

Financial Reporting Center – Revenue Recognition

Working Draft: Gaming Revenue Recognition Implementation Issue



Issue #6-8a: Loyalty Credits and Other Discretionary Incentives (Excluding Status Benefits)

Expected Overall Level of Impact to Industry Accounting:
Significant

Wording to be Included in the Revenue Recognition Guide:

Accounting for Nondiscretionary Incentives Issued in Conjunction with Gaming/Nongaming Activity

1. A casino customer is a member of that casino operator's customer loyalty program. The casino operator's customer loyalty program grants points to the customer based upon play that has been completed (usually contemporaneous with such play). Once earned, such points can be redeemed by the customer for a number of different types of incentives which could include free play, cash, complimentaries, or other goods or services. The terms "discretionary" and "nondiscretionary" are defined in accordance with an entity's business practices (definitions provided in Appendix 1 herein). Accordingly, if such practice becomes customary such as by providing these incentives to specific customers and in turn the customer now understands or has a reasonable expectation that they can expect specific benefits from the entity, such practices would indicate that the program is nondiscretionary in nature.
2. Assume that a customer played \$10,000 on a slot machine, received \$9,300 in cash payouts, and earned 10,000 points entitling them up to \$100 of incentives. For purposes of simplicity, there is no assumed expected breakage¹ in this example.
3. Gaming entities are generally able to understand individual customer characteristics of play depending upon the type of gaming activity. For instance, if a loyalty customer inserts his card into a slot machine, the gaming entity will be able to monitor and accumulate the volume of that customer's play and will be able to award loyalty points based upon that activity. For table games, if a loyalty customer presents his card at the table, the gaming entity will generally capture the duration of play and the cash amount exchanged for gaming chips and the amount cashed out at the completion of wagering activity. However, for table games, the amount of loyalty credits awarded to the customer is subject to more judgment, as it is based upon the casino's estimation of a customer's average wager in addition to the more objective

¹ Breakage (customers' unexercised rights) are addressed in ASC 606-10-55-46 to 49.

criteria as to the amount at risk, duration of play and type of game. After such judgmental information is captured, the gaming entity generally will follow a pre-defined methodology in which to award loyalty points.

5-Step Analysis

Identify the Contract with a Customer

4. See the analysis included in “Example 1 – Table Games Transaction” in Gaming Industry Revenue Recognition Implementation Issue # 6-1: *Definitions: The Terms “Win” and Gross Gaming Revenue*.²

Identify the Performance Obligations in the Contract

5. FinREC believes the performance obligations in a slot machine wagering transaction where the customer also earns loyalty credits are distinct as described by FASB ASC 606-10-25-19a because the customer can benefit from the outcome of the wager immediately upon the conclusion of the spinning of the slot machine reels and the customer is able to benefit in the future from the loyalty credits separate from the gaming transaction. FinREC also believes the criteria described by FASB ASC 606-10-25-19b have been met because, with respect to the \$10,000 wagered, the gaming entity has an obligation to honor the outcome of the wager if the customer wins and the customer will forfeit his/her wager if the customer does not win. In addition to the wager (which is the primary gaming performance obligation in this and all further examples), the nondiscretionary incentives available to the gaming customer as a result of the loyalty program (free play, cash, complimentaries, or other goods or services, or loyalty credits which can be redeemed for those incentives) represent material rights that also would be performance obligations.

Free Play, Cash, Complimentaries, or Other Goods and Services and Loyalty Credits which can be redeemed for such goods and services (collectively, “Incentives”)

6. FASB ASC 606-10-55-41 to 55-44 indicates that if a customer option under a contract (specifically including sales incentives and customer award credits or points) provides a customer with a material right it gives rise to a performance obligation to which an entity must allocate a portion of the transaction price. As explained in paragraph 12 of FASB/IASB TRG Agenda Ref 54: *Considering Class of Customer When Evaluating Whether a Customer Option Gives Rise to a Material Right*, “stated differently, the guidance in paragraphs 606-10-55-42 through 55-43 is intended to make clear that customer options that would exist independently of an existing contract with a customer do not constitute performance obligations in that existing contract.”
7. Nondiscretionary loyalty programs have become a material part of gaming entity marketing activities and gaming entities believe their customers included in these loyalty programs alter their behaviors based upon the nature, amount, and timing of benefits received under nondiscretionary loyalty programs. Often gaming entities are able to monitor and accumulate customer activity through the use of their loyalty program, which provides a deeper understanding of customers and enhances their ability to further market to customers in general. Even though each loyalty credit awarded to a customer may represent only a small component of any individual transaction (i.e, common rates are in the range of 1% of the amount wagered), the overall magnitude of these programs is generally material to gaming entities. Based on the overall size, the qualitative assessment of the marketing impact of such programs to gaming entities and the related value placed on such programs by customers, FinREC believes nondiscretionary incentives provide a material right to a customer that the customer would not receive without entering into that contract, and therefore is a performance obligation of the contract³.

