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Giving Credits where Credits are due: Revising the Script on Hollywood's Books

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GIVING CREDITS WHERE CREDITS ARE DUE:

REVISING THE SCRIPT ON HOLLYWOOD'S BOOKS

Accounting for the Motion Picture Industry

A Thesis for the Honors Program

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ABSTRACT

For the past decade, the motion picture industry has been heavily scrutinized for its questionable accounting practices. This paper reviews these practices and shows how motion picture companies have manipulated accounting numbers to further their financial interests. The paper also discusses several proposed reforms to restore the public's faith in the financial assessment of motion picture companies.

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Opening Credits

How can a movie earn more than $650 million in gross receipts worldwide and still not be profitable? To someone outside the motion picture industry, the answer is simple: the movie went over its budget--another Hollywood project gone out of control. *Forrest Gump,* which won the 1994 Oscar for Best Picture, is ranked among the top five grossing films in history. Yet, according to Paramount Pictures, the movie carried a $62 million loss on the corporation's financial statements in 1994. Furthermore, reports surfaced that in 1996 the movie *still* had not earned a profit (Young 1995).

If an enormous hit like *Forrest Gump* can suffer such a loss, what about other high-budget movies *(Waterworld,* for instance) that flopped at the box office? How can Paramount, Orion, Warner Brothers, and other movie studios still be worth billions of dollars if they are compiling 10 or 15 *Gump*-like losses year after year? The answer is more complicated than "the movie went over its

budget." In fact, the answer may lie with the accounting practices employed by studios in the motion picture industry.

Motion picture studios have been under attack the past several years for their infamous "Hollywood accounting." This surge of criticism over the studios' accounting practices came in the wake of the much publicized *Buchwald v. Paramount* court case. Because of this lawsuit, people around the world learned of Paramount's accounting practices--which the presiding judge called "unconscionable"--for the film *Coming to America*. Since the ruling, the push to reform the industry's accounting policies has been intense.

This paper addresses what the unique policies are that govern accounting for the motion picture industry and how studios manipulate these practices for their purposes. The following topics are the areas of concern for this paper: a general overview of the types of costs incurred in the motion picture industry; a review of the Statement of Financial Accounting Standards (SFAS) No. 53, *Financial Reporting by Producers and Distributors of Motion Picture Films* (FASB 1981); a discussion of the contrasting concepts of contract net profits and Generally Accepted Accounting Principles (GAAP) profits; an examination of *Buchwald v. Paramount* in more depth; and a study of proposed reforms in motion picture accounting.

Lights . . .

Like any other financial venture, a motion picture production needs capital to cover its costs, which are often enormous. These production costs occur at four chronological steps: script acquisition, pre-production, principal photography, and post-production (AICPA 1973). During script acquisition, a producer will generally turn to a motion picture studio to gain the capital to turn a screenplay into a movie. If a studio determines that a screenplay is a desirable project, it will contribute the capital needed to develop the movie further (Hollins 1990).

Acquiring a script includes the costs to obtain a script, such as an advance payment to the script's author. Examples of production costs incurred during the pre-production stage of a film are the construction of a movie set and the acquisition of a cast, directors, and producers. Production costs associated with a film's principal photography stage relate to filming the movie, using studio equipment and facilities, and providing a wardrobe and accessories. The pre-production and principal photography stages of a film can trigger $32 million to $50 million in costs (Young 1996; Lesley 1996). The costs of the post-

production stage relate to editing, mass producing, distributing, marketing, and advertising the film and can often add another $16 to $40 million to the film's total cost (Young 1995; Lesley 1996). Additional costs occur when the studio releases the film into the foreign market. Despite the magnitude of these costs, costs that are *not* directly involved in the production of the movie are the ones that really inflate the total cost of a film (Young 1995; Lesley 1996).

Motion picture studios add several types of costs to their films to "reimburse" themselves for operations. For example, distribution fees, not to be confused with the distribution costs noted above, are costs that studios charge a movie to maintain a "distribution arm"—a share in the future profits from the distribution and exhibition of the film (Cheatham et al. 1996). Generally a flat percentage subtracted from a film's gross revenues, distribution fees can run anywhere between 40 and 45 percent of gross revenues, depending on the studio's role in the production (Hollins 1990). Another cost that studios charge to a film is overhead on items like advertising and the movie production's operating costs. They also assess interest on each film as compensation for the opportunity cost of not participating in other viable interest-earning investments. In addition, studios charge interest on advertising and operating overhead and actors' operational allowances (Cheatham et al. 1996). These reimbursement costs, which often range between $20 million and $30 million, have been challenged by individuals who feel that they are unjust (Young 1995).

