## An LDI Training Program

# Intermediate PSC & Gross Split Accounting

**Understanding Production Sharing Contract, Gross Split, Entitlement, and Financial Quarterly Reporting**

*by*

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**COURSE DESCRIPTION**

Production Sharing Contract (PSC) remains the backbone of Indonesia's upstream petroleum fiscal regime. Although the introduction of the Gross Split PSC has significantly changed the fiscal mechanism, both PSC Cost Recovery and PSC Gross Split continue to coexist in Indonesia. Consequently, finance, accounting, commercial, and petroleum professionals are required to understand both systems comprehensively.

This intermediate-level program provides participants with a practical understanding of PSC accounting, production sharing calculations, entitlement determination, lifting reconciliation, and Financial Quarterly Reporting (FQR). The course emphasizes not only theoretical concepts but also practical calculations and accounting treatments frequently encountered in daily operations within oil and gas companies.

Participants will gain a clear understanding of the business philosophy behind PSC Cost Recovery and Gross Split, the accounting implications of each fiscal regime, and the preparation of financial information required by management, partners, and regulators.

The program is heavily supported by practical exercises and real-life upstream petroleum case studies.
The syllabus is developed based on the uploaded training materials covering:

- Fundamental Principles of PSC
- Financial Terms under PSC Cost Recovery
- PSC Cost Recovery Calculation
- PSC Gross Split
- PSC Gross Split vs PSC Cost Recovery comparison, with additional intermediate-level modules on Entitlement Accounting and Financial Quarterly Reporting (FQR).

## LEARNING OBJECTIVES

Upon completion of this training, participants will be able to:

- Understand the philosophy and business principles of Production Sharing Contracts.
- Explain the financial mechanisms of PSC Cost Recovery and PSC Gross Split.
- Perform PSC Cost Recovery calculations.
- Perform PSC Gross Split calculations.
- Understand contractor and government entitlement.
- Calculate production entitlement and lifting allocation.
- Perform over-lifting and under-lifting reconciliation.
- Understand accounting treatment under both PSC regimes.
- Prepare Financial Quarterly Reports (FQR).
- Analyze the financial implications of PSC accounting on corporate financial statements.
- Interpret PSC financial information for management decision making.

## TARGET PARTICIPANTS

This program is designed for:

- Finance Managers
- Accountants
- Financial Controllers
- Commercial Analysts
- Production Accountants
- Petroleum Economists
- Internal Auditors
- Tax Professionals
- Government Relations Officers
- Joint Venture Accountants
- SKK Migas Personnel
- KKKS Personnel
- Consultants
- Banking and Investment Professionals

## DAY 1

**Fundamental PSC & Cost Recovery Accounting**
**Session 1**
**Introduction to Indonesia's Upstream Petroleum Fiscal System**

- Overview of Indonesia's Upstream Oil & Gas Industry
- Petroleum Fiscal Systems
- PSC Evolution in Indonesia
- Cost Recovery PSC
- Gross Split PSC
- Current Regulatory Environment

**Session 2**
**Fundamental Principles of Production Sharing Contract**
Topics include:
- PSC as a Business Contract
- Risk Allocation
- Exploration and Exploitation Risk
- Financial Capability
- Management by SKK Migas
- Project-Based Accounting
- Ring Fence Principle
- Full Cycle Economics
- Split Before Tax Concept
- Annual Split in Kind
- Four Dimensions of Cost Treatment

Workshop
- Discussion of PSC business philosophy
- Case discussion

These topics directly follow the concepts presented in the uploaded "Fundamental Concepts within PSC" material.

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**Session 3**
**Financial Terms under PSC Cost Recovery**
Detailed discussion:
**Revenue**
- Lifting
- Sales
- Pricing
- Gross Revenue

**First Tranche Petroleum (FTP)**
- Objectives
- Calculation
- Government FTP
- Contractor FTP

**Cost Recovery**
- Philosophy
- Recoverable Cost
- Non-Recoverable Cost
- Capital Cost
- Operating Cost
- Exploration Cost
- Development Cost
- Unrecovered Cost

**Investment Credit**
**Interest Cost Recovery**
**Domestic Market Obligation (DMO)**
**DMO Fee**
**Signature Bonus**
**Production Bonus**

This section follows the financial terms contained in the uploaded PSC Financial Calculation material.

