

6-1931

Accounting for Community Musical Organizations

Paul K. Webster

Follow this and additional works at: <https://egrove.olemiss.edu/jofa>



Part of the [Accounting Commons](#)

Recommended Citation

Webster, Paul K. (1931) "Accounting for Community Musical Organizations," *Journal of Accountancy*. Vol. 51 : Iss. 6 , Article 4.

Available at: <https://egrove.olemiss.edu/jofa/vol51/iss6/4>

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Journal of Accountancy by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

Accounting for Community Musical Organizations

BY PAUL K. WEBSTER

INTRODUCTORY

During recent years it has become a matter of considerable civic pride for an American city or metropolitan district to have its grand opera association, its symphony orchestra, its annual artists' series, or some other community musical enterprise. These organizations are ordinarily sponsored by music lovers in the community and are sometimes supported to a certain extent by the municipal government. It seems that cities, particularly the larger ones, are glad to have it generally known that their population is not only adequately large but also adequately cultural to support an organization or several organizations created primarily for artistic purposes.

The majority of the financial support of these organizations, however, comes from the guarantors, the members, or from persons who make special contributions to defray the customary losses from operations or even to pay for building opera houses, amphitheatres, etc.

The guarantors are usually business executives, well-to-do professional men, or wealthy women who are interested (either artistically or socially) in musical productions. The contributions to be requested from the guarantors are usually determined annually on the basis of the operating loss for the year.

One of the prime requisites of a musical organization is a large variety of memberships. The author of the association's constitution should ever keep in mind the motto "A membership for every pocketbook." It is quite possible that a contribution of \$500 will purchase a life membership or a charter membership, whereas a donation of \$100 merits only a founder membership, and \$50 will secure a place on the list of permanent patrons.

The business affairs of the association are handled by a manager who is responsible to an executive committee or board of directors, which is elected by the members or guarantors. The manager, of course, will require a staff of assistants, varying in number with the size of the organization and the extent of its activities. Not the least important of the assistants is the distributor of the

season tickets. This position requires an infinite amount of patience and even more diplomacy, as it obviously is not always a simple matter to decide whether the choice seats in the fifth row on the center aisle shall be assigned to a new life member who is considering his \$500 contribution as a monumental stroke of generosity or to a permanent patron who has held the same seats for five years past. (Of course a mere non-member who desires to purchase tickets will always be happy to take whatever may be offered to him.)

In an organization of this character there is a considerable necessity for efficient accounting and auditing methods. These associations are not profitable at best and even with adequate accounting control they are likely to be extremely unprofitable. The guarantors desire and are entitled to have complete information regarding the financial condition and operations of the association, for while they may enjoy paying the deficits of a worthy organization, they will undoubtedly prefer that the deficits be as small as possible.

Unfortunately it is extremely difficult to find a manager who is both an able business executive and a genius at publicity, and it seems that the latter is often considered the more important. Obviously, however, there is little use in having an expert at safeguarding and accounting for revenues if there are no revenues to safeguard, and there may be no revenues if there is no publicity. Regardless of that, however, a complete audit is an excellent protection to the guarantors in that it reminds the manager that his expenditures will be subject to complete analysis and review.

An annual budget to be prepared at the beginning of the season is also a valuable assistance in maintaining an equilibrium between income and expenses, as it indicates how many expenses may be incurred with a reasonable expectancy that they will be covered by the income. A weekly statement of budget appropriations and expenditures will serve as an excellent indication to the manager and the executive committee of how much more may be spent without causing an undue excess of expenses over expected income.

GENERAL ACCOUNTING SYSTEM

The accounting system of a musical association (except the system of accounting for admissions) in most respects need not vary radically from that of an ordinary business enterprise.

The majority of associations will obtain practically all of their revenue from a limited number of performances which will be presented within a period of a few weeks (or days) near the end of the fiscal year or "season". During the remainder of the year the accounting activity will be comparatively light. For this reason it is desirable to have the cheque register (and perhaps the cash-receipts record) in such form as to allow for expansion merely by the insertion of columnar half-sheets for additional expense distribution during the active period.

The cash records and a journal should be the only necessary books of original entry except during the period of ticket sales when certain ticket registers will be required. There will ordinarily be no necessity for an invoice record or voucher register, as all bills should be paid currently and invoices may be attached to a copy of the cheque and filed by cheque number. (If this is done, the numbers of the cheques drawn in favor of each creditor should be listed in an alphabetical index.)