Determine the Transaction Price

² Note that consistent with the way casino gaming is conducted, the transaction price for gaming transactions can vary significantly and cannot be reasonably estimated on an individual transaction basis. The conclusions reached in Issue # 6-1: *Definitions: The Terms “Win” and Gross Gaming Revenue*, acknowledge this. Within the context of the casino’s contract with a gaming customer the casino is providing the customer with a “gaming experience” including the gaming facilities, the conduct of the games by qualified personnel, properly structured casino games and making good on any wagers won by the customer. Accordingly while in the context of the discussion noted herein it is easiest to form the contract in terms of individual wagering transactions, there are often additional complexities to arrangements made with a customer that may warrant consideration of multiple wagers by a customer over a short period of time in order to appropriately consider and allocate revenue to varying revenue centers consistent with the separate performance obligations of the casino in the contracts.

³ This analysis is consistent with View B under question 2 in FASB/IASB TRG Agenda Ref No.6: *Customer options for additional goods and services and nonrefundable upfront fees*.

8. FinREC believes the total transaction price is equal to the amount wagered by the customer, which would be \$10,000 less the amounts returned to (won by) the customer, or \$9,300 in this example. This belief is based upon an assessment of ASC 606-10-32-25, which states that an entity shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service (as described in paragraphs 606-10-25-18 through 25-22) that the customer transfers to the entity. Because the amounts returned to the customer are not in exchange for distinct goods or services, FinREC believes these are a reduction to the transaction price. Thus the transaction price, based upon the above is \$700.
9. Because of the nature of the transactions in the gaming industry, it is possible for a gaming entity to have no or even have negative revenue associated with transactions. When loyalty credits are provided to a customer on such transactions, it is therefore possible that there could be negative transaction price as a result of loyalty programs. FASB ASC Topic 606 does not address the presentation of revenue in a contract resulting in a negative transaction price. FinREC believes that given the gaming industry's specific facts and circumstances (including the business model and the nature of the contracts entered into by gaming entities) it is appropriate for gaming entities to present this negative transaction price as a component of net revenue.

Allocate the Transaction Price to Performance Obligations

10. FASB ASC 606-10-32-29 requires an entity to allocate the transaction price to performance obligations on a relative standalone selling price basis. As discussed in FASB ASC 606-10-55-44, if the standalone selling price for a customer's option to acquire additional goods or services is not directly observable, an entity would estimate it.
11. In this example, the gaming entity would allocate the \$700 transaction price between the gaming transaction and the incentives based upon their respective standalone selling prices. In the gaming industry there may be further complicating factors regarding the determination of the standalone selling prices for the gaming transaction and the loyalty credits.

Recognize Revenue When (or as) the Entity Satisfies a Performance Obligation

12. Amounts allocated to the potential incentives would be recognized as the performance obligations are satisfied. FinREC believes the performance obligations in a typical gaming transaction where the customer is a member of a loyalty program which offers nondiscretionary incentives are satisfied as follows:

Performance Obligation or Rebate	Satisfaction of the Performance Obligation or Rebate
Gaming Element	Customer plays the game/spin and dealer/house settles all wagers
Free Play	Customer plays the free game/spin
Complimentaries	The customer consumes the service provided by the Casino as a complimentary (room night, free buffet, etc.).
Loyalty credits	Customer consumes those credits for a good or service
Cash or Cash Equivalent	The later of payment (or promise of payment) or revenue recognition in accordance with FASB ASC 606-10-32-27 as a rebate

13. The following journal entries exemplify the accounting described above (note that the recognition of the liability upon satisfaction of the performance obligation would be in the same location as the revenue source – entries are examples and do not encompass all incentive types) based on an assumed allocation of \$87.50 to the incentive. A complicating factor arises when a cash incentive could be selected by the customer because any cash incentives would be accounted for under FASB ASC 606-10-32-25 as consideration payable to a customer and therefore would be a reduction of the transaction price prior to any allocation to the performance obligations. See the following examples of associated journal entries:

