March 1, 2017

Working Draft:

Time-share Revenue Recognition Implementation Issue

Issue #16-6: Recognition of Revenue – Management Fees

Expected Overall Level of Impact to Industry Accounting: Low

Wording to be Included in the Revenue Recognition Guide:

General Considerations and Background

1. A time-share developer and/or seller typically forms an Owners Association ("OA"), which is subject to significant rules and regulations based on where the OA is organized to manage the day-to-day operations (including maintenance, reservation services and overall operations) of a time-share resort. The activities of an OA are governed by its declaration, bylaws and by a board of directors that includes time-share interval owners and/or representatives of the time-share developer and/or seller for as long as the time-share developer and/or seller owns interests in the units. Because the time-share developer and/or seller owns a majority of units at the beginning of the selling period of a project, it typically will appoint members of the OA's board of directors. Generally, the time-share developer and/or seller will control the makeup of the OA's board of directors until the point at which statutory requirements compel turnover or upon sell out of a time-share resort.

2. Typically, the OA will hire a manager to handle the day-to-day operations of a time-share resort, which is often an affiliate of the original time-share developer. The manager of the time-share resort is entitled, per the time-share management agreement, to a management fee. Further, in most states within the United States, statutory regulations provide the OA with the legal right to hire or terminate the manager.

3. Time-share resorts typically incur significant operating costs, such as costs of property taxes, repairs and maintenance, and reservation systems. Time-share interval owners are responsible for paying for the costs of owning their intervals. Because there are many time-share interval owners for a given time-share resort and they own the underlying real estate in common, a centralized mechanism (i.e., an annual maintenance fee) is generally used to collect each time-share interval owner's share of those costs of ownership and to pay for operating costs. After the initial purchase of the time-share interval, most time-share resorts require the owner of the time-share interval to pay an annual maintenance fee to the OA. This fee represents the time-share interval owner's allocable share of the costs and expenses of operating and maintaining the time-share resort underlying the time-share interval they own, including management fees and expenses, taxes, insurance, program services (such as reservation services), and other related costs.

4. For example, time-share interval owner A purchases a time-share interval at resort X. Time-share interval owner A's annual maintenance fee will consist of their proportionate share of costs and expenses of operating and

maintaining solely resort X. Time-share interval owner B purchases a time-share interval in a multi-site time-share plan (resorts Y and Z). Time-share interval owner B's annual maintenance fee will consist of their proportionate share of the costs and expenses of operating and maintaining both resorts Y and Z.

5. Although time-share sellers often perform continuing services for the OA after the sale of the time-share interval (i.e., management, exchange services, etc.), the additional services provided are readily available and routinely provided by alternative third parties.

6. While the terms of a specific time-share management agreement may vary, the following is a non-comprehensive list of some of the activities that may be included in a typical time-share management agreement (collectively, "time-share management services"):
    a. Provision of property management services to the OA (e.g. maintenance, room access and security, housekeeping, food and beverage, in-room entertainment, employment of resort employees, association of the property with the brand, etc.).
    b. Provision of time-share plan management services to the OA (e.g., reservation services).
    c. OA administration, including attending OA and board of director meetings and preparing minutes.
    d. OA financial services, such as billing, collections, cash management and accounting. These services primarily relate to the collection of the annual OA assessments from the time-share interval owners.

7. Overall the terms of the time-share management agreement, including services contracted for and the fee structure, are approved by the board of directors of the OA. The OA is charged with approving the annual operating budget for the property. Further, in most states within the United States, statutory regulations provide the OA with the legal right to hire or terminate the manager. Given these considerations, the OA would generally be considered the customer in time-share management arrangements.

Contract Combination

8. In some cases, elements of an overall time-share management relationship may be memorialized in separate legal documents. Because these separate arrangements are generally negotiated at or near the same time with the same counterparty (i.e., the OA), an entity should consider whether the contracts should be combined for accounting purposes in accordance with FASB ASC 606-10-25-9. FASB ASC 606-10-25-9 states that if any of the following three criteria are met, the contracts should be combined:
    a. The contracts are negotiated as a package with a single commercial objective;
    b. The amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
    c. The goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation.