The accounts payable at the end of the season may be recorded by journal entry. There appears to be no reason to record all accounts payable at the end of each month, as in any event the expenses (for statement purposes) will probably be considered as deferred charges (and any revenues as deferred credits) until the end of the season. Of course if the bills are not paid currently it will be advisable to maintain a voucher register in order to keep the expense accounts up to date and to reflect on the books the true financial condition of the association.

The general ledger of the association need have no unusual features unless it is desired to segregate the direct production expenses by performances. This can readily be accomplished, if the performances are not too numerous, by the use of analysis ledger sheets providing a separate column for each performance. If the "season" is relatively long the segregation may be made by weeks or on some other reasonable basis.

The net worth of the ordinary musical association will consist of membership fees and special contributions for capital expenditures, plus surplus or minus deficit. If the association regularly operates at a deficit and if this deficit is assessed against the guarantors, there appears to be no necessity of creating a separate account for the contributions of the guarantors. A simpler and probably more adequate solution is merely to credit the deficit account with the amount assessed against the guarantors. Spe-

Accounting for Community Musical Organizations

cial contributions, however, for purposes other than paying operating deficits would preferably be recorded in a separate account for capital contributions.

The following forms of financial statements are designed for a musical association engaged in the presentation of grand opera. Associations of other types would ordinarily require a less extensive expense classification, but otherwise would use substantially the same accounts.

Exhibit A

THE CIVIC OPERA ASSOCIATION

Balance-sheet, October 31, 1930

<i>Assets</i>	<i>Liabilities</i>
Current assets:	Current liabilities:
Cash xxx	Notes payable xxx
Accounts receivable:	Accounts payable xxx
Guarantors xxx	Accrued expenses xxx
Programme advertising xxx	Total current liabilities xxx
Ticket accounts xxx	
Miscellaneous xxx	Net worth:
Librettos xxx	Memberships xxx
Total current assets xxx	Special contributions xxx
Equipment:	Total xxx
Scenery xxx	Less, deficit, per
Stage properties xxx	Exhibit B xxx
Electrical equipment xxx	Remainder—net worth xxx
Office equipment xxx	
Total xxx	
Less reserves for depreciation xxx	
Total equipment—depreciated value xxx	
Deferred charges:	
Unexpired insurance xxx	
Prepaid taxes, etc. xxx	
Total deferred charges xxx	
Total xxx	Total xxx

The Journal of Accountancy

Exhibit B

THE CIVIC OPERA ASSOCIATION

Statement of income and profit-and-loss for the year ended October 31, 1930

Revenues:	
Ticket sales	xxx
Radio rights	xxx
Programme and libretto sales	xxx
Programme advertising	xxx
	—
Total	xxx
Direct expenses:	
Production expenses	xxx
Ticket-selling expenses	xxx
Advertising and publicity	xxx
Programme expenses	xxx
	—
Total	xxx
	—
Gross profit—schedule 1	xxx
General expenses—schedule 2	xxx
	—
Loss from operations	xxx
Other income charges:	
Interest	xxx
Miscellaneous	xxx
	—
Total	xxx
	—
Gross loss	xxx
Income credits:	
Membership dues	xxx
Rentals	xxx
Donations	xxx
	—
Total	xxx
	—
Net loss	xxx
Deficit, November 1, 1929	xxx
	—
Gross deficit	xxx
Deficit charged to guarantors	xxx
	—
Deficit, October 31, 1930	xxx
	—
	—