Customer plays slot and earns a noncash incentive

	<u>Dr.</u>	<u>Cr.</u>
Cash	\$ 700.00	
Gaming revenue		\$ 612.50
Loyalty program - performance liability		\$ 87.50

Customer redeems loyalty points for buffet

	<u>Dr.</u>	<u>Cr.</u>
Loyalty program - performance liability	\$ 87.50	
Food and beverage revenue		\$ 87.50

Customer plays slot and earns a cash incentive

	<u>Dr.</u>	<u>Cr.</u>
Cash	\$ 700.00	
Gaming revenue		\$ 600.00
Customer rebate liability		\$ 100.00

Casino provides cash to customer

	<u>Dr.</u>	<u>Cr.</u>
Customer rebate liability	\$ 100.00	
Cash		\$ 100.00

For this example, we have assumed the relative standalone selling prices are as follows:

- Gaming activities 87.5%
- Loyalty points 12.5%

We have also assumed that the cash incentive earned by a customer is \$100 primarily to indicate that for cash incentives there is no relative standalone selling price allocation.

Allocation of the Transaction Price of Gaming Transactions Included within a Nondiscretionary Loyalty Program to the Various Performance Obligations.

14. FASB ASC 606-10-32-29 requires that the transaction price (i.e. “net win”) is to be allocated on a relative standalone selling price basis. In order to perform this allocation, a gaming entity must first determine the standalone selling prices. Building on the basic fact pattern from our first example, we will change our assumptions as follows:

- Customer played \$10,000 on a slot machine
- Customer received \$9,300 in cash payouts
- Customer earned 10,000 credits entitling them to future incentives; however there is no assumption as to the value or selling price of such loyalty credits in this example.

Estimation of the Standalone Selling Price of Loyalty Credits When Not Sold on a Standalone Basis

15. If the nondiscretionary loyalty program provides credits and those credits are not sold on a standalone basis, an entity must estimate the standalone selling price. FinREC believes that because of the limited availability of separate sales of loyalty credits (credits sold without any form of a marketing component), the standalone selling price can be determined based upon the observable inputs used to determine the redemption value of the award. In many cases, the value of a loyalty credit is actually predetermined based upon a redemption conversion rate, such as \$0.01, meaning a customer can redeem them for goods and services at a set exchange ratio. In such a case, a gaming entity would still need to assess the value and the expected redemptions but would likely look to transactions in which customers have purchased

the same item or component being redeemed for loyalty credits. One method of doing this is to aggregate the value of all redemptions of awards by redemption type for a specific period of time and divide this amount by the total loyalty credits actually redeemed. See the following example of the determination of the transaction price of loyalty credits included in a program in which the customer has the option of multiple types of noncash incentives upon redemption. Included within this example is the assumption that 20% of all awarded loyalty credits expire unused (i.e. are not expected to be redeemed):

	<u>Average selling price of incentive</u>	<u>Loyalty credits necessary for award redemption</u>	<u>Average value of loyalty credits to redeem</u>	<u>% of awards redeemed for this incentive</u>	<u>Weighted average</u>
Hotel rooms	\$ 150	15,000	\$ 0.010	50%	\$ 0.0050
Free buffet	\$ 50	10,000	\$ 0.005	40%	\$ 0.0020
Merchandise	\$ 100	13,333	\$ 0.008	10%	\$ 0.0008
					\$ 0.0078
% of loyalty credits expected to be fulfilled					80%
Redemption value of each loyalty credit expected to be redeemed					\$ 0.0062

- FinREC believes the output from this calculation as updated on a routine basis or when conditions require a revision to the estimate, would maximize observable inputs consistent with FASB ASC 606-10-32-33 because both of the primary factors used in this calculation are directly observable (i.e. the average selling price of the redeemed goods and the number of loyalty credits actually used in their redemptions), and therefore this estimate of the standalone selling price is effectively an observable price of the points. FinREC believes that the percentage of credits expected to be fulfilled would also be an observable input if it is based on past observed history that the entity believes to be indicative of future expectations.
- Accordingly, in this example, the separately observed selling price for the loyalty credits (which was assumed for simplicity to be \$100 in paragraph 2) would be \$62 (10,000 credits x \$0.0062 value per loyalty credit as estimated above).
- This would result in the following step 4 allocation (similar to Example 52 detailed in FASB ASC 606-10-55-353 to 55-356), with emphasis on the ultimate objective resulting in an allocation of the portion of the transaction price allocated to the gaming activity that is consistent with the relative selling price principle underlying FASB ASC 606-10-32-31:

