



# IFRS Impact on Systems and Audit

GAAP-2-IFRS

# IFRS Impact on Systems & Audit

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# Impact of IFRS

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- Creates more options for how a company can report their financial results
- Enormous impact on the way audits are going to be performed in the future (every client different)
- Increased system complexities and accounting policy choices increases the overall risks

# Dual Reporting in 2010

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## Options being considered:

- Two G/L's – IFRS to GAAP
- Two G/L's – GAAP to IFRS
- Manage both in same ORG and G/L using different account groups
- Maintain existing GAAP G/L – manual IFRS conversion (Excel)
- Business intelligence tool layer ovetop of GAAP G/L

# Dual Reporting in 2010

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## Key System and Business Risks

- ❑ Multiple ORG's used to manage dual reporting
- ❑ Need process to reverse IFRS or GAAP entries and book to second ORG
- ❑ New chart of accounts introduced
- ❑ Audit trails over initial IFRS entries (separation of E&E assets)
- ❑ Impact of dual reporting on financial and operational reports
- ❑ Impact on interfaces – PA, AFE, Land systems

# Cash Generating Units

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## Setting up CGU's

- Managed by adding new levels to existing hierarchies
- Managed by adding additional hierarchies
- Must be designed to change (audit, mergers, sales, etc.)
- Align with business requirements

# Cash Generating Units

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## Key System and Business Risks

- ❑ Reserve information does not align with CGU definitions
- ❑ Multiple hierarchies create reporting issues
- ❑ Non-op and non core properties – information needed in existing systems insufficient for IFRS reporting requirements
- ❑ Historical G/L detail lost
- ❑ Impact on cubes used for business intelligence tools

# Exploration & Evaluation WIP Process

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- How we record capital additions today under full cost accounting.