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**Session 4**
**PSC Cost Recovery Accounting**
Accounting treatment of:

- Capital Expenditure
- Operating Expenditure
- Depreciation
- Asset Recognition
- Cost Classification
- Recoverable Cost
- Non-Recoverable Cost
- Journal Entries

Workshop
Accounting exercises

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**DAY 2**

**Production Sharing Calculation & Entitlement Accounting**
**Session 5**
**PSC Cost Recovery Calculation**
Step-by-step calculation:

- Revenue
- FTP
- Recoverable Cost
- Equity to be Split
- Contractor Share
- Government Share
- Taxable Income
- Income Tax
- Net Contractor Take

Hands-on calculation workshop using comprehensive PSC Cost Recovery cases derived from the training material.

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**Session 6**
**Entitlement Accounting**
This is a new intermediate module added to strengthen practical accounting competencies.
Topics include:
**Understanding Entitlement**

- Definition of Entitlement
- Legal Basis
- Production Allocation
- Government Entitlement
- Contractor Entitlement

**Equity Entitlement**

- Oil Entitlement

- Gas Entitlement
- Lifting Allocation

**Lifting Reconciliation**

- Production
- Inventory
- Lifted Volume
- Entitled Volume

**Under-Lifting**

- Causes
- Accounting Treatment
- Financial Statement Impact

**Over-Lifting**

- Causes
- Accounting Treatment
- Financial Statement Impact

**Joint Venture Entitlement**

- Partner Allocation
- Equity Distribution
- Working Interest Allocation

Workshop

- Entitlement Calculation
- Over-lifting Case
- Under-lifting Case
- Monthly Entitlement Reconciliation
- Journal Entries

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**Session 7**

**Practical Workshop**

Participants will perform complete calculations from:

Production
↓
Revenue
↓
FTP
↓
Cost Recovery
↓
Equity to be Split
↓
Government Share
↓
Contractor Share
↓
Tax
↓
Entitlement
↓
Accounting Entries

**DAY 3**

**Gross Split Accounting & Financial Quarterly Reporting**
**Session 8**
**PSC Gross Split**
Topics include:
**Philosophy of Gross Split**
**Petroleum Fiscal Reform**
**Base Split**
**Variable Split**
**Progressive Split**
**Ministerial Discretion**
**Contractor Split**
**Government Take**
**Revenue Recognition**
**Contractor Take**
**Income Tax**
This session follows the Gross Split calculation framework contained in the uploaded presentation.

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**Session 9**
**PSC Gross Split Accounting**
Topics include:

- Revenue Recognition
- Cost Recognition
- Capital Expenditure
- Operating Expenditure
- Depreciation
- Tax Treatment
- Financial Reporting
- Comparison with Cost Recovery Accounting

Workshop
Comparison between:
PSC Cost Recovery
vs
PSC Gross Split
including financial statement impacts.

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**Session 10**
**Financial Quarterly Report (FQR)**
**New Intermediate Module**
**Introduction to FQR**

- Purpose
- Regulatory Reporting
- Internal Management Reporting

**Structure of Financial Quarterly Report**

- Executive Summary
- Production Report

- Lifting Report
- Revenue Report
- Cost Report
- Capital Expenditure Report
- Operating Expenditure Report
- Cost Recovery Report
- Entitlement Report
- Cash Position
- Budget vs Actual Analysis

**Supporting Schedules**

- Production Schedule
- Lifting Schedule
- Revenue Reconciliation
- Cost Recovery Schedule
- Joint Interest Billing
- Cash Call
- Partner Billing
- Outstanding Receivable

**Variance Analysis**

- Budget vs Actual
- Production Variance
- Cost Variance
- Revenue Variance

**Financial Indicators**

- Unit Operating Cost
- Cost Recovery Ratio
- Contractor Take
- Government Take
- Lifting Efficiency

Workshop

Participants prepare a simplified Financial Quarterly Report using PSC operational and financial data.

