Specialized Accounting
(Oil & Agriculture)

without solution

Cihan University
College of Administrative & finance sciences
Department of Accounting
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Accounting in the oil companies

How to configure Petroleum :

The word petroleum in terms of linguistic Latin word which is composed of two sections, namely: the rock (Petra), oil (Oleum) and this means (Rock oil) ….

In terms of scientific, since the eras of old were earth not stable worked earthquake and volcanoes on flipping the Earth's surface strongly with every movement to bury many of the vegetables , millions of fish under mud and swept away by the heavy rains and with the passage of time deposited new quantities of sand, clay and led pressure to lower layers and turn them into a layers of rock and the power and temperature change on the organisms be coal in some cases, and crude oil in the other cases and through the continuation of the sediment fauna and flora in the sea deep and the lower layers of the earth turning this material into oil and gas. The process includes several oil industry operations and activities, and passed through several stages before they reach the latter stages of the consumer are:

1- Exploration stage : -

The first step in the process of searching for crude oil is to determine the geographic area that will be held by the research activities after obtaining a field called really exploration under a contract with the owner of the land and for the purpose of determining the region is the use of information geological geographic area and then select the area and get the company's permission to initiate operations exploration is determined by the part or parts of the region, which will focus its exploration operations.

2- Drilling stage :-

After selecting potential location for the presence of oil which must get a hold called the concession contract from the owner of the land entitles the company the right to explore for oil in the region, which have been selected and are then drilling a pilot when you confirm the presence of oil is drilled wells extractive and start drilling activities.

There are two ways to dig:

1- Cable – Tool Rig

2- Rotary Rig

3- Production Stage or Extraction : -

The production phase of the extraction of oil out of the ground and connected to the Earth's surface using special devices. And that the methods of extraction of crude oil are: -

A: Lifting a natural way : -
This method is when the pressure inside the well enough to push crude oil to the surface of the earth.

B: Lifting gas : -
This is the way by injecting large quantities of gas under high pressure and used this method when there is a large amount of gas extracted from wells nearby.

C: Lifting by water :
This is the way by injecting large amounts of water in the well until can pressure resulting from the injected push crude oil to the high of the well

D: Lifting pumps : -

This is the way of the well, installing pumps to pump the crude oil to the high of the well.

4-Transport or (Pipe-line) and Storage Stage : -

After the separation of crude oil, gas and treatment of water and other impurities in the stores for the purpose of storage and shipped by cistern to investors or to the refineries

5- Refining Stage : -

This is the way special treatment where they are receiving crude oil to turn it into petrol derivatives from the aircraft and ending with asphalt.

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The main ways to handle the expenses of survey and exploration

1- Revenue expenditure method : -

According this way is that all the expenses of survey and exploration revenue expenses deducted from income in the period in which they spent where it closes in profit and loss account .

2- Full- cost method or (Capitalization method) : -

Under this method is that all exploration expenditure expense capitalism, regardless of what it spent in the areas of productive or non-productive.

3- Successful efforts method : -

Most ways where they are considered part spent on producing areas of capital expenditure deferred to future periods and the portion spent on non-productive areas revenue expenses deducted from income for the period spent in them.

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Types of exploration expenditure:-

Can distinguish between three types of expenses spent by oil companies at this stage :-

First: - The cost of obtaining the right of exploration.

1- Cost of primary licenses :-

Before you begin the initial exploration process must obtain permits or licenses from the owner , land and often this is the state for a fee for the purpose of treatment these expenses, one of the following methods:-

A: In the case of revenue expenditure considered :-

When the agreement is the entry :-

Current exploration expenses	××	
Bank or Cash or Creditor		××

(This entry either found or did not find oil)

At the end of the Year :-

Profits and losses	××	
Current exploration expenses		××

B: Full- Cost method or (capitalization method) :

1- when the Agreement: -

Suspended properties	××	
Bank or Cash or Creditor		××

2- In the case of capitalized :

Unproved or undeveloped properties	××	
Suspended properties		××

3- When resolving the results and make sure they explore areas of productive or non-productive is the entry

Proved or Developed properties	××	
Unproved or Undeveloped properties		××

C: Successful Efforts Method : -

In case considered part capitalist and part revenue

Under this method afford the initial survey at the expense of a broker or suspension to be determined to keep the area after the discovery of oil in commercial quantities or waivered (Abandonment) to a lack of oil .

