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Measuring the depreciation of the fixed assets of petroleum licensing contracts according to the International Accounting Standard (IAS36) and its reflection on accounting disclosure in Iraq

Between Hamid Jassim
Asst. Prof. Manal Hussein gesture
Faculty of Administration and Economics, Al-Iraqia University
batweenhamed@gmail.com
d.manalalsalmany@gmail.com

Abstract: The research aims to clarify the concept of depreciation of fixed assets, especially fixed assets, petroleum licensing contracts on the one hand, and the presentation and analysis of some accounting standards related to the depreciation of those assets on the other hand, as well as the application of the requirements of the international accounting standard (36) on a sample of extractive companies in Iraq. Despite the issuance of a number of accounting standards that deal with the recognition of losses resulting from the depreciation of fixed assets after subjecting them to specific tests, including the International Accounting Standard (36) "Depreciation of Assets", the extractive companies, especially the research sample companies suffer from the problem of not applying the requirements of the standard International Accounting (36) Although the reality of the situation in these companies indicates that there are many external and internal indicators that indicate a decline in the value of their fixed assets. The study begins by investigating the problem of the possibility of recognizing the depreciation of the fixed assets of petroleum licensing contracts in extractive companies and reporting them in the financial statements.

Keywords: depreciation of fixed assets, licensing contracts, international accounting standards

Introduction

The oil sector is (currently) the main source of revenue in Iraq and an important source for reviving the economy and reconstruction, especially with regard to oil and gas, energy infrastructure and development. The Ministry of Oil is the body responsible for the oil and gas sector of the federal government, including the supervision of investment in this sector and the operation of Infrastructure, planning, recommending and supervising oil policies, and there are five oil companies working in the exploration and extraction sector for oil and gas in Iraq, namely Basra Oil Company, North Oil Company, Central Oil Company, Maysan Oil Company and Dhi Qar Oil Company. Therefore, Iraq conducted five rounds of petroleum licensing. for a year2009, to award service contracts to international oil companies, and to explore and develop oil and gas fields and increase production in them. In view of the high relative importance of the volume of financial transactions of petroleum licensing contracts

(service contracts), the Ministry of Oil has permitted foreign companies to use assets related to petroleum operations, provided that they are owned by national oil extractive companies, while foreign companies have the right to use assets for optimum and unrestricted use for the purpose of carrying out petroleum operations. In accordance with the framework of oil licensing contracts, as well as disclosing the nature of the ownership of assets within the contracts represented by financial spending operations (oil investments in the extractive sector), specifically with regard to assets of high financial value, the most important of which are the assets in petroleum licensing contracts

In view of the tremendous development in the accounting environment and the urgent need for decision makers for the accounting system outputs of information of a level that meets their aspirations and suits that development, and in light of the constant pursuit of professional bodies interested in accounting and its development, foremost of which is the International Accounting Standards Board)IASB) and the Financial Accounting Standards Board (FASB) and their constant endeavor to address accounting problems and keep pace with the development taking place in the economic environment by issuing concept statements and international accounting and financial reporting standards related to addressing various accounting issues, including the issue of measurement and disclosure of the depreciation of fixed assets. And the impact of this on the outputs of the accounting system, as the International Accounting Standards Committee was keen to issue International Accounting Standard No. (36) in (1988) to address the problem of recognition, measurement and disclosure of the depreciation of assets, and in the same regard, the Financial Accounting Standards Board sought to create a kind of Accounting convergence with the International Accounting Standards Board, as it issued in (2001) a statement of concepts (142), which was replaced by a statement of concepts (44) to address the depreciation of long-term assets.

Depreciation of the assets of petroleum licensing contracts, a conceptual introduction