9. While the specific facts and circumstances of each arrangement entered into at or near the same time with the OA must be analyzed separately considering the above guidance, FinREC believes that ancillary agreements executed in conjunction with a time-share management agreement (i.e., for administration services, accounting services, etc.) generally meet the above criteria and should be combined for the purposes of applying the guidance in FASB ASC 606. The combined contract would represent the contract to which the remainder of the revenue model should be applied to (e.g., performance obligations will be determined based upon the combined contract(s)).

Identifying Separate Performance Obligations

10. Under FASB ASC 606, after identifying the contract, an entity must evaluate the contract terms and its customary business practices to identify the promised goods and services within the contract with the customer (i.e., the OA) and determine which of these goods and services are performance obligations (i.e., the unit of accounting for purposes of applying the standard). In accordance with FASB ASC 606-10-25-14, a performance obligation is defined as a promise in a contract with a customer to transfer either (a) a good or service (or bundle of goods or services) that is distinct, or (b) a series of distinct services that are substantially the same and that have the same pattern of transfer to the customer.

11. Activities included in a typical time-share management agreement include: property maintenance, room access and security, housekeeping, food and beverage, employment of resort employees, association of the property with the brand, reservation services, OA administration and financial services, etc. However, given the time-share entity's promise to the customer (i.e., the OA) is to collectively provide time-share management services, those tasks are activities to fulfill the time-share management services and are not separate performance obligations. This conclusion is consistent with Example 12A in FASB ASC 606-10-55-157(b) through 55-157(c).

12. However, each increment of the promised time-share management service (i.e., each day) is distinct in accordance with FASB ASC 606-10-25-19 as the OA can benefit from each day of service on its own (i.e., day is capable of being distinct) and each day of service is separately identifiable because no day of service significantly modifies or customizes another and no day of service significantly affects the time-share entity's ability to provide or the OA's ability to benefit from another day of service.

Series of distinct services

13. Under FASB ASC 606-10-25-14 through 25-15, a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer is considered a single performance obligation if both of the following are met:
    a. Each distinct good or service in the series is a performance obligation satisfied over time; and
    b. The same method would be used to measure progress towards satisfaction of each distinct good or service in the series.

14. Under FASB ASC 606-10-25-27, a performance obligation is satisfied over time if one of the following is met:
    a. The customer simultaneously receives and consumes the benefits provide by the entity's performance as the entity performs;
    b. The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
    c. The entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date.

15. As manager of the time-share resort, the time-share entity's obligation is to provide time-share management services to the OA over the duration of the time-share management agreement. The time-share management services meet the criteria in FASB ASC 606-10-25-14 through 25-15 to be considered a series of distinct goods or services that should be considered a single performance obligation as:
    a. The time-share management services are substantially the same each day and such services are performed as the nature of the underlying promise is the same (i.e., to provide time-share management services) even though the underlying tasks or activities may vary from day to day. Therefore, the time-share management services have the same pattern of transfer as both the criteria in FASB ASC 606-10-55-15 are met.
    b. Because the OA simultaneously receives and consumes the benefits provided by the time-share entity's performance of the time-share management services as the time-share entity performs on each day, each day is considered a performance obligation satisfied over time in accordance with FASB ASC 606-10-25-27(a).
    c. The same measure of progress would be used to measure the time-share entity's progress towards satisfying its obligation to provide the time-share management service each day (i.e., a time-based output method).

16. Based on the criteria noted above and the facts and circumstances documented within, FinREC believes the time-share management services represent a series of distinct goods or services (e.g., days of time-share management services) that should be accounted for as a single performance obligation. Thus, the time-share management services are a series of distinct services in which each day is distinct. Refer to Performance Obligations Satisfied Over Time or at a Point In Time below for additional details surrounding such conclusion.

Performance Obligations Satisfied Over Time or at a Point In Time

17. Per FASB ASC 606-10-25-23 through 25-24, an entity shall recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (that is, an asset to a customer). For each performance obligation identified in accordance with FASB ASC 606-10-25-4 through 25-22, an entity shall determine at contract inception whether it satisfies the performance obligation over time or at a point in time. As outlined above, FinREC believes that the time-share management services revenue (i.e., management fee and cost reimbursements) would be recognized over time, given the customer simultaneously receives and consumes the benefits provided (or services) by the time-share entity as they are performed over the term of the time-share management agreement (consistent with FASB ASC 606-10-25-7(a)).

