

Financial Reporting Center – Revenue Recognition

Working Draft: Time-share Revenue Recognition Implementation Issue



Issue #16-1: Identifying Performance Obligations in Time-Share Interval Sales Contracts

Expected Overall Level of Impact to Industry Accounting: Significant

Wording to be Included in the Revenue Recognition Guide:

1. Under FASB ASC 606, after identifying the contract, an entity should evaluate the contract terms and its customary business practices to identify the promised goods and services within the contract with the customer, and determine which of those goods and services are performance obligations (i.e., the unit of accounting for purposes of applying the standard).
2. FASB ASC 606-10-25-19 states that:
 - a. A good or service that is promised to a customer is distinct if both of the following criteria are met:
 - a. The customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (that is, the good or service is capable of being distinct).
 - b. The entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the promise to transfer the good or service is distinct within the context of the contract).
3. The considerations below relate to the non-Fee For Service (FFS) model. For considerations related to the FFS model, see the section below entitled, "Fee for Service Considerations".

Identifying Promised Goods or Services

4. In determining promised good or services to be assessed, FASB ASC 606-10-25-16 provides the criteria for identifying both explicit and implicit promises to a customer. A signed, written, contract, outlining the property subject to the arrangement, is customary for time-share arrangements. Promised goods and services in a typical time-share arrangement are generally explicitly stated in the written contract with the customer. As many time-share transactions constitute sales of real estate a written contract is required for compliance with legal requirements in varying jurisdictions.

5. The sale of a time-share interval generally involves the transfer of real estate to a customer in the form of a partial ownership in a single property or a group of properties. There are typically two types of time-share ownership – deeded and non-deeded. Deeded time-share ownership provides the customer with a deeded interest in real property (legal determination). Non-deeded time-share ownership does not provide direct ownership of real property (legally time-share interval does not constitute real estate) however, risks and rewards akin to real estate ownership are transferred to the buyer¹. Alternative vacation products are sold which provide members with the right to use properties but do not transfer risks and rewards akin to real estate ownership to the buyer (i.e. risk of loss and residual interest is retained by seller). These vacation products, which do not transfer the risks and rewards akin to real estate ownership to the buyer, are not deemed time-share intervals.
6. In the United States, time-share interval sales are subject to substantial regulation and are required to be registered in the states in which they are sold. These regulations typically require a public offering statement to be provided to customers which details significant matters to be considered prior to purchasing a time-share interval and disclosures of each party's rights and obligations under the time-share interval sales arrangement. Various international jurisdictions have comparable disclosure requirements. Judgment will be required in assessing whether any implicit promises exist based upon reasonable customer expectations (e.g., material customer rights to acquire future products at discounts that exceed the range of discounts typically given for those goods or services, general business practices result in implied promises to the customer).
7. The following promises may be included in a typical time-share interval sale contract²:
 - a. Delivery of time-share interval
 - b. Delivery of non-cash sales incentive(s)³
 - c. Club membership (promise to provide exchange services)
8. Exchange services allow the time-share interval owner the ability to exchange their right to use the time-share accommodations they own for alternative occupancy, goods or services owned by a third party. Entities should consider their club membership arrangements to determine if ongoing exchange services are part of the initial time-share interval sales contract or an option thereunder. If the exchange services are an option, in accordance with FASB ASC 606-10-55-42, entities should consider whether the option gives rise to a performance obligation if that option provides a material right to the customer that it would not receive without entering into that contract. External exchange company fee information is publicly available, which may assist entities in assessing whether annual fees paid for developer provided exchange services are at market rates and as such whether a material right exists.
9. Certain club memberships may provide for varying incidental benefits, such as complimentary bottled water, newspapers and/or discounts on products and services. These additional promises should be assessed to determine if they are immaterial in the context of the contract (as described in FASB ASC 606-10-25-16A) or provide customers with a material right (as described in FASB ASC 606-10-25-16B).
10. FinREC believes that if the following promises related to the time-share interval sales arrangement have been made to a party (i.e. owners' association) other than the customer to the time-share interval contract, the promises should not be evaluated as part of the time-share interval sales contract.
 - a. Mechanism for usage (i.e. reservation system at time of purchase and operations of resort are promised services under a separate contract (management agreement) with an owners' association), for which a separate fee is paid to the OA by the time-share interval purchaser.
 - b. Promised amenities⁴

Determining Whether Goods or Services are Capable of Being Distinct

11. FASB ASC 606-10-25-20 explains that "A customer can benefit from a good or service in accordance with paragraph 606-10-25-19(a) if the good or services could be used, consumed, sold for an amount that is greater than scrap value, or otherwise held in a way that generates economic benefit."
12. BC97 of ASU 2014-09 states (in part):

¹ This paper does not address non-deeded time-share ownership, as it will be covered in Issue #16-4.