Accounting entries :

1- When the Agreement: -

Suspended properties ××
Bank or Cash or Creditor ××

2- close suspended : -

Waivered properties ××
Undeveloped properties ××
Suspended properties ××

3- At the end of the year: -

Profits and Losses ××
Waivered properties ××

4. When you get on the concession contract: - (undeveloped or not ready or not intended)

Undeveloped properties ××
Suspended properties ××

5- In the case waived all of the areas: -

Waivered properties ××
Suspended properties ××

6- At the end of the year: -

Profits and Losses ××
Waivered properties ××

7- In the case of the presence of oil: -

Developed properties ××
Undeveloped properties ××

Note : that all the expenses spent during the exploration stage and afford the expense of concession contracts suspense .

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Geological exploration expenses and legal expenses

Geological expenses	××	Profits and loss	××
Bank or Cash or Creditor	××	Geological expenses	××
Legal expenses	××	Profits and losses	××
Bank or Cash or Creditor	××	Legal fee expenses	××

Current exploration expenses ××
Geological expenses ××
Legal Fee Expense ××
profit and loss ××
Current exploration expenses ××

Rent, Fines and other account the same accounting entries

Example 1 :

Oil companies, was able to obtain licenses to carry out initial exploration for oil in an area of 20 square Km. for a fee of 5 Million Dinar

Required: - recording accounting entries for each of the cases to deal with exploration expenditures , by three method

1- Were waived all of the area ,because the absence of any signs of oil.

2-The company obtained a contract for oil exploration in part of area has been an area of three fold km show productive and waive the rest.

Example 2 :

Shexan company got a license to explore the primary for crude oil in an area of 24 square kilometers. The total license fee paid 3,000,000 dinars by cheque and expenditure geological region in 16,000,000 dinars and legal fee 11,000,000 dinars . Required: What is the accounting entries required to prove these processes, according current expenditure method?

Example 3 :

Dukan oil company began exploratory in area of 14 square kilometers, the company spent during the year amounted 280 Million dinars for the license at the end of the year the company decided to focus in three parts of the area and got a concession contracts as following:

Concession contract number (1) an area of 2.5 square kilometers and a concession contract number (2) an area of 3.5 square kilometers and a concession contract number (3) an area of 4 square kilometers and then waived the rest of area estimated at amount 80 Million dinar

Legal expense fees for three contract, 140 Million dinars: 80 Million from that amount [evenly distributed in contract No. (1,3)] and rest for contract No.2 .

The Geological 100 Million dinar and other expense 80 Million dinar together for three contract , for each contract distributed evenly .

It was clear that the physical exploration of contract No.1 has been waived. Contract No.2 show productive. As contract No.3 process is still continuing its exploration.

Required : Record necessary entries in Dukan Co. by three method and make table for distribution process , if you know paid by cheque.

Example 4 :

Bakur oil company began exploratory in area of 30 square kilometers, the company spent during the year amounted 300 Million dinars for the license at the end of the year the company decided to focus in four parts of the area and got a concession contracts by the following:

Concession contract number (1) an area of 6 square kilometers and a Concession contract number (2) an area of 7 square kilometers and a Concession contract number (3) an area of 8 square kilometers and a Concession contract number (4) an area of 4 square kilometers and then waived in the rest of the area and estimate at amount 50,000,000 dinars.

Legal expense fees For four contract, 240 Million dinars: 140 Million from that amount [evenly distributed in contract (1,3)] and rest : 60 Million for contract No.2 and 40 Million for contract No.4

Then the Geophysical expense for four contract 360 Million dinar for each contract ratio 30% of the value of the license .

It was clear that the physical exploration of Contract No.1 has been waived. as contract No.2 process is still continuing exploration. Studies indicated the possible presence of oil and show productive in contract No.3, then the contract No.4 unproductive.

Required : Record necessary entries in Bakur Co. by three methods and make table for distribution process, if you know paid by cheque.

Example 5 :

Oil companies, exploration in the contract area of 30 square kilometers, amounting to 400 million dinars and paid by cheque.

Required: recording accounting entries using three methods, if you know:

1- Due to the continuation of the work in the area and the low probability of the presence of oil, decided company to waived the entire contract.

2- Make sure that the company's contract area unproductive waived entirely.