View literature

study aimed (2013Sooriyakumaran and Velnampy) Identifying industrial companies listed on the Colombo Stock Exchange and reporting on the decline in the value of non-current assets and evaluating the impact of this decline on the financial statements. Verify the impact of the decline in the value of assets on the financial statements in terms of the main financial indicators, and a Because machines and equipment have the highest rate of decline, and the impairment loss for non-current assets was a result of it being of low quality. It shows that most companies rely on generally accepted accounting principles and not on international standards. The study showed that the impact of the impairment loss in the value of assets has little impact on the accounting information, as for studying (Laili and Khairi: 2014) Studying the effect of choosing the discount rate on goodwill assessment decisions and verifying opportunistic behavior in documenting the differences between the discount rates used by the economic units of the study sample and the independent estimates of the discount rates that are modified in light of the risks of economic units, analyzing the effect of overestimating The recoverable value of depreciated assets and goodwill, the most important conclusion reached by the researcher is that there is evidence that the preparers of the financial statements use very low discount rates, which leads to an overestimation of the recoverable value of the units of cash and goodwill. The recognition of the impairment loss of assets and goodwill has been postponed in some The economic units are the sample of the study. As for the study (Andre, Dionysiou and Tsalavoutas:2017) aims to find out whether there is a difference between the levels of compliance with disclosure under International Accounting Standard No. (36) and the Accounting Standard. Study the relationship between the levels of compliance with disclosure required under international accounting standards and between managers' opinions and expectations, study and analyze the relationship between average levels of disclosure and

market values, if The most important result reached by the researcher is that compliance with the requirements of mandatory disclosures under international accounting standards is the key in analyst expectations and then building investment decisions and mandatory disclosures provide insight into key accounting matters and lead to more transparent financial statements, which in turn reduces economic uncertainty about units As for the study (Globe: 2020) to identify service contracts in general and in the Iraqi sample and for the research sample in particular, and to suggest accounting treatments and indicate their impact on the list of financial position and the result of the activity ,In addition to calculating some performance indicators and comparing the revenues generated from the production fields by the national effort and the fields of service contracts executed by foreign companies, the researcher reached the most important conclusions that the contracting parties did not activate the full terms of the development and production contract in the Halfaya area, especially with regard to the formation of the Halfaya operating company, And that the contract does not include appointments, a committee to determine the depreciation indicator of assets that may be impaired in accordance with the requirements of IAS 36.

Petroleum licensing contracts

It is an agreement whereby the government gives the contracting oil companies the right to explore oil in a specific area for a specific period of time, provided that the companies compete by submitting bids, whereby the government gives a specific part of the activities in the oil sector with bearing its burdens and risks in return for an agreed share, where the latter gets a part of the revenues generated Whereas the winner recovers all costs with profits set in pre-determined proportions, (Albu Ali,2015, 264) With regard to petroleum legislation in Iraq, it was devoid of finding a definition for petroleum licensing contracts, as well as the oil and gas project for the year 2011. As for the Oil and Gas Law in the Kurdistan Region No. 22 of 2007, it defined it in item 27 of Article One as (a contract concluded or a license Or permission or any leave granted under Article 24 km of this law.[1]Fuel is an advanced form of franchise contracts that emerged in the early twentieth century.

Petroleum licensing contracts are divided into two types. The first type is risk-free service contracts where the state bears all the risks of exploration and development, and the role of the oil unit is to provide services in return for certain fees in the limited region, as is the case in some Middle Eastern countries where there are large capitals and there are no The expertise or technology required to provide services. As for the second type of service contracts, it includes the risks as the oil unit bears the risks of exploration from production. The services provided by the foreign unit to national companies are as follows: (2014:38 Abd Ghadas,) Technical services: Execution of exploration, development and production works in the area specified in the contract, Financial services: The foreign unit provides the necessary funding for the development of the contracted fields, and is recovered when oil is explored and extracted in commercial quantities, and commercial services: The foreign unit markets part of the production and works as an intermediary for the national unit, in return for obtaining sales commissions in some cases. (Al-Halafi, 2013: 88)

Petroleum licensing rounds in Iraq

for a year2003 The Iraqi government began to think 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, it has, since 2009, offered the discovered oil fields to the private sector under Item (Licensing Rounds) The first and second rounds clarified the distribution of giant oil fields to oil companies from

[1] http://wiki.dorar-aliraq.net/iraqilaws/law/20984.html
Source: Kurdistan Chronicle | Issue number:75 | Date: 11/15/2007 | Pages: 37 | Page Number:23