18. While the above discussion concludes that a time-share entity typically transfers the time-share management services performance obligation in a typical time-share management agreement over time, in accordance with FASB ASC 606-10-25-27(a), the time-share entity must determine the appropriate measure of progress for the time-share management performance obligation.

19. In accordance with FASB ASC 606-10-55-16 through 55-21, methods that can be used to measure an entity's progress toward complete satisfaction of a performance obligation satisfied over time include (i) output methods and (ii) input methods. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time elapsed, or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation.

20. In the case of the time-share management services, the OA simultaneously receives and consumes the benefits from the time-share management services as the time-share entity performs by making such services continuously available to the OA over the time-share management agreement. Additionally, the management fees and cost reimbursements received relate directly to the time-share entity's efforts expended in each given day (or period). Therefore, FinREC believes that most time-share entities should conclude that they transfer such time-share management services over time and will use time elapsed as the measure of progress for the time-share management performance obligation. The time-share entity would then recognize revenue allocated to each distinct day (or month) on the day/month in which the service relates.

Principal versus agent considerations

21. Per the terms of the time-share management agreement, a time-share entity may be reimbursed for their costs to provide time-share management services. These costs may include reimbursement of payroll and related benefits for employees of the time-share entity, costs incurred for services which are subcontracted etc. As such, the time-share entity should evaluate whether it is the principal or agent in the provision of the time-share management services in accordance with FASB ASC 606-10-55-36 through 55-39. Given the principal agent analysis is to be performed on the specified good or service (i.e., at the performance obligation level), such analysis would be performed on the time-share management services performance obligation.

22. FASB ASC 606-10-55-37 states an entity is a principal if it controls the specified good or service before that good or service is transferred to a customer. FASB ASC 606-10-55-37 also states that, an entity that is a principal in a contract may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (for example, a subcontractor) to satisfy some or all of a performance obligation on its behalf. Given these considerations, a key factor in the determination of whether a time-share entity is considered a principal or an agent in the performance of the time-share management services, is whether the time-share entity controls the time-share management services prior to the transfer to the OA, both per the terms of the time-share management agreement and in practice.

23. FinREC believes a time-share entity that has concluded its obligation to the customer is the provision of time-share management services would also conclude that it is the principal in providing the time-share management services to the OA, given it controls the time-share management services. This is true even if the time-share entity subcontracts with third-party vendors for a portion of the time-share management services since the time-share entity controls and determines the goods or services to be provided by third-parties to the OA.

24. FASB ASC 606-10-55-39 provides factors that a time-share entity should consider in determining whether it is acting as a principal or agent for the provision of time-share management services:
    a. Responsibility for fulfillment (FASB ASC 606-10-55-39(a)): The time-share entity is primarily responsible for the fulfillment of the time-share management services, which includes any and all outsourced services/cost reimbursements. If such services are outsourced to a third-party, the time-share entity would typically still be responsible for the subcontractor or vendor's performance, as the time-share entity would have responsibility for the acceptability of the services.
    b. Inventory risk (FASB ASC 606-10-55-39(b)): Time-share entities should consider the nature of their arrangements to determine whether inventory risk is applicable. Time-share entities typically do not acquire inventory which is then transferred to an OA. Rather, typically time-share entities assist an OA in procuring inventory on an as needed basis, after obtaining a contract to provide time-share management services.
    c. Discretion in establishing prices FASB ASC 606-10-55-39(c)): As most time-share entities work directly with the OA (or board of directors) to determine an annual budget, which typically set the amount of fees the OA will reimburse for the provision of time-share management services and the costs that are reimbursable, the time-share entity has discretion in setting the price it charges the OA for the specific time-share management services.

25. Based on the analysis above, and consistent with the principles in FASB ASC 606-10-55-39A, the fact that the time-share entity is responsible for fulfillment of the time-share management services is the most relevant factor in the principal versus agent assessment. FinREC believes that when this is the case, the time-share entity is the

principal in the provision of time-share management services and therefore, would recognize revenue for time-share management services (including cost reimbursements) on a gross basis.

Determining the Transaction Price

26. As noted in FASB ASC 606-10-32-2 through 32-3, an entity shall consider the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts or both.