3- Waiver company's from half of the contract area and rest was continue working

Example 6 :

Oil companies claim the amount of 10 million dinars used for exploration company, contracts as following: Contract No. 1 area of 3 square kilometers ,contract No. 2 area of 2 square kilometers and contract No. 3 area of 5 square kilometers , During year waive concession contract No.3 to the lack of oil and at the same time , make sure that the presence of oil in commercial quantities in the contract No.1 and it was decided to continue the contract area in a No.2

Required / recording accounting entries by the three methods

Expenditure of machinery and equipment the exploration

The machinery and equipment for exploration, where it must be depreciated under two methods:

1- Depreciation is calculated on the basis of production units

$$\text{Installment of depreciation} = \frac{\text{values are subject to depreciation}}{\text{reserve first period}} \times \text{Number of units produced}$$

2- Depreciation is calculated on the basis of production hours

$$\text{Installment of depreciation} = \frac{\text{Values are subject to depreciation}}{\text{Number of estimated production hours}} \times \text{Machine operation hours during period}$$

Entries :

Depreciation of machinery and equipment	××	
Accumulated depreciation of machinery and equipment		××
Profits and losses	××	
Depreciation of machinery and equipment		××

Example 7 :

At the beginning of 2015 had a balance of exploratory machines 2,880,000 dinars and accumulated depreciation 1,080,000 dinars and reserves estimated 7,200,000 barrels the first period, while production during the year 1,440,000 barrels.

Required / calculate installment depreciation of machinery and equipment according production units.

Example 8:

Exploratory drilling machine cost 3,200,000 dinars and accumulated depreciation 800,000 dinars, and estimated hours of operation 120,000 hours.

Required: calculate the installment depreciation machine, if you know that machine worked 8,000 hours during the period

Accounting treatment of undeveloped properties

Through the use of treatment expenses show our exploration undeveloped properties, which will appear as an asset in the balance sheet and calculating the depreciation is required annually for the following reasons:

1- The percentage large areas in the contract are not productive and keep the amounts in the balance sheet and this principle disagreement of objectivity.
2-The waiver of undeveloped properties without reservation accumulated will lead to allocated large sums of money and reduce profits.
3- The loss of contracts undeveloped resemble the expected losses from doubtful debts

Methods of calculating depletion undeveloped properties:

First: in the case of the waivered .

The first probability: Not calculated depletion
The second probability: allocation percentage of balance from total contracts undeveloped.
The third probability: treatment each contract separately.

Second: in the case convert to developed properties

Third: in the case of sale

First: in the case of the waivered .

The first probability : Not calculated depletion

waivered properties ××
Undeveloped properties ××
Profits and losses ××
waivered properties ××

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The second probability: allocation percentage of balance from total contracts undeveloped.

Depletion undeveloped properties ××
Accumulated depletion undeveloped properties ××

Profits and losses ××
Depletion undeveloped properties ××

××waivered properties
Undeveloped properties ××

Accumulated depletion undeveloped properties ××
waivered properties

The third probability: treatment each contract separately. Has depletion

waivered properties ××
Undeveloped properties ××

Accumulated depletion undeveloped properties ××
Profits and losses ××
waivered properties ××

Second : in the case convert to Developed properties :

No allocation :

Developed properties ××
Undeveloped properties ××

Has allocation :

Accumulated depletion undeveloped properties ××
Developed properties ××
Undeveloped properties ××

Third : in the case sale : No allocation : (same price ,more-than,less-than)
Bank or Debtor ××
Undeveloped properties ××

has allocation : in the case has profit & sale at the same price
Bank or Debtor ××
Accumulated depletion undeveloped properties ××
Undeveloped properties ××
Gain on sale of undeveloped properties ××

Gain on sale of undeveloped properties ××
Profits and losses ××
has allocation : in the case loss
Bank or Debitor ××
Accumulated depletion undeveloped properties ××
Losses on sale of undeveloped properties ××
Undeveloped properties ××
Profits and losses ××
Losses on sale of undeveloped properties ××

Example 9 : shekhan oil company have three contracts:
Contract No. 1 at amount of 50 million dinars , contract No. 2 at amount of 250 million dinars , contract No. 3 at amount of 300 million dinars
Required :
1- Calculate depletion contracts undeveloped in 2020
2- In the case of waived contract No.1 in 2021, What is accounting entries if you know percentage of depletion 10% for each year

