

A proposed model for accounting for assets fixed in petroleum licensing contracts under the requirements of International Financial Reporting Standards and the unified accounting system: An applied study in the Iraqi Central Oil Company

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Abstract

The aim of the research is to suggest a model for accounting About the assets fixed in petroleum licensing contracts, and how it can be applied to the extractive sectors, and the research sample company in particular in order to apply the financial reporting standards(IFRSs)In the oil extraction sector, and to address weaknesses and defects in them, in addition to improving financial reporting, And the to Incompatibility with the requirements of the Iraqi unified accounting system on the one hand, and with the requirements of (IFRSs) on the other hand. And for the importance of What these contracts constitute from an economic point of view, and the importance of providing appropriate and honest information to the petroleum decision-maker.

Keywords : Petroleum licensing contracts, fixed assets, financial reporting standards, unified accounting system.

One. INTRODUCTION

Prepare The oil sector (currently) is the main source for revenue In Iraq and an important source for economic recovery and reconstruction, especially with regard to oil and gas, energy infrastructure and development, and yet The Ministry of Oil is the authority responsible for the oil and gas sector of the federal government, including the supervision of investment in this sector, infrastructure operation, planning, recommendation and supervision of oil policies., There are five companies petroleum It works in the exploration and extraction sector for oil and gas in Iraq, which is the Basra Oil Company, the North Oil Company, Central Oil Company, Maysan Oil Company and Dhi Qar Oil Company, Therefore, Iraq has conducted five rounds of petroleum licenses since 2009, To award service contracts to international oil companies, To explore and develop oil and gas fields and increase production therein.

First: The origin and concept of petroleum licensing contracts:-Come Petroleum licensing concept An agreement between the oil-producing countries or their representative from the administration and between The other contracting party, which is the protected natural or legal person or the alien, To carry out specific oil operations in return for agreed wages, And through a specific place and time and with the aim of achieving the general interest of the administration and the private interest of the investment companies. As for the term Fisher license A contractual arrangement whereby, the concessionaire is granted the right to sell certain products, or provide specific services, or use of certain trademarks or trade names, usually within a specific geographic area. (Weygandt al et,2018:429) Since 2003I started The Iraqi government is thinking about developing strategies to develop oil production by investing in the oil industries. Therefore, the Iraqi government sought to raise the production ceiling to 5.4 million barrels per day, and in order to reach its goal, since 2009, it offered the discovered oil fields to the private sector under

the item (Licensing rounds) The first and second rounds clarified the distribution of giant oil fields to oil companies from several eastern and western countries such as (Shell, British Petroleum, ExxonMobil and Chinese CNPC...and others) (Daoud, 12:2016). As for the third round, it was dominated by gas fields with small oil fields, and the fourth round included gas and oil exploration contracts (Adefa, 132:2017), and the fourth round was distinguished as the first round. In it, offers are made to explore oil fields, develop the country's infrastructure, intensify drilling operations, and form exploratory committees, compared to the previous three rounds, in which technical offers were presented. (Al-Halfi,41:2013) The fifth round, which came with completely different terms from the previous round, was suspended, though, so the investment contracts that were signed across the five rounds, whether in its aspects aristocrat's applications exploratory ,represent beginnings to establish a style new From investment in the oil sector, existing from General content (Abdul Redha, 2016: 138), on the principles of economic competition with a goal more production and export Iraq in the foreseeable future, and in all cases, the energies of Iraq to still need according For disorientations do Other decades, perhaps even more, and what fit with the enormity Possibilities blister in Iraq.

The two researchers see the term contracts Petroleum License Prefer to agreement According to which the government gives the contracted oil companies the right to explore oil in a specific area for a specific period of time, provided that the companies compete by submitting offers. The winner recovers all costs with profits set in pre-set proportions.

Secondly: Assets of petroleum licensing contracts

Those assets that the company intends to acquire when purchasing keep It is used for a period longer than one period of time and used in production and service operations, machines Cars, Lands, Buildings, Furniture and Fixture sand others. (Efeeloo &NA,2021:39) Fixed assets are classified into two groups: tangible assets or intangible assets. The former term is usually called non-current assets or in current standards it is called property, plant and equipment. There are two criteria that must be

met in order to classify an asset as a fixed asset, that is used in the normal business operations of production, management or rental, and is intended to be held and used for more than one period. Examples of fixed assets include land, buildings, plant and equipment. (Walter et al., 2017:396) characteristics of fixed assets. The most important characteristics of fixed assets can be included by the following:(Kieso,2018: 492)

1. Acquired for use in the normal activity of the economic unit and not for sale.

2. They are of a long-term nature and are usually subject to fade away, its services are used over the years productive, this excludes lands that are not subject to fade away, unless there is a real decrease in the value, then this decrease is recognized and accounting entries are made to stabilize it and reduce the value of the land by approximately the amount of this decrease.

3. She has a physical existence tangible, in this way, it differs from intangible assets such as patents and goodwill.

What do you see? the two researchers that the finding's Fixed assets are long-term fixed assets, which the company buy it In order to achieve economic benefits, and to ensure the continuation of its activity, and not for the purpose of selling it, which is more than one fiscal year old.

The nature of the assets of petroleum licensing contracts

A fixed asset provides an economic unit with a continuous benefit or service for more From a financial year, each year bears costs called depreciation, which is the continuous decrease in its value as a result of use and obsolescence, with the exception of lands, which are not subject to depreciation because they do not have a specific useful life because they are not man-made. As for natural resources that have economic value, they include timber and sediments. Such as coal, oil, and gravel, and its depletion costs are calculated because it has a specific productive life that ends with the end of the natural resource. This type of asset differs from other assets (fixed assets) from two main angles: (Rich et al, 2014: 390)

1- The physical existence of the existing is subject to exhaustion or depletion, i.e., its

complete demise, unlike tangible assets Depreciated (fixed) that retains its physical existence even after its accounting consumption.