27. The nature, timing and amount of consideration promised by a customer affect the estimate of the transaction price. When determining the transaction price, an entity should consider the effects of the following:
    a. Contract term: The contract term represents the period over which an entity is required to estimate variable consideration. In the case where a time-share management agreement is non-cancellable (i.e., cannot be terminated without cause), the contract term is equal to the stated term of the contract and the time-share entity would be required to estimate the transaction price over the stated contract term.
    b. Estimating and allocating variable consideration: Variable consideration may be allocated entirely to a single performance obligation, or to a distinct service that forms part of a series of distinct services that makes up a single performance obligation, if the variable payment terms relate to the specific performance of a service and the allocation of the variable consideration entirely to the single performance obligation is consistent with the allocation objective.
    c. Constraining estimates of variable consideration: An entity must estimate the amount of variable consideration to which it expects to be entitled, considering the risk of significant revenue reversal.
    d. The existence of a significant financing component: Per FASB ASC 606-10-32-17, a contract with a customer would not have a significant financing component if a substantial amount of the consideration promised by the customer is variable. Typical time-share management contracts do not provide for significant upfront payments or significantly in arrears. As such there would most likely be no significant financing component.
    e. Noncash consideration: Entities will have to determine whether the terms of their time-share management agreements promise any consideration in a form other than cash. However, most time-share management agreements do not promise any consideration to the time-share entity in a form other than cash. As such, this would not typically be applicable to the time-share management agreement.
    f. Consideration payable to a customer: An entity must determine whether consideration payable to a customer represents a reduction of the transaction price, a payment for a distinct good or service, or a combination of the two. See further discussion below.

28. The time-share entity is entitled to a management fee and cost reimbursements for services it provides. The compensation for the time-share entity's services is primarily funded by the time-share interval owners through periodic OA assessments. Although, the time-share entity may bill and/or collect the assessments from time-share interval owners on behalf of the OA, these amounts are not deemed consideration payable to a customer nor are they part of the transaction price for the time-share management services, as the time-share entity is acting in the capacity of an agent for the OA.

29. While the payments made by the OA to the time-share entity for its time-share management services may vary, typically fee structures are a combination of the following:
    a. Management fee equal to a specified percentage of assessments or the annual OA budget (e.g., 10% of assessment amounts billed to time-share interval owners or 10% of the annual OA budget) (referred to herein after as "management fee"); and
    b. Reimbursement of reasonable costs incurred in providing time-share management services under the time-share management agreement (referred to herein after as "cost reimbursements").

30. The fee structures in most time-share management agreements would be considered variable, as the fees are based on the total amount of assessments and/or the projected OA budget. The time-share entity would consider such fees to be variable consideration in estimating the transaction price in accordance with FASB ASC 606-10-32-5 through 32-13. In addition, the time-share entity must also evaluate for consideration payable to a customer, as in certain cases, the time-share entity may pay the OA for certain management fees and cost reimbursements related to intervals for which it retains ownership.

Consideration Payable to a Customer

31. As each time-share interval owner is responsible for their portion of the annual assessments, the time-share entity would typically be responsible for paying the OA for the assessments for all time-share intervals it owns.

32. The payments made by the time-share entity to the OA for assessments related to any time-share intervals owned by the time-share entity are deemed consideration payable to a customer, as cash payments are made directly to the OA, which is a customer of the time-share entity. The assessments are not for a distinct good or service provided by the OA, as the time-share entity pays the OA its proportionate share of the time-share management services, which it is performing. Thus, per FASB ASC 606-10-32-25, FinREC believes the time-share entity would account for its portion of the assessments paid to the OA as consideration payable to a customer for a non-distinct service which would reduce the transaction price and, therefore, revenue in accordance with FASB ASC 606-10-25-18 through 25-22.

Allocation of the Transaction Price

33. Per FASB ASC 606-10-32-28 through 32-29, the objective when allocating the transaction price is for an entity to allocate the transaction price to each performance obligation (or distinct good or service in a series) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. To meet the allocation objective, an entity shall allocate the transaction price to each performance obligation identified in the contract on a relative standalone selling price basis in accordance with FASB ASC 606-10-32-31 through 32-35, except as specified in FASB ASC 606-10-32-36 through 32-38 (for allocating discounts) and FASB ASC 606-10-32-39 through 32-41 (for allocating consideration that includes variable amounts).

