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American Institute of Certified Public Accountants. Accounting Standards Division, "Accounting for motion picture films : proposal to the Financial Accounting Standards Board to amend AICPA industry accounting guide Accounting for motion picture films; Statement of position 79-4;" (1979). *Statements of Position*. 33.

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**Statement of
Position**

79-4

**Accounting for
Motion Picture Films**

March 26, 1979

**Proposal to the Financial Accounting Standards Board
to Amend AICPA Industry Accounting Guide
*Accounting for Motion Picture Films***

**Issued by
Accounting Standards Division**

**American Institute of
Certified Public Accountants**

AICPA

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NOTE

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Accounting for Motion Picture Films

Introduction

1. The AICPA industry accounting guide, *Accounting for Motion Picture Films* (guide), discusses, in addition to other subjects, accounting for revenue from television exhibition, that is, sales of rights to permit one or more exhibitions of a film (including features, series, and specials made for television) during specified license periods. The guide concludes that

the revenue from films licensed for television should not be recognized prior to commencement of the license period and not until all of the following conditions have been met:

1. The sales price for each film is known.
2. The cost of each film is known or reasonably determinable.
3. Collectibility of the full license fee is reasonably assured.
4. The film has been accepted by the licensee in accordance with the conditions of the license agreement.
5. The film is available, i.e., the right is deliverable by the licensor and exercisable by the licensee.

The guide further states that

The fifth condition regarding availability distinguishes the recommended method from the contract method in that revenue is not recognized until the right is exercisable by the licensee and all conflicting licenses have expired. Exhibition rights transferred to a licensee generally are definable by geographic market area and are marketed in a manner to avoid conflict in a given market. Conflict may exist in a market between (1) theaters and television stations, (2) network television and local stations, and (3) two or more local stations within the market area. The conflict between theatrical showing and telecasting also is recognized by the producer (or owner) of the film, who usually imposes restrictions on distribution which prohibit the licensing of the film for television for a sufficient period of time to allow for theatrical release. Because of these circumstances, the Committee has concluded that revenue from the licensing of a film should be recog-

nized in the same sequence as the market-by-market exploitation of the film and at the time the licensee is able to exercise his rights under the agreement, which would be the later of the commencement of the license period (the right then being exercisable by the licensee) or the expiration of a conflicting license (the right then being deliverable by the licensor).

2. It has come to the attention of the division that the description of availability quoted above does not discuss restrictions on the timing of showings other than the first showing of a motion picture film under a license agreement. The effect of those types of restrictions needs to be clarified because different interpretations have developed in practice.

Conclusion

3. The division believes that restrictions on timing of showings other than the first showing should not affect the recognition of revenue when there is no conflicting license preventing usage by the licensee. This conclusion applies to restrictions on timing of subsequent showings of a feature or special and to restrictions on timing of showings of subsequent episodes of television series. This conclusion does not modify the requirement that all the conditions in paragraph 1 should be met before revenue is recognized.

4. This statement of position amends the guide by inserting the following as the concluding sentences of the description of availability quoted above (second paragraph on page 8 of the guide):

Thus, the availability condition is met when a film may be shown for the first time under a licensing agreement. The committee has concluded that restrictions on timing of subsequent showings of the film under the same license agreement, or a contemporaneous license with the same licensee, do not affect the availability date.

Transition

5. This statement of position should be applied to all license agreements with initial availability dates after December 31, 1978.

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