The process of replacing these assets takes place through their life cycle due to natural factors, and examples of these are: wells assets Oil, gas and coal mines.

And the unified accounting system defined the calculation of fixed assets in licensing contracts with the movable and immovable tangible and intangible property owned by the economic unit. His possession Or produced by it inside and outside Iraq, provided that the purpose of its acquisition is to be used by the economic unit directly, and the value of the assets includes the cost of purchase or production in addition to all the necessary expenses to make the fixed asset ready for use, the cost of borrowing and the interest due and paid during the acquisition or creation of the asset The fixed accounting system until it is ready for use (Iraqi Accounting Rule No. 12: Paragraph 5), the unified accounting system did not provide for Utilization A specific method of accounting treatment for activities exploration Petroleum and its production, and what is included in this system is limited to general definitions related to the petroleum industry.

The extractive companies in Iraq apply the unified accounting system and according to the foundations and rules of this system, all financial transactions are recorded, classified, stored, and the necessary accounting operations are carried out on them to extract periodic statements and analytical indicators, (Al-Ghabban & Al-Ghabban, 2013: 297) which are among the most important information that different departments and users need to ensure the safety of financial transactions, determine business results and evaluate performance. And then formulate policies and make decisions to develop company. (Al-Sabari & Al-Khushaimi, 499:2011) In addition to expense account voluntary Deferred/118, and this account includes the net amounts spent by the unit in order to obtain services that benefit from it for more than one financial period. turned it off in installments at a rate of (20%) annually, and the amortization amount is directly deducted from the asset. (Amin, 2005: 49)

And the See the two researchers That the deferred revenue expenditure is one of the assets items that appear in the financial statements, and

it usually consists of companies under establishment or upon invention, and it is one of the intangible or intangible assets

Third: Recognition of fixed assets according to international financial reporting standards

1- according to standard Accountant international (6 IFRS) Exploration and Evaluation

They are expenses recognized as assets in accordance with the accounting policy of the economic unit, and paragraph (9) of this standard stipulates that the unit should define its policy in classifying its expenses, including final expenses and those that are recognized as assets for exploration and application of the policy in a consistent manner, and when making this classification on the unit To take into account the degree to which these expenditures can be linked with the creation of specific mineral resources, and the exploration and evaluation assets are classified into tangible assets and intangible assets according to the nature of those assets. (Wright,2019:250) The costs of exploration, evaluation and prospecting shall be discontinued when the technical and commercial feasibility of extracting natural resources is proven, and these capitalized costs shall be evaluated in relation to if Impairment the impairment loss was recognized before the reclassification. As for the accounting treatment of research costs, there are two methods that are generally accepted in petroleum companies, according to Standard No. (Ifrs6) are:

A- The successful effort method where all prospecting and exploration costs are capitalized for well Only successful wells, and unsuccessful wells, are considered as expenses for the bearing period for the income statement.

B- The total cost method, it capitalizes the costs of exploration and exploration for well Successful and unsuccessful, within a cost center Natural resources are theoretically a stock, when they are sold, the costs expended to extract them are considered as cost of goods sold, while the stock is usually classified within short assets However, natural resources are classified as long assets Term because it has a long life, and companies usually report it at the

historical cost (the cost of obtaining it) plus expenses discover it. (Warren, et al, 2018: 507)

2- as per IASIAS (16) property, plant and equipment

C- Paragraph 15 states that initial recognition of buildings, plant and equipment must be measured at cost (there are three elements of cost in IAS 16: (1) purchase price, (2) direct cost, and (3) initial cost estimate.) Henderson, et al, 2019: 46).

D- And the Recognition of property, plant and equipment Fixed asset is a tangible item that is used in multiple reporting periods, when a company spends money, it can recognize the asset in the amount of expenditure if it is likely that future economic benefits will flow to the company, or for safety or environmental reasons, and if the cost can be measured reliably) Siyanbola, et al, 2014:4), from a practical perspective, it may be easier to charge such an expense directly to the expense if its interest is amortized in just a few months, given the increase in accounting documentation required for a fixed asset, it is more efficient to assign A capitalization limit, below which expenditures eligible for treatment as a fixed asset are charged as incurred. To significantly reduce the cost of accounting as a fixed asset, these best practices apply the following additional rules and suggestions for recognizing expenditures as a fixed asset (extraordinary costs), if incurred by unusually large amounts of wasted costs in creating a fixed asset, these wasted costs should not be capitalized in the cost of the fixed asset, instead, transferred to expenses as they are incurred. (Bragg, 2018:230)

3- According to the accounting standard (IAS 36) Impairment of assets: The recognition of the asset is determined if there are indicators that express the possibility of a deterioration in the value of the assets, and these indicators may be internal or external: For more information see Appendix No. (6) The internal indicators are: (Nica & Beşteleu, 2021:229)

A- Physical obsolescence or deterioration of an asset, natural deterioration.

B- Changing the pattern of using the asset will negatively affect its future returns.

C- Availability of evidence from internal reports indicating that the economic

performance of the asset is worse or will be worse than expected.