Camera . . .

The Statement of Financial Accounting Standards (SFAS) No. 53, *Financial Reporting by Producers and Distributors of Motion Picture Films* (FASB 1981), is composed of principles based on those first presented in the American Institute of Certified Public Accountants' (AICPA) industry accounting guide, *Accounting for Motion Picture Films* (AICPA 1973). The AICPA developed the accounting guide in response to the wide variation in practices used to account for film revenues and costs. Issued before the growth of the videocassette industry, SFAS No. 53 largely ignores the billions of dollars grossed each year from videocassette sales. Therefore, many of its practices may now be inadequate. Nonetheless, the accounting practices in SFAS No. 53 are authoritative for movie studios that are preparing external financial statements under GAAP (Cheatham et al. 1996).

Accounting for Revenue

The Statement of Financial Accounting Concepts No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises* (FASB 1984),

identifies two criteria that studios must meet to recognize revenues: (1) realized/realizable and (2) earned. To satisfy the realized/realizable criterion, goods and services must be exchanged or readily convertible to cash or claims to cash. Revenues are considered earned when an entity has substantially completed all that it was obligated to do to obtain the benefits of the revenues.

In the film industry, exhibition rights are sold to theaters either for a percentage of box-office revenues or, in smaller markets, for a fee. A licensor can also secure a nonrefundable guarantee against a percentage of box-office receipts. According to SFAS No. 53, studios should recognize revenues from exhibition rights, based on a percentage or a fee, only upon the exhibition of the film. Similarly, studios should not recognize nonrefundable guarantees as revenues until the date of the exhibition. In foreign markets, nonrefundable guarantees are usually outright sales because of the lack of control over the distribution of films. Studios should recognize sales from these guarantees as revenues upon execution of a noncancellable contract.

Accounting for Production Costs

Under SFAS No. 53, movie production costs are not immediately expensed (i.e., charged against income) when incurred but instead are capitalized as an asset, inventory. Included in the film inventory account are the following costs: (1) film costs allocated to the primary market; (2) costs of completed--but not-yet-released--films, net of the portion allocated to the

secondary market; and (3) costs of television film in production under contract to sell. The primary market is the venue in which a film is primarily produced, exploited, or exhibited--for example, a movie theater. The secondary market, which includes television and home video, is the venue where a film is shown after it has appeared in the primary market.

Accounting for Exploitation Costs

SFAS No. 53 also requires the capitalization and amortization of exploitation costs incurred during the post-production stage of a film. Examples of exploitation costs are film prints and pre-release and early national advertising costs. Rent, salaries, and other costs of distribution and cooperative or local advertising should not be included in exploitation costs but instead should be expensed in the period incurred. Similarly, interest from a production loan is not capitalized but is treated as an expense of the period.

Accountants should periodically compare exploitation and production costs with net realizable value on a film-by-film basis. Net realizable value is the amount that will be realized upon disposal of an asset less the costs (including the purchase price) incurred in the acquisition of that asset. If the estimated gross revenues from a film will not cover its exploitation and production costs, SFAS No. 53 states that the film should be written-down to its net realizable value, with the portion that is written-down charged against income. Estimates can be written back up in the same fiscal year, but they cannot exceed the

current year's write-down. Moreover, after a film has been written-down to net realizable value, studios cannot write it back up in following years. Revisions should be recorded in the period that the adjusted estimates are made; prior results are not restated.

Individual Film Forecast Method

According to SFAS No. 53, motion picture studios should amortize the capitalized costs of a film using the individual film forecast computation method. Under this method, a ratio of current period gross revenues to anticipated total gross revenues is computed for each film. This fraction is applied to the capitalized film costs to determine the amount to amortize during the period. The anticipated gross revenues from the film should include revenue from foreign exhibition and other means of exploiting the film.