several eastern and western countries such as (Shell, British Petroleum, ExxonMobil and the Chinese CNPC... and others) (Daoud, 12:2016), and the third round has It was dominated by gas fields with small oil fields, and the fourth round included gas and oil exploration contracts (Adafa, 132: 2017). The fourth round was characterized as the first round in which it presented offers for exploration oil fields, developing the country's infrastructure, intensifying drilling operations, and forming exploratory committees compared to the rounds. The previous three, in which she presented artistic performances. (Al-Hilfi, 41:2013), and the fifth round, which came on conditions completely different from the previous round, was suspended. Nevertheless, the investment contracts that were signed through the five rounds, whether with their technical aspects or exploratory applications, represent the beginnings of establishing a new pattern of investment in the oil sector. It is based in terms of general content (Abdul Redha, 2016: 138), on the principles of economic competition with the aim of increasing Iraqi production and export in the foreseeable future. Oil potential in Iraq.Accordingly, the oil extractive companies in Iraq can be divided into foreign companies whose operational work is limited to the stage of exploration and exploration and when commercial production is held with a contract of more than 20 years. Among the foreign companies investing in Iraq are the Chinese Sinoc Oil Company, the Dutch Shell Oil Company, the French Total Company, the company China National Petroleum and others.

The researcher considers that the petroleum licensing contracts signed between the Iraqi Ministry of Oil and the investing foreign companies fall within the above. Therefore, this type of contract can be defined as an oil contract with the parties to the Ministry of Oil as the legitimate owner of the oil wealth represented by one of its oil companies as a first party and the company or coalition of a group of foreign companies As a second party, the first party authorizes the second party to carry out exploration, production and development work within the boundaries of a specific area and during a specified period according to the contract in return for the payment of the costs paid by the second party, adding to it a wage called a pre-determined profitability wage, with the ownership of the oil wealth of the sovereign state remaining.

Accounting treatments in extractive companies in Iraq

There is a conflict in the accounting treatments used in the extractive companies in Iraq for several reasons: (Waqas,2005:50)

- The difference in the vision of the oil companies investing in Iraq for the concept of petroleum licensing contracts and the special accounting issues that arise.
- The difference in accounting concepts from the point of view of the foreign invested companies from the Iraqi operating companies
- The absence of approved and unified accounting rules in the petroleum field

There is no doubt that the above-mentioned differences on accounting treatments in oil extractive companies in Iraq and on the application of the international accounting standard36 Despite the differences in accounting treatments in oil extractive companies in Iraq due to the different vision of petroleum licensing contracts, most of the important accounting companies in science stress the need to account for licensing contracts in accordance with generally accepted in the field of petroleum, which was previously under concession and lease contracts Especially the two methods of successful efforts and total cost.

Technical problems in the application of the international accounting standard36 on oil extractive companies in Iraq

What is meant by technical problems are those related to the applicability of ISPM No36 In light of a number of factors and difficulties that present its application, for example: (Brock et al, 2005: 380)

The indicators mentioned by the criterion number36 On the depreciation of long-term assets, which is the decline in market prices of assets (IAS 36,2017), market prices in the field of oil are determined through the selling of barrels, and the difficulty in the field of petroleum lies in the large fluctuations of oil prices from time to time, while the price of a barrel was Oil in February 2015 was $125, and the price of a barrel became less than $40 in September of the same year. Despite the confessions of major oil production companies of significant impairment losses in application of Standard 36, many companies expected a re-rise in oil prices in the short term, and thus did not recognize any losses due to the decrease in the value of their oil stocks.

Other indications indicating that the value of assets in oil companies is expected to fall is the decrease in management estimates for the stock of proven and recoverable oil reserves.

Another difficulty that faces the application of impairment accounting in petroleum companies is the identification of the cash-generating unit according to the international accounting standard.36. Deloitte, 2016)

The concept of depreciation of fixed assets

There are several definitions for the decline of fixed assets, including as the excess of the carrying value of the carrying amount over the recoverable amount", and the recoverable value is defined as "the fair value less selling costs or the value in use if one of them is higher than the book value", and the objective is to recognize an impairment loss when The recoverable amount of an asset (or cash-generating unit) is less than its carrying amount (Alibhai&et.al,2018:236)

has known American Financial Accounting Standards Board FASB) defined the impairment of non-current assets as "the value of non-current assets decreases when the book value of the asset is greater than the expected future undiscounted cash flows." (Abdullah, 2016:78)

The researchers believe that the decrease in the value of the value of the benefit inherent in the asset as a result of its exposure to fundamental and recurring events over the years of its useful life led to an increase in its book value over its recoverable value when it was measured by an objective measure, and this decrease is inferred by reliable indicators: "The decrease in the value of the underlying benefit in the asset as a result of its exposure." of significant and frequent events over the years of its useful life that led to an increase in its book value over its recoverable amount when it was measured with an objective measure and inferring that decline with reliable indicators.

