

# International Financial Reporting & Treasury Risk Management for the Oil & Gas Industry

## INTRODUCTION

- This Essential Guide to IFRS and Risk Management training seminar will provide delegates with the essential knowledge and skills to manage the Treasury effectively thereby improving liquidity, investment returns and international cashflow as well as risk management. This highly interactive training course will also develop an improved understanding of International Financial Reporting enabling reports to be written in accordance with IFRS and evaluated to improve decision making.
- The Treasury & Risk Management function and Financial Reporting are essential to the success and sustainability of all leading corporate organisations. Never has this been more true, given the ever increasing pace of change in regulation, compliance, technology and financial risk within the Oil & Gas industry.
- Treasury Management ensures sufficient liquidity to meet its obligations, whilst managing payments, receipts and financial risks such as Credit Risk, Oil Price, Exchange Rate and Interest Rate Risk effectively. In addition, effective Treasury & Risk management will enable companies to make informed and better strategic decisions, providing the analysis, finance and risk assessment.
- Financial Reporting develops an essential understanding of Oil & Gas accounting, reporting and performance measurement issues and practices. It develops your ability to prepare, use and critically evaluate information, applying specialist industry knowledge and relevant analytical skills.

This training seminar will highlight:

- The Role of Scope of Treasury & Risk Management
- The latest international tools and techniques to enable you to identify; measure and manage risk effectively
- Methods to ensure, liquidity, improved investment returns and smooth cash operations
- Capital Investment Techniques and Methods of Finance to support Strategic Objectives
- The features and Benefits of Derivatives as Risk Management tools
- The main requirements of International Financial Reporting Standards (IFRS) relevant to the Oil & Gas industry
- The Analysis & Evaluation of Financial Reports to improve decision making and performance

## OBJECTIVES

At the end of this training seminar, you will learn to:

- Manage Cash; Liquidity & Working Capital to reduce finance costs and improve returns
- Make informed Strategic Decisions
- Determine and Implement the company's Risk Management Strategy
- Recommend Hedging and Risk Management Decisions
- Improve the Corporate Governance of the organization
- Apply International Financial Reporting Standards most relevant to the Oil & Gas industry
- Analyse and evaluate financial reports to better meet the needs of users
- Review and use publicly available information to benchmark the business performance of your company in the Oil & Gas industry

## TRAINING METHODOLOGY

- In order to ensure skill development as well as improved knowledge, this training seminar will be conducted along with workshop principles using real life case studies and interactive worked examples from the Oil & Gas industry. Participants will be actively engaged, individually and as part of a group, in their discussion, analysis and evaluation throughout this training seminar.
- Participants will also be given a detailed set of handouts in hard and soft copy to enable them to review the topics covered at a later date.

## ORGANISATIONAL IMPACT

- The aim of this Essential Guide to IFRS and Risk Management training seminar is to provide participants with the knowledge and skills to make an effective contribution to the Treasury & Risk Management function and Financial Reporting & Analysis, enabling them to make the following organisational impact:
- Improved informed decision making
- Improved strategic thinking and focus on performance
- Liquidity, Credit, Capital, Currency, Interest Rate, Commodity Price Management
- Improved risk assessment and management
- Increased profitability through cost and risk reduction
- Improved Corporate Governance and Stakeholder relationships
- Improved finance culture through the dissemination of knowledge and skills
- Greater relevance and reliability of financial and management information
- More effective use of financial statements of the company, its co-venturers and its competitors

## PERSONAL IMPACT

As a result of attending this vital training seminar, focusing on the latest issues and risk facing organisations and the techniques to manage them, you will:

- Develop your professional skills and increase your awareness of industry practices, problems and solutions
- Understand the latest international tools and techniques relevant to your role
- Be able to make more informed and hence better financial decisions using various models and software.
- Increase your importance and ability to contribute effectively to your organization's goals.
- Be able to liaise effectively with other departments and professionals on planning, forecasting, budgeting matters, financial and investment analysis
- Increased self-confidence and motivation at work
- Greater job satisfaction in providing quality support to management
- Greater ability to supervise, develop and motivate colleagues

## WHO SHOULD ATTEND?

Given the importance of the Treasury & Risk Management and and Financial Reporting & Analysis, this training course is suitable to a wide range of professionals but will greatly benefit:

- Professionals who wish to up-date and improve their knowledge and skills of Treasury, Risk management and Finance
- Financial decision makers, whose techniques of decision making and analysis will be improved through attendance
- Managers and those with financial responsibilities
- Professionals acting upon the financial decisions of others, who will gain an appreciation for decision making thereby ensuring shared values within the organisation
- Professionals with an interest in finance and the latest market developments

