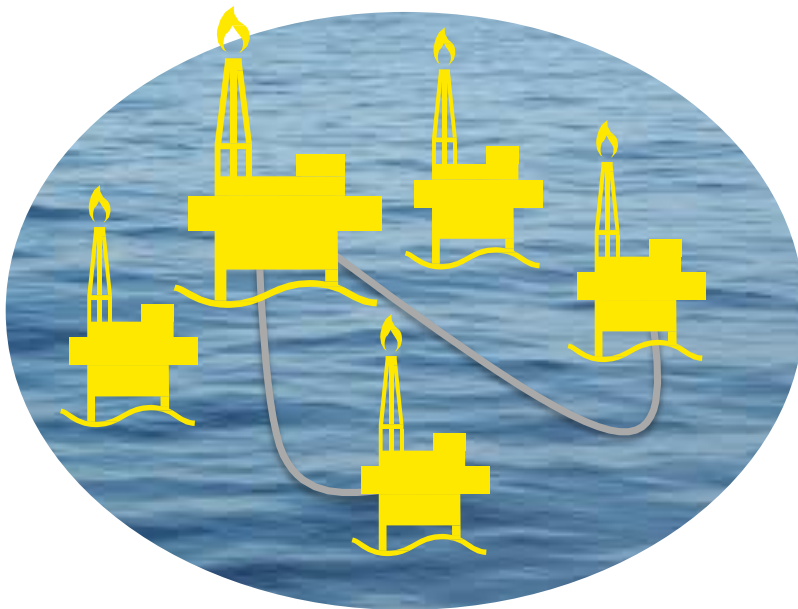


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5 installations = 1 asset  
1 reservoir

# Depreciation rate

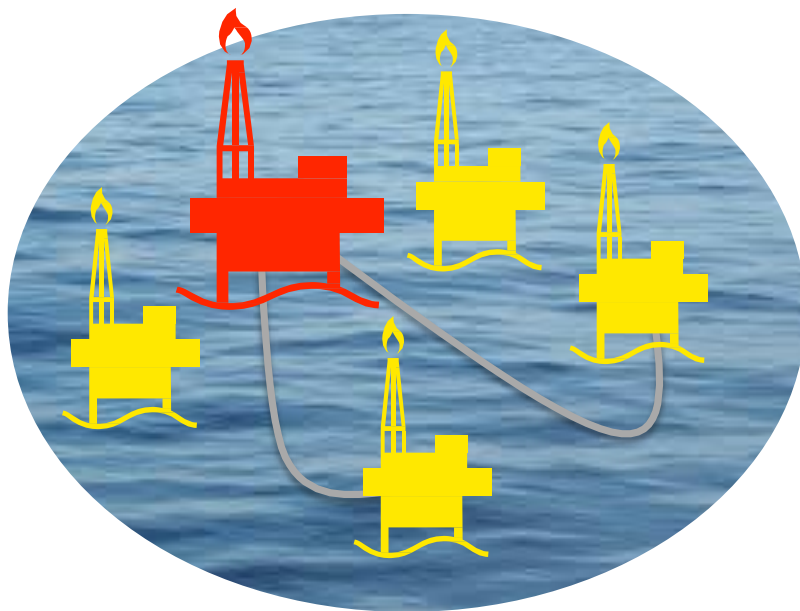
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$$\frac{1 \text{ host} + 4 \text{ installations} = 1 \text{ asset}}{1 \text{ reservoir}}$$