Accounting for Community Musical Organizations

Exhibit B—Schedule 1

THE CIVIC OPERA ASSOCIATION

Statement of gross profit, by performances, for the year ended October 31, 1930

	Total	Aida Sep. 6 1930	Rigo- letto Sep. 8 1930	Etc.	Etc.
Revenues:					
Ticket sales:					
Full price tickets	xxx	xxx	xxx	xxx	xxx
Members' season tickets	xxx	xxx	xxx	xxx	xxx
Non-members' season tickets	xxx	xxx	xxx	xxx	xxx
Student tickets, etc.	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Total ticket sales	xxx	xxx	xxx	xxx	xxx
Radio rights	xxx	xxx	xxx	xxx	xxx
Programme and libretto sales	xxx	xxx	xxx	xxx	xxx
Programme advertising	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Total revenues	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Direct expenses:					
Production expenses:					
Auditorium	xxx	xxx	xxx	xxx	xxx
Artists	xxx	xxx	xxx	xxx	xxx
Orchestra	xxx	xxx	xxx	xxx	xxx
Chorus	xxx	xxx	xxx	xxx	xxx
Stage direction	xxx	xxx	xxx	xxx	xxx
Music (royalties, etc.)	xxx	xxx	xxx	xxx	xxx
Costumes and cosmetics	xxx	xxx	xxx	xxx	xxx
Ballet	xxx	xxx	xxx	xxx	xxx
Electrical	xxx	xxx	xxx	xxx	xxx
Properties	xxx	xxx	xxx	xxx	xxx
Scenery	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Total production expenses	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Ticket-selling expenses:					
Salaries and commissions	xxx	xxx	xxx	xxx	xxx
Insurance, supplies, etc.	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Total ticket expenses	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Advertising and publicity:					
Newspaper and magazine	xxx	xxx	xxx	xxx	xxx
Billboard	xxx	xxx	xxx	xxx	xxx
Publicity	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Total advertising	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—

Programme expenses—printing, art work, etc.	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Total direct expenses	xxx	xxx	xxx	xxx	xxx
	—	—	—	—	—
Gross profit (loss in red)	xxx	xxx	xxx	xxx	xxx
	==	==	==	==	==

Exhibit B—Schedule 2

THE CIVIC OPERA ASSOCIATION

Statement of general expenses for the year ended October 31, 1930

Executive salaries	xxx
Office salaries	xxx
Stationery and office supplies	xxx
Office rent	xxx
Telephone and telegraph	xxx
Professional services	xxx
Executive traveling expenses	xxx
Depreciation of office equipment	xxx
Miscellaneous	xxx
	—
Total	xxx
	==

The production expenses shown in schedule 1 of exhibit B may, if desired, be classified in greater detail, as shown in the following:

<p>Orchestra:</p> <p style="padding-left: 20px;">Salaries</p> <p style="padding-left: 20px;">Conductors' fees</p> <p style="padding-left: 20px;">Instrument rental</p> <p style="padding-left: 20px;">Miscellaneous</p>	<p>Scenery:</p> <p style="padding-left: 20px;">Labor—stage hands</p> <p style="padding-left: 20px;">Scenery storage</p> <p style="padding-left: 20px;">Insurance and taxes</p> <p style="padding-left: 20px;">Depreciation</p> <p style="padding-left: 20px;">Miscellaneous</p>
---	---

TICKET-ACCOUNTING SYSTEM

General

The system of accounting for revenue from ticket sales is undoubtedly the most important item in the accounting system of a musical association. If the tickets and the cash received in exchange therefor are not kept under complete accounting control, the abstraction of cash by box-office employees becomes an extremely simple matter.

Two primary principles of an adequate ticket-accounting system for an organization of the type under discussion are as follows:

Accounting for Community Musical Organizations

1. Ticket revenues must be based on the total face value of tickets representing the entire capacity of the auditorium and evidences of all deductions from this total must be presented by the custodian of the tickets.

2. A "box count" should not be necessary in order to determine the amount of income for which to account. (Such a count, however, may serve a valuable purpose in verifying the approximate accuracy of the revenue figures otherwise determined.)

The total capacity of the auditorium (which represents the maximum potential revenue) may be determined from the invoice of the ticket printer and verified by reference to auditorium seating charts and ticket price lists. The net revenue from admissions should be equivalent to the total capacity (expressed in dollars) less the following deductions:

1. Unsold tickets
2. Authorized passes
3. Discounts on season tickets
4. Discounts on "ticket orders" (for student tickets, etc. sold at reduced rates)

For the purpose of this discussion, the following figures will be assumed to represent the total capacity and the average distribution for each performance. It will be assumed that the season consists of ten performances and therefore that the total capacity for the season represents ten times the amount shown in the following tabulation:

Seat price	Number of tickets					
	Capacity	Box- office sales	Season- ticket sales	Ticket order sales	Passes	Unsold
Orchestra:						
\$5.00.....	750	200	425	15	60	50
3.50.....	825	400	200	20	50	155
2.00.....	300	125	50	100		25
Balcony:						
\$4.00.....	200	100	25	15	30	30
2.50.....	525	200	75	150		100
1.50.....	800	300	125	350		25
Total number.....	3,400	1,325	900	650	140	385

The Journal of Accountancy

Total face value	\$10,550	\$4,000	\$3,400	\$1,305	\$595	\$1,250
Less discounts and non-revenue tickets	2,580		410	325	595	1,250
Average revenue per performance	\$7,970	\$4,000	\$2,990	\$ 980		

When the tickets are received from the printer they should be delivered intact to the box office and the following entry should be made on the books:

(1)

Dr. Box-office ticket account	\$105,500	
Cr. Ticket suspense account		\$105,500
To charge box office with tickets representing entire capacity of auditorium for the season.		