## Course Outline

### MODULE I - Treasury and Risk Management

#### The Role of Treasury Management – An Overview

- The Role & Scope of Treasury Management
- Operation & Location of a Treasury Department – Cost or Profit Centre; Centralised or Decentralised
- Cash & Liquidity Management
- Working Capital Management
- Capital / Finance Management

## Cash & Liquidity Management – A Detailed Analysis

- Cash Forecasts: Role & Preparation
- Investment of Cash Surpluses to Maximize Return
- Meeting Cash Calls and Short-Term Cash Shortages / Short Term Finance
- Working Capital Management – Determining the Optimum Level
- Multi-national & Group Cash Management
- Cash Budgets: Process & Control

## Financing and Capital Management

- Strategic Objectives: Consolidation, Growth, M & A; Joint Ventures, Diversification etc
- Financing Strategic Objectives / Long Term Finance (Public & Private Equity v Buyer & Supplier Debt)
- Optimizing the Capital Structure to Minimize the Cost of Capital (WACC)
- The Capital Asset Pricing Model (CAPM)
- Capital Investment Appraisal – NPV; IRR, Payback
- Capital Rationing: Internal & External

## Risk Management

- Identifying Risks and Uncertainties – Internal & External; Financial & Non-Financial
- Measuring Risk – Volatility; Variance; Standard Deviation; Probability; Value at Risk
- Determining the Risk Management Strategy – Assessing Impact and Probability
- The 4 T's – Tolerate; Terminate; Transfer; Treat
- Internal Controls & Internal Auditing
- Credit & Counterparty Risk Management

## Currency, Interest Rate & Commodity (Oil Price) Risk Management

- Forward Contracts and Forward Rate Agreements
- Options – Calls & Puts; European & American
- Futures – Market Correlation; Margin Payments, etc.
- Swaps – Currency & Interest Rate Risk and Benefits
- Foreign Currency Accounts other Internal Methods / Tactics
- Foreign Currency Borrowing

## MODULE II - International Financial Reporting Standards (IFRS) for the Oil & Gas Industry

### The Oil and Gas Sector & Major Accounting Issues

- The Oil & Gas Sector & the Macro-economic Factors
- Commodity prices, currency fluctuations, interest rate risk and political developments and environmental risk
- Costs in Acquisition, Exploration, Development and Production of new oil or natural gas reserves
- Accounting Approaches
- The "Successful Efforts" (SE) Method or the "Full Cost" (FC) Method
- Introduction / Overview of IFRS in relation to the Oil & Gas Sector, with particular reference to:
- IFRS 1: First-time Adoption of International Financial Reporting Standards
- IFRS 6: Exploration for and Evaluation of Mineral Assets
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IAS 16: Property, Plant and Equipment
- IAS 36: Impairment of Assets
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- IAS 38: Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement – Superseded by IFRS 9 – was to be effective 2013 but now 2018

### Evaluating the Performance and Identifying the Accounting Issues

- Analysis of Financial Statements
- Income Statements
- Statement of Financial Position (Balance Sheet)
- Cashflow Statements
- Identification & Evaluation of their Accounting Policies
- DuPont Analysis – Evaluating and Improving Return On Equity (ROE)
- Evaluation of their Share Price and Investment Performance
- Case Study: BP, Chevron, Shell and SABIC

### Accounting for Upstream Activities with Reference to IFRS

- Reserves and Resources
- Exploration and Evaluation
- Revenue Recognition
- Assets
- Depletion, Depreciation & Amortisation (DD&A)
- Impairment of Development, Production and Downstream Assets
- Examples: BP, Chevron & Shell

## Joint Arrangements, Financial Instruments and Derivatives

- Business Combinations, Joint Ventures & Production Sharing Agreements (PSAs)
- Treasury Management Issues for Multi-nationals
- The Use of Derivatives in the Oil & Gas Sector to manage the commodity, currency and interest-rate risks, etc.
- British Airways Case Study – Hedging the Oil Price using Futures

## Creative Accounting and Corporate Governance

- Creative Accounting – Enron and Investor Protection
- Leases – IFRS 16 (new standard)
- Auditors and Reporting to Investors in the Oil and Gas Industry
- External Audit Investigations and Reports
- The Auditor's 'Opinion'
- True and Fair
- Sarbanes Oxley
- Internal Audits
- Ethical Issues
- Corporate Governance
- Government Regulation
- Investor Confidence and Share Prices

