Acg essay

Sport & Tourism, Baseball

This dispute involves the owners of baseball teams and the professional baseball players about how profits generated by the teams should be distributed. The baseball players feel that they should receive a share of the profits earned, but the owners maintain that most of the teams have been making losses each year. The owners went ahead to produce financial statements supporting their claims, but the baseball players believe that the owners are using accounting tricks to ‘ hide’ profits. To settle this dispute, the Owner-Player Committee (OPC), which represents the owners, and the Professional Baseball Players Association (PBPA), which represents the players, sought the help of an arbitrator, Bill Ahern. Five key issues were raised by the PBPA, which they believed the owners used to ‘ hide’ profits. These were roaster depreciation expense, expensing the signing bonuses in the year they were paid, deferred portion of total compensation, salaries due to players who were no longer on the roaster, and related-party transactions.\nOn roaster depreciation, I feel that the PBPA is right. This is an expense that only occurs when a team is sold and, thus, should not appear on all financial statements as if it is an annual expense. Besides this, it is true that a team continues improving and gaining experience as time goes by, thus, it appreciates because veteran players are worth much more than amateurs. Therefore, this could be a convenient avenue for hiding profits.\nAnother issue was that the owners expensed the signing bonuses in the year they were paid. The PBPA preferred that these bonuses be amortized instead of being paid out at once. However, I feel that whether the bonuses are amortized or paid out at once, it only makes a difference in that year’s profits and not subsequent years. Thus, this is not an avenue for hiding profits because the bonuses are going to the players, whether they are paid at once or in installments.\nThe issue of including the deferred portion of the compensation of higher paid players as part of current expenses was another issue that the PBPA felt was misleading in the financial statements. This is true because the money was being paid out over a long period and it would not make sense to include it all in a year's expenses. Thus, for accounting purposes and for utmost transparency, this money should only be included in the list of expenses when it is paid out since it is very hard for the team to set aside these funds for a period of, say, ten years. This would, therefore, would be a good avenue for hiding profits.\nJust like OPC, I feel that salaries paid out to players who are no longer on the roaster can be recognized when the players leave the roaster. OPC argues reasonably that it includes these payments as current expenses because once the players have left the team, they are no longer contributing to the profits made by the team. Therefore, they might as well acknowledge these losses sooner than later. However, after including these expenses, the team should set aside these funds to ensure accurate reflection of funds left.\nLastly, PBPA feel that the owners have overstating related-party transactions such as the stadium rent. PBPA points out that two of the owners of the Kansas City Zephyrs Baseball Club, Inc. are also the sole owners of the stadium company. Thus, they feel that these owners may be taking advantage of their position to overcharge rent fees from the club. They back up this claim by providing facts that other clubs, despite having minimal differences in their rent fees, pay much less than the Zephyrs club. I feel that this is true because there is evidence to support it, and obviously could be a good avenue for hiding profits.\n

Reference

\nKansas City Zephyrs Baseball Club, Inc., 9-187-088 (July 24, 1996).