Because anticipated gross revenues will change over time, accountants should revise estimates regularly to reflect a more accurate figure in the denominator of the ratio. The estimates should be consistent with those principles outlined in the Accounting Principles Board Opinion No. 20, *Accounting Changes* (APB 1971). The revised fraction is stated as gross revenue for the current period over anticipated total gross revenue from the beginning of the current period. This new fraction should be applied to the capitalized film costs as of the beginning of the period. The SFAS No. 53 offers a periodic table computation as an alternative means of calculating amortized

film costs. However, the results must be similar to those computed under the individual film forecast method. Appendix A shows an example of how capitalized film costs are amortized under computation of the individual film forecast method.

Balance Sheet Presentation of Film Inventories

Film inventories under SFAS No. 53 are generally classified as current assets, although their "lives " are measurable in periods greater than a year (Hollins 1990). For example, the three categories of film inventory discussed above are classified as current assets. Inventories designated for the secondary market and all other film inventories, on the other hand, are classified as noncurrent assets.

Disclosure on Financial Statements

Notes to the financial statements should disclose all accounting practices unique to the film industry. Also, the composition of film inventory and a description of the individual film forecast method should be disclosed.

Action!

Despite the authoritative guidelines presented in SFAS No. 53 for accounting in the motion picture industry, movie studios are often able to manipulate accounting numbers in order to overstate their financial results. In 1989-1990, Orion suffered a $63 million loss, of which more than half came from film write-downs. Oddly, the company had recently enjoyed a string of hit movies such as *Dances with Wolves*, *Platoon*, *Bull Durham*, and *RoboCop*, and its financial statements prior to the write-down did not suggest any financial distress (Grover 1991; Harris 1990).

However, Orion did have a reputation for pursuing aggressive accounting techniques. The company's difficulties centered on its expectations that it would always produce enormous hits. As it began to capitalize more film costs in the asset section of the balance sheet, Orion did not write-down films that were performing below expectations, allowing the company to show inflated profits. Then, when the company's debt obligation became heavier, the company further delayed writing down its film inventories to buy more time to correct its finances. By 1989 and 1990, Orion's inventories quadrupled to $448 million, and it had

missed a $1.2 million interest payment to bondholders. Eventually, reality set in but far too late for the angry Orion shareholders who subsequently filed lawsuits against the company for failing to properly disclose its financial condition (Grover 1991; Harris 1990).

Cannon Group, Inc. faced a more serious problem--not from its shareholders but from the Securities and Exchange Commission, which issued a permanent injunction to prevent the company from overestimating future film revenues (Atlas 1994). To understand how these types of problems occur, recall that film inventories are not "hard" assets like a building or machine. The inventories represent the production costs of making films. While it may have cost $70 or $80 million to make a movie, no one knows with certainty how much the movie is *actually* worth. Motion picture studios are allowed to make estimates as to the expected future revenues and economic life of their films, and therein lies the cause of the abuse (Pouschine 1986).

The following hypothetical scenario shows how these abuses occur. Assume a movie costs $80 million to make, and the company believes that the film will generate $200 million in revenues. In the first year, the movie brings in revenues of $10 million. Under the individual film forecast method, the studio would amortize $4 million of the capitalized cost of the movie (one-twentieth of $80 million), leaving $76 million of inventory on the books. In the second year, the movie takes in only $10 million of revenues. By now, it is obvious the movie will not bring in $200 million in revenues over its lifetime, and a revision of

estimated future revenues and a write-down of the film inventory to net realizable value are needed in the current year different then the adjustments under the individual film forecast method. For Cannon, Orion, and other motion picture studios, however, these corrections often do not take place, leaving unrealistically large profits on their financial statements. Cannon's film inventory at one time was $14 million greater than Paramount's, although Paramount had eight times Cannon's revenues. In other words, Cannon's short-term profits were at the expense of a future write-off (Pouschine 1986).

The Script

Accounting manipulations not only make overall movie studio profits look good but can also make the profits of individual movies look bad. For example, box-office receipts, indicate that *Forrest Gump* is a winner. But to an individual expecting to receive a portion of the film's profits, the movie can be presented as an overhyped loser. This discrepancy is due to the film industry's maintaining two sets of accounting records: one for GAAP profit accounting, discussed in the previous section, and the other for net profit contract accounting. GAAP profit accounting is practiced for external reporting purposes; net profit contract accounting is practiced for internal reporting purposes.