# Depreciation rate

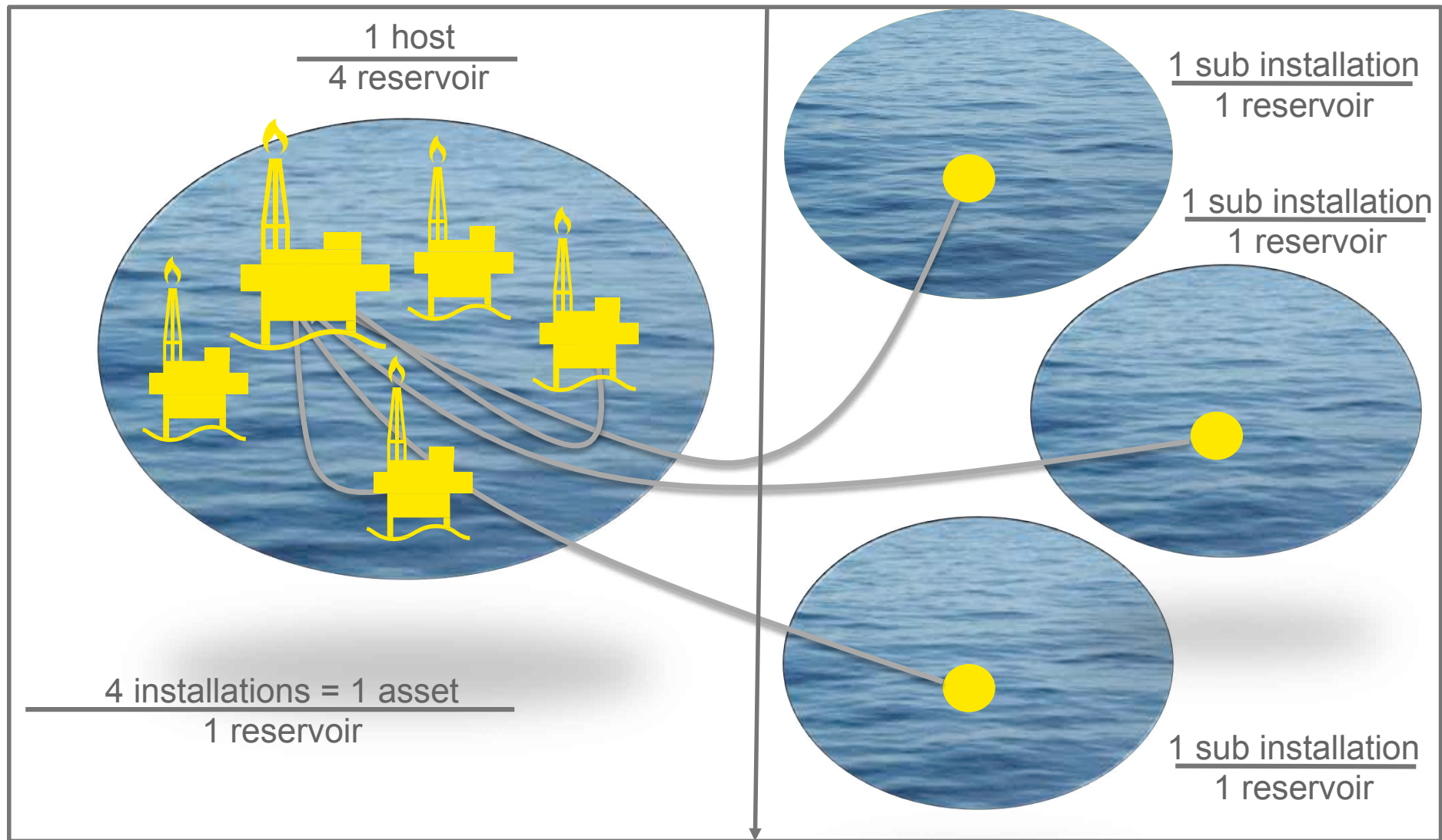
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$$\frac{1 \text{ host} + 4 \text{ installations} = 1 \text{ asset}}{1 \text{ reservoir}}$$