The external indicators are: Kozachenko, 2020:17)

Successive changes in the surrounding technical, market, economic or legal environment lonely, in a way that negatively affects the value of the assets of the unit. Increasing interest rates or other rates of return in the market on investments during the period, which affects the discount rate used to calculate the value of fixed assets and decreases its receivable value. to recover materially. drop in the market value of fixed assets with a value greater than the decrease resulting from depreciation or obsolescence of the fixed asset as a result of use or the passage of time. Height The performance The carrying amount of the unit's assets is less than the market value she has. (Picker et al., 2019: 276)

Fourthly: measurement Fixed Assets as per International Financial Reporting Standards

International Accounting Standards dealt with the measurement and treatment of assets through several standards, perhaps the most important of which are: Accounting treatments related to

1- According to Standard No. IAS 16)

related with fixed assets (property, equipment and plants) the measurement after initial recognition is two types of treatment on the unit Selection The method of measuring fixed assets at cost or fair value after recognition The initial i.e., the choice between the cost model or the revaluation model as an accounting policy for evaluating items of fixed assets, and this policy must be applied to an entire category of fixed assets. (Al-Tamimi, 2015:164)

Cost model: It is a valuation model whereby an asset in the accounting records is measured at its cost less depreciation and any accumulated impairment losses. (Picker, et al., 2019:3)

re-valuation form According to this model, the item is recorded at the revaluation value, which represents the fair value of the item on the revaluation date minus the depreciation allowance during the upcoming revaluation

periods and any subsequent accumulated losses of depreciation. For the use of this model, the fair value of the item can be measured reliably. (Harrison, et al, 2019) 413) The frequency of the valuation depends on the volatility of the fair values of individual items of property, equipment and plant, and the revaluation should be carried out more frequently as the fair value volatility increases, and where the current fair value is significantly different from the book value, then the revaluation should be carried out (Petković, & Obradović, 2022:68) However, such revaluation is not required for property, equipment and factories that are subject to insignificant changes in their fair value, but it may suffice to re-evaluate every three or five years. The choice of a revaluation model is also associated with the need for a reliable valuation and may often result in the need to use the services of experts and incur the additional costs associated with it. The fair value of land and buildings is usually determined from market-based evidence by the valuation that you would normally Professionally qualified valuers (Rahman al et, 2021: 69). When an item of property, plant and equipment is revalued, the recorded amount of that asset is adjusted to the revalued amount, and on the revaluation date, the asset is treated in one of the following ways: (Al-Jjawi and Al-Masoudi, 2014: 322)

A- The total carrying amount is adjusted in a manner consistent with the reassessment of the carrying amount of the asset. This can be done by restating the total carrying amount and the carrying amount of the asset after taking into account the subsequent impairment losses accumulated. (Rafay et al, 2019: 94)

B- The accumulated depreciation is excluded against the total recorded amount of the asset (Arab Society of Certified Public Accountants, 2015: 890)

Apply IFRS with IFRS, which allows fair value to be applied to property, plant and equipment to determine attributable cost at the time of application, and standard Accounting international (IAS 16) which allows companies to choose between a cost method and a revaluation method, for the subsequent measurement of property, plant and equipment. (Fuentes, & Álvarez, 2017:104)

2-accounting standard (IAS 36).

International Accounting Standard No. (36) is concerned with the depreciation of assets and aims to describe the procedures applied by the unit to ensure that its assets are recorded at no more than their recoverable cost. Accordingly, (Al-Gharibawi, 28: 2020) there is an impairment loss in the value of the fixed asset in the event that the value of the fixed asset is receivable. to recover Less than the recorded value of the asset on the balance sheet date, and the recoverable value is the fair value of the fixed asset minus the costs of selling the fixed asset or the value in use, whichever is higher, the fair value (Abu Nassar and Humaidat, 2018: 427) which is the amount that can be determined for the value of the fixed asset In a market that is active between the parties on looking at And know-how in dealing, where the value is determined through a process that takes place without commercial bases, and according to the standard, the value is determine derecognition The depreciation of the fixed asset as a loss appears in the income statement (Epstein & Jermakowicz, 2010: 310)

Fifthly: Methods extinction the most common

1- Straight line Which results in equal annual depreciation expense over the useful life of the asset. (Pozdnyakov et al,2021:30)

2- modular method production, where depreciation expense reflects the reserve/depletion or productivity pattern. (АДАМЕНКО et al,2020:221)

3- Declining Balance Method Which leads to a decrease in depreciation expenses over the useful life for existing (Weygandt et al,2013:510), One would expect much of the petroleum extractive industry's assets to be depreciated on the basis of units of production.

Certainly, this is the most appropriate way to lose its characteristics, as the annual fees reflect the quantity produced each general (Svynous & Shepel,2019:94). and with that, some entities consume all or most of their mining equipment on a straight-line basis which is much simpler to implement. This must be taken into account on a case-by-case basis sharpness, but when the equipment is running at full capacity throughout its life economic, for example, The straight-line method is unlikely to

give the result of a fundamental difference from the units - the basis of production.

Sixth: Disclosure of Fixed Assets as per International Financial Reporting Standards

1- The Accounting disclosure under the numbered accounting standard (IFRS 6)

Disclosure takes a big place in the petroleum accounting literature, as the nature of the industry has given rise to problems of a unique nature, such as evaluating oil reserves at prices set by OPEC, and disclosing them in the financial statements. The company provides information that identifies and clarifies the amounts recognized in its financial statements, and those amounts arise from the exploration and evaluation of mineral resources, reinforced by specific disclosures to achieve this objective. (IFRS, 2014, 583) The financial statements, and the data they contain, are essential inputs to rationalize many decisions by many users, for many purposes, including: (Hajar, 2014:169)

- Knowing the assets of the oil company, especially those related to oil and gas contracts produced, through which it is possible to know the true value of the share.
- Knowing the cost per barrel equivalent, which is useful investors By disclosing the geographical areas, through which it is possible to know the risks that the company is exposed to in the present or the future. (Stone, 2014,196)

It is stated in the Financial Reporting Standard NoIFRS6 on company that It discloses information that shows the amounts appearing in the financial statements, which resulted from the exploration and evaluation of the natural resource, and that what must be disclosed is following:

- The accounting policies followed by the unit with respect to exploration and evaluation expenditures, including policies for the recognition of exploration and evaluation assets.
- Classification of exploration and evaluation assets into tangible and intangible according to the nature of the asset and the stability of that classification.
- Amounts of assets, liabilities, income and expenses, as well as operating and

investment cash flows resulting from the exploration and evaluation of a natural resource.