² Over the past several decades, time-sharing products have evolved significantly in response to changing customer preferences and demands. It is expected that time-sharing products will continue to evolve in the future, and entities will need to consider the facts and circumstances pertaining to the specific promises in the then current time-share interval contract to ensure appropriate evaluation.

³ A product or service that the seller of a time-sharing interval provides to the buyer at the point of sale in connection with their purchase of a time-share interval.

⁴ Examples of amenities include golf courses, clubhouses, tennis courts, recreational facilities and parking facilities. In typical time-share resorts, the ownership of amenities is transferred to the OA or retained by the time-share entity.

The Boards decided that a good or service must possess some specified minimum characteristics to be accounted for separately. Specifically, the good or service must be capable of being distinct—that is, the good or service is capable of providing a benefit to the customer either on its own or together with other resources that are readily available to the customer.

13. BC 99 of ASU 2014-09 further notes (in part) that:

The Boards noted that, conceptually, any good or service that is regularly sold separately should be able to be used on its own or with other resources. Otherwise, there would be no market for an entity to provide that good or service on a standalone basis.

14. BC 100 of ASU 2014-09 provides:

The Boards observed that the assessment of whether the “customer can benefit from the goods or services on its own” should be based on the characteristics of the goods or services themselves instead of the way in which the customer may use the goods or services. Consequently, an entity would disregard any contractual limitations that might preclude the customer from obtaining readily available resources from a source other than the entity.

15. FinREC believes a time-share entity should consider the following in evaluating whether the typical promises within a time-share sales arrangement are capable of being distinct in accordance with FASB ASC 606-10-25-19(A):

a. Delivery of time-share interval

i. Time-share intervals are readily available from a multitude of sources, including time-share developers and the time-share resale market, with or without club memberships. This is further evidenced in the FFS model, as a third-party developer engaged in a FFS model generally limits its involvement strictly to consummating sales of the individual time-share intervals (as opposed to being involved in the provision of ongoing services such as club membership). In this case, the time-share entity is not selling the time-share interval, but rather is selling the club membership and providing non-cash incentives (if applicable), which demonstrates that these services are sold separately.

ii. A number of time-share entities sell time-share intervals separately from club membership (i.e., club membership is optional).

iii. The time-share intervals are routinely delivered separately from other goods and services and remain functional without the club membership or sales incentives.

b. Delivery of sales incentive

i. Non-cash incentives are an incentive provided to a customer that the customer could elect to purchase separately. Historical non-cash sales incentives have represented items that are readily available from other sources (i.e. theme park tickets, credit toward future occupancy).

ii. Cash incentives can be either cash or an incentive provided to a customer that the buyer would otherwise be required to pay (i.e. closing costs or first year maintenance fees). Pursuant to the guidance in ASC 606-10-32-25, FinREC believes that “cash” sales incentives should be accounted for as consideration payable to a customer and a reduction of the transaction price (in circumstances in which the customer has not provided a distinct good or service to the entity for the consideration) rather than as a performance obligation or an expense.

c. Club membership (to the extent that the club membership is determined to be a promise in the contract as opposed to an administrative task or an option)

i. External exchange programs provide services akin to Club membership. Further, internal exchange programs have been established by a number of time-share entities which allow for owners with differing product forms to enroll.

ii. Time-share entities engaged in a FFS model regularly provide club membership services to the purchasers of the time-share intervals because, under a FFS model, a time-sharing entity is providing marketing and selling services to the third-party developer, who is the party selling the time-share interval to the purchaser.

Determining whether Goods or Services are Separately Identifiable (Distinct within the Context of the Contract)

16. FASB ASC 606-10-25-21 states:

In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable in accordance with paragraph 606-10-25-19(b), the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually, or instead, to transfer a combined item or items to which the promised goods or services are inputs. Factors that indicate that two or more promises to transfer goods or services to a customer are not separately identifiable include, but are not limited to, the following:

- a. The entity provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted. In other words, the entity is using the goods or services as inputs to produce or deliver the combined output or outputs specified by the customer. A combined output or outputs might include more than one phase, element or unit.
- b. One or more of the goods or services significantly modifies or customizes, or is significantly modified or customized by, one or more of the other goods or services promised in the contract.
- c. The goods or services are highly interdependent or highly interrelated. In other words, each of the goods or services is significantly affected by one or more of the other goods or services in the contract. For example, in some cases, two or more goods or services are significantly affected by each other because the entity would not be able to fulfill its promise by transferring each of the goods or services independently.