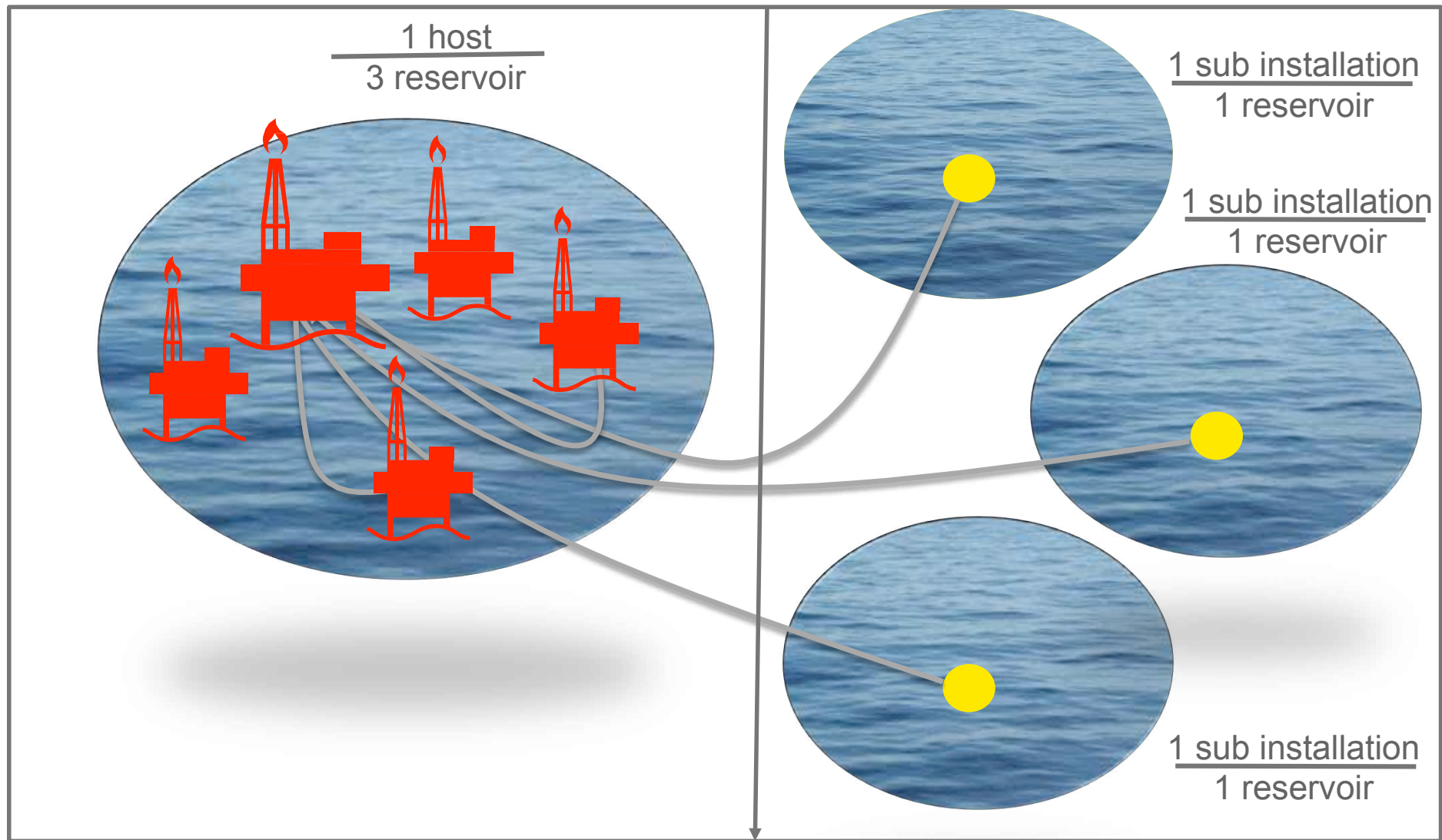


# Depreciation rate





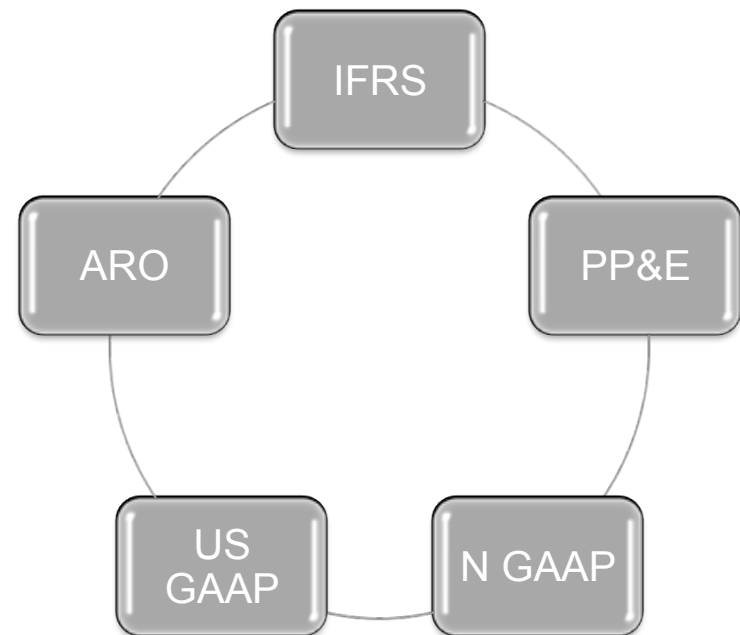
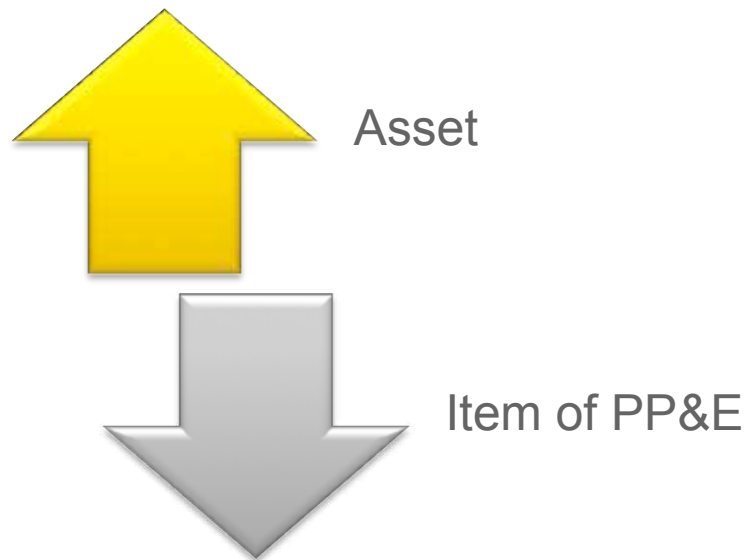
# Depreciation rate



# Asset Removal Obligation

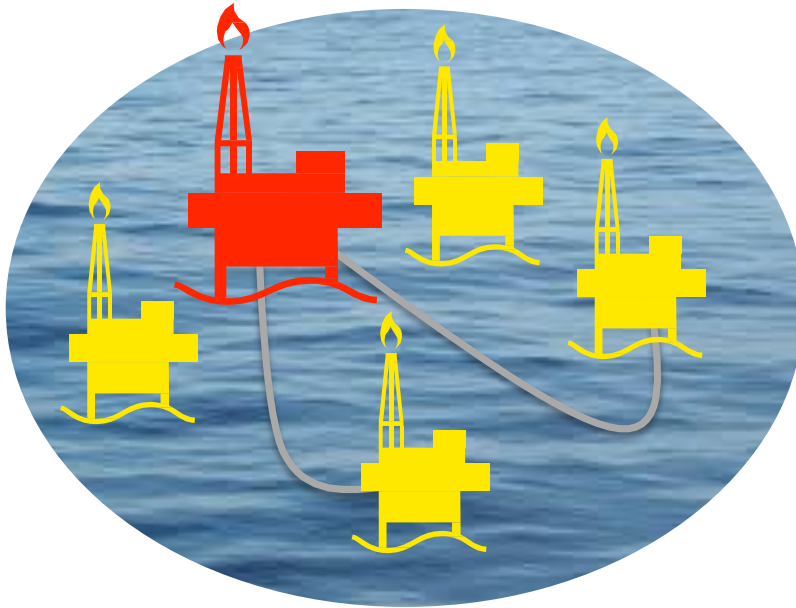
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- ▶ The initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located is part of the cost of an item of property, plant and equipment under IAS 16.16c
- ▶ What happens when production ceases on one platform, or when one of several platforms on a field is removed?