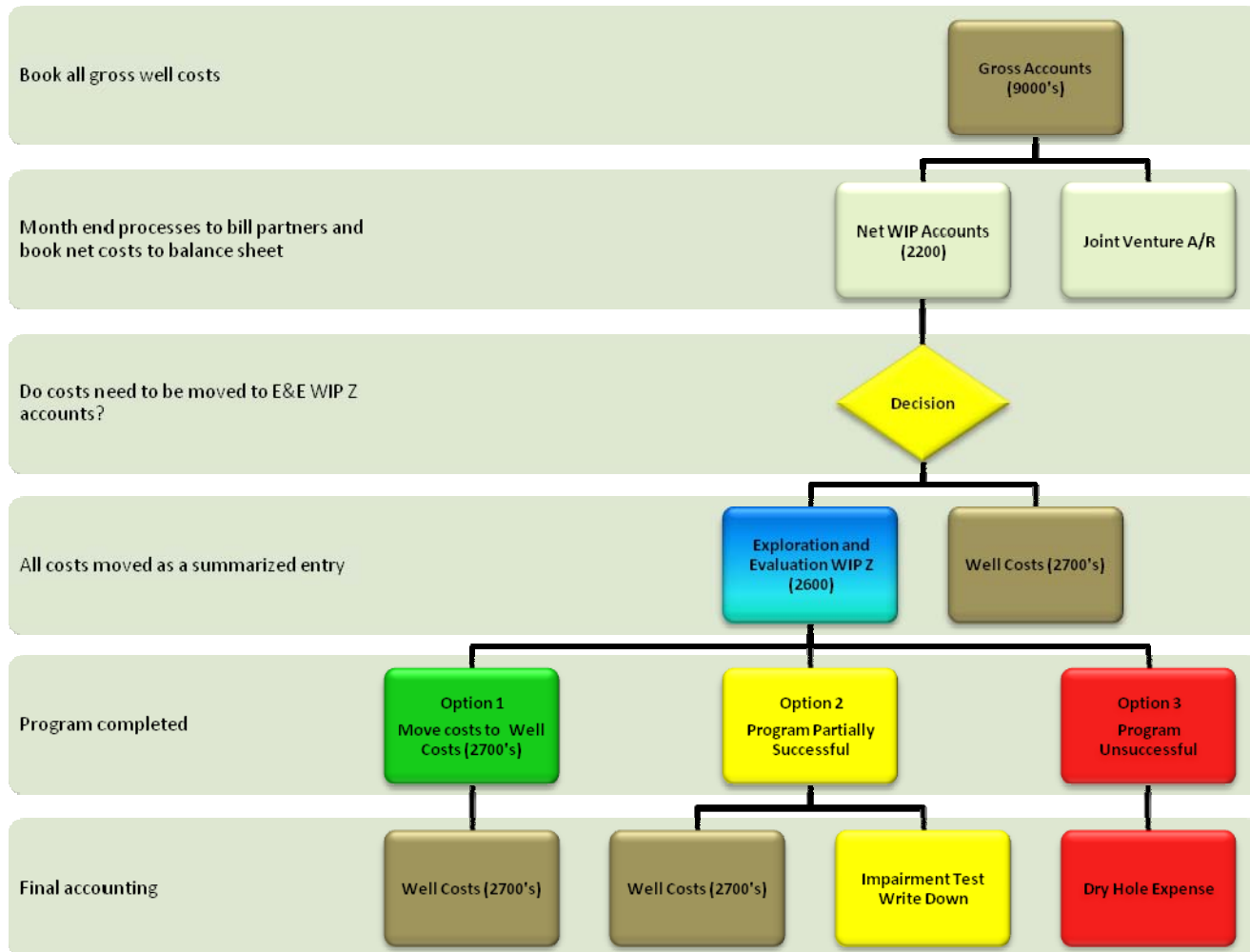
# Exploration & Evaluation WIP Process

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- What happens with IFRS in trying to separate E&E assets and follow a modified successful efforts or modified full cost model?

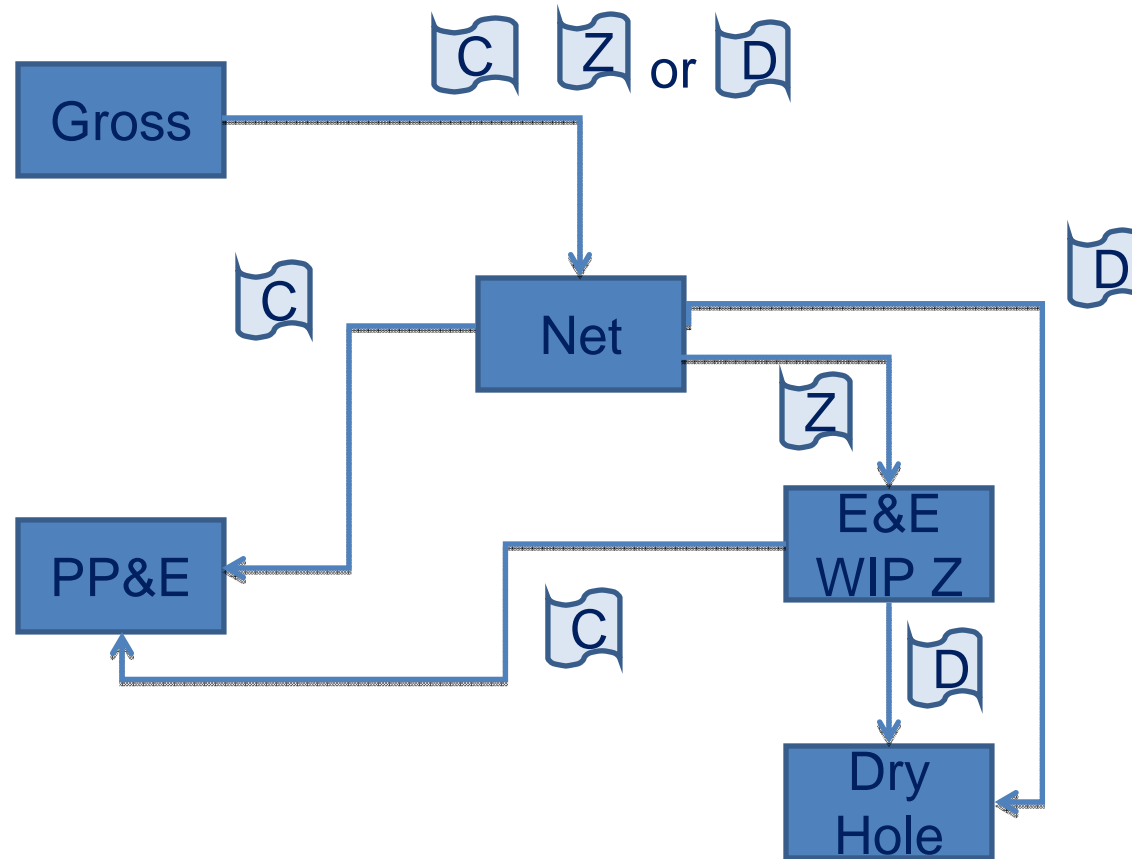
# Exploration & Evaluation WIP Process

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# Exploration & Evaluation WIP Process

