

## Creative accounting

Complete the article about the Hollywood accounting using the words below

### Hollywood Accounting

came up with                      entities                      look very closely  
misleads                      the biggest issues                      very sensitive

One of the types of creative accounting is Hollywood accounting. The company distributes the profit earned by a large project to various \_\_\_\_\_ which, are typically owned by the same people. This kind of manipulation reduces the net project's reported profit dramatically and \_\_\_\_\_ the concerned audience. This is most often done to reduce the amount which the corporation must pay in royalties or other profit-sharing agreements.

Due to Hollywood accounting only about 5% of movies officially show a net profit. Among the "losers" you'll find such blockbuster films as *Rain Man*, *Forrest Gump*, and *Batman*, which got a tremendous income from cinemas and video sales.

This became one of \_\_\_\_\_ for so many big-name actors. Now they insist on "gross points" (a percentage of some definition of gross revenue) rather than net profit participation. So the actors now \_\_\_\_\_ at the contractual terms.

Three main factors in Hollywood accounting reduce the reported profit of a movie, and all have to do with the calculation of overhead:

- Production overhead -- Studios, on average, calculate production overhead by using a figure around 15% of total production costs.
- Distribution overhead -- Film distributors typically keep 30% of what they receive from movie theaters ("gross rentals").
- Marketing overhead -- To determine this number, studios usually determine about 10% of all advertising costs.

Now courts are \_\_\_\_\_ to this kind of things.

#### Examples

Winston Groom, the screenplay writer *Forrest Gump*, got nothing for the movie because his royalty included a share of the profits. Due to Hollywood accounting, the film's commercial success was converted into a net loss. His lawyer \_\_\_\_\_ a solution. They filed to the court and won the deal.

Art Buchwald received his money after the lawsuit *versus. Paramount*. It was impossible that Eddie Murphy comedy *Coming to America* which got US\$350 million failed to make a profit, especially since the actual production costs were less than a tenth of that.