# Asset Removal Obligation

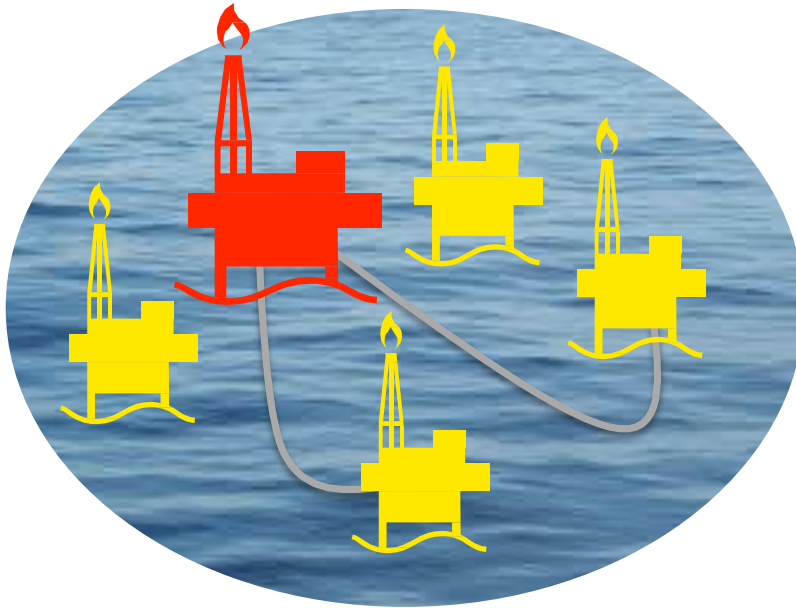
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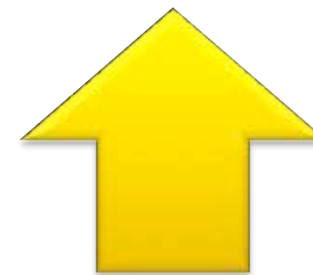
- ▶ Production ceases, but the host platform is still serving the other installations on the field

# Asset Removal Obligation

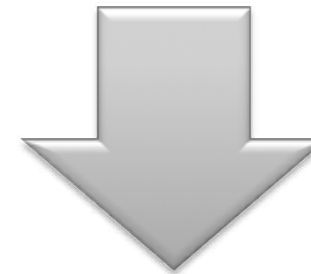
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- ▶ The installation is removed