Net profit contract accounting provides net participants--lesser-known actors, writers, directors, and producers--with a percentage of a film's net profits, while gross participants—well-known actors, writers, and other production personnel--receive an outright share of a film's revenues (Young 1995). Receiving any money is generally difficult for a net profit participant because most films have no net profits. But how can a movie like *Forrest Gump*, which has grossed more than $650 million, have no net profits? The answer lies with

items such as distribution fees and overhead that are used to inflate costs for studios' purposes (Cheatham et al. 1996).

Douglas Young (1995) recently did an analysis to illustrate the availability of net profits for a hypothetical box-office smash. This analysis is shown in Appendix B. He assumed that box-office revenues were $350 million for a film. A distribution fee of 55 percent, or $180 million of gross revenue, went to the studio. Also subtracted from the box-office revenues were distribution costs of $60 million, advertisement costs of $36 million, advertising overhead of $4 million, production costs of $46 million, production overhead of $4 million, and interest fees, gross participant fees, and other miscellaneous costs of $20 million, leaving a net profit of zero. This is a typical situation for movies. The costs that the studio deducts from the movie's gross revenues are so large that nothing is left for the person who wrote the book on which the film is based, the person who came up with the story idea, and other net participants (Abelson 1996).

To make the situation worse, the studios' net profit accounting also underestimates revenues for contract purposes. For example, in calculating the lifetime revenues of a film, only 20 percent of videocassette sales are used, while the other 80 percent goes into the studios' video subsidiaries. This approach has a considerable effect on net profits since video sales account for 40 percent of a film's total revenue and box-office receipts are only 21 percent (Cheatham et al. 1996).

Another technique for understating revenues is "block booking." Movie theaters are forced to accept movies they do not want in order to obtain the ones that they do want. The revenue is equally divided among all the films involved, reducing the revenue contribution of the box-office smash (Cheatham et al.1996).

A big hindrance for a net profit participant is a star getting a percentage of gross profits, which, depending on the cost of the movie, can account for a fifth of the movie costs (Sandler 1995). However, some argue that big-named stars deserve to receive $10 to $20 million a picture and that the current system is an appropriate one that compensates those who are most deserving (Abelson 1996). Others believe the problem lies in cash advances. Studio executives have accused net participants of driving up the costs of a film because of the amount of their cash advances. One studio attorney asserted that cash advances and a share in net profits are mutually exclusive; a net participant must sacrifice one or the other (Sandler 1995). Ironically, the reason net participants demand cash advances is that they are afraid they will not receive any net profits (Sandler 1995).

Movie studios' assessments of distribution fees, overhead, and interest charges on a movie production will often keep a film from generating net profits because these practices "artificially inflate a film's downside" (Sandler 1995, p. 15). In other words, studios pile on costs to postpone paying net participants, while they and the gross participants obtain their compensation up-front. One

studio employee stated, "It is to our benefit to delay paying on profits for as long as possible. We earn interest on the float, and the money allows us to finance other ventures. Besides, we're taking all the risk and we should be paid handsomely for it" (Sandler 1995, p. 15).

The Actors

The most notorious instance of motion picture studio accounting was detailed in the *Buchwald v. Paramount* court case. In summary, humorist Art Buchwald and friend Alain Bernheim sued for breach of contract when Paramount, after rejecting the project, used a story idea based on Buchwald's work called "It's a Crude, Crude World" for the hit movie *Coming to America*. After winning this first stage of the case, Buchwald and Bernheim, who were net profit participants, sued for profits from the movie because they had not yet received any money. The three-and-a-half year trial received worldwide attention because it brought to light studio accounting practices that Buchwald and Bernheim's attorney, Pierce O' Donnell, called "Fatal Subtraction" (Cheatham et al. 1996).

Coming to America was one of the top movies in the 1980s, grossing more than $325 million in worldwide revenues. Paramount's entertainment division recorded a $252 million operating income in 1989 because of the success of the film (Wechsler 1990), yet Paramount asserted that no net profits were available to Buchwald and Bernheim because the film had a $18 million

deficit. The case centered on O'Donnell's position that the contracts were "unconscionable." Unconscionable contracts are ones that "are offered on a nonnegotiable basis and are extremely unreasonable or harsh in their application" (O'Donnell 1992, pp. 388-89). Paramount countered with the "tentpole" defense: the studios saw box-office smash hits as tentpoles to support the inevitable disasters sure to occur in the risky motion picture business. In other words, the hits were used to offset the unprofitable flops (O'Donnell 1992).