Economic units must not carry their assets in amounts greater than the recoverable amounts due to the use or sale of the asset, and they must recognize losses in the value of non-current assets by reducing their book value, (Bragg, 2010, 153) The depreciation of assets can be interpreted as "a sudden or unexpected decline in the service of the asset, and this may result from physical damage to the asset, changes in the law governing the acquisition of the asset, or obsolescence resulting from technological innovation (BRAG, 2010, 153). (Saudi Certified Public Accountants,2021: 1048)

Indicators of impairment of fixed assets

Determines ((Nica, & Beşteliu) a set of indicators that indicate the depreciation of fixed assets in its interpretation of International Accounting Standard (36) and divides them into external indicators and internal indicators. These indicators represent the minimum indicators that, if achieved, the economic unit should annually estimate the recoverable amount of its fixed assets. These external indicators are: (Nica, & şteleu,2021:229)

1. The value of an asset is less than expected due to the passage of time or normal use.
2. Significant changes in the asset with a negative impact as a result of the technology, the economic market, the legal environment in which the economic unit operates, or the specific market in which the asset is dedicated to operating.

3. Increases in the market interest rate or market-oriented rate of return that are likely to affect the discount rate used to determine the value in use of the asset and reduce its recoverable amount materially.
4. The book value of the non-current net asset value of the economic unit is greater than its market value.

As for the internal indicators, they are:(Kieso&et.al,2012: 551)

1. Proof of obsolescence or physical damage to the asset or group of assets.
2. Internal reporting evidence that the economic performance of an asset or group of assets will be worse than previously expected

The fact that one or more of the above indicators has been achieved may be a cause for concern about impairment of fixed assets but does not necessarily mean that a formal impairment test should be carried out in every case, although there is no reasonable cause to prevent further consideration of those realized indicators, This may mean that there is a need for continuous follow-up until it is confirmed that the impairment of the asset is realized (Alibhai et.al,2018:237).

Factors that lead to a decline in the value of fixed assets

There are factors that lead to a decrease in the value of non-current assets, so that these factors can be divided into basic factors and secondary factors according to the following: Basic factors:

Factors related to the nature of the asset Factors that lead to a decrease in the value of fixed assets There are factors that lead to a decrease in the value of non-current assets so that these factors can be divided into first, base factors, which are related to the nature of the asset and the traditional concept of extinction, related to technological developments and economic variables, as for secondary factors according to each of Natural disasters, the intent to discontinue or dispose of an asset.

Recognition and measurement requirements for impairment of a fixed asset

The requirements for recognizing the impairment of a single fixed asset and its measurement and identification as a loss are as follows:

The recoverable amount is less than the book value, and therefore it must be reduced by the amount of the decrease in the value of the asset, and the amount of the decrease is recognized as impairment loss in the value of assets in the income statement. (Abu Nassar and Hemeidat,2014:507)

- When the estimated amount of impairment loss for a fixed asset is higher than the carrying amount for that fixed asset, the unit must recognize that if required by any other international accounting standard.
- After recognizing an impairment loss, the depreciation amount of the fixed asset must be adjusted in future periods to allocate the carrying amount less its residual value (if any) on a regular basis over its remaining useful life.
- If a fixed asset revalued according to the revaluation model in International Accounting Standard No.16) to decrease, and there was a revaluation surplus recognized in the previous periods. The impairment losses in the value of the fixed asset are treated by deducting it from the revaluation surplus account, and in case the value of the impairment loss exceeds the balance of the revaluation surplus, the increase amount is recognized as an impairment loss in the income statement. (Nangih, at e,2015:63)

It is clear from the foregoing that if an impairment loss was recognized for a fixed asset in a previous financial period or periods, and during the subsequent financial period or periods, the fair value of the asset increased from its recorded book value, then in this case the increase is recognized as income in the income statement within the limits of the balance of the retained

impairment loss from previous periods. Based on this treatment, the book value is increased to appear at its fair value.
The objective of this standard is to indicate the procedures applied by economic units in registering their assets, not exceeding their recoverable amount, but if the asset is described as depreciating in value, the procedure according to this standard requires that the economic unit recognize the losses of depreciation of the fixed asset and that it be disclosed. According to the international accounting standard IAS 36 The economic unit at the end of each financial period has to re-evaluate the probability that the value of the fixed assets decreased and estimate the recoverable amount, and this is done by comparing the book value with the recoverable amount at the end of each accounting period. And if the accounts show that the original recoverable amount is greater than its carrying amount, the economic unit does not need to re-evaluate the recoverable amount. (Mana'a & Mujil, 14:2020)