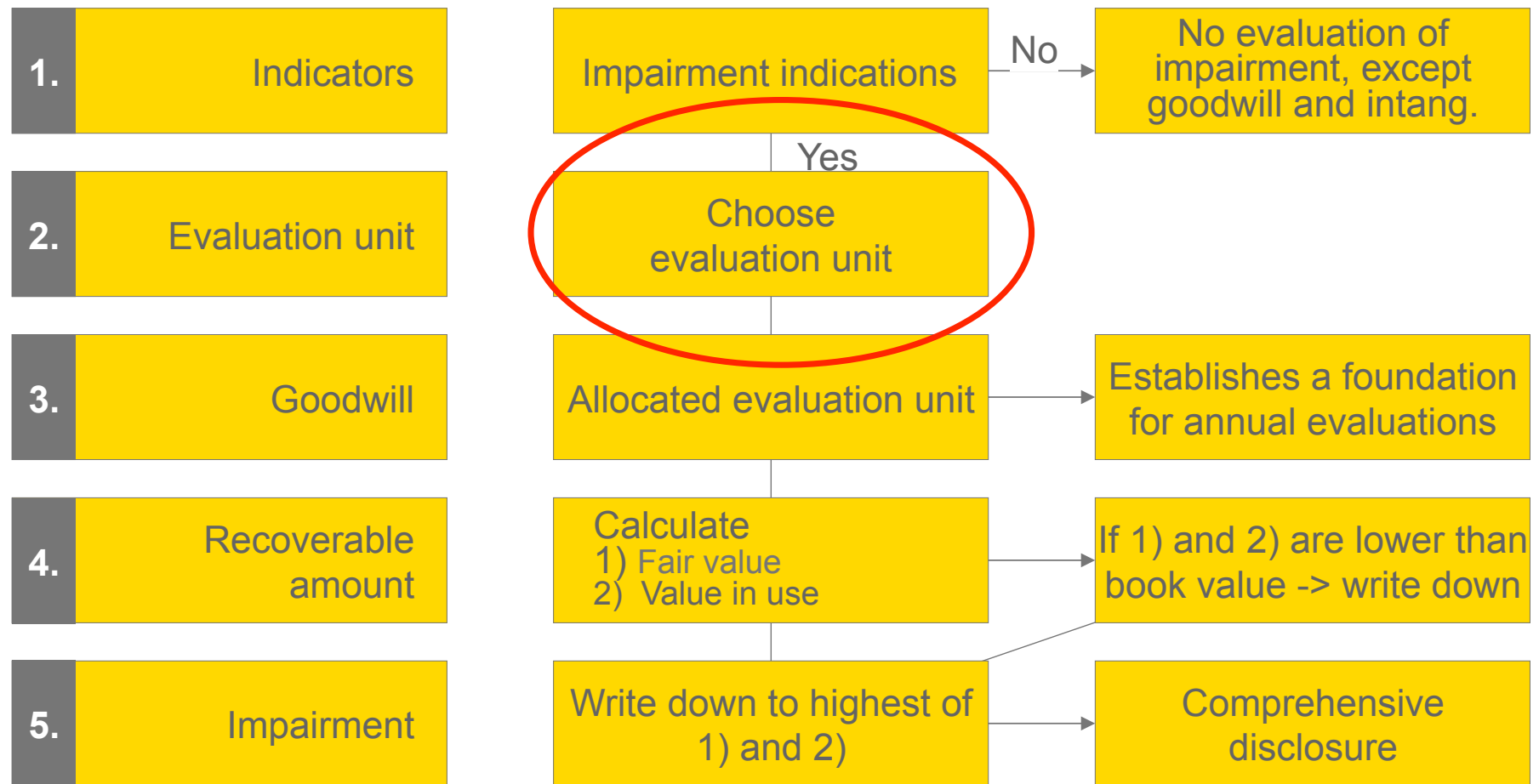


One asset  
*US GAAP*  
*N GAAP*



Item of PP&E  
*IAS 16.67*

# Impairment IFRS



# Defining Cash Generating Unit (CGU)

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- ▶ The first step when planning for impairment tests is to determine at what level the identified assets should be evaluated and tested
- ▶ A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets
- ▶ Goodwill is tested for impairment at the level management monitors the goodwill for internal management purposes
  - Can be at CGU level or a higher aggregate level
  - Cannot be higher than a segment