It is clear from the above that Disclosure contained in the International Financial Reporting Standard NoIFRS6 is limited to the exploration and evaluation stage, as long as the oil companies adopt international accounting standards, the disclosure is made as required by international accounting standards, and from those that oil companies must follow and according to the nature of their activities amend them.

2- Accounting disclosure under Standard No. IASB 16 Property and equipment and equipment

The following must be disclosed in the financial statements for each class of property, plant and equipment (land, lands and buildings, machinery, ships, transport equipment engines, furniture and fixtures, office equipment) in the oil industry:

(Wright& Gallun, 2008: 176)

- 1- The measurement bases used to determine the total carrying amount, and when more than one basis is used, the total amount carried forward under that basis must be disclosed in each classification.
- 2- Extension methods used; extinction rates used.
- 3- The total amount carried forward and accumulated depreciation is aggregated with accumulated impairment losses at the beginning and end of the period.
- 4- The amount relating to the estimated costs of restoring the site of items of property, plant or equipment.

When items of property, plant and equipment in the petroleum industry are included in the revaluation amounts, the following must be disclosed: IASB, 2008: 16 Par 75)

- The date the reassessment was carried out.
- The basis used to revalue the assets (the fair value of items of property, plant and equipment are their valuation-determined market values). When there is no evidence of market value due to the specialized nature of property, plant and equipment or because it is

rarely sold, except as part of an ongoing project, it is valued at the replacement value after depreciation which must be disclosed.

- The extent to which the fair values of items have been determined directly by reference to observable prices in transactions in an active market or an existing market in terms of trade items, or have been valued using other valuation techniques.

- Revaluation surplus showing movement for the period and any restrictions on balance distributions on Shareholders (Bae, et al., 2019:21)

3- Accounting disclosure under Standard No.IAS 36 Impairment of assets

Select Standard(IAS 36) The company discloses in the financial statements the assets that have suffered a decline in their value, as IAS 36 indicates it's a The company should disclose each category of fixed assets, including reporting the impairment loss and adjusting the loss In the impairment of assets recognized in the income statement and in the statement of position financial.(Hassan, 2021:30), and with pictures' In general, there are disclosures about assets and there are special reports on the subject of depreciation of assets. The general disclosures about assets are the reporting of the measurement basis used, which is either the historical cost or the permissible alternative, the method and rate of depreciation used, the total book value of the assets and their accumulated depreciation at the end and beginning of each period, and reporting any Additions or write-offs to assets Persistent and about no restrictions On property and any mortgaged assets as security with third parties. As for the disclosures about the impairment of assets, he specified them IAS36 and my agencies: (Alibhai, et al., 2018:239)

- The amount of impairment loss recognized in the income statement during the period in which the value was impaired, and this amount is shown directly in the disclosure annexes of the income statement items.

- The amount of adjustments for impairment losses recognized in the income statement and shown directly in the statement of financial position during the period in which the impairment losses were settled and reported as appendices to the statement of financial position items.

Seethe two researchers that difference Views on the concept of accusation and measure Disclosure About fixed assets in petroleum licensing contracts And its limits on the information that must be available in the financial statements, and this difference stems mainly from the different interests of the parties related to the economic unit. and other beneficiaries, and the view of the two parties may not coincide with the view of the supervisory and supervisory authorities, Therefore, it is difficult to present a general and unified concept To recognize, measure and disclose fixed assets in petroleum licensing contracts It includes knowing the level of disclosure that fulfills each of these parties' full wishes in this field, However, the facility must disclose the accounting policies and methods that were used in preparing its financial statements and the variables current on them. The disclosure shall be in the body of the financial statements.

The practical side: Implementation The proposed model for the assets of petroleum licensing contracts on the economic unit purely sample: Brief about Participation in petroleum licensing contracts, the Middle Oil Company public company The following is an introduction to it:

Ahdab Oil Field: The field is located 180 km southeast of Baghdad in Wasit Governorate and 18 km west of the city of Kut. The area of the field is 300 km² (30 km in length. 10 km in width). The field was discovered through seismic surveys of the Diyala-Kut region in 1977 by The Roman band, and the seismic survey of the area was re-established in 1978 by the Iraqi 8th Seismic Division, but in a more active way, as a structural picture of the field was given that differs from the first structural picture. The first exploration well was drilled in the southern dome to discover the possibilities hydrocarbon Until the early Cretaceous formations, and different oil deposits were found in the late and advanced Cretaceous periods (Haritha, Tanuma, Khasib, Mushrif, Rumaila, Mawdud, Nahr Omar, Shuaiba) and seven wells were completed at the end of 1985.

The accounting policies applied in the unified accounting system for the research sample to Middle Oil Company: The Central Oil Company, in presenting and organizing its accounts, relied on the unified accounting

system applied in Iraq and issued by the Federal Office of Financial Supervision, with consistency in the application of concepts and procedures, and the follow-up of their application from financial period In addition to that, taking into account the accounting principles and rules approved and issued by the Federal Audit Bureau, and in accordance with the unified accounting system, the unit must:

1. Record the unit its assets uncirculated to Petroleum licensing contracts at the cost of obtaining on her.

2. Apply company The (flat installment) method for calculating the annual depreciation premium exclusively.

3. subject the findings fixed dinful oil licenses for consumption annually in accordance with the consumption rates mentioned in the system according to the financial instructions No. (11) of 1988 regarding consumption and extinguish the findings Not circulated in economic units has adopted company on Table No. (1) table No. (6) of the above instructions contained in the unified accounting system for calculating depreciation and extinguish the finding sun circulated common.