17. BC 29 of ASU 2016-10 provides (in part):

...entities should evaluate whether the multiple promised goods or services in the contract are outputs or, instead, are inputs to a combined item (or items). The inputs to a combined item (or items) concept might be further explained, in many cases, as those in which an entity's promise to transfer the promised goods or services results in a combined item (or items) that is greater than (or substantively different from) the sum of those promised (component) goods and services.

18. BC 30 of ASU 2016-10 provides:

As an alternative approach, the Board considered whether the principle should be based on the concept of separable risks. Under this alternative, individual goods or services in a bundle would not have been distinct if the risk that an entity assumes to fulfill its obligation to transfer one of those promised goods or services to the customer was inseparable from the risk relating to the transfer of the other promised goods or services in that bundle. The explanation in paragraph BC 103 of Update 2014-09 highlights that when evaluating whether an entity's promise to transfer a good or service is separately identifiable from other promises in the contract, one should consider the relationship between the various goods or services within the contract in the context of the process of fulfilling the contract. The Board decided to exclude the terminology in Topic 606 because the Board understood from previous outreach efforts throughout the course of the development of Topic 606 that the concept was not well understood by stakeholders. However, the Board acknowledges that the notion of separable risk continues to influence the separately identifiable concept.

19. BC 32 of ASU 2016-10 provides (in part):

The Board decided to reframe the existing factors in paragraph 606-10-25-21 to more clearly align those factors with the re-articulated separately identifiable principle... That is, the separately identifiable principle is intended to evaluate when an entity's performance in transferring a bundle of goods or services in a contract is, in substance, fulfilling a single promise to the customer. Therefore, the entity should evaluate whether two or more promised goods or services (for example, a delivered item and an undelivered item) each significantly affect the other (and, therefore, are highly interrelated or highly interdependent) in the contract. The entity should not merely evaluate whether one item, by its nature, depends on the other (for example, an undelivered item that would never be obtained by a customer absent the presence of the delivered item in the contract or the customer having obtained that item in a different contract). Furthermore, the Board concluded that it may be clearer to structure those factors to identify when the promises in a bundle of promised goods or services are not separately identifiable and, therefore, constitute a single performance obligation.

20. BC 33 of ASU 2016-10 provides (in part):

The Boards observed that the evaluation of whether two or more promises in a contract are separately identifiable also considers the utility of the promised goods or services (that is, the ability of each good or service to provide benefit or value). This is because an entity may be able to fulfill its promise to transfer each good or service in a contract independently of the other, but each good or service may significantly affect the other's utility to the customer. The "capable of being distinct" criterion also considers the utility of the promised good or service, but merely establishes the baseline level of economic substance a good or service must have to be "capable of being distinct." Therefore, utility also is relevant in evaluating whether two or more promises in a contract are separately identifiable because even if two or more goods or services are capable

of being distinct because the customer can derive some economic benefit from each one, the customer's ability to derive its intended benefit from the contract may depend on the entity transferring each of those goods or services.

