Meeting Minutes
IADC Accounting Issues/Procedures Committee
14 June 2018, 2-4pm
International Association of Drilling Contractors
10370 Richmond Ave., Ste., Houston, TX 77042

Agenda Item: Next meeting & Location
The next meeting date will be on September 20, 2018 at the IADC new location from 2 to 4pm, 3657 Briarpark, Ste 200, Houston, TX 77042. This is subject to availability and will be disclosed when confirmed.

Note: Anti-Trust Statement
It is the policy of IADC committees that no discussion of any specific proprietary information will be exchanged. It is also strictly forbidden that any promotion of or solicitation for participation in agreements between IADC members be allowed.

Agenda Item: “Update from the Revenue Recognition and Lease Subcommittee” – Kelly Bludau, Chairwoman of the Committee, Parker Drilling, began the meeting with the latest developments regarding the drilling industry’s direction for applying the new lease and revenue standards. Kelly stated that there were no new developments or new guidance regarding the interpretation of the new standards. Kelly stated that the service piece of the drilling contract was the predominant aspect and application of the standard was more focused on 606 rather than on 842 sections of the standard. Kelly stated that no new definition of predominance was available from audit firms or the FASB. We are waiting for final guidance regarding predominance. Kelly believes that the audit firms are leaning toward qualitative assessment for direction on the application of the standard.

Agenda Item: “Shore-based cost classification – G&A vs. Opex” – The committee discussed the accounting treatment of certain General and Administrative costs vs. billable operating expenses. Some committee members expense all G&A costs and they are not included in billable costs. Some stated that some G&A costs were allocated to contract billing. Some members stated that corporate headquarters G&A were not billable.

Agenda Item: “Customer requests to split the day rate – Lease vs. Non-lease component” – The committee discussed whether their customers were asking for more details regarding the allocation of lease and non-lease portions of the drilling contract day rate. Most stated that those requests are denied because it discloses too much profit margin information. Kelly proposed that the committee discuss this topic at the next committee meeting.

Agenda Item: “Other Matters” – The committee discussed whether any members had received SEC comment letters and what the subject of those letters were. There were few who had received letters and no new information could be shared. The committee briefly discussed the use of lease accounting software. Some use Excel to track and account for lease accounting activity and other’s use software specifically designed for lease accounting.

After a full discussion of the agenda topics the committee was adjourned.
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