4. Depends company on the weighted average method in pricing Inventory.

5. Depends company recording its expenses and its revenues Based on entitlement.

6. Used company in addition to the unified accounting system, the record processors for government accounting for central financing of plan projects investment.

Trite two researchers Standing on the practical reality of the accounting system in force in the research sample (company middle oil) and applicable accounting principles and methods And the accounting procedures followed by the company, the research sample, in preparing its financial statements and statements, and thus its impact on the informational content of those lists and financial statements in order to diagnose weaknesses and shortcomings, and this tracking will be limited to the elements of the assets. Fixed Appears in (fixed assets statement) of the research sample company based on reports the company's final accounts 2013 until end of the fiscal year in2015/12/31

Seventh: A proposed model for accounting for assets fixed in petroleum licensing contracts in accordance with International Financial Reporting Standards

It is noticeable that there are differences in recognizing the costs of fixed assets for petroleum licensing contracts between the unified accounting system on the one hand and international standards on the other, and accordingly, the evaluation of fixed assets according to the unified accounting system depends on the principle of historical cost, while international standards are based on cost when estimating the value of the asset beginning Then the fair value is relied on and the assets owned by the economic unit are re-evaluated, and when the fixed assets prepared according to the unified accounting system are presented, they need to recalculate those same assets in accordance with international standards, bearing in mind that the company applies the unified accounting system in fixing its financial transactions.

Some of the fixed assets of the licensing contracts of the Central Oil Company will be recalculated as on 31/12/2013 in accordance with international accounting standards, and those assets will be arranged based on what is stated in the unified accounting system

Where an adjustment will be made to the value of fixed assets valued at historical cost in accordance with the standard accounting system to match the modified historical cost, which will be recalculated by the researcher based on the priorities obtained from different parties so that we can re-evaluate it according to international standards, as the researcher will recalculate the historical cost of each fixed asset in accordance with international standards and as following:

Calculation of land for petroleum licensing contracts

The historical cost of the lands will be calculated in accordance with the accounting standards, because there are no costs related to the lands in the lists submitted by the company operating the fields invested within contracts for licensing contracts. Therefore, the cost of the lands will be equal to (zero) according to the calculation of the unified accounting system, meaning that the records are devoid of any costs Concerning this important part of the assets, and the researcher believes that the company should

fix the cost of the exploited lands within contracts for petroleum licensing contracts, and because it is difficult to determine the cost of the land, so the researcher will determine the cost of the land according to the nominal cost, which is resorted to in the absence of reliable information about the price. The cost of the asset and this method is used only at the initial recognition of the asset, and the nominal cost of the land is reached through its evaluation by an independent expert when there is no documented information about the cost of the land. Al-Ahdab field is located 180 km southeast of Baghdad in Wasit Governorate and 18 km west of the city of Kut. Before the Roman legion, according to information obtained by real estate and land experts who possess experience and knowledge at their prices. Noting that they own real estate offices specialized in buying and selling real estate in the area in which the field is located, and the price set by the experts will be adopted that the cost of the land for the field is about (15) billion Iraqi dinars as on December 31, 2013, where they indicated that the (300 km²) It is equivalent to (300) metric dunams, and that the price of one dunam in this area ranges between (50) to (75) million Iraqi dinars, and accordingly, the lowest price for a dunam will be relied upon, which is (50) million dinars as the cost of the land according to the price set by them. The amounts spent to purchase the land are classified. In the event that the company bears the cost of the land and it has been paid in cash, the land will be entered into the company's financial records as follows:

××× from h/ lands for licensing contracts

××× to h/ cash at banks

But in the event that the land is granted to the company or the Ministry of Finance bears its cost, the value of the land is added directly to the company's capital

××× from h/ lands for licensing contracts

××× to h/ capital

and see the two researchers. The company must fix all the added amounts on the findings directly within its capital and not relying on adding it to reserves or retained earnings, as it is distributable in accordance with international standards, as what prevents its distribution locally is the Public Companies Law No. (22) of 1997 (amended) which regulates the distribution of profits resulting from the company's activity

during practicing its business within specific percentages according to it, bearing in mind that these amounts are included in its accounts without any paid consideration because it is considered one of the received gifts or subsidies..

- Calculation of buildings, constructions, roads and wells for licensing contracts

With regard to this item of fixed assets related to contracts for licensing contracts, adjustments will be made to the assets within this item, as it was noted that there is a difference in calculating the cost of the total fixed assets for the three years between their cost according to the unified accounting system and what was recalculated by the researcher after obtaining the details of the establishment or buy everything.

Note that the company added many fixed assets within the account of buildings, construction and roads during the years from 2013-2015, which in total amounted to (2879010) million dinars, and according to what was installed in the company's accounts for those years, calculated in total, which was established based on the unified accounting system, while the total amounted to the added costs for each of those years according to international standards amount (2658512) Million dinars.