21. FinREC believes a time-share entity should consider the following in evaluating whether the promised goods or services identified in a typical time-share interval sales arrangement are separately identifiable:
- a. Do the time-share interval, non-cash sales incentive and club membership (the three promises in aggregate) represent a combined output for which the customer has contracted?
 - i. The non-cash sales incentive is separately identifiable from both the time-share interval and the club membership if it does not need to be used in conjunction with the time-share interval or the club membership.
 - ii. For most non-cash sales incentives consisting of credits for future occupancy, FinREC believes that the sales incentive is separately identifiable as similar services are offered by a variety of hospitality companies.
 - b. Is the time-share interval and club membership a combined item? Does the club membership significantly affect the customer's ability to use the time-share interval.
 - i. Time-share entities are not typically providing a significant service of integrating the time-share interval and the club membership into a combined output. Time-share entities generally promise to deliver the time-share interval and then provide exchange services based upon availability at a future date. The time share interval is not changed or modified in anyway by the exchange services such that the services are fundamentally "additive" to the customer rather than something that creates a changed, combined item.
 - ii. Time-share intervals and club memberships are not highly interrelated or highly interdependent if the customer's ability to use and benefit from the time-share interval is not significantly affected by the club membership. That is, if the entity can fulfill its promise to transfer the time-share interval independent from its promise to provide club membership, this provides evidence that the deliverables are not interdependent and that *each* does not significantly affect the other. That is, the benefits, features, and usage of the time-share interval are independent of those of the club membership.
 1. If time-share interval owners have the legal ability and right to use their time-share interval regardless of the presence of the club membership this should be indicative that the time-share interval and the club membership are not a combined output.
 - iii. A club membership does not significantly affect the customer's ability to use the time-share interval if the club membership is not a unique service and can be readily obtained from alternative providers. Neither the club membership nor the sale of the time-share interval significantly affect the other, if, the time-share entity can transfer each independently of its promise to transfer the other. That is, the time-share interval is not changed by the club membership (i.e., the time-share interval with or without the club membership still represents, for example, a right to use a specified unit in a particular location). Entities will need to determine whether the promises to provide the club membership services and the sale of the time-share interval result in a combined item that is greater than (or substantively different from) the sum of those two items individually. Typically, club membership services are not substantively different when provided in connection with the sale of a time-share interval as compared to without the sale of a time-share interval. That is, the club membership and time-share interval are not functionally interdependent. Entities should consider, based upon individual facts and circumstances, whether the developer provided exchange services are required to maintain utility of the time-share interval.
 - iv. Services provided in connection with a club membership are routinely provided for by third-party exchange companies.
 - v. Contracts for the legal transfer of time-share intervals are often subject to time-share specific regulations and registration requirements in varying jurisdictions (i.e. individual states within the United States have varying time-share registration requirements). This may indicate that the time-share interval and other promises within the contract are not interrelated as the other promises generally are not subject to these regulations and registration requirements.
 - c. Are the risks associated with fulfilling the promise to transfer the time-share interval separable from the risks associated with fulfilling the promise to provide club membership?
 - i. Typically the risks associated with providing the time-share interval are attributed to construction and delivery of the time-share resort property.
 - ii. Typically, the risks associated with providing ongoing club membership services include identifying and negotiating exchange alternatives.
 - d. Facts and circumstances regarding continued provision of club membership/exchange services.
 - i. Time-share sales disclosure documents typically require signed acknowledgement that a buyer has read the content. Those disclosure documents typically describe that any ancillary benefits

(i.e. club membership) may be subject to change and, availability and complete elimination at the discretion of the seller exchange provider. Often, club memberships are renewed on an annual basis or owner opt-out provisions exist. When time-share interval arrangements provide for termination by the seller of club membership/exchange services and/or the time-share interval owner, at any time and without penalty, FinREC believes that this could indicate that the promises of the time-share interval and club membership/exchange services are not interdependent and the underlying risk of transferring the time-share interval is separable from the ongoing club membership. Specifically, if the entity could cease to offer club membership/exchange services to the customer at any time, there would be no risk to the satisfaction of delivery of the time-share interval to the customer.

- ii. Additionally, to the extent additional promised goods or services are identified entities will need to determine if they are separately identifiable or constitute a single performance obligation as part of the club membership.

22. The implementation example outlined in FASB ASC 606-10-55-150E through 55-150F (Case D – Promises are Separately Identifiable – Contractual Restrictions), explains that a contractual restriction requiring a customer to use the entity's services does not change the characteristics of the goods or services themselves, nor does it change the entity's promises to the customer. In the example in FASB ASC 606-10-55-150E, the inclusion of contractual restrictions requiring a customer to use the entity's service did not change the evaluation of whether the promised goods and services are distinct.

23. Entities should consider the example included in FASB ASC 606-10-55-150E through 55-150F when evaluating whether contractual restrictions require a customer to obtain exchange services from the seller, however FinREC does not believe contractual restrictions would change the evaluation of whether the time-share interval and club membership are distinct promised goods or services.

Fee for Service Considerations

24. Under the FFS model, a third-party developer owns the time-share intervals being sold, and the time-share entity is involved in other ongoing activities such as the management of the property. Accordingly, FinREC believes that the sale of the time-share interval would not be a performance obligation of the time-share entity to the time-share interval purchaser, but rather a performance obligation of the third-party developer.