Impairment losses are recognized if the recoverable amount is less than its book value, the book value must be reduced by the amount of the difference and this loss is treated as an expense in the income statement. After recognizing losses, the depreciation amount must be adjusted in future periods, as the revised carrying amount of the asset will be depreciated minus the residual value over the remaining useful life. (Ernst and Young's,2011:60)

And as mentioned in the International Accounting StandardIAS16 Property, plant and equipment, which is the basis for the International Accounting Standard IAS36 Impairment of assets. In the two standards, the assessment of assets was addressed according to the revaluation model because of its clear and tangible importance in the literature and international accounting policies, while the unified accounting system did not address Or take into account this model in any way, and the same is the case for the Iraqi accounting rules did not address any procedures or instructions regarding the revaluation model or the depreciation of fixed assets.

We conclude from this that there is no significant agreement between the accounting treatments for depreciation of assets for petroleum licensing contracts in accordance with the unified accounting system and the international accounting standard. IAS 36.

Requirements for disclosure of impairment of assets in petroleum licensing contracts

Select Standard IAS 36 that the company disclose in the financial statements the assets that have been impaired, as IAS36 indicates that the company should disclose each category of fixed assets, and it includes reporting the loss in the impairment of assets and settlement of the loss in the impairment of assets that have been recognized In the income statement and in the statement of financial position (IASB, 2008, IAS 36, Par. 127), and in general, there are disclosures about assets and there are special reports on the issue of impairment of assets. The general disclosures about assets is the reporting of the measurement basis used, which is either the historical cost or the alternative. The permitted 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 of any additions or write-offs in non-current assets and any restrictions on property and any assets pledged as security with third parties.As for the disclosures related to the impairment of assets, it was determined by IAS36 and my agencies (Abu Nassar & Hemeidat, 2018: 443)

- 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.

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- If impairment losses are recognized for a single asset or cash-generating unit or impairment losses are settled during the period and are material to the financial reporting company, the company should report in these reports the events and conditions that led to the recognition and settlement of the impairment loss and the amount A loss and reversal of an impairment loss recognized.

The method of work

Applying the requirements of International Accounting Standard No.36) on the economic unit purely sample:

Fixed assets are revalued based on the criterion (Consider the cumulative depreciation of those assets, since the recorded amount of the company's net assets during the year / 2013 is higher than its market capital. It was noted that there was an exaggeration in the prices of these assets compared to their counterparts in the international markets, because the Chinese investing company deals with equipment with high costs and less developed than the equipment in the global markets at the time due to its high costs, which double due to the security situation and the increase in the dangers surrounding the introduction of these materials and equipment into Iraq to deteriorate the situation security during 2014 and beyond.

The table shows (1) The percentages of the decrease in the fixed assets of petroleum licensing contracts by percentages between (25%-35%) after additions for the years 2013, 2014 and after subtracting the accumulated depreciation for the three years:

Table (1) Fixed asset depreciation ratios

Asset value as in12/31/ 2015	Added assets 2014+2015	fair value of assets2 013 (1-2)	the differenc e Amount (decreas e or increase) 2-3)	deprec iation premi um%	Accum ulated depreci ation for three years (3)	the amount of decreas e 35% (2)	Additio ns for the year/20 13 (1)	the details
2572539 82009	197228184 421	600257 97588	(184694 76181)	5	138521 07135	323215 83316	923473 80904	buildin gs
5514367 0478	293036050 90	258400 65388	(198769 7337)	10	119261 84025	139138 81362	397539 46750	Stores
2342241 12052	170072282 732	641518 29320	(493475 6101)	10	296085 36609	345432 92710	986951 22030	lockers
1735528 1207	118170643 35	553821 6872	(170406 6729)	5	127805 0047	298211 6777	852033 3649	Reside ntial faciliti es
5119272 7568	135568859 00	376358 41668	(193969 338974)	5	868519 4231	202654 53205	579012 94873	Other faciliti es
1060198 290780	668619164 680	391579 126100	4894739 0605	10	146842 172355	978947 81750	489473 907850	Wells2 5%
7286015 93746	630876946 225	977246 47521	(751728 0578)	10	451036 83471	526209 64049	150345 611570	roads and bridges