Example 10 :
Oil company owns three contracts undeveloped, at the end of 2020 as follows : Contract No.1 at cost 10,000,000 dinar , contract No.2 at cost 30,000,000 dinar , Contract No.3 at cost 60,000,000 dinar
Required :
1- Record entries and reservation accumulated depletion undeveloped properties , if you know ratio of depletion 10% from total balance of contracts.
2- Record entries during o at the end of 2021,for contract (2,3) developed
3- Record entries at the end of 2022, and close accumulated depletion, with suppose the contract No.1 as follows :
A: Developed ,the company decided to keep it.
B: the company decided waived .
C: sale contract No.1 for another company and receive amount 10,200,000 dinar by cheque

Example 11 :
Suppose Oil company Reserves depletion of the contract value and waived in a given year to the amount of 15 million obtained during certain a period of years and expire 5 years from the date of purchase
Required : Record entries for waived.

Example 12 :
If suppose reserves depletion 15 million dinar from 5 years and waived in that amount , but the company's collect reservation 2 years.
Required : Record entries for waiver.

Example 13 :
If the company sold its contract No.24 at cost 30 million and the received 36 million by cheque if know did not calculated depletion
Required : Record entries for sale.

Example 14 :
If the company sold its contract No.24 at cost 30 million and the received 36 million by cheque , but reservation is collected at amount 3 million
Required : Record entries for that case (Sale).

Accounting treatments for drilling stage and preparing of the well

Drilling stage begins after the exploration stage where they are at this stage, drilling wells and preparing for the stages of production and are divided into:

First : expenses of machinery and equipment tangible

Second: expenses of drilling and preparation intangible , These include:

A - Geological expenses to determine where to drill

B - Expenses related to preparing a place to dig

1- Clean and settlement of land

2- The construction of roads and the basics of drilling expenses

3- Transport expenses and drilling equipment

C - Expenses related to setting up digs

1- Workers wage

2- the necessary drilling materials

3- Maintenance and Repair Machines

4- Fuel and dynamics

5- Depreciation of machine and equipment Drilling

D- Other expenses (packaging expenses well, testing expenses, ...)

Note:

Any item, retrieval if partially the expenses considered drilling equipment.

Expenses that are not divisible or retrieve any part of it after use, considered drilling operation.

Accounting entries :

Wells in Progress / drilling operations	××	
Wells in Progress / drilling equipment	××	
Wells in Progress / drilling machinery and equipment	××	
To: Bank		××

In the case wells Developed (productive) :

From: Developed properties	××	
Wells in Progress / drilling operations		××
Wells in Progress / drilling equipment		××
Wells in Progress / drilling machinery and equipment		××

In case of loss:

Losses dry wells	××	
Wells in Progress / drilling operations		××
Wells in Progress / drilling equipment		××
Wells in Progress / drilling machinery and equipment		××

At the end of year :

Profit and loss	××	
Losses dry wells		××

Example 15:

During 2015, make sure there is oil in the Contract No.70 which is owned kormor oil company and the company decided to start digging , expenses as follows:

A- 1- Cleaning expenses and the settlement of the land 1,500,000

2. Fuel expenses and dynamics 500,000

3. The workers wages of 9,000,000 .

4. Expenses Packaging well from store 1,000,000 .

B- Pulling pipes from stores at amount 6,000,000 dinars and expenses transferred 2,000,000 dinars

C- Separated water from oil 18,000,000 , expenses installed 3,000,000 dinar

required : record entries for drilling stage if you know paid amount by cheque and contract are considered developed .

Example 16

Asia oil company has drilled wells in the Contract No.42 and expenses as follows:

1. Material Issued from the stores of 9,700,000 dinars used for the packaging of the well.

2. Workers' wages amounted to 9,600,000 dinars

3. Value of pipe 4,400,000 dinars, and control valves 5,000,000 dinars issued from stores and transported expenses 2,800,000 dinars paid by cheque

4. The Company purchased equipment at amount of 500,000,000 dinars paid 100,000,000 by cheque and rest on the Choman company's account.

Required: record entry in the books Asia company if you know that the well developed .

Example 17:

1- Oil companies digging three wells amounted 30,000,000 dinars paid by cheque

2- Closure of Well No.1 amounted 10,000,000 dinars paid by cheque

3- After drilling and sure they found that the well No.1 is dry.

4- The creation of well No.2 expenses 13,000,000 dinars and paid by cheque.