25. While the time-share entity may have marketing and sales obligations to the developer under separate arrangements⁵, these would not be considered promised goods or services to the time-share owner. Notwithstanding the fact that the sale of the time-share interval may not be a performance obligation to the customer under the FFS model, FinREC believes that the considerations noted in the accounting analysis above would also be applicable under the FFS model. That is, FinREC believes that an entity may reach similar conclusions on the identification of performance obligations to the extent that the facts and circumstances noted above are consistent with FFS arrangements (i.e. an entity may determine that it has two performance obligations to an owner of (i) club membership and (ii) non-cash incentives (depending on whether these are provided by the time-share entity or the third-party developer)).

26. The following examples of various time-share arrangements with exchange rights are meant to be illustrative. The actual determination of identifying performance obligations in time-share arrangements with exchange rights should be based on the facts and circumstances of an entity's specific situation.

Example 1: Time-share Interval Only

27. This Example has the following assumptions:
- a. The arrangement between the time-share entity and the customer transfers a real estate interest in the form of partial ownership in a single property or group of properties.
 - b. The customer's ownership rights include the right to stay in any of the properties within the group of properties in which they have an ownership interest in.
 - c. There are no exchange rights available to the customer as part of the transaction.
 - d. Management services, inclusive of providing a mechanism for usage (i.e. a reservation system), are a promised service under a separate contract with the OA.
 - e. Ownership of promised amenities will be transferred to the OA, not the individual time-share customers.

⁵ Time-share entities in the FFS model should separately evaluate the appropriate accounting under ASC 606 for arrangements entered into with third-party developers.

28. Based on the specifics of the example, FinREC believes that the management services and the completion and transfer of amenities are promises made to a party other than the customer to the time-share interval sales contract, and as such, do not constitute performance obligations of the time-share interval sales contract.
29. FinREC also believes that any requirement to set up the customer account within the reservation system is an administrative task that does not transfer a good or service to the customer, and as such, in accordance with FASB ASC 606-10-25-17 would not be considered a performance obligation.
30. The time-share entity has determined that the delivery of the time-share interval is the only performance obligation within the contract with the customer.
31. The time-share entity should apply FASB ASC 606-10-25-23 through 25-30 to determine whether the performance obligation is satisfied at a point in time or over time.

Example 2: Time-share Interval + Ability to Opt Into Exchange Services

32. The promised goods and services are the same as in Example 1, except that the time-share customer can elect to opt into exchange services that allow the customer to exchange their right to use the time-share accommodations they own for alternative occupancy, goods or services owned by a third party.
33. In this example, FinREC believes that the promised goods and services are capable of being distinct in accordance with FASB ASC 606-10-25-19(a), since similar time-share intervals are sold by competitors and exchange services are provided by third parties. That is, the customer can benefit from the goods or services either on their own or together with other readily available resources.
34. Based on assessment of the factors in FASB ASC 606-10-25-21, in this example, FinREC believes that the promise to transfer each good or service to the customer is separately identifiable from other promises in the contract in accordance with ASC 606-10-25-19(b). As the exchange services are optional, and the customer could elect to only purchase the time-share interval, the time-share interval and the exchange services are clearly separable. As such, if a customer opts into the exchange services at the time of purchase of the time-share interval, delivery of the time-share interval and delivery of the exchange services will constitute separate performance obligations.
35. In the case where the customer did not opt into the exchange services at the time of purchase of the time-share interval, the time-share entity will need to assess whether a customer option to opt into the exchange services at a later date constitutes a material right under FASB ASC 606-10-55-42.
36. The time-share entity should apply FASB ASC 606-10-25-23 through 25-30 to determine whether each performance obligation is satisfied at a point in time or over time.

Example 3: Time-share Interval + Exchange Services

37. The promised goods and services are the same as in Example 2, except that the arrangement includes exchange services (not optional), to the extent that future exchange services are provided.
38. In this example FinREC believes that the promised goods and services are capable of being distinct in accordance with FASB ASC 606-10-25-19(a), since similar time-share intervals are sold by competitors and exchange services are provided by third parties.
39. Based on assessment of the factors in FASB ASC 606-10-25-21 and the specific facts and circumstances listed below, FinREC believes that the promise to transfer each good or service to the customer is separately identifiable from other promises in the contract in accordance with ASC 606-10-25-19(b).
 - a. The time-share entity is not using the time-share interval and the exchange services as inputs to produce a combined output. The time-share entity is not providing a significant service of integrating the time-share interval and the exchange services into a bundled product for which the customer has contracted as discussed in FASB ASC 606-20-25-21(a). The time-share entity determines that the arrangement with the customer is to deliver the time-share interval separately from the exchange services, as opposed to a combined item that is comprised of the time-share interval and the exchange services. This is evidenced by the fulfillment of the separate promises to provide the time-share interval at closing and the exchange services in the future, subject to the payment of ongoing fees.

