

**Accounting -- Episode 2**  
**Accounts Receivable Department at Fenway Park**

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|        | <i>FADE IN ---RADIO SHOW THEME MUSIC</i>  |
| Glenn  | Good day everyone. Welcome to Radio Glencoe Podcasting . I'm your host Glenn Coe.   |
| McGraw | And I'm your host, McGraw Hill. Today, on <b>Accounting Away</b> we are <i>on location</i> at Fenway Park, home of the Boston Red Sox.  |
| Glenn  | We're talking with Eric Driscoll, a high school senior who's doing a summer internship in the accounting department. Hi, Eric.  |
| Eric   | Hi. Thanks for having me on your show.  |
| McGraw | So tell us, how did you land this gig with the Red Sox?   |
| Eric   | I found out about it from a friend of mine who worked with the Houston Astros last summer. He told me to check out a web site that lists summer internships for high school kids.   |
| Glenn  | What's the web site?  |
| Eric   | It's called <a href="http://www.