Season-ticket sales

It will usually be found desirable to have all season-ticket sales handled through the general office, and it will consequently be necessary to requisition from the box office the tickets which are to be reserved for season sales. This may be accomplished by delivering to the box-office attendant a requisition slip showing the number, description and price of the tickets desired. A copy of this requisition will be retained by the box office as a record of tickets delivered to the general office, and the following journal entry will be made to record the transaction:

(2)

Dr. General-office ticket account	\$45,500	
Cr. Box-office ticket account		\$45,500
To record face value of tickets delivered to general office for season sales.		

A special entry may be made for this transaction or it may be handled on the regular daily box office report discussed later.

It will be found desirable to reserve for season sales more tickets than are actually expected to be required, as it is obviously much easier to return the extra tickets to the box office than to attempt to assemble additional season tickets after the single sale has commenced.

All season tickets are usually sold at a discount from face value and members or guarantors are frequently granted special discounts. In addition there will usually be tickets of various prices,

all subject to different discounts. Deposits and part payments on season tickets will also find their way into the accounts.

In order to keep an accurate record of all the details concerning season-ticket sales, a season-ticket register containing the following columns should be maintained:

1. Date
2. Name of purchaser
3. Amount of cash received
4. Accounts receivable (for part payments, etc.)
 - (a) Debit
 - (b) Credit
5. Season-ticket discount
6. Total face value of tickets
- 7 to 12. Detail by prices of tickets
 - (a) Number of tickets
 - (b) Amount

If a special bank account is maintained for season-ticket sales, this register may be used as the cash-receipts book for that account. If, however, such receipts are deposited direct to the general bank account, daily totals may be transferred from the season-ticket register to the regular cash-receipts book to be included in the daily deposits recorded therein.

It is essential that all tickets sold on a season basis be so indicated by either a punched or stamped mark of identification. This is necessary in order to prevent cash refunds on tickets which have been sold at a discount, and to facilitate an accurate verification of ticket revenue in case a "box count" is made. If two classes of season tickets are issued (members' and non-members') at different prices, they may be differentiated by stamping or punching members' tickets "M" and non-members' tickets "S".

If advance orders for season tickets are frequently received without any accompanying remittances, it will be found desirable to use a memorandum order book rather than to enter all orders in the season-ticket register as charges to accounts receivable. If the order book is used, a subsequent cancellation of an order will not necessitate any formal entry in the accounting records but will merely require a notation in the order book that the order has been cancelled.

Postings from the season-ticket register will be made at the close of each month. Based on the assumption that tickets of

the face value of \$14,000 are sold to members at a discount of 15% and that tickets amounting to \$20,000 are sold to non-members at a 10% discount, the total of the entries for the season will be as follows:

(3)

Dr. Cash.....	\$29,150	
Accounts receivable.....	750	
Season-ticket discount.....	4,100	
Cr. General-office ticket account.....		\$34,000

To record season-ticket sales aggregating \$29,900 (net) of which \$750 is yet to be collected.

The balance in the general-office ticket account, after entering all charges for tickets received from the box office and all credits for season-ticket sales, should be equivalent to the total face value of the unsold tickets on hand in the general office.

When it has been determined that certain tickets will not be used for season sales, these tickets should be returned to the box office so that they may be available for single sales. A receipt for the tickets returned should be signed by the box-office man and an entry should be made charging the box office and crediting the general office for the face value of the tickets. The total of these entries for the season, based on the foregoing illustrations, will be as follows:

(4)

Dr. Box-office ticket account.....	\$11,500	
Cr. General-office ticket account.....		\$11,500

To charge box office for tickets returned by general office.

Box-office ticket sales and daily reports

The tickets issued by the box office will be divided into the following classes:

1. Regular single sales (at full price)
2. Ticket order sales (reduced rate single sales)
3. Passes

The issuance of passes and reduced rate tickets will be considered subsequently. Tickets of these types will ordinarily be used only to a limited extent, but their treatment involves certain problems which are worthy of special comment.