- b. The time-share entity determines that exchange services will not significantly customize or modify the time-share interval as described in FASB ASC 606-10-25-21(b) but will solely act to facilitate an exchange of the occupancy provided by the time-share interval with another willing party. Additionally, the time-share interval does not significantly customize or modify the exchange services. While the time-share interval may affect the number of points or perks awarded in connection with the exchange services/club membership (i.e. additional points for the sale of a time-share interval with a higher value), the nature of exchange services is not modified/customized. The exchange services represent an additional service rather than a modification or customization of the time-share interval. While the exchange services may provide additional ease-of-use / benefits to the customer in relation to their use of the time-share interval, the exchange services do not transform, change, or result in a combination with the time-share interval.
 - c. The time-share interval and the exchange services are not highly interdependent or highly interrelated as described in FASB ASC 606-10-25-21(c). While the exchange services, by default, are dependent upon the closing of the time-share interval (customer cannot use exchange services without the time-share interval), those services do not significantly affect the customer's ability to derive benefit from the time-share interval on its own. The customer can benefit from the time-share interval without the existence of the exchange service (use the property underlying their time-share interval), or with other readily available resources (for example, exchange services available from alternative providers). If the exchange rights were cancelled, the customer would continue to have the rights associated with the time-share interval and the utility of the time-share interval itself would not be diminished.
 - d. The risks associated with providing the time-share interval are separable from the risks associated with providing ongoing exchange services as discussed in BC 30 of FASB ASU 2016-10. The risks associated with providing the time-share interval are typical for construction and delivery of real estate (e.g., materials, labor, legal/regulatory approvals, and weather.) The risks associated with providing ongoing exchange services include identifying alternative occupancy, goods or services and potentially monetizing any occupancy rights exchanged by the time-share interval owner.
40. If based on different facts and circumstances, the time-share entity determines that the sale of the time-share interval and exchange services are not separately identifiable FASB ASC 606-10-25-22 would require that the promise to provide the time-share interval and the exchange services be combined into a single performance obligation. If the nature of the promise to the customer is to transfer a combined unit to which the promised goods and/or services are inputs and the utility of the time-share interval depends on the customer's ability to exercise the exchange rights, FinREC believes that the assessment of the factors in FASB ASC 606-10-25-21 would indicate that the goods and services are highly interrelated and not separately identifiable.
41. The time-share entity should apply FASB ASC 606-10-25-23 through 25-30 to determine whether each performance obligation is satisfied at a point in time or over time.

Example 4: Time-share Interval + Exchange Services + Sales Incentives

42. The promised goods and services are the same as in Example 3, except as follows:
- a. The time-share interval contract also includes two sales incentives: (1) credits for future occupancy (non-cash) and (2) payment of the current year's exchange dues (cash). In addition, pro-rated maintenance fees (to reimburse the developer for those previously funded) and various closing costs (i.e. title insurance, mortgage stamp docs) will also be required to be funded by the customer at closing.
 - b. The cash sales incentive (current year exchange dues) is deemed consideration payable to a customer that is not in exchange for a distinct good or service from the customer and as such will be treated as a reduction of the transaction price.
43. The entity has determined that the following promises exist within the contract with the customer:
- a. Delivery of time-share interval
 - b. Delivery of non-cash sales incentive
 - c. Club membership
 - i. The terms of the contract with the customer provide for provision of exchange services for one year, subject to automatic annual renewals, and as such the club membership constitutes a promise.
44. In this example FinREC believes that the non-cash sales incentive for credits for future occupancy is capable of being distinct as similar services are offered by a variety of hospitality companies as discussed in FASB ASC 606-10-25-19(a). FinREC also believes that the non-cash sales incentive for credits for future occupancy is distinct in the context of the contract as it does not need to be used in combination with the time-share interval or exchange services as discussed in FASB ASC 606-10-25-19(b).

45. In addition, the time-share entity will need to assess whether options to renew the club membership for additional annual periods constitutes a material right under FASB ASC 606-10-55-42.
46. The time-share entity should apply FASB ASC 606-10-25-23 through 25-30 to determine whether each performance obligation is satisfied at a point in time or over time.

Comments should be received by March 1, 2017, and sent by electronic mail to Kim Kushmerick at kkushmerick@aicpa.org, or you can send them by mail to Kim Kushmerick, Accounting Standards, AICPA, 1211 Avenue of the Americas, NY 10036.

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