

When would AMC Theatres recognize revenue from its AMC Stubs A-List subscription service?

AMC Entertainment Holdings, Inc. (NYSE: [AMC](#)), also known as AMC Theatres, recently announced a \$19.95 per month subscription service, [AMC Stubs A-List](#), to compete with MoviePass. With the A-List program, subscribers can see up to three movies per week with few restrictions. The minimum commitment is three months, after which time the subscriber can cancel at any time.

Just as a point of comparison, the cost of MoviePass is between \$7.95 - \$9.95 per month. Depending on the plan, MoviePass subscribers can see up to one movie per day, subject to restrictions. Subscribers can cancel at any time. MoviePass stock has fallen greatly in recent weeks because investors do not see its business model as sustainable. MoviePass has significantly more expenses than revenues and its cash is dwindling rapidly.

Questions

1. Assume that a new subscriber signs up for the AMC Stubs A-List program and pays \$19.95 for the first month on August 1. On what day will AMC be able to recognize that first \$19.95 as revenue?
2. If AMC charges a new subscriber for the first three months (the minimum commitment) when the subscriber signs up for the A-List program, when will AMC recognize the revenue from the first three months for that new subscription? How would the three-month prepayment be recorded initially by AMC?
3. Currently, AMC does not have an annual A-List payment option. Assume, however, that AMC rolls out an annual plan that allows subscribers to pay in one lump sum at the beginning of the subscription year for the A-List plan. When would AMC recognize revenue from this annual plan?