- roads and bridges for petroleum licensing contracts

The construction of roads and bridges is the process of planning, designing, building, operating and maintaining roads, bridges and tunnels to ensure the movement of workers within the field and the safe and effective transfer of materials, tools and all equipment. The costs of roads and bridges that were built in the field for the years (2013, 2014, 2015) and according to what the researcher obtained from the financial records owned by the company (781222557518) dinars, which represents (27%) of the total additions within h / buildings during the three years, amounting to (2879010834679) dinars, bearing in mind that the cost of roads and bridges has been recalculated based on the paragraphs of the standard IAS16) and excluding indirect costs and adding all the basic costs of roads and bridges, and the paragraphs that were relied upon when calculating the real costs and in

schedule number (1) who display the Three-year details

Table (1) Calculation of the cost Roads and Bridges License Contracts petroleum.

total cost 2015 (5*6)	number (6)	Average cost of roads and bridges (5)	total cost 2014 (3*4)	number (4)	Average cost of roads and bridges (3)	sum cost in 2013 (1*2)	number (2)	Average cost (1)	Cost details
992412750	35	28354650	159244500	6	26540750	278747150	11	25340650	Designs and blueprints
70324042250		2009258350	10821379500		1803563250	19226859850		1747896350	Digging, burial, and preparing the ground
19718142500		563375500	2194521420		365753570	3912202580		355654780	Asphalt layer or stone paving
246831257400		7052321640	41102073600		6850345600	73198067250		6654369750	The raw materials for building
105004253200		3000121520	16023445500		2670574250	28256275850		2568752350	workers' wages
87627955450		2503655870	11672194200		1945365700	19323185750		1756653250	machinery fees
17011974175		486056405	1394049780		232341630	6150273140		559115740	Other
547510037725		15643143935	83366908500		13894484750	150345611570		13667782870	Total

Source: Prepared by the researcher based on the data of the Central Oil Company

according to grandfather (1) All added assets have been recalculated at the expense of buildings, constructions and roads in accordance with international standards It has been found that the residential, service and health buildings have been correctly calculated by the company and that their costs and construction are real when they are recorded in the financial records. And below the table will be installed (2) The comparison between the total additions in the company's records according to the unified accounting system, which in total amounted to (2879010) million dinars, and according to what was installed in the company's accounts for those years and calculated in total for the years 2013-2015, while the total added costs for each

of those years according to for international standard (IAS16), An amount (2658512) million dinars.

- Calculation of machinery and equipment for petroleum licensing contracts

The company added many machines and equipment during the years 2013-2015, which in total amounted to (1587753) million dinars and according to the date fixed in the company's accounts for those years and calculated on the basis of the unified accounting system According to Table No.2) Machines and equipment are one of them owned fixed assets The company is using To facilitate the work, production or supply of some goods and services

to it or to others, The total costs of machinery and equipment purchased in the field for the years (2013, 2014, 2015), and according to what the researcher obtained from the financial records owned by the company, amounted to 158,7753443916 dinars, and the cost of machinery and equipment was recalculated based on the paragraphs of the standard (IAS16) and excluding costs that pertain to other assets or other expenses such as delegations and transportation to some of the company's

employees or purchasing the necessary supplies for the continuation of the work of the company's committees or obtaining services from other parties Note that these costs are not included in the cost machines and equipment, as well as separating and listing all the basic costs until the start of use and operate those machinery and equipment The paragraphs that were relied upon when calculating the real costs will be shown.

Table (2) *Calculating the cost of machinery and equipment according to the international standard (IAS16)*

total cost machines and equipment 2015 (5*6)	num ber (6)	average cost machine s equipme nt 2015 (5)	total cost machines and equipment in 2014 (3*4)	num ber (4)	average cost machines and equipment2 014 (3)	sum in 2013 (1*2)	numb er (2)	average cost machines and equipment 2013 (1)	Cost details
6689749724	7	955678532	1911357064	2	955678532	4626828945	5	925365789	bridge scales
21143682715	5	4228736543	4008563245	1	4008563245	34782617007	9	3864735223	number and laboratories
42736772610	7	6105253230	5996365324	1	5996365324	47028291516	9	5225365724	repair shops
301670283750	15th	20111352250	134810608478	7	19258658354	242455181410	13	18650398570	Field drilling equipment and towers
10935928140	6	1822654690	3270933160	2	1635466580	12203655856	8	1525456982	Electric generators
11854566476	2	5927283238	17282990940	3	5760796980	144019924500	25	5760796980	Cranes and hoists of all kinds
306595576875	35	8759873625	32645647284	4	8663661821	202883376014	22	9221971637	Oil and gas pipelines inside the field
701626560290			199935465495			687999875248		925365789	Total

Source: Prepared by the researcher based on the data of the Central Oil Company and the table (2) shows a comparison of the costs calculated to calculate machines the equipment and equipment that are installed in the financial records according to the accounting system and the costs that were calculated by the researcher in accordance with the accounting standard (IAS16) and information available from lists and purchase details, which are shown in Table (16).

• account Means of transportation for petroleum licensing contracts

are the means used to Movement of people and goods And move them from one place to another Inside the field and consist of different varieties To facilitate work, production or supply of some goods and services to them or to others, and the place they move to may be within the field or outside it for the purpose of carrying out business, and prepare one owned fixed assets

The company has added many means The move and The transit ion During the years 2013-2015, which in total amounted to (866304) million dinars, according to what was fixed in the company's accounts for those years, according to statement No. (3) the cost of transportation and transportation according to the company's data schedule number (3) Calculating the costs of transportation and transportation for the years (2013, 2014, 2015) according to the international standard (IAS16)

Total cost 2015	number	2015 average cost of transportation and transportation	Total cost 2014	number	2014 Average cost of transportation and transportation	Total cost of 2013	number	2013 Average cost of transportation and transportation	Cost details
1888719752	1	1888719752	4674808045	3	1558269348	28307664330	20	1489877070	passenger transport
4256304570	3	1418768190	152334560	1	152334560	42385495530	30	1412849851	Transport of goods
6145024376	4	1536256094	3531559500	2	1765779750	70693218960	42	1683171880	Other transfer
27869171070	2	13934585535	117411150285	9	13045683365	557180554975	43	12957687325	Oil and gas pipelines outside the field
40159219768			125769852390			.698566933795			Total