	<u>Amount</u>	<u>Percent</u>	<u>Transaction Price</u>	<u>Allocation of Transaction Price</u>
Selling price of slot gaming activity	\$ 700	91.9%	\$ 700	\$ 643.04
Selling price of loyalty credits (incentive)	\$ 62	8.1%	\$ 700	\$ 56.96
	\$ 762			\$ 700.00

- In our simplified transaction, this allocation is easily accomplished because the individual is engaged in slot activity, unlike table games which are more subjective (see table games explanation in paragraph 3). Gaming entities are generally able to monitor and accumulate an individual's slot transactions earning loyalty credits because a customer is required to insert his/her loyalty card in the slot machine to be able to earn loyalty credits, accordingly the gaming entity will likely have sufficient information by which it can allocate the transaction price for slot activity.
- The above example is intentionally skewed to show an approach with hypothetical assumptions which result in approximately 92% of the total relative selling price being applicable to gaming activity. In practice; however, the proportion of gaming revenue as a percentage of the total relative selling prices is overwhelmingly attributable to gaming (analyses have indicated this can exceed 98%). Because the proportion of gaming revenue (total transaction price in

such transactions) as compared to the total relative selling prices is overwhelmingly attributable to gaming, there is virtually no difference between allocating transaction price under this hypothetical individual transaction approach or a portfolio approach which would be applied in practice.

Estimation of the Standalone Selling Price of Gaming Activity

21. FASB ASC 606-10-32-34 notes that suitable methods for estimating the standalone selling price of a good or service include, but are not limited to, the following:

- c. Residual approach—An entity may estimate the standalone selling price by reference to the total transaction price less the sum of the observable standalone selling prices of other goods or services promised in the contract. However, an entity may use a residual approach to estimate, in accordance with paragraph 606-10-32-33, the standalone selling price of a good or service only if one of the following criteria is met:
 - i. The entity sells the same good or service to different customers (at or near the same time) for a broad range of amounts (that is, the selling price is highly variable because a representative standalone selling price is not discernible from past transactions or other observable evidence).
 - ii. The entity has not yet established a price for that good or service, and the good or service has not previously been sold on a standalone basis (that is, the selling price is uncertain).

22. FinREC believes that the criteria in FASB ASC 606-10-32-34 (c)(i) will be achieved in many gaming transactions and therefore the determination of the standalone selling price for the gaming activity is appropriately determined using the residual approach by subtracting the value of the loyalty credits based upon their separately observed standalone selling price as exhibited above (the \$0.0062 in our example) from the net gaming revenue amount resulting in a residual amount determined to be the value ascribed to the gaming element in order to determine the selling price of the gaming activity. FinREC believes this approach meets the allocation objectives of FASB ASC 606-10-32-28 and would only be appropriate in conjunction with gaming transactions when the gaming entity has observable selling prices for goods or services underlying the redemption of loyalty credits based on cash or cash equivalent (non-loyalty redemption) transactions for such goods and services with other customers, and the gaming entity has objective historical experience to apply when determining the percentage of credits expected to be fulfilled.

23. In a scenario where a gaming entity is unable to determine the standalone selling price of the individual gaming activities, often a gaming entity will be required to estimate the total transaction price (based on aggregated transaction data) and determine the selling price of the gaming activity as described above. An example of this follows:

	<u>Amount</u>	<u>Selling price</u>	<u>Relative Selling</u> <u>Prices</u>
Total transaction price (estimate)	\$ 700		
Selling price of loyalty credits (incentive)	\$ <u>62</u>	\$ 62	8.9%
Selling price of gaming activity (residual approach)	\$ 638	\$ 638	91.1%

Gaming Industry Factors that Impact the Allocation of Total Transaction Price (i.e. Time Period of Allocation Measurement before the Assessment of Overall Allocation Objectives)

24. As described in paragraph 3, a gaming entity often will lack the same level of information (i.e. Net Win, or transaction price) that it obtains for slot transactions for transactions on table games or other types of gaming activities which also earn loyalty credits. This requires the gaming entity to estimate the total transaction price (using aggregated transaction data) that must be allocated to the performance obligations in other gaming transactions.