34. In consideration of the allocation objective, FASB ASC 606-10-32-40 allows a company to allocate a variable amount entirely to a single performance obligation or to a distinct good or service that forms a part of a single performance obligation under the series guidance if both of the following are true:
    a. The terms of the variable payment relate specifically to the entity's efforts to satisfy the performance obligation or transfer the distinct good or service (or to a specific outcome from satisfying the performance obligation or transferring the distinct good or service); and
    b. It meets the allocation objective.

35. Additionally, BC285 of ASU 2014-09 states (in part):

    Consider the example of a contract to provide hotel management services for one year (that is, a single performance obligation in accordance with paragraph 606-10-25-14(b)) in which the consideration is variable and determined based on two percent of occupancy rates. The entity provides a daily service of management that is distinct, and the uncertainty related to the consideration also is resolved on a daily basis when the occupancy occurs. In those circumstances, the Boards did not intend for an entity to allocate the variable consideration determined on a daily basis to the entire performance obligation (that is, the promise to provide management services over a one-year period). Instead, the variable consideration should be allocated to the distinct service to which the variable consideration related, which is the daily management service.

36. The fees in a time-share management agreement are structured to be specifically related to the time-share entity's efforts to transfer the time-share management services performance obligation. As previously noted, time-share management services are a series of daily services for which the uncertainty regarding the consideration is resolved (i) on an annual basis as the assessments and number of time-share intervals are known prior to the commencement of the given year and (ii) on a daily (or periodic) basis as cost reimbursements are earned. Under FASB ASC 606-10-32-29, to meet the allocation objective, variable consideration must be allocated on the basis of standalone selling price to the services under the arrangement, except when allocating consideration that includes variable amounts (as addressed in FASB ASC 606-10-32-39 through 32-41). This issue is addressed in TRG Agenda Ref. No. 39, Application of the Series Provision and Allocation of Variable Consideration, which provides four examples in which other methods of allocation would be acceptable:
    a. The fee is consistent over the duration of the contract;
    b. The fee declines in a manner commensurate with the decline in the entity's cost to deliver the goods or services;
    c. The fee is commensurate with the entity's standard pricing practices with similar customers; or
    d. The fee is commensurate with the value of the goods or services delivered to the customer.

37. When allocating the variable consideration to each of the distinct services within the series, a time-share entity should evaluate whether the fee specifically relates to its efforts to satisfy the promises under the contract and/or the outcome of providing the distinct service (or the provision of time-share management services). FinREC believes that given the terms of the variable consideration relate specifically to a time-share entity's efforts to transfer each distinct good or service daily the allocation of the fees (including management fees and cost reimbursements) to the daily services provided during the period in which they are billable (subject to constraint) meet the allocation objective consistent with (4) in TRG Memo 39 above. This conclusion is also consistent with Example 12A in FASB ASC 606-10-55-157B through 55-157E and BC 285 in ASU 2014-09.

38. The following example is meant to be illustrative, and the actual accounting under FASB ASC 606 should be based on the facts and circumstances of an entity's specific situation.

Example:

39. A time-share entity designs and builds a time-share resort to sell time-share intervals. After constructing the resort, the time-share entity enters into a time-share management agreement with the OA for a ten year term. The terms of the time-share management agreement state that the time-share entity will act as manager of the time-share resort and provide OA with the following services:
    a. Property management services, which includes maintaining the property, housekeeping, food and beverage services, employment of the resort employees, etc.;
    b. Time-share plan management services (i.e., reservation services); and
    c. OA administration, billing and collection services.

40. In exchange for the services provided, the OA will pay the time-share entity 10% of all annual assessments billed by the OA and will reimburse the time-share entity for certain expenses incurred for the time-share management services provided. As each time-share interval owner is required to pay their share of the annual assessments, the time-share entity is also required to remit to the OA annual assessments for each time-share interval it owns.

41. The time-share entity determines that the activities in the time-share management agreement all assist with the time-share entity's ability to provide time-share management services, and therefore, are not separate promises within the contract. Each day of the time-share management service would be distinct in accordance with FASB ASC 606-10-25-19 as: (i) the OA benefits from each day of the time-share management services on its own, and thus, each day of time-share management service is capable of being distinct and (ii) each day is separately identifiable as the time-share management services performed on one day do not significantly modify or customize the time-share management services performed on another day.