# Defining Cash Generating Unit (CGU)

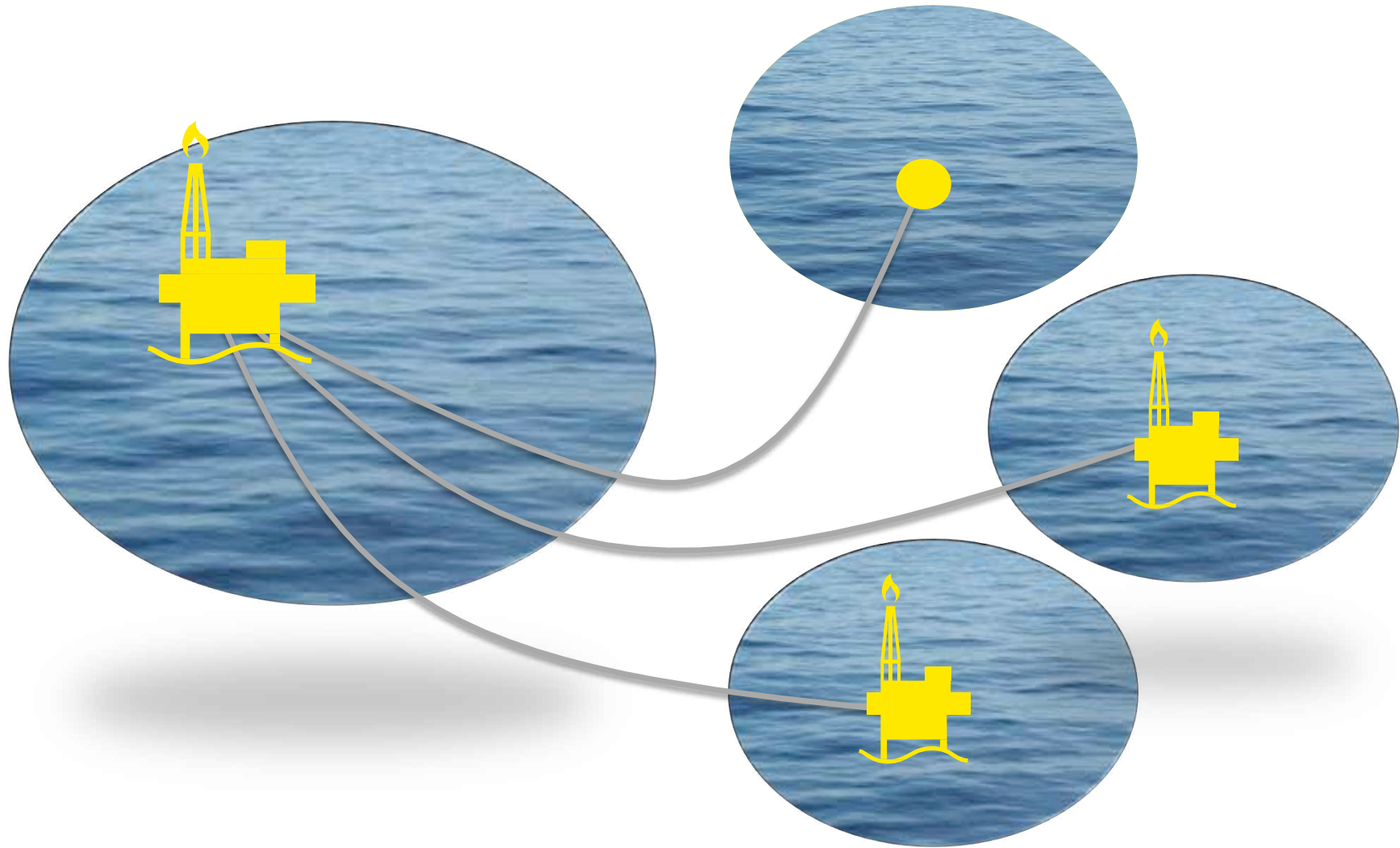
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- ▶ How is done in practice?
  - Starting point – field by field
  - Tie-in fields may be assessed for impairment together with the host platform
  - Shared infrastructure