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**Session 11**

**Integrated Case Study**

Participants will complete an end-to-end case involving:

- Production Data
- Revenue Calculation
- FTP
- Cost Recovery
- Gross Split
- Contractor Entitlement
- Government Entitlement
- Over-Lifting
- Under-Lifting
- Accounting Entries
- Financial Quarterly Report Preparation
- Financial Analysis
- Group Presentation

## PRACTICAL EXERCISES

Throughout the three-day program, participants will complete practical exercises on:

- FTP Calculation
- DMO Calculation
- DMO Fee Calculation
- Cost Recovery Calculation
- Investment Credit
- Interest Cost Recovery
- Depreciation
- Equity to be Split
- Government Share
- Contractor Share
- Income Tax
- Gross Split Calculation
- Entitlement Calculation
- Under-Lifting
- Over-Lifting
- Journal Entries
- Financial Quarterly Report Preparation
- Financial Statement Analysis

## EXPECTED LEARNING OUTCOMES

By the end of this program, participants will be able to:

- Explain the business principles underlying PSC Cost Recovery and PSC Gross Split.
- Perform complete production sharing calculations under both fiscal systems.
- Apply accounting treatments for PSC Cost Recovery and Gross Split transactions.
- Calculate contractor and government entitlement accurately.
- Reconcile production, lifting, and entitlement balances, including over-lifting and under-lifting.
- Prepare key accounting journal entries related to upstream petroleum operations.
- Develop and analyze a Financial Quarterly Report (FQR) using operational and financial data.
- Evaluate the financial performance of upstream petroleum projects under different PSC regimes.
- Support internal management reporting, joint venture accounting, audits, and regulatory reporting through accurate PSC accounting and financial analysis.

This expanded syllabus is positioned at an **intermediate professional level**, providing a logical progression from PSC fundamentals to practical accounting applications, entitlement reconciliation, and Financial Quarterly Reporting, making it well suited for finance, accounting, commercial, and petroleum professionals working with Indonesian Production Sharing Contracts.

**Duration:** 3 Days (24 Training Hours)
**Training Methodology:**

- Interactive Lectures
- Case Studies
- Guided Exercises
- Group Discussions
- Calculation Workshops
- Real PSC Case Analysis
- Q&A Session

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## *Your Course Leader*

Dr. A. Rinto Pudyantoro is a expert in the upstream oil and gas sector with over 31 years of professional experience. His career includes key roles at Vico Indonesia (10 years), BP Indonesia (4 years), and strategic positions at BP Migas and SKK Migas, where he served as Senior Manager for Revenue Accounting, Taxation, and Head of Papua-Maluku operations. Before retiring, he led the Program and Communications Division of SKK Migas.

He is the author of several books on oil and gas economics and policy, including *A to Z Bisnis Hulu Migas* (2012), *Proyek Hulu Migas: Analisis dan Evaluasi PetroEkonomi* (2014), *Dialog Tanya Jawab Migas* (2015), *Bisnis Hulu Migas* (2019), and *Kebijakan Perpajakan: Optimalisasi Insentif & Keseimbangan Fiskal* (2019, with the Fiscal Policy Agency), among others.

Dr. Rinto holds a bachelor's degree in Accounting from Gadjah Mada University (UGM), a master's in International Finance from IBII Jakarta, and a Ph.D. in Resource Economics from IPB University. He currently serves as a senior lecturer and Chairman of the Center for Business and Economics of Petroleum and Energy Studies (C-BEPES) at Pertamina University. Since 2005, he has actively led training programs in resource economics, petroleum economics, fiscal and regional economics, PSC accounting, project economics, budgeting, and international petroleum accounting.