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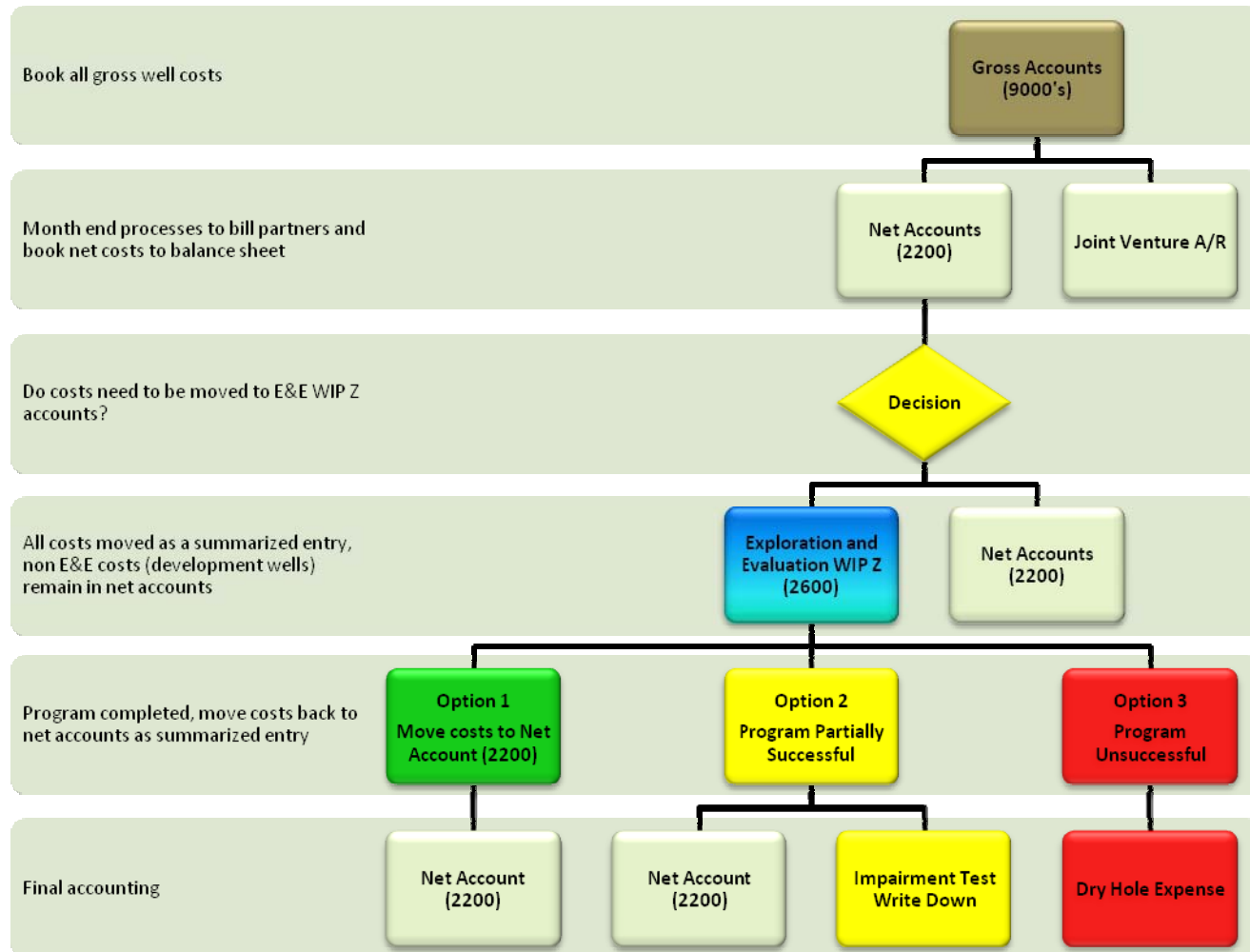
# Exploration & Evaluation WIP Process

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- Every system handles this differently
- Some systems have enough flexibility to allow different approaches within the same application all dependent on how you configure and use the application.