Source: Prepared by the researcher based on the data of the Central Oil Company

The unified accounting system determined the calculation of depreciation according to the straight-line method, and that its percentages are for buildings (3-5) %As for the wells, he identified them (10%) while machinery and equipment (10-20) % and means of transportation (10-15%), noting that the standard did not specify a fixed and specific method that must be adhered to. To the percentages specified in the unified accounting system in calculating the annual depreciation premium, and its restrictions must be fixed as follows:

xxx from h/depreciation expense

xx× to h / accumulated depreciation Table (6) represents the total annual depreciation of all fixed assets of petroleum licensing contracts represented by (buildings, machinery and equipment, means of transportation and transportation) calculated in accordance with the International Accounting Standard (IAS16) for the years (2013, 2014, 2015) schedule number (4) Calculation Depreciations for the years (2013-2014-2015)

Total depreciation for the years (2013-2014-2015)	Total depreciation 2015	Total depreciation 2014	Total depreciation for 2013	type of find
2658511731009	246782617912	110167722040	85765311304	buildings
1589554801033	226470631854	123369350000	94694779941	machinery and equipment
864496005953	121572646425	116163255895	97715723141	Means of transmission and transmission

1.222,702.038.512	594825896191	349700327935	278175814386	Total
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Source: Prepared by the researcher based on the data of the Central Oil Company

According to Table No.(4) A high depreciation cost was observed for assets company Represented by (buildings, machinery and equipment, means of transportation and transportation)The total cost of depreciation for the three years amounted to (1222702038512) dinars, which represents what you attributed(23%) of the total cost of assets added during the evaluation years, which amounted to (5112562537995) dinars The researcher in the above recalculated the cost of fixed assets for licensing contracts according to the criterion(IAS16)The depreciation and the book value of each asset were recalculated for the three years, but the value of the assets of the licensing contracts decreased during the year 2015. Accordingly, the assets referred to above will be re-evaluated According to the standard International (IAS16) and (IAS36) Vistas one of the approved models to reevaluation either on the modified historical cost model (replacement value - accumulated depreciation) or fair value.

- number and templates Furniture for petroleum licensing contracts

The company added some assets within the account of the number, molds and furniture for the year / 2015 whose cost amounted to (54,2645,246) dinars and (117595764) dinars, respectively, calculated according to the unified accounting system, while the company must The number and templates are treated and furniture as period expenses According to international standards It is not considered as an original Fixed and upon it Must be Settling the cost of furniture, tools and molds within an account Expenses for the same year, and an account was selected Supplies and errands By the researcher to settle those amounts and consider them Period expenses (depreciated in the year of purchase)And the Close the profit and loss account Being the account closest to the company's records to conduct this ancient processing It is used when settling expenses and materials used when Maintenance of buildings, assets and molds of production machines, it is within the unified accounting system for the settlement of expenses related to fixed assets, Below are the details Constraint to install:

- From h / supplies and errands (furniture or number and templates)

- to h/assets stationary (furniture or number and templates)

- Research and exploration expenditures

There are many expenses incurred by companies operating in the oil sector to reach Availability areas Crude Oil This stage is called research and the exploration. For the purpose of determining those areas Complete use Geological information about the geographical area The company bears many expenses during this period, bearing in mind that the company bears costs that are paid annually in favor of the oil exploration company, regardless of the existence of successful efforts. The use of the successful effort's method, which is the most correct method and which expresses in a more transparent manner the amounts spent on research and exploration, which will be reflected on the company's performance in general. Addressing research and exploration expenditures And install it according to the following restriction:

- from h/ deferred revenue expenditures

- to h/ cash or suppliers

Then an annual amortization is calculated for it over a period of five years from the date of its establishment, and the amortization is in progress as follows:

- from h/ amortization of deferred revenue expenses

- to h/ deferred revenue expenditures

That is, the deferred revenue expenditures account is directly reduced and no provision for amortization is prepared.

Note that the standard IFRS6 He indicated that the expenses of research and exploration are considered as period expenses and that they are closed within the same fiscal year and are not drawn up. As for the stage? Evaluation Separating the successful efforts from the failed ones, determining the costs in a realistic manner, and disclosing them adequately. This stage does not exist. Separately in Iraqi oil companies Because it is integrated with the exploration phase, and surely Straight-line method when calculating depreciation for assets in extractive

industries It is the method adopted within the unified accounting system.

- Projects under implementation

To counting Projects in progress are a kind of intangible fixed asset Tanya project to create or create a fixed asset in the future, but still under construction and why Getting ready to start running, and its nature be Debtor to being Company owned. It has been found that the company does not use this account when creating assets, where the asset is transferred and is complete and entered into the financial records, and accordingly the company must, according to the standard, add the assets under construction within this account for the purpose of knowing the amounts spent on creating and controlling those assets. The researcher was not able to obtain information about this account despite its importance in monitoring and controlling the amounts spent on establishing or purchasing fixed assets.

- Model Disclosure fixed assets for petroleum licensing contracts

Depends select the value of reassessing the cost of fixed assets depends on three important factors, namely the amount of expected future cash flows, the expected timing of those cash flows, and finally the interest rate in case the timing of obtaining them is delayed. existing Fixed assets are disclosed for petroleum licensing contracts in the financial statements according to for standard international (IAS16) was prepared in which the amount of the realized decrease was calculated and the accumulated depreciation value of those assets is excluded until the settlement entry is established by the amount of the achieved decrease, and the entry is as follows:

××× of h/accumulated depreciation

××× from h/losses revaluation of fixed assets

××× to h/ fixed asset (according to its type)

For example, fixing the constraint of low buildings

13852107135 from h / accumulated depreciation

18469476181 from h/ assets revaluation losses

32321583316 to H / buildings

Record depreciation of stores

11926184025 from h / accumulated depreciation

1987697337From h/ assets revaluation losses

13913881362 to h/stores

And the depreciation of the bridge balances

2082073025 from h / accumulated depreciation

1619390130 to h / bridge scales

462682895 to h/ profit revaluation of assets

And the depreciation of the value of the wells

146842172355 from h / accumulated depreciation

60613795353 to h / wells

48947390605 to h/ profit revaluation of assets

Thus, the entries of all assets whose value has decreased in order to recognize the actual decrease in the cost of the fixed asset and directly treat it from its historical cost are established. Final entries are established and the cost of the asset is reduced. As for the evaluation profits and losses, they are processed by treating the decrease within the profit and loss account for the same year.