42. The time-share entity evaluates whether the time-share management services represent a series of distinct services in accordance with FASB ASC 606-10-25-14 through 25-15. The time-share entity determines that the time-share management services are substantially the same each day. While the amount of each specific time-share management activity may vary, such activities all relate to the promise to provide time-share management services. Additionally, as the OA simultaneously receives and consumes the benefits as the time-share entity performs, the time-share entity determines that the time-share management services are satisfied over time and each day would be used as the time-share entity's measure of progress to satisfy its promise to provide the time-share management service each day. Therefore, the time-share management services represent a series of distinct services in accordance with FASB ASC 606-10-25-15 through 25-15.

43. After determining that the time-share management performance obligation is a series of distinct daily time-share management services satisfied over the time-share management agreement, the time-share entity evaluates whether it is a principal in providing the time-share management services or an agent, in order to determine whether revenues should be recognized on a gross (principal) or net (agent) basis. This determination of whether an entity is acting as a principal or agent is performed for each performance obligation identified, and as such the time-share entity determines that given it controls the time-share management services provided to the OA, it is the principal in the provision of time-share management services. The time-share entity will recognize the entire transaction price, inclusive of cost reimbursements, on a gross basis.

44. Next, the time-share entity determines the transaction price, all of which is deemed variable consideration as consideration is based on a percentage of the total assessment amount and cost reimbursements. However, the time-share entity must reduce the transaction price by the proportion of assessments the time-share entity paid the OA for time-share intervals owned by the time-share entity as such payments to the customer are not for a distinct service.

45. The time-share entity considers whether the variable consideration may be allocated to one or more, but not all, of the distinct days of service in the series in accordance with FASB ASC 606-10-32-39(b). The entity evaluates the criteria in FASB ASC 606-10-32-40 and determines that the terms of the variable consideration relate specifically to the entity's efforts to transfer each distinct daily service and that allocation of the variable consideration earned based on the activities performed by the entity each day to the distinct day in which those activities are performed is consistent with the overall allocation objective. Therefore, as each distinct daily service is completed, the variable consideration allocated to that period may be recognized, subject to the constraint on variable consideration.

46. At the end of the first month, 80% of the time-share intervals have been sold. The OA has collected $1,200,000 from time-share interval owners for the 12 month term of the management agreement. The time-share entity is entitled to $120,000 (i.e., 10% of annual assessments) plus cost reimbursements as compensation for time-share

management services for the given term of the management agreement. During the first month of the management agreement term, the time-share entity has incurred $4,000 of costs that are eligible for reimbursement by the OA. However, as the time-share entity owns 20% of the intervals (i.e., the unsold time-share intervals) a reduction to the transaction price is made for the consideration paid to the OA by the time-share entity. The time-share entity determines that the transaction price for the first month of the time-share management services is $11,200 (i.e., (1/12th of [80% * $120,000]) + (80% *$4,000)).

47. The time-share entity then considers whether the variable consideration may be allocated to one or more, but not all, of the distinct days of the time-share management services in the series in accordance with ASC 606-10-32-39(b). The time-share entity determines that the variable consideration provided each day relates specifically to the time-share entity's efforts to transfer the daily time-share management service in the first month and thus, meets the allocation objective to allocate the fees to the first month in which such fees relate.

48. As the time-share management performance obligation represents a series of distinct services performed over time, the time-share entity decides to use time as its measure of progress. At the end of the first month, the time-share entity recognizes revenue related to the current period time-share management services provided in the first month by recording the following journal entry:

Debit	**Credit**	**Debit**	**Credit**
Receivable from OA		$10,000	
	Management Fee Revenue		$10,000
To record monthly management fee (1/12th of $120,000 annual).			
Management Fee Revenue		$2,000	
	Maintenance Fee Expense		$2,000
To eliminate management fee revenue for time-share entity owned intervals (20%).			
Cost Reimbursement Expense		$4,000	
	Cost Reimbursement Revenue		$4,000
To record cost reimbursements as principal for those costs incurred during the month.			
Cost Reimbursement Revenue		$800	
	Cost Reimbursement Expense		$800
To eliminate portion of cost reimbursements for time-share entity owned intervals (20%).			

49. The time-share entity would continue to recognize revenue over the time-share management agreement term for the time-share management fees (i.e., the management fee and cost reimbursements) in the month in which such fees relate as it represents the time-share entity's satisfaction of the time-share management performance obligation in the given month.

Comments should be received by May 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.