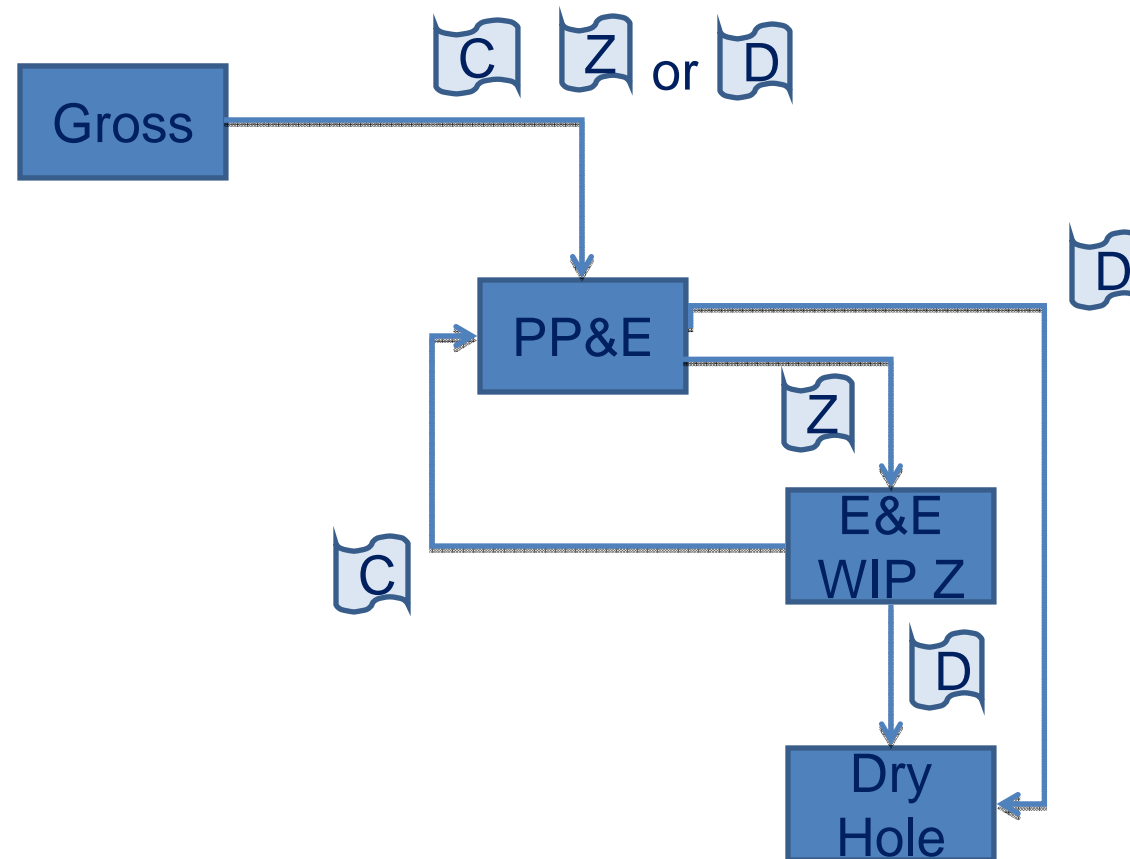
# Exploration & Evaluation WIP Process

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# Exploration & Evaluation WIP Process

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# Exploration & Evaluation WIP Process

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## Key System and Business Risks

- ❑ AFE flags set incorrectly and need to be reversed
- ❑ Much more manual intervention in managing flow of AFE's
- ❑ More major and minor general ledger accounts required (one client we added 68 new minor accounts to manage WIP)
- ❑ Tracking movement of E&E costs to PP&E critical and may be complex depending how system configured and used
- ❑ May require WIP process to be run multiple times
- ❑ Accruals can be complex and risk of being out of balance depending on how system configured and used

# Exploration & Evaluation WIP Process

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## Key System and Business Risks (con't)

- ❑ Many organizations are thinking they are going to manage this process outside of the accounting system
- ❑ Change in masterfile administration (AFE flags) – change to existing separation of duties

# Componentization of PP&E

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## Important Considerations - How Low Do You Go?