Eighth: sees Money and retained earnings

The researcher's vision is that the costs of all assets received by the Central Oil Company and completed within the petroleum licensing contracts should be directly entered into the company's capital. Therefore, the company's capital must be recalculated according to the following:

= The balance of the beginning of the period + the total balances added for the years 2013, 2014 and 2015 related to the assets of the petroleum licensing contracts

+12000000000+2338604406669+6108753872152178080844111=5139560637995Capital balance as at 31/12/2015

Note that the capital is not reduced when the value of fixed assets decreases, since the decrease is settled directly within the assets and

profits and losses accounts for the same fiscal year. (Historical) It is possible that if values fluctuate and decrease in one year and rise in another, it is possible to form an accumulation of decrease and rise in the value of fixed assets and to avoid those changes within this account until its stability.

As for calculating the balance of retained earnings (or reserves according to the unified accounting system), it can be calculated as follows:

Retained earnings or reserves as at 1/1/2013 19707156713

+ Additions (realized profits) for the year / 201321141103759

+ Additions (realized profits) for the year / 20148445277789

+ Additions (realized profits) for the year / 201519495014254

Total retained earnings or reserves as at 31/12/201568788552515

Note that all the balances of the reserves shown above were obtained from the company's issued budget for the years (2013, 2014, 2015) after excluding the value of the assets related to petroleum licensing contracts whose costs have been added to the capital. As for the presentation of the company's partial financial position statement for the year ended On December 31, 2015 it will be as in the following statement No. (1):

fixed assets			
Fixed Assets Statement	Net book value	accumulated consumption	net asset value
lands	15000000000	--	15000000000
Buildings, constructions and roads	2222143835735	181825822105	2403969657840
The machines and the equipment's	1231259508891	162027291549	1393286800440
Transportation and transportation	633411178589	42304456035	675715634624
total fixed assets	4101814523215	386157569689	4487972092904
Liabilities and Obligations			
capital	5139560637995		
Retained earnings	68788552515		

Source: Prepared by the researcher based on the data of the Central Oil Company

Statement No. (1) Partial statement of financial position of the company for the year ended 31/12/2015

Ninth: Conclusions:

This research reached the following conclusions:

Did not take the standard accounting system nor accounting ruleset he Iraqi model (re-evaluation) to measure the cost the findings fixed at fair value as an available alternative to the historical cost principle in valuing the findings Fixed petroleum licenses for the unit Economic.

There is no compatibility between the standard accounting system and IAS16 acknowledgment of the capital gains from the sale and replace the findings for petroleum licensing contracts, the accounting

The researcher relied on the modified historical cost method as one of the methods of accessing the fair value of the fixed assets of the petroleum licensing rounds contracts for the Central Oil Company / Al-Ahdab Oil Field for the years (2013, 2014, 2015), where those costs were modified as on 31/12/2015 after consulting experts And technicians working in the oil field and for several governorates, including Kut, which contains the Al-Ahdab oil field, Basra, which contains the Rumaila oil field, and Maysan, which transforms the Bazerkan oil field. Disclosure of fixed assets for licensing contracts petroleum in the financial statements for the year 2015.

system has been allocated consolidated account (2213 / capital gains reserve) contrary to what he stated IAS16 completely where Capital gains are included in the other income section of the statement income.

The unified accounting system in calculating depreciation depends on the ratios mentioned in the instructions contained therein No. (11) for the year 1988 regarding depreciation and amortization the findings fixed It uses the straight-line method to calculate the annual depreciation premium for land, buildings, machinery and equipment, moreover he did not specify International Accounting Standard IAS16 use any consumption ratios to remember.

No details were mentioned regarding the additions and cross out own with assets fixed in the final analysis statements for the company, then Most of the analytical statements for depreciation account have been prepared the findings fixed Manually and without careful consideration and arrangement In addition to using a calculator electronic This adds some organization and arrangement in preparing such statements, as it consists of many arithmetic forks that distract the users of these statements. lists.

Through field experience in the company, the research sample, we noticed the lack of accuracy by the inventory committees concerned with inventorying the fixed assets of petroleum licensing contracts., For this The Federal Office of Financial Supervision did not ratify the data for the year 2015 due to the presence of differences between the results drawn from the committees and the accounting records, and accordingly, the data for that year was approved and formally resolved in the year 2021.

Tenth: Recommendations:

Based on the findings of the researchers, the following recommendations were reached:

That the unified accounting system adopt the fair value (re-evaluation) model as an accounting procedure that provides the largest amount of financial information that has a clear impact on decision-makers and users of financial reports in general, in addition to the fact that international accounting trends have

relied entirely on fair value as a measurement principle that is the best alternative to the principle of (historical cost).

The necessity of presenting the accounts of the petroleum licensing contracts for the Central Oil Company independently in the financial statements due to the relative importance of these contracts.

The need to develop the accounting and supervisory staff working in economic units, especially public sector institutions, by participating in training programs to see the latest developments in the accounting profession and economics in order to keep pace with these developments and reflect them on the ground professional.

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