O'Donnell, arguing the unconscionability rule, made the following statement:

> On this one film, the distribution fee alone more than covered the cost of Paramount's worldwide distribution network for an entire year and made the $63 million in distribution fees the studio collected on its other 1987 releases pure profit (Cheatham et. al 1996, p. 33).

Other questionable costs were also incurred. Eddie Murphy, the star of the film, received a $5000 weekly allowance, $4920 per week for a limousine and round-the-clock chauffeur, $1500 per week for a personal trainer, $650 per week for a valet and five production assistants, and $1000 per week for his brother to act as a stand-in. Moreover, Paramount recognized as production costs $3.7 million paid to Murphy's office staff, $1 million spent on his "entourage," and the infamous $235.33 consumed at a McDonald's breakfast. With these and other large

questionable costs, the film had a loss of $18 million, and no net profits were available to be distributed to residual participants. Buchwald commented that "If Paramount makes any more money on *Coming to America*, they're going to declare bankruptcy" (O'Donnell 1992, p. 363). To strengthen its case, O'Donnell's legal team confronted Paramount with the team's own net profit calculation, which was $57.8 million different from that computed by the studio (O' Donnell 1992).

Paramount lawyer Charles Diamond asserted the "risky business" defense:

> People in this industry are not compensated on the profitability of a film to a studio. They are compensated on the bases of a net profit point, or an adjusted gross point or a gross point--but nobody is paid a part of the studio's actual profit (Cheatham et al. 1996, p. 33).

He further stated that "The risk of failure in the motion picture business is ever present, immense, and unmitigable," (O'Donnell 1992, p. 431) and as a result, contracts based on net profit accounting are fair because such accounting practices provide a balance between the studio's enormous risk and the rewards it reaps (O'Donnell 1992, p. 431).

Nonetheless, Judge Harvey Schneider found that seven items in Buchwald's and Bernheim's contract were unconscionable:

1. A 15 percent overhead charge on Murphy's operational allowance.

2. A 10 percent charge on advertising costs despite the fact the studio no longer had an in-house advertising department.

3. A 15 percent studio overhead charge.

4. An interest charge on the 15 percent studio overhead.

5. An interest charge on the cost of production without credit for the distribution fees.

6. An interest charge on gross profit participation payments.

7. Use of an interest rate not in proportion to the cost of funds (O'Donnell 1992, pp. 467-68).

The judge awarded $150,000 to Bernheim and $750,000 to Buchwald, both of whom were disappointed with the award. However, the case not only spurred talk about changing the net profit formula but has led to several proposed reforms for correcting the perceived downfalls of current accounting practices in the motion picture industry (O' Donnell 1992).

It's a Wrap!

The preceding discussion makes evident a need for reforming accounting practices in the motion picture industry. Several task forces and committees have been organized for this purpose. These bodies have proposed many ideas, and perhaps the most popular one has been the adoption of a ten-year limit on the amortization period for film inventories. Under current practices, the period can be indefinite. However, a downside to the suggested ruling is that the studios generally realize nearly all of a film's revenues in its first five years; a ten-year limit may actually be too long (Cheatham et al. 1996). A group of individuals and the California Society of Certified Public Accountants jointly drafted a proposal that not only includes the ten-year limit but also a requirement that film companies must disclose the percentage of unamortized film costs that have been on the books for a period longer than three years. This idea counteracts the negative aspects of a "long" amortization period (Dawes 1995).

Another proposed reform involves exploitation costs. A task force composed of public accountants, studio finance executives, and a Wall Street analyst has suggested an end to the capitalization of exploitation costs. As

discussed in a prior section, exploitation costs, most of which are advertising expenses, are to be capitalized as assets and amortized against gross revenues. The studios' capitalization of exploitation costs is unorthodox when compared with practices in other industries. The majority of other industries must expense their advertising expenses as they incur them. One expert observed that 40 to 55 percent of the assets of a film company are old advertising and overhead costs. Expensing exploitation costs may offer a more realistic picture of a film company's true assets (Lesly 1996).