All regular single sales, whether window sales or mail orders, should be handled by the box office. Cash received from ticket

Accounting for Community Musical Organizations

sales should be deposited daily in a special box-office bank account which is subject to cheque by the general office only. The box-office man should obtain a duplicate deposit slip covering each deposit and these slips will be delivered to the general office daily together with the daily box office report and its supporting documents.

The daily reports to be made by the box office constitute the source of credit to the box-office ticket account. These reports show the amount of cash deposited, the amount of ticket orders filled (face value), the face value of tickets delivered to the general office for season sales, and miscellaneous credits (or charges) to the box-office account. The ticket order slips should also be attached to the daily report so that they may be promptly sorted and collected by the general office.

The daily reports will be entered in a box-office register which will be totaled at the end of each month (or week) and posted to the general ledger. In the present case, the total of these entries for the season will be as follows:

(5)

Dr. Cash (box-office account)	\$40,000	
Ticket orders (accounts receivable)	9,800	
Discount on ticket orders	3,250	
Cr. Box-office ticket account		\$53,050

Ticket orders

For the purposes of this discussion, ticket orders will be considered to represent all documents which indicate that cash for single ticket sales has been collected by someone outside the box office and that the bearer has been allowed a discount from face value or that an agency is to be paid a commission out of the face value of the tickets. In certain cases an agency may issue an order for tickets on which the purchaser has paid the commission in addition to the total face value, but this type of order presents no unusual problems as it may be merely collected by the box office man at face value and included in his regular cash deposit.

For the purpose of determining the net revenue from admissions, there appears to be no serious objection to considering all tickets sold through agencies as full price tickets and treating any commissions paid as expenses rather than deductions from revenue.

A slightly different situation exists, however, when tickets are sold to certain groups (such as students, municipal employees, teachers, employees of department stores, public-utility companies, etc.) at a discount from face value. In these cases the tickets sold must be identified (perhaps by a stamped "T. O.") in order to prevent cash refunds at full price, and it also seems desirable to deduct the discounts allowed in computing the net revenue from admissions.

This class of ticket orders will usually be handled as follows:

1. Before the ticket sale commences, the stores, schools, municipal departments, etc., whose employees or students are entitled to discounts will be furnished with a supply of ticket order blanks. These blanks will provide spaces to show the name of the purchaser; date and description of performance; number, price and total face value of tickets and amount of cash collected.

2. The student or employee desiring to purchase tickets will pay the custodian of the order blanks the discounted price of the tickets ordered and will take the order slip (completed and approved by the custodian) to the box office to be exchanged for tickets.

3. The box office will accept the ticket order (collecting no cash) and issue to the bearer the designated tickets. The tickets will be stamped "T. O." or otherwise marked before they are released by the box office.

4. The ticket orders will be delivered to the general office together with the daily box-office reports, and will be credited (through the box-office register) to the box-office account at face value—the corresponding charges being made to ticket-order accounts receivable and discount on ticket orders.

5. The orders will be sorted and tabulated by performances, in order to determine the amount of discount applicable to each performance, and will then be sorted by issuing agencies in order to facilitate collections.

6. Collections from the issuing agencies will be made weekly, monthly or at the end of the season, depending upon the length of the season, the volume of sales, etc.

For the purpose of the illustrations contained herein, it has been assumed that all tickets purchased on ticket orders are subject to a discount of \$.50 on each ticket regardless of price.

The total of the entries representing collections on ticket orders will be as follows:

Accounting for Community Musical Organizations

(6)

Dr. Cash.....	\$9,800	
Cr. Ticket orders (accounts receivable).....		\$9,800
To record collection of ticket-order accounts in full.		

Passes

There are in use a number of different systems of issuing complimentary tickets. The majority of these systems lend themselves rather easily to irregularities and make it comparatively simple to overstate the number of passes issued and understate the number of tickets sold, thus permitting the abstraction of cash. The extent to which such irregularities may be perpetrated will of course vary with the volume of tickets issued and the adequacy of the check on the box office.