5- Drilling machinery and equipment amounted 47 million dinars, amount 7 million of the machine at account Rahel company for machines

Required: 1- The well No. (2, 3) developed.
2- Closure of dry wells loss at the end of the year

Example 18:

Shara company for drilled the well and expenses as follows:

1- Drilling process at amount of 48 million dinars.

2- From the stores to the drilling equipment amount 52 million dinars

3- Found that the well product, expenses to drilling process amounted 60 million dinars

4-The well pump at a cost of 70 million dinars, to account Daban company for plant and equipment Drilling (Calculated on the machines)

5-The return value of 30 million dinars from the pipe to the stores.

Required / record necessary entries if you know that the well is product .

Example 19:

Kew Oil Company drilled in the Contract No.24 and reached the expenses of drilling of 50,000 dinars, and the wages of workers drilling 40,000 dinars, and the value of the material that has been issued from the stores of 60,000 dinars, 40,000 of them for the packaging of the well and the rest is used in drilling the well and the result of the drilling , not found oil and the company decided to close the well , after that process, the company has re part of the packaging well is not used and estimated at 10,000 dinars. Required / record necessary accounting entries ,if you know that expenses are considered losses and closed in the profit and loss account.

Example 20:

Baban Company drilling for oil in the concession contract No.90 and the information for the drilling of the well, as follows:

1- Expenses to transport machines and equipment 32,000 dinars.
2- Transferred from the stores to the drilling place as follows :
A- Packaging processing of the well 24,000 dinars.
B- Acids and chemical materials 20,000 dinars.
C- 12,000 dinars Cement used fully.
D- valves and devices are considered within equipment 16,000.
3- workers' wages amounted to 30,000 dinars.
4- After drilling the company did not find any oil in the well and decided closure the well at costs 6,000 dinars have been added at the expense of drilling operations
5- The company return acids and chemicals to the stores to not be used in the well .

Required :

1- Record necessary entries and close losses in dry wells losses account.
2- Record entries assuming that the well developed the same data, except for the fourth paragraph is not used.

Accounting treatments for the stage production and operation

Revenue:
The most important revenue generated by the oil companies is the value of what it produces and sells crude oil and natural gas sales and revenues earned from providing consultancy and exploration to other destinations in addition to the rental of machinery and equipment revenues.

Q : How long is recognition of revenue in the oil companies?
A : There are three trends in the recognition of revenue:
The first trend: Recognition of revenue when the exploration of oil
The second trend: Recognition of the revenue at the point of sale.
The third trend: It is generally accepted in the oil companies in the case of oil extraction (production), where the estimated amount produced at a particular price.

The entries are as follows:

Warehouses crude oil (product × price) ××
Revenue of crude oil product × ×

Revenue of crude oil product ××
Profit and losses ××

A: Bank ××
Warehouses crude oil ××

B: Bank ××
Warehouses crude oil ××
Gain on sale crude oil ××

Gain on sale crude oil ××
Profit & loss ××

C: Bank ××
Loss on sale crude oil ××
Warehouses crude oil ××

Profit & loss ××
Loss on sale crude oil ××

Note:

When there is an increase or decrease in the advertised price of selling the difference closed in the profit and loss account

Example 21:

Oil companies production of 40,000 barrels per day during February has been stored in warehouses ,note that the advertised price then was 60,000 dinar per barrel.

Required / record entries assuming :
1. Entire inventory sale at 60,000 dinars per barrel.
2. Entire inventory sale at 70,000 dinars per barrel.
3. Entire inventory sale at 50,000 dinars per barrel.

Depletion of Developed Properties

Depletion: it means gradual shortage occurs to declining asset (such as mining and oil fields because of the extraction or for other reasons), cost production distribution on the useful life of the asset so the rate is related in two elements are:

1- The amount invested to find and develop the contract.

2- The estimated inventory.

