

10-1955

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### Recommended Citation

McGuire, Elva G. (1955) "Business Management in the Entertainment Field," *Woman C.P.A.*: Vol. 17 : Iss. 6 , Article 7.

Available at: <https://egrove.olemiss.edu/wcpa/vol17/iss6/7>

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# BUSINESS MANAGEMENT IN THE ENTERTAINMENT FIELD

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By ELVA G. MCGUIRE, Los Angeles Chapter

Hollywood recognized the need for business managers after seeing some of its early stars, who had earned spectacular salaries, end their careers without money and deeply in debt. Although business managers for professional people had existed prior to that time, a new plan of management then took form and became a motivating factor in Hollywood's change from a colorful colony of irresponsible people to a staid capital of industry.

Good business management is profitable in any field or for any individual. However, the expense of professional business management lends itself more favorably to the higher income groups, especially to persons who find that protecting their savings becomes a real problem.

People in the entertainment field are home-loving individuals for the most part. They send their children to private schools, not because they consider their children to be better than other children but because a school consisting entirely of children of equally famous parents allows the children a more normal childhood.

Contrary to popular opinion, people in the entertainment field are reserved and do not make friends easily. They are friendly, but their loyalty usually remains with those personal friends they have known from childhood. One artist gives a childhood friend \$5,000 each Christmas because this friend has been ill for years. Other artists pay debts for personal friends, or medical and dental expenses for needy children from their home towns. Publicity agents and the columnists rarely hear of these fine gestures.

Famous people must maintain a high standard of living. The entertaining they must do is costly and time consuming. Most of them work long hours, at least eight hours a day or longer, depending on rehearsals or program planning. A review of "bad debts written off" on their tax returns reveals that they are vulnerable for loans from associates who have not reached the top of the ladder. Salesmen beat a path to their doors; charitable organizations flood their home with mail and telephone calls. All of these demands provide celebrities with good reason for wanting a business manager to help carry the load. It is easier for the business manager to say "No."

Upon acquiring a new client, the business manager attends a meeting held in the artist's home where he has an opportunity to meet the family and witness its pattern of living. He then takes all valuable papers to his office for a thorough study. Books are opened correlating personal and business transactions into one ledger. Cash values of life insurance are determined and included in assets. Investments—securities, real estate, both residential and business, and professional properties such as music and story rights—must be valued and listed for ready reference. The client's insurance program, both general and life, must be reviewed and revised if necessary. A tickler system is employed for policing due dates on premiums.

All income is mailed directly to the business manager's office to be deposited in a master checking account. A tax reserve savings account is opened for deposit of systematic transfers of sums to conform to tax estimates, thereby providing a cash fund as well as a bookkeeping reserve. A percentage of income is also transferred to a regular savings account from which investments are made of all money in excess of a predetermined savings balance. The balance in the checking account after paying agent's commissions, dues, and other business expense is what the client has to live on.

All checks are issued and signed under a power of attorney in the business manager's office. Husband and wife, as well as Junior, receive allowance checks which are mailed to the residence on the same day each week. Amounts vary with income and habits of living.

Quadruplicate checks in four different colors are typed and assigned account numbers on a check voucher attached to the check. One copy of the check is sent with a cash statement each week to the client; one copy is kept in numerical sequence for audit purposes; and one copy is separated by account numbers as supporting data for tax returns. A monthly recapitulation of account numbers furnishes the basis for posting disbursements.

Clients are encouraged to use charge accounts to supply records for tax and budget information. If quarterly statements reveal

that too much is being spent for wardrobe, children's expense, or maybe yachts, the business manager comes to the fore with all his reputed conservatism and states emphatically, "No more yachts, no more vacations, no more Cadillacs, until . . ." This type of management tends to cause clients to rely on the business manager's judgment.

Assuming these responsibilities and doing a competent job requires good judgment, sufficient formal education, and years of experience on the part of the business manager. He does not practice law, but he must know law to the degree that an attorney will not have to spend months and the client's money ascertaining the facts before he can proceed with the case. Likewise, the business manager does not function as a certified public accountant, but he must know basic accounting procedure and tax law to enable him to present a correct income and expense statement, and prepare tax estimates and returns.

Clients call on him when they wish to purchase real estate. Hence, he must understand appraisal values, know types of neighborhoods, and be conversant with loan practice and interest rates. Always he must visit the property to see if the realtor has selected the right land and/or building for his client. Beautiful rose gardens may attract his client but he must look for termites and see if the plumbing is efficient.

Furthermore, the business manager is often expected to know where uranium can be found, which well in Texas will produce the most oil, which stock is going to double in value, and where one can view the most scenery, or catch the largest trout on a vacation.

Business management in the entertainment field is exciting and interesting. As a sculptor molds a piece of clay into an object of beauty, the business manager tries to mold the assets of an individual or a family into a structure which gives security and peace of mind to its owner, promotes good citizenship, and forms a firm foundation upon which to build the family's future.

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able to Wilby, alias Hume.

Hume created several fictitious companies, all located in New Jersey. Each had an office and a bank account. His system simply called for drawing checks payable to the fictitious concerns for non-existent merchandise. These checks were mailed to locations in New Jersey. Each Saturday he went to his offices there, cashed the checks and returned home, ready to go to work

on Monday. This continued through 1942 and 1943.

During this period the F.B.I. was investigating firms with foreign names. They called to see Hume to find out what he knew about a New Jersey concern with a German name which had a large checking account in a New Jersey bank but which apparently had no physical plant. Hume handled them as best he could but became worried. He was granted a vacation and left for Canada. Some weeks later his employers received a wire stating that Hume had met with an accident. When they tried to contact him he could not be located. His employer's suspicions were aroused and a long expensive audit ensued. The loss? \$386,921. The bond amount? \$300,000. Hume's penalty? Five to seven years.

Catastrophic losses, such as these, are an ever present possibility but "mine run" losses are also an ever present reality. Because these result from many causes, their extent can never be measured. The strictly honest employee today may be the dishonest employee tomorrow because of circumstances. Generally, the defaulter is not a thief at heart nor a criminal by nature. He is an average individual. He or she looks just about like anyone who reads this.

What can business do about it? Certainly, the minimum safeguards should include:

1. Purchase of blanket fidelity bond covering all employees
2. At least annually, a C.P.A. audit which is more than just a balance sheet audit
3. Internal safeguards such as these:
  - a. A single employee should not be assigned to handle all phases of any financial transaction.
  - b. Countersignature on all checks should be required.
  - c. The person in charge of the stock-room should not take inventories.
  - d. Rigid pre-employment character investigation should be made.
  - e. Outgoing packages should be inspected periodically to verify contents and see that they are properly recorded and charged.
  - f. Control of scrap and damaged materials should be exercised. The possibility of usable goods being taken out as waste material should be guarded against.
  - g. The bookkeeper should not be permitted to process invoices and statements for payment until they are approved by the proper authority.