One pass system frequently used, and with a moderate degree of satisfaction, operates as follows:

1. The holder of the pass presents his pass slip to the box office.
2. The box-office attendant selects the proper number of tickets from the rack, tears off and retains the "stubs," and presents the "seat checks" and the pass slip to the patron. The ticket stubs are then returned to the rack to be counted as "deadwood."
3. The doorman takes the pass slip and deposits it in the "box" as the patron enters the theatre.

This system is not recommended as it permits irregularities by the simple expedient of collusion between the box-office attendant and the doorman. The latter might easily neglect to deposit in the box the ticket stubs of a few tickets which were sold for cash, subsequently handing these stubs to the box-office attendant and thus allowing an overstatement of passes and permitting the box-office attendant to abstract the corresponding amount of cash. If the "box count" was found to show a smaller number of passes than that indicated by the torn ticket stubs in the box office, the standing explanation would be that some passholders failed to use their tickets, which of course would frequently occur regardless of box-office irregularities.

A pass system which seems somewhat preferable to the one outlined operates on the following basis:

1. The pass blanks used are the approximate size and shape of regular tickets, but have a blank seat check providing spaces for the date, the row or box number, and the seat numbers. The

body or stub of the pass provides space for the date of the performance, the number of tickets, the name of the person to whom the pass is issued, and the signature of an authorized officer.

2. The recipient of the pass presents his slip (with the stub filled out and the seat check blank) to the box office.

3. The box-office attendant selects the tickets from the rack, notes the date and location on the seat check of the pass, and returns the *pass* to the patron. The box-office attendant then punches or otherwise marks the tickets and returns them to a separate section of the rack.

4. The doorman treats the pass as a regular ticket, depositing the stub in the box, and returning the seat check to the patron.

The number of passes issued may be determined by counting the punched tickets in the box office, and the number actually used may be determined from the pass stubs in the box. Under this system a possible complication may arise if the box-office man neglects to punch or otherwise segregate the tickets which he has assigned as passes. This makes no difference in the revenue, however, as an unsold ticket and a punched ticket will both be deducted from the capacity as "deadwood."

Determination of revenue by performances

When a season consists of only a few performances and each performance is of vital importance to everyone who is interested in the financial results of the season, it becomes extremely desirable to obtain an accurate figure for the net revenue from admissions for each performance as promptly as possible.

Obviously, if no season tickets have been sold and no tickets have been issued at reduced prices, it is necessary only to deduct the face value of the unsold tickets on hand (including tickets for

	Number of tickets			Price	Amount
	Capacity	On hand	Sold		
Orchestra:	750	110	640	\$5.00	\$3,200.00
	825	205	620	3.50	2,170.00
	300	25	275	2.00	550.00
Balcony:	200	60	140	4.00	560.00
	525	100	425	2.50	1,062.50
	800	25	775	1.50	1,162.50
Total					\$8,705.00

Accounting for Community Musical Organizations

which passes have been issued) from the total capacity in order to determine the net revenue. This computation will usually be made on a form somewhat as on page 452.

If the number of passes issued is of special interest, the "on hand" column may be divided to show passes and unsold tickets, or the number of passes (as indicated by punched tickets in the box office) may be shown as a memorandum figure at the bottom of the statement.

When season tickets and ticket orders are used, the problem of determining the net admissions by performances becomes slightly more difficult. If the season is short, it may be found desirable to prepare a report in columnar form using one column for each performance and completing each column individually as soon as the information becomes available. A form for such a report, showing the total for the season and the details of the first two performances, is presented in the following:

	Performance of		
	Total	Aida Sep. 6, 1930	Rigoletto Sep. 8, 1930
Total capacity (face value)	\$105,500.00	\$10,550.00	\$10,550.00
<i>Deduct:</i>			
Discounts on season tickets:			
Members	\$ 2,100.00	\$ 210.00	\$ 210.00
Non-members	2,000.00	200.00	200.00
Discounts on ticket orders	3,250.00	325.00	162.50
Passes (face value)	5,950.00	595.00	450.00
Unsold tickets	12,500.00		2,500.00
Total	\$ 25,800.00	\$ 1,330.00	\$ 3,522.50
Net admissions	\$ 79,700.00	\$ 9,220.00	\$ 7,027.50
<i>Represented by:</i>			
Full-price ticket sales	\$ 40,000.00	\$ 5,250.00	\$ 3,545.00
Season-ticket sales:			
Members	11,900.00	1,190.00	1,190.00
Non-members	18,000.00	1,800.00	1,800.00
Ticket orders	9,800.00	980.00	492.50
Total	\$ 79,700.00	\$ 9,220.00	\$ 7,027.50

The season-ticket discounts (as well as the season-ticket revenues) will be evenly distributed over all performances. The

discounts on ticket orders applicable to each performance will be determined by reference to the summary prepared from the ticket orders received with the daily box-office reports. The ticket orders received on the night of the performance must obviously be added to the previous total in order to obtain an accurate figure.