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2403969657840						254542073169		decline
11608545603	8601106788	3007438815	462682895	15	2082073025	1619390130	4626828945	bridge scales
47760947015	25152245960	22608701055	3478261701	15	15652177653	12173915952	34782617007	number and laboratories
79301527420	48733137934	30568389486	4702829152	15	21162731182	1645992030	47028291516	repair shops
22139237607	14206861300	7932376307	(610182792)	10	3661096757	4271279549	12203655856	Electric generators
122750508341	29137557416	9361295925	(7200996225)	10	43205977350	50406973575	144019924500	Cranes and cranes of all kinds
61832222278285	436480892228	181841386057	48491036281	15	109104831634	60613795353	242455181410	Field drilling equipment and towers
491403756169	339 241224159	152162532010	40576675202	15	91297519206	50720844004	202883376014	Oil and gas pipelines25%
1393286800440						196266100593		low machines
24963509612	6563527797	18399981815	(1415383216)	10	.8492299299	9907682515	28307664330	passenger transport
31959211225	4408639130	27550572095	(2119274776)	10	12715648659	14834923435	42385495530	Transport of goods
55627176200	9676583876	45950592324	(3534660948)	10	21207965688	24742626636	70693218960	Other transfer

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563165737587	145280321355	417885416232	111436110995	15	250731249738	139295138743	557180554975	Oil and gas pipelines outside the field25%
675715634624						188780371329		drop move

Asset value as in12/31/2015	Added assets 2014+2015	fair value of assets2013 (1-2)	the difference Amount (decrease) or increase	depreciation premium%	Accumulated depreciation for three years	the amount of decrease 25%	Additions for the year/2013	the details
1060198290780	668619164680	391579126100	48947390605	10	146842172355	122369769622	489473907850	Wells
6183222278285	436480892228	181841386057	48491036281	15	109104831634	60613795353	242455181410	Field drilling equipment and towers
491403756169	339241224159	152162532010	40576675202	15	91297519206	50720844004	202883376014	Oil and gas pipelines inside the field
563165737587	145280321355	417885416232	111436110995	15	250731249738	139295138743	557180554975	Oil and gas pipelines outside the field

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2733090062821	1589621602422	1143468460399	249451213083		597975772933	372999547722	1491993020249	Total

According to Table No. (), it was observed that the market value of the above assets actually increased despite the decrease in the value of their counterparts at the initial purchase, but the high rates of consumption and their significant obsolescence led to a rise in their market value, in addition to their great importance in the continuity of the field's work and the delivery of its production to export ports or to destinations Beneficiary of oil and gas produced in the field.

And when applying the international standards related to the issue of low cost of a fixed asset, represented by the caliber of (IAS 36), which recommended adjusting the real value of the asset and recognizing the realized loss due to the decrease in its market value. Table No. (18) 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 (from Table No. 1)

Record depreciation of stores

11926184025 from h / accumulated depreciation

1987697337 from h/ re-evaluation losses of petroleum licensing contracts assets

13913881362 to h/stores

The depreciation of the bridge balances

2082073025 from h / accumulated depreciation

1619390130 to h / bridge scales

462682895 to h/ profits revaluation of assets of petroleum licensing contracts

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Total	Means of transport	The machines and the equipments	Buildings and constructions	lands	the details
2949479793884	824336786185	887926340743	122216666956	15000000000	Balance at the beginning of the period
2178080844111	40159219768	701626560290	1436295064053	--	+ Additions
(639588545091)	(188780371329)	(196266100593)	(254542073169)	--	- drop
4487972092904	675715634624	1393286800440	2403969657840	15000000000	Balance at the end of the period
625956987247	213878975009	219738878157	192339134081	-	consumption complex first period
596810080506	121572644410	228454820199	246782615897	-	consumption period
(836609498064)	(293147163384)	(286166406807)	(257295927873)	-	exclusions
3861575696889	42304456035	162027291549	181825822105		Accumulated depreciation at the end of the period
4101814523215	633411178589	123125950889 1	222214383573 5	15000000000	Net book value