Another reform group has called for limiting the studios' abilities to estimate future sales in markets in which they have had no prior experience. For example, Disney receives significant amounts of revenues from film, television, videocassette, and licensing agreements featuring products based on its well-known characters like Mickey Mouse and Aladdin. Many other studios, however, do not have the same experience in product-licensing agreements, and their estimates of future sales in this market are likely to be less accurate than those of Disney. Therefore, the reform group has proposed that studios only include estimated revenues from areas in which they have had prior experience. Following this arrangement, Disney could include estimated sales from its product-licensing agreements involving *Beauty and the Beast* but could not include estimated sales from the Broadway production of *Beauty and the Beast* since it has no previous experience with Broadway plays (Cheatham et al. 1996).

A fourth issue involves gross participants. Some feel that gross participants' salaries should be included in the production costs of a film since they are not paid until a studio receives revenues from the film. The same practice can be applied to the payments made to net profit participants. In one court case, United Artists included gross and net payments in its production costs, and the Internal Revenue Service wanted the payments excluded. A district court held that the payments were "too contingent to accrue at the time the films were completed," but the Ninth Circuit Court upheld the United Artists' claim that the accounting treatment of the participants' payments led to a proper matching of expenses and revenues. Although no concensus has emerged on the issue of participant's payments, three possibilities exist. First, the studios could include the gross and net participants' payments in production costs. Second, the studios could exclude participants' payments from production costs and recognize them when paid. Third, the studios could exclude the payments from estimated revenues and production costs, producing in a result of the two prior approaches. Whatever the final solution, a uniform practice needs to be instituted to increase the comparability of financial statements for users (Cheatham et al. 1996).

Regarding contract accounting, two solutions have been proposed to insure that net participants receive net profits. One is to establish a "cash-break," which is the level of revenues at which a studio recovers its costs for production, film prints, and advertising. Net profits would then be distributed

from subsequent revenues. A second possibility is to stop assessing charges like overhead and interest once a film recovers its actual out-of-pocket costs. This practice would provide more profits to the net participants. Imposing these changes in accounting practices would be harder than the ones mentioned above because net profit accounting is rooted in contracts and not in financial accounting standards (Sandler 1995).

APPENDIX A

AMORTIZING CAPITALIZED FILM COSTS UNDER THE INDIVIDUAL FILM FORECAST METHOD

Factors:

Film Cost	$20,000,000
Gross Revenues	
First Year	$5,000,000
Second Year	$3,000,000
Third Year	$1,500,000
Anticipated Gross Revenues	
End of the First Year	$25,000,000
End of the Second Year	$21,000,000
End of the Third Year	$15,000,000

Ratio: $\dfrac{\text{Current Gross Revenues (for the period)}}{\text{Anticipated Gross Revenues (over life of film)}}$

First Year Amortization:

$$\frac{\$5,000,000}{\$25,000,000} \times \$20,000,000 = \$4,000,000$$

Second Year Amortization (if no change in anticipated gross revenues):

$$\frac{\$3,000,000}{\$25,000,000} \times \$20,000,000 = \$2,400,000$$

Second Year Amortization (if change in anticipated gross revenues):

$$\frac{\$3,000,000}{\$16,000,000^{1}} \times \$16,000,000^{2} = \$3,000,000$$

[1] 21 million anticipated gross revenues minus 5 million gross revenues from the beginning of the period

[2] original cost of film minus first year amortization

APPENDIX A
Continued

Third Year Amortization (if no change in anticipated gross revenues):

$$\frac{\$1,500,000}{\$25,000,000} \text{ X } \$20,000,000 = \$1,200,000$$

Third Year Amortization (if change in anticipated gross revenues):

$$\frac{\$1,500,000}{\$8,000,000^{1}} \text{ X } \$13,000,000^{2} = \$2,437,500$$

[1]15 million anticipated gross revenues minus 8 million (5 million plus 3 million) gross revenues from the beginning of the period

[2]16 million revised cost of film minus second year amortized cost of 3 million (or original cost of the film minus 7 million accumulated amortization—4 million plus 3 million)

APPENDIX B

CALCULATION OF NET PROFITS ON HYPOTHETICAL BOX-OFFICE SMASH

Box-office Revenue		$350,000,000
Less:		
Distribution Fee	$180,000,000	
Distribution Cost	60,000,000	
Advertising Cost	36,000,000	
Advertising Overhead	4,000,000	
Production Cost	46,000,000	
Production Overhead	4,000,000	
Interest, Gross Participant, and Miscellaneous Costs	20,000,000	$350,000,000
Net Profit		**$0**

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