- ❑ CGU, area, cost centre, or smaller component - how will this be managed inside or outside of accounting system
- ❑ Does method used for depreciation and depletion impact this decision (UOP for both wells and facilities)
- ❑ What major and minor accounts will be used to manage components
- ❑ How will PP&E components be separated (cc or account)
- ❑ What audit trails are needed to support these decisions at transition

# Depreciation & Depletion Calculations

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## Important Considerations

- ❑ What method(s) are going to be used (straight line, UOP)
- ❑ Will system be used to manage DD&A calculations
- ❑ What information will be required to perform calculations outside of G/L (new data extract)
- ❑ Some clients looking to extract sufficient detail to perform from 50 to 100 stand alone DD&A calculations (spreadsheet risk – high)
- ❑ When does DD&A start – when available for use or when costs incurred

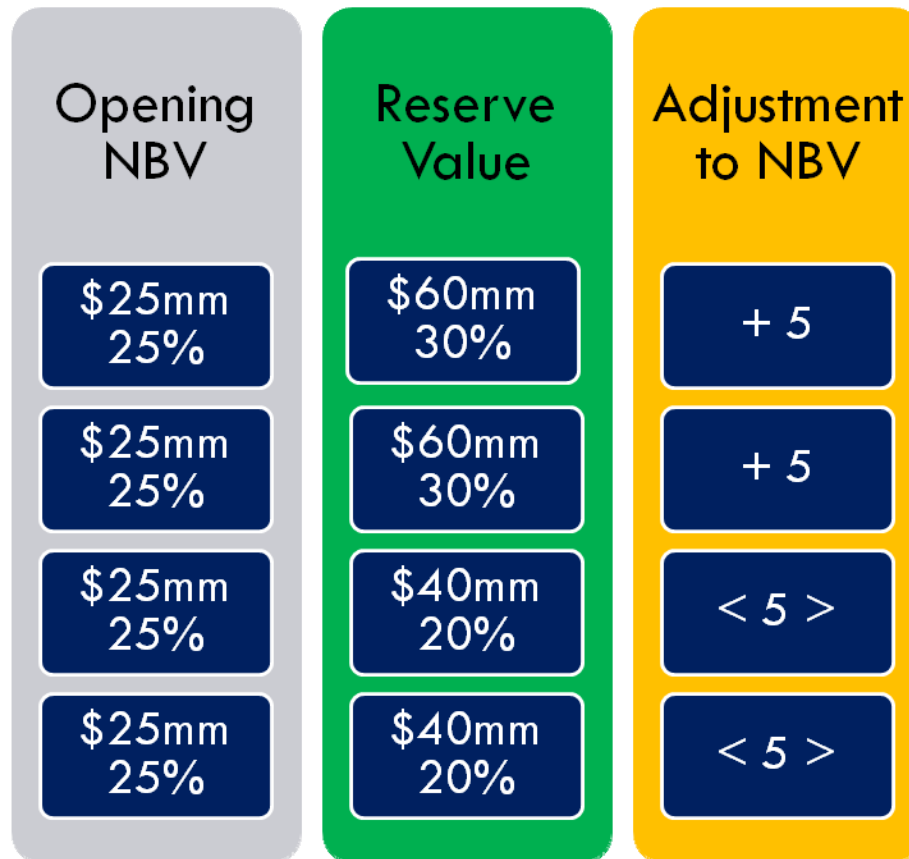
# Depreciation & Depletion Calculations

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## Important Considerations (con't)

- ❑ Is information for when depreciation starts managed within or outside system
- ❑ Managing life of asset – where is this information going to be managed (needs to be auditable with evidence of review)

# Allocation of Opening NBV



# Allocation of Opening NBV

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## Important Considerations

- Where do companies book opening adjustments – CGU, area, cost centre
- How will costs be allocated between major account and minor accounts
- Need sufficient detail to support sale of asset calculations or changes in CGU
- Must align with decisions made for DD&A and impairment calculations
- Difficult to determine if history is incomplete (acquisitions)

# Acknowledgments

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