So about the cost of the contract and the costs of drilling are calculated as follows:

First, when the overall development of the contract area :

$$\text{Depletion Rate (contract costs \& drilling cost) or production} = \frac{\text{Net amount invested}}{\text{Estimated reserve at end of year + Quantity production during year}}$$

Installment depletion (contract cost & drilling cost) or production = Depletion Rate × Quantity production during the period

The net amount invested: Total capital expenditure is uploaded to the cost of the contract or the costs of drilling and development until the end of the financial year minus the balance of accumulated depletion of previous years. Record entries as follows :

Depletion developed properties ××
    Accumulated depletion developed properties ××

At the end of the year :

Profit and losses ××
    Depletion developed properties ××

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Second method: development of some parts of the contract:

This method is used when production begins in some parts of the contract before the completion of the development as follows:

First: cost of contract:

When the partial development for each of the cost of the contract and the costs of drilling calculated separately as follows:

$$\text{Depletion rate of contract} = \frac{\text{Net amount invested cost of contract}}{\text{Estimated reserve from entire of contract}}$$

Depletion installment of contract = depletion rate × Quantity production during the period

Second: drilling and preparation costs:

$$\text{Depletion rate of drilling} = \frac{\text{Drilling costs}}{\text{Estimated reserves extracted from wells drilled and developed}}$$

Depletion installment of drilling = depletion rate × Quantity production during the period

Record entries as follows :

Depletion developed properties	××	
Accumulated depletion developed properties		××
Accumulated depletion drilling costs		××

At the end of the year :

Profit and losses	××	
Depletion developed properties		××

Example 22 :

In the end of 2016 the oil reserve to contract No.18 was 26,800,000 barrels per contract cost has amount 42,000,000,000 dinars and expenses of drilling 70,000,000,000 dinar if you know production achieved during the year in the area 1,200,000 barrels.

Required :

1- calculating the contract costs ,drilling cost and installments.

2- Assuming the end of the year 2017 as the existing reserves in the contract area 26,000,000 barrels was achieved then production in one of the well 800,000 barrels, and assuming no change in the cost for what is a installment production costs and what are the necessary entries.

Example 23 :

One of the oil companies have been held partly developed at a cost of 240 million dinars, and drilling costs 160 million dinars if you know that the estimated reserve of drilling wells 140 million barrels at the beginning of the year ,the production of 60 million barrels during the year, experts estimated the reserve could be extracted for the rest of area of 400 million barrels.

Required / find rate and installment costs of the contract and the costs of drilling with the necessary entries.

How to arrive a allocated booking :

Balance of contracts first of period 1/1
+ Add
- waivers
= Balance of contracts at the end of period 31/12
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Allocated balance of the first of period 1/1
+ Add
- waivers
= Allocated balance of the end of period 31/12

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Example 24:

If we assume that the company has a contract at cost of 3,000,000,000 in 1/1/2014 dinars then waived during 2014 of 500 million dinars, and get new contracts purchased costs in addition to other expenses of 700 million dinars

Required : What is allocated of contract in 31/12/2014 contracts if you know ratio of depletion 50% and what are the necessary entries

Example 25:

assume one of the companies had been contract at the end of the year 2015 allocated 80 million dinar allocated on calculated basis of the cost of each contract, and then bought in 2016, another contract of amounted 240 million dinars and duration of 10 years, if we assume waived from the concession contract was annual installment 4,000,000 dinars .

required / What is the annual installment at the end of the year 2016.

Example 26:

Qandil oil company is holding allocate of the contracts is prepared on the basis of cost and duration of each contract, which was owned in 1/1/2012 installment for all contract of 15,000,000 dinars

in 1/1/2012 company bought contract in amount 140,000,000 dinars, for 5 year

in 1/10/2012 company bought another contract at cost 24,000,000 dinars for 8 years on the same date company was waived in contract at amount 40,000,000 dinars already obtained at 1/10/2007 and duration 10 years.

Required : what is an installment on 31/12/2012 and what are the necessary entries

Example 27:

The following amounts in the balance sheet of the Shevron oil company in 31/12/2015 appeared, the amount of concession contracts 250,000,000 dinars and allocated 150 million dinars equal to 60% of the total contract.

During the year 2016 the company waived two contract at amount 35,000,000 dinars, then the company get the concession contract at total cost of 36,000,000 dinars.

Exploration expenses amounted during the year 44,000,000 dinars.

The search for oil has led during the year 2016 to the discovery of producing wells in a contract that waived were convert tally to productive contracts amounted to 40,000,000 dinars

Required : what is allocated depletion 12/31/2016 with a record accounting necessary entry.

Example 28:

Company owns at the end of year ,amount allocated 24,000,000 dinars
In 1/1/2015 got another contract at 248 million dinar for 8 years.
In 01/7/2015 bought contract at 150 million dinar for 6 years.
Waived in the same period for the contract is 40 million dinars already get in the 1/7/2010 and duration 10 years.

Required : what is a allocated depletion in 31/12/2015 and what are the necessary accounting entries?

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