The face value of the passes and the unsold tickets will be determined by counting the tickets remaining in the box office at the close of the window sales for each performance.

The entries to the revenue accounts to record the income from admissions will be made on the basis of the foregoing report and may be made daily, weekly or at the end of the season. The entries to be made at the end of the season in the case of the above illustration would be as follows:

(7)

Dr. Ticket suspense account	\$87,050.00	
Cr. Full-price ticket sales		\$40,000.00
Members' season-ticket sales (net)		11,900.00
Non-members' season-ticket sales (net)		18,000.00
Season-ticket discounts		4,100.00
Ticket-order sales (net)		9,800.00
Ticket-order discounts		3,250.00
To record revenue from ticket sales.		

(8)

Dr. Ticket suspense account	\$18,450.00	
Cr. Box-office ticket account:		
Passes		\$ 5,950.00
Unsold tickets		12,500.00
To credit box-office account with face value of passes and unsold tickets.		

Verification of box-office accountability

At the close of the season it is necessary to determine whether the box office has properly accounted for the total face value of all tickets or not. If the season is reasonably long, it may also be desirable to make such verifications at various dates during the season.

For the purpose of the foregoing illustration it has been assumed that an ideal but rare situation existed, that is, that there was neither a shortage nor an overage in the box-office account. In the case of an actual box-office verification, however, it would not be considered a cause for severe disappointment if an overage or shortage of a few dollars was discovered. In fact, unless the box-office attendants have had a considerable amount of experience

Accounting for Community Musical Organizations

in working under pressure, it is doubtful if the difference will be limited to a few dollars.

Assuming a situation approximately the same as that in the foregoing illustration, the box-office verification at the end of the season would appear somewhat as follows:

Charges to box office:		
Total capacity for entire season	\$105,500.00	
Extra seats, standing room, etc.	500.00	
Total		\$106,000.00
Credits to box office:		
Tickets transferred to general office for season sales	\$45,500.00	
Less tickets returned	11,500.00	
		\$ 34,000.00
Cash deposited in box-office bank account . . .	40,000.00	
Ticket orders redeemed by box office (face value)	13,050.00	
Tickets on hand:		
Passes	\$ 5,950.00	
Unsold	12,500.00	
		18,450.00
Wages paid to stage hands, supers, etc., from box-office cash	527.75	
Total		106,027.75
Box-office overage		\$ 27.75

The items contained in the above summary which have not been previously discussed are the charge for extra seats, etc., and the credit for wages paid.

The extra seats would be found only in the case of a sold-out house and would be recorded by a charge to the box-office account and a credit to the ticket suspense account (later to be cleared by a credit to income).

The practice of paying wages or other expenses from box-office receipts is to be discouraged, but it is sometimes found necessary to make such payments.

The credits to the box-office account for passes and unsold tickets will be determined from the box-office ticket counts made at the close of each performance. The tickets on hand will be scheduled according to prices and a total "deadwood" figure will be determined for each performance. The aggregate of these

deadwood figures will then be used in the box-office verification at the end of the season.

In cases where the season is relatively long and the box office makes daily reports similar to that shown on page 452, the box-office verifications made during the season will appear somewhat as follows:

Credits to box-office account:	
Cash deposited in box-office bank account	\$42,000.00
Cash, vouchers, etc., on hand	750.00
Total	\$42,750.00
Ticket sales reported on box-office statements	41,600.00
Excess of credits over reported sales	\$ 1,150.00
Advance sales:	
Total capacity for performances on sale	\$22,000.00
Tickets on hand, per count	20,875.00
Net advance sales	1,125.00
Box-office overage	\$ 25.00

Preparation of detailed ticket reports

The desirability of preparing detailed ticket reports obviously is dependent upon the interest in such reports indicated by those financially interested in the organization. These reports, however, if properly used, will be valuable in indicating the popularity of the various prices of seats and the appeal of the different performances and the individual artists.