Source: Prepared by the researcher based on the data of the Central Oil Company
The depreciation of the wells has restricted petroleum licensing contracts
146842172355 from h / accumulated depreciation
60613795353 to H/ Wells Petroleum licensing contracts
48947390605 to h/ profit re-evaluation of the petroleum licensing contracts 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 to treat it directly from its historical cost are established directly. Final entries are established and the cost of the asset is reduced. As for the valuation profits and losses, they are processed by treating the decrease within the profit and loss account for the same year.
Table No. (2) Disclosure of the assets of petroleum licensing contracts in the financial statements for the year /2015

Total	Means of transport	The machines and the equipments	Buildings and constructions	lands	the details

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2949479793884	824336786185	887926340743	122216666956	15000000000	Balance at the beginning of the period
2178080844111	40159219768	701626560290	1436295064053	--	+ Additions
(639588545091)	(188780371329)	(196266100593)	(254542073169)	--	- drop
4487972092904	675715634624	1393286800440	2403969657840	15000000000	Balance at the end of the period
625956987247	213878975009	219738878157	192339134081	-	consumption complex first period
596810080506	121572644410	228454820199	246782615897	-	consumption period
(836609498064)	(293147163384)	(286166406807)	(257295927873)	-	exclusions
3861575696889	42304456035	162027291549	181825822105		Accumulated depreciation at the end of the period
4101814523215	633411178589	123125950889 1	222214383573 5	15000000000	Net book value

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

The form includes Table No. () in the above display of fixed assets based on international standards, whose initial costs were calculated according to the paragraphs listed within those standards, after the assistance of some workers in the oil sector who have the knowledge and experience in calculating the details of the costs of each type of fixed assets transferred to the company according to contracts Petroleum licensing rounds, and the amount of the decrease in those assets was calculated and directly excluded and restrictions were established in it to arrive at the cost of the fixed assets as in12/31/2015.

Capital and retained earnings

The two researchers' 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

= beginning balance + total balances added for the years2013, 2014 and 2015 petroleum licensing contracts assets

+12000000000 +2338604406669 +610875387215 +2178080844111 = 5139560637995 Capital balance as at 31/12/2015

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Note that it is not reduced The capital when the value of assets decreases because the decrease is settled directly within the accounts of assets and profits and losses for the same fiscal year. 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 in1/1/2013 19707156713
+ Additions (realized profits) for the year /2013 21141103759
+Additions (realized profits) for the year/2014 8445277789
+ Additions (realized profits) for the year /2015 19495014254
Total retained earnings or reserves as in12/31/2015 68788552515

Note that all 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, petroleum licensing contracts, whose costs have been added to the capital.

As for the presentation of the partial financial position statement for the company for the year ending in December 31, 2015 it will be as in the following table No. (20):

Table No. (3) The company's partial financial position statement for the year ending in12/31/2015

Comparison before and after applying the standardIAS36

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

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We had the reduction rates available at the end of the period, so the comparison will be made with the standardIAS36 at the end of the period, i. e. for the year 2015 only, and the results are as in the table (4)

Table (4) shows the ratios test Z between book value before and after reduction as per IAS36

indication	pedigree testZ	%	Book value after discount	%	Book value before discount	
There are differences in favor of a standardIAS36	279.34	45.5	2222143835735	54.5	2658511731009	Buildings and constructions
There are differences in favor of a standardIAS36	301.69	43.6	1231259508891	56.4	1589552901033	The machines and the equipments
There are differences in favor of a standardIAS36	267.02	42.3	633411178589	57.7	864496005953	Means of transport
There are differences in favor of a standardIAS36	477.49	44.4	4101814523215	55.6	5127560637995	Total

Values Tabular Z at significance level (0.05) = 1.96

Through the table (4) we notice that there are significant differences between the standard accounting system for the book value before and after the reduction according to the standardIAS36 in general and in favor of the IAS36 standard, where we note a decrease in the percentage from (55.6%) to (44.4%). We also note that there are differences for each of the buildings, constructions, machinery, equipment and means of transportation, all in favor of the IAS36 standard. As for the percentages of reduction, they were as follows:

Buildings and constructions from (54.5%) to (45.5%)

machinery and equipment from56.4%) to (43.6%)

transportation from (57.7%) to (42.3%)