25. In addition, the amount of loyalty credits a customer earns is entirely uncorrelated with the transaction price (in general, for slot activity, the loyalty credits earned are a function of coin-in, or drop). This lack of correlation is exhibited below, assuming that a customer earns 1 credit for each dollar of coin-in. In such a situation there are three potential outcomes (1) customer wins, (2) "house" wins, or (3) break-even.

	Scenario 1	Scenario 2	Scenario 3
	<u>Customer Wins</u>	<u>House Wins</u>	<u>Break Even</u>
Coin-in	\$ 10,000	\$ 10,000	\$ 10,000
Coin at cessation of play	\$ 11,000	\$ 9,300	\$ 10,000
Gross gaming revenue	\$ (1,000)	\$ 700	\$ -
Credits earned	10,000	10,000	10,000

26. As exhibited above, in gaming transactions, individual customers can win, lose, or break-even - but in the aggregate, the gaming entity holds an advantage in each game of chance, and will, over the long-term, win more from customers than it loses to customers. As noted previously, a gaming entity generally is able to monitor and accumulate player volume (drop) and length of play. This enables a gaming entity to grant loyalty credits to customers because the loyalty credits are generally a function of drop as opposed to gross gaming revenue or net gaming revenue. The examples included assume that each customer's transactions on a daily basis are aggregated as a portfolio of similar transactions under FASB ASC 606-10-10-4.
27. This complete fact pattern results in the following application issues in the gaming industry:
- Period of measurement in which to apply allocation guidance for nondiscretionary incentives issued in conjunction with gaming/nongaming activities – As described in Gaming Industry Issue #1 "Definition of Gross Gaming Revenue", in order to facilitate the efficient and optimal gaming experience to the gaming entity and its customers, individual betting transactions at many games are not recorded and separately identified. Accordingly, the components that determine net win or loss to the gaming entity for the day at an individual game are accumulated within a secured lock box at tables. Daily the lock box is removed and its contents separated and counted and a determination of the net win or loss at the table is made and recorded for the day. FinREC believes that the allocation of the transaction price associated with nondiscretionary incentives to transactions that include such nondiscretionary incentives is most appropriately performed over the same period in which Gross Gaming Revenue is determined.
 - A customer may win from the gaming entity, i.e. no net consideration received by the gaming entity for a transaction - because a customer can win from the gaming entity on an individual transaction, there can be scenarios in which there would be no transaction price to allocate (i.e. the gaming entity would receive no net consideration). As described in Gaming Industry Issue #1 "Definition of Gross Gaming Revenue", FinREC believes that the transaction price allocated to the gaming activity (which in some cases can be negative), would not be reclassified to expense; rather such amounts would be included as a component of net gaming revenue \.
 - Highly uncorrelated nature between gross gaming revenue and the value of loyalty credits – Due to the highly variable nature of gaming results (see the three scenarios above), there is limited to no correlation between transaction price and the value of loyalty credits awarded.
28. While a gaming entity may be able to estimate the standalone selling price of loyalty credits granted through the use of the redemption conversion rate or through a redemption analysis, because of the inherent nature of gaming transactions (the same exact transaction can have three entirely different outcomes as depicted above) and because gaming entities do not track the outcome of each individual transaction, FinREC believes the objective of allocating transaction price to performance obligations is best achieved through allocating transaction price on a more aggregated basis, which is generally each day.

Assessment of Allocation Objectives and the Impact that Assessment has on the Allocation of Transaction Price

29. Leveraging the basic fact pattern and assumptions in paragraph 13 (including the usage of the residual approach in determining the selling price of the gaming activity), the Five Steps of the Standard would be assessed as follows:

5-Step Analysis

30. The analysis of identifying the customer and the performance obligations in the contract are the same as in paragraphs 4 and 5, accordingly this analysis begins with Step 3 – Determine the Transaction Price. Assume the same facts as above, which results in the determination of selling prices as per paragraph 23 summarized following:

	<u>Selling price</u>	<u>Calculation</u>	<u>Relative Selling Prices</u>
Total transaction price (estimate)	\$ 700		
Selling price of loyalty credits (incentive)	\$ 62	\$62/ \$700	8.9%
Selling price of gaming activity (residual approach)	\$ 638	\$638/ \$700	91.1%

31. Because a gaming entity will use a longer period of time in which to allocate transaction price (see paragraph 27), the gaming entity will likely have a cumulative positive outcome for those transactions earning loyalty points (i.e. the house wins). However as noted throughout, the transaction price will likely require some level of estimation. In this case, we assume the total transaction price to allocate is \$700. To exemplify the allocation (Step 4) using the residual approach to determine the selling price for the gaming activity, see the following:

	<u>Relative Selling Prices</u>	<u>Transaction Price</u>	<u>Allocated Value</u>
Selling price of loyalty credits (incentive)	8.9%	\$ 700.00	\$ 62.00
Selling price of gaming activity (residual approach)	91.1%	\$ 700.00	<u>\$ 638.00</u>
			\$ 700.00

32. As previously noted, a gaming entity will generally use a longer period of time and an aggregation of transactions to determine: (1) the relative selling prices, (2) the amount to allocate to each performance obligation and (3) the total transaction price to be allocated.

33. As described in paragraph 25, because there are two scenarios in which loyalty points will be awarded to customers without there being a positive transaction price, FinREC believes that if such a measurement period arose, the same value per point/credit awarded as determined in paragraph 30 should be applied to those measurement periods, resulting in a single allocated value per loyalty point.

Accounting for Nondiscretionary Incentive Loyalty Programs in Which Customers Have the Option of Choosing Multiple Types of Incentives.

34. Some gaming entities have nondiscretionary incentive programs that provide customers with a choice of free play, cash, complimentary, or other goods or services. Accordingly, the type of incentive the customer will choose is not known at the time of the gaming transaction in which the customer earned the incentive.

35. The analysis of identifying the customer, identifying the performance obligations in the contract, and determining the transaction price are the same as in paragraphs 4, 5 and 8, accordingly this analysis begins with Step 4 – allocate the transaction price to performance obligations.

Allocate the Transaction Price to Performance Obligations

36. When cash cannot be selected as the incentive, FinREC believes that the gaming entity will need to estimate the amounts and types of benefits it expects to provide, most often based upon past history. This information would form the basis for the determination of the standalone selling price of those performance obligations in a similar manner as described in paragraph 15 above.

37. In circumstances in which cash can be selected, FinREC believes the gaming entity would generally leverage its historical transactions as a basis to estimate the number of customers that will elect to receive cash. In such circumstances, the entire value of the future cash estimated to be received by the customer would be a reduction to the transaction price prior to any allocation to the performance obligations in the same manner as a rebate or discount.

Recognize Revenue When (or as) the Entity Satisfies a Performance Obligation

38. FinREC believes that any amounts allocated to performance obligations would be recognized in the same manner as described in paragraphs 10 and 11, updated in accordance with FASB ASC 606-10-55-355 to 55-356.

Accounting for Discretionary Incentives Issued in Conjunction with Gaming and Nongaming Activity

39. A gaming entity will often offer incentives to customers outside of its loyalty program in order to provide an incentive to induce future play. Such incentives may be in the form of offers mailed to potential customers or complimentary meals offered to customers after several hours of playing slot machines. Regardless of the type of the offer, the objective for the gaming entity is to induce future play or future levels of play. In either case, prior to the incentive being offered to the customer, there is no obligation on the part of the gaming entity to provide the incentive through a loyalty program or otherwise, accordingly no liability would be recorded based upon the offer being made.
40. FinREC believes that discretionary incentives (as described herein), even when offered based on a company's assessment of past play are, nevertheless, given to induce current or future play, rather than as an obligation based on past play because, prior to offering the incentive the gaming entity was under no obligation to do so. FinREC further believes that such offers are not performance obligations prior to the customer's redemption or obligating acceptance of the offer as described in FASB ASC 606, nor are they implied performance obligations as described in FASB ASC 606-10-25-16 because the gaming entity's customary business practices do not generally create a valid expectation of the customer that the entity is required to make such offer or is required transfer a good or service to the customer.
41. At the point of redemption of such marketing offers, a gaming entity creates a performance obligation and thus any associated transaction price for that measurement period should be allocated by the gaming entity across all goods or services delivered to customers on a standalone selling price basis.
42. FinREC believes that in gaming, the cost of the discretionary incentive is recognized as an expense at the time the related revenue is recognized because the offer is a normal marketing incentive and not a material right that is the result of a past transaction (and thus the guidance described in FASB/IASB TRG Agenda Ref 54 as described in paragraph 6 of this paper applies).

Comments should be received by June 1, 2017, and sent by electronic mail to Kim Kushmerick at kim.kushmerick@aicpa-cima.com, or you can send them by mail to Kim Kushmerick, Accounting Standards, AICPA, 1211 Avenue of the Americas, NY 10036.