The following illustration indicates the detailed information which, if desired, may be obtained from the ticket accounting system outlined in the foregoing pages:

THE CIVIC OPERA ASSOCIATION
Statement of admissions for performance of "Rigoletto" September 8, 1930
Summary of revenue from admissions

	Total	Full-price tickets	Season tickets		Ticket orders
			Members	Non-members	
Orchestra:					
\$5.00	\$2,678.75	\$ 775.00	\$ 913.75	\$ 945.00	\$ 45.00
3.50	1,650.50	997.50	119.00	504.00	30.00
2.00	463.00	300.00	34.00	54.00	75.00
Total	\$4,792.25	\$2,072.50	\$1,066.75	\$1,503.00	\$150.00

Accounting for Community Musical Organizations

Balcony:

\$4.00.....	\$ 463.50	\$ 360.00	\$ 68.00	\$ 18.00	\$ 17.50
2.50.....	753.75	437.50	42.50	123.75	150.00
1.50.....	1,018.00	675.00	12.75	155.25	175.00
<hr/>					
Total.....	\$2,235.25	\$1,472.50	\$ 123.25	\$ 297.00	\$342.50
<hr/>					
Total.....	\$7,027.50	\$3,545.00	\$1,190.00	\$1,800.00	\$492.50

Summary of occupancy

	Total capacity		Unsold tickets		Seats occupied		Passes		Paid admissions		Full-price tickets		Season tickets		Ticket orders			
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	Members	Non-members				
Orchestra:																		
\$5.00....	750	100%	100	13%	650	87%	60	8%	590	79%	155	21%	215	29%	210	28%	10	1%
3.50....	825	100	310	38	515	62	20	2	495	60	285	35	40	5	160	19	10	1
2.00....	300	100	50	17	250	83			250	83	150	50	20	7	30	10	50	16
<hr/>																		
Total..	1875	100%	460	25%	1415	75%	80	4%	1335	71%	590	32%	275	14%	400	21%	70	4%
<hr/>																		
Balcony:																		
\$4.00....	200	100%	60	30%	140	70%	20	10%	120	60%	90	45%	20	10%	5	3%	5	2%
2.50....	525	100	200	38	325	62			325	62	175	33	20	4	55	10	75	15
1.50....	800	100	50	6	750	94			750	94	450	56	10	1	115	15	175	22
<hr/>																		
Total..	1,525	100%	310	20%	1,215	80%	20	1%	1,195	79%	715	47%	50	3%	175	12%	255	17%
<hr/>																		
Total..	3,400	100%	770	22%	2,630	78%	100	3%	2,530	75%	1,305	38%	325	10%	575	17%	325	10%

These statements may be prepared for each performance and summaries of the season's results may be prepared in various forms.

AUDITING PROCEDURE

The unusual points of audit procedure which will be required in an audit of revenue from ticket sales are briefly outlined in the following:

1. Make an independent verification of the total capacity by reference to ticket printer's invoices, price lists, seating charts, etc.
2. Determine that the entire capacity (at listed prices) has been charged to the box office or to another custodian of tickets.
3. Verify all credits to the box-office account.
 - (a) Verify bank deposits.
 - (b) Examine ticket orders or trace collection of them.
 - (c) Ascertain that passes are properly authorized.
 - (d) Count unsold tickets.

4. Verify discounts on season tickets and ticket orders.
5. Trace collections for season tickets.
6. Make tests of "box counts" as verification of revenue otherwise determined and as indication of irregularities which might otherwise pass unnoticed.

It will be noted that the "summary of occupancy" indicates exactly how many tickets of each class and each price should be included in the box count. Any major variations from these figures should be investigated. It is to be expected, however, that the "box" will contain a somewhat smaller number of ticket stubs than the number of admissions indicated on the detailed statements. If the difference is not too large, it may usually be attributed to the failure of some persons to use the tickets purchased.

It will frequently be found desirable for the auditor to be present at the box office immediately following the close of the sale for each performance. He may then (assisted by the box-office employees) make an immediate count of the "deadwood" and determine the net revenue from admissions, as previously outlined.

In making an audit or installing an accounting system for an organization whose revenue is obtained largely from the sale of tickets, care must be taken to avoid any measures which delay the operations of the box office. It should be remembered that tickets in the rack in a box office are slightly different from canned pineapple on the shelves in a grocery store. The pineapple may be sold tomorrow if it is not sold today, but the tickets have no appreciable inventory value after the performance has been presented.