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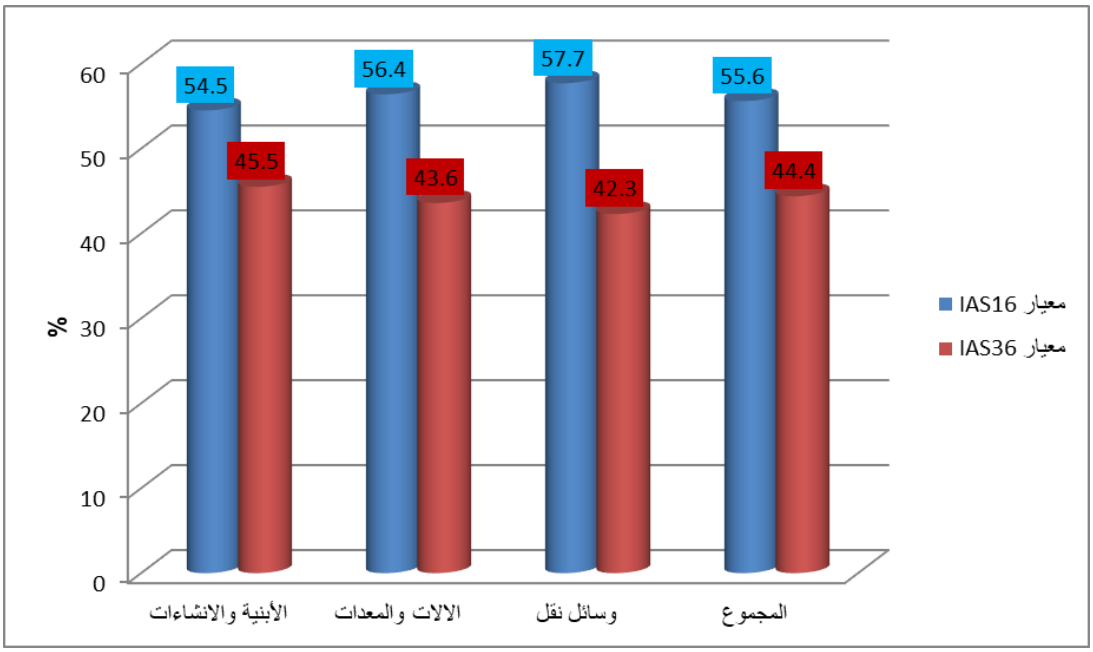

Figure (1) shows the differences in the ratios of the book value of each variable

From the above results, it is clear that the standardIAS36 is the best, and from the above, the majority of the achieved results indicate the effectiveness and efficiency of accounting systems and methods of calculating costs for fixed assets when using accounting standards and the fact that they provide realistic, more accurate and reliable information, increase transparency and raise financial reporting disclosure to distinguish the accounting information provided by the company as reliable information It is understandable, characterized by consistency, materiality, and impartiality, and it is comparable and presented within the specified times to benefit from it. Accordingly, the research hypothesis was proven that the application of depreciation of assets to petroleum licensing contracts in accordance with international financial reporting standards for petroleum licensing contracts in the Iraqi environment leads to proper measurement and disclosure of the center list. As a result of the activity, as it increased the disclosure of financial reporting, the international standards aim to find a common accounting language, through which business and accounts can be conducted between one company and another and between one country and another. International standards are beneficial for both companies and investors, as they increase investor confidence in companies with transparent and reliable business practices.

Conclusion

From the above discussion, we conclude that the preparation of the financial statements for petroleum licensing contract assets under international accounting standards in accordance with the standard (36), the presentation of the financial statements will enable comparisons to be made between the financial statements of previous periods and the financial statements of the fixed assets of petroleum licensing contracts. In addition to the work, the application of the depreciation of fixed assets and an important role in the fairness of the measurement of assets in the oil extractive companies in Iraq. It can be recommended to adopt international accounting standards in oil extractive companies to achieve fairness in measurement and disclosure of financial reports. It is important to form specialized committees by the Accounting and Auditing Council and in coordination with the General Petroleum Corporation (GPC) to study the method and mechanism of applying International Accounting Standard No. 36 in petroleum companies. The assets

and that the contract assets may be subject to impairment in value in accordance with the requirements of IAS36 International Accounting Standard. There are differences in the book value before and after the reduction according to the criteriaIAS36 for all variables and in favor of the IAS36 standard, with a reduction rate of (9%) for buildings and construction, (12.8%) for machinery and equipment, and (15.4%) for means of transportation.

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