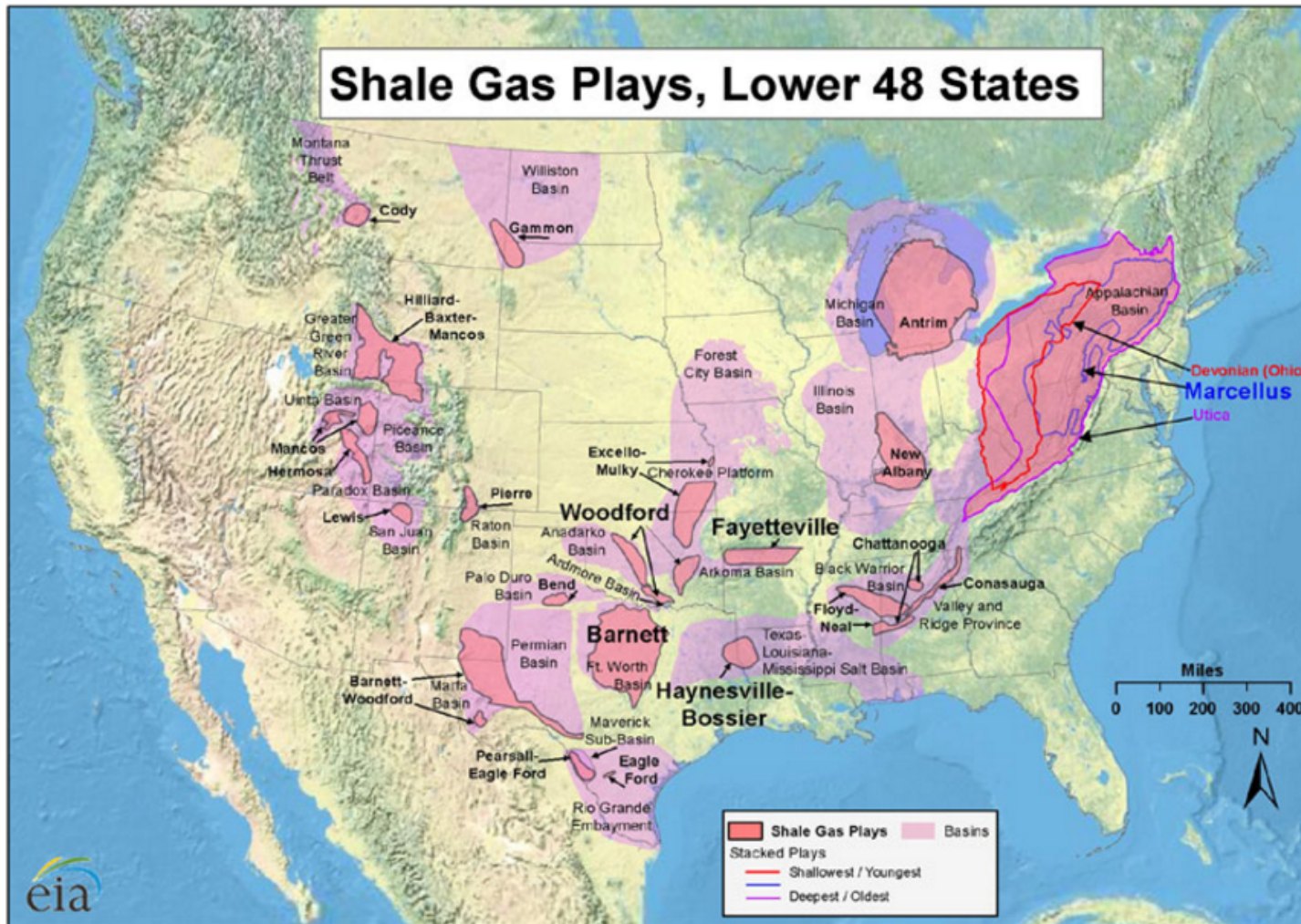
# Defining Cash Generating Unit (CGU)

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# Defining Cash Generating Unit (CGU) Finanstilsynet (FSA) – Statoil



# Shared infrastructure

## IAS 36.66-73

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- ▶ Not appropriate to treat the field and the infrastructure as one CGU if the field is capable of selling the petroleum without making use of the shared infrastructure
- ▶ Careful considerations are needed





**Thank you!**

Questions?