

# Finance for Oil and Gas Professionals

This course can be structured as a 2 day or 3-day event.

3-day outline is on the next page

The course is delivered 'workbook' style – laptops not required

## Day 1: Financial Reporting & Analysis

### Introduction

- Course Overview and Objectives
- The value chain for oil and gas

### The Financial Statements of Oil & Gas Companies

- The Balance Sheet
- The Profit & Loss Statement
- The Cash Flow Statement

*Break (20 min)*

### Key Accounting Concepts

- What is the value of our in-ground reserves?
- Capital costs and operating expenses
- Depreciation and depletion
- Provisions for abandonment and rehab

*Lunch (60 min)*

### Accounting Ratios & Key Performance

- What are the key financial ratios
- How to use accounting KPIs to manage the business
- Reserve replacement and finding costs
- Comparative analysis and trend analysis

*Break (20 min)*

### The Corporate Budget

- The budget process
- Allocating constrained resources
- Dealing with uncertainty

### The Budgeting Game

### Review Day 1, End of Day Quiz

## Day 2: Management Reports and Capital Budgeting

### Cash Versus Profit

- The difference between cash flow and profit
- The concept & implications of accrual accounting

### Managerial Accounting

- Cash Cost and Full Cost Accounting
- Transfer Pricing: Upstream versus downstream
- Field break even for profit and cash flow
- Unit technical costs

*Break (20 min)*

### Project Investment Analysis

- Risk vs return
- The time value of money
- The cost of capital
- Preparing a discounted cash flow statement

*Lunch (60 min)*

### Ranking Competing Project Investments

- Net Present Value, Internal Rate of Return, Payback
- What ranking criteria do I use and when?
- Capital efficiency – allocating capital to projects

### DCF Case Study: Evaluation of an Oil Field Development Project

*Break (20 Min)*

### Risk & Sensitivity Analysis

- Sensitivity analysis
- Understanding risk management
- Oil price risk, exchange rate risk etc.

### Managing Working Capital

- Cash planning and control
- The cost of excess cash in the business
- Managing payables & receivables

### The Budgeting Game: Results

### Course Review, End of Course Quiz

# James Hay Training and Consulting

## 3-day outline (This version was delivered to ExxonMobil 68 times)

### Day 1: Accounting & Financial Reporting

#### The Value Chain

- Primary activities and support activities
- Finance department responsibilities

#### Key Accounting Concepts

- Double entry accounting
- Capital costs and operating expenses
- Depreciation
- Provisions and accruals

#### The Financial Statements

- The Balance Sheet
- The Profit & Loss Statement
- The Cash Flow Statement

#### Accounting Ratios & Key Performance Indicators

- What are the key financial ratios?
- How to use KPIs to manage the business
- Trend analysis and comparative analysis
- Credit versus Investment analysis

#### The Corporate Budget

- The master budget
- Top down and bottom up budgeting
- Budgeting to constraints and uncertainty

#### The Budgeting Game (Day 1)

End of Day Quiz  
Review Day 1

### Day 2: Financial Analysis and Investment Decisions

#### Cash versus Profit

- The difference between cash flow and profit
- The concept & implications of accrual accounting
- The importance of cash flow to shareholders

#### Making Project Investment Decisions

- The time value of money
- The cost of capital
- Discounted cash flow analysis
- Preparing a discounted cash flow statement

#### Ranking Competing Capital Investments

- Net Present Value, Internal Rate of Return, Payback, Profit to Investment ratio
- What ranking criteria do I use and when?

#### Case Study: Evaluation of an Oil Field Development Project

#### Business Valuation

- The valuation of equity
- Sources of value

#### Risk & Sensitivity Analysis

- Understanding uncertainty & risk
- Sensitivity analysis
- Monte Carlo analysis

#### The Budgeting Game (Day 2)

End of Day Quiz  
Review Day 2

### Day 3: Cash Management & Planning for Value Growth

#### Issues, Techniques & Traps

- Inflation: What are real and nominal cash flows?
- Equivalent annual values.
- Make or buy decisions.
- Lease or buy decisions

#### Managerial Accounting

- What is the cost of production?
- Cash costing and full costing
- When do we shut down a product line/plant?
- Allocating overheads to products
- Activity Based Costing
- Transfer pricing

#### Energy Industry Competitive Advantage

- Upstream Versus downstream KPIs
- Finding Costs, Reserve Replacement Ratios
- Refining Margins, throughput, refinery utilisation

#### Managing Working Capital

- Cash planning and control
- The cost of excess cash in the business
- Managing payables & receivables
- Managing inventory levels and costs

#### Creating Shareholder Value

- Budgeting & planning for shareholder value
- Economic Value Added

#### Course Review, Q&A

