

**Stern School of Business**  
**Entertainment, Media and Technology (EMT) Program**  
**New York University**

**Entertainment Accounting**  
**Spring 2012**  
**Professor Lawrence Griff**  
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**Description**

In this course, we will study various entertainment enterprises including movies, television, music, publishing, broadcasting, and social media. We will analyze and discuss in-depth how accounting for particular transactions impacts the financial results of these enterprises. Accounting topics will include revenue recognition, goodwill and intangibles, amortization of negative costs associated with making movies, and royalties.

**Pre-requisites:**

Students are assumed to have a working knowledge of accounting principles comparable to materials covered in the core financial accounting course.

**Course Material**

The primary book that we will use is *Entertainment Industry Economics, A Guide for Financial Analysis*, Eighth Edition (**EIE**). We will also use *Intermediate Accounting, Principles and Analysis*, Second Edition, Chapters 7 – Revenue Recognition and Chapter 11 – Intangible Assets. Additionally, we will study various public filings of media and entertainment companies and in particular the critical accounting policies that each company uses

Two internet addresses will be useful to you during this course:

1. Filings with the Securities and Exchange Commission: *sec.gov*
2. Pronouncements of the Financial Accounting Standards Board: *fasb.org*

**Attendance and Classroom Performance**

Attendance is important. You should attend every class to assure a good understanding of the material. You are expected to contribute to classroom discussions via questions and interacting with classmates during presentations.

## Grading

Your grade will be based on a group project, take-home exam and class participation.

## Class 1

Intro to the different media businesses. We will briefly discuss the different revenue sources and types of costs for these entertainment enterprises. We will begin to lay the framework of how accounting impacts the financial statements of these enterprises.

### Please pre-read from EIE:

- Chapter 3 – Movie macroeconomics -
- Chapter 6 – Music
- Chapter 7 – Broadcasting
- Chapter 8 – Cable
- Chapter 9 – Publishing

## Class 2

We will discuss in-depth revenue recognition issue related to entertainment enterprises. **We will have a finance executive from media and entertainment industry to speak about his/her experience in this field.**

### Please pre-read:

- *Intermediate Accounting*, Chapter 7 – Revenue Recognition
- SEC SAB 104, “Revenue Recognition” – sec.gov
- EITF No. 99-19 “Reporting Revenue Gross as a Principal versus Net as an Agent” – fasb.org

## Class 3

We will discuss in-depth financial accounting in movies, television, and music. **We will have a finance executive from media and entertainment industry to speak about his/her experience in this field.**

### Please pre-read:

- EIE, Chapter 5 – Financial accounting in movies and television
- Statement of Financial Reporting Standards No. 50 – Financial Reporting in the Record and Music Industry – fasb.org
- SOP 00-2 “Accounting by Producers or Distributors of Films”
- SFAS No. 51 – Financial Reporting by Cable Television Companies

#### **Class 4**

We will discuss usually the largest asset, goodwill and intangible, on the balance sheet for many media and entertainment companies. Topics will include purchase accounting, indefinite vs. definite lived intangibles, length and type of amortization, and write-offs.

#### **Please pre-read:**

- *Intermediate Accounting*, Chapter 11 Revenue Recognition
- SFAS 142 - Goodwill and Other Intangible Assets

#### **Class 5**

We will begin the class with group presentations. We will discuss in-depth accounting issues related to the music industry. The topics we will cover will include revenue (licensing arrangements, minimum guarantees, gross versus net, cash vs. accrual), royalty advances, cost capitalization and amortization, valuation and impairment. We will also discuss the cable industry and specific accounting issues related to this industry including cable installation fees, capitalization of costs, depreciation and amortization of long-lived assets.

#### **Please pre-read:**

Statement of Financial Reporting Standards No. 50 – Financial Reporting in the Record and Music Industry – [fasb.org](http://fasb.org)

SFAS No. 51 – Financial Reporting by Cable Television Companies

#### **Class 6**

An important accounting issue in media and entertainment is compensation. There are very specific accounting rules related to this issue. Small differences in the stock compensation terms can have a dramatic impact on the financial results of a company. We will discuss the key accounting elements related to stock option and other stock grants.

#### **Please pre-read:**

- SFAS No. 123R - Share-Based Payment
- *Intermediate Accounting*, Chapter 16, Accounting for Compensation. Do not need to read the section on pensions since most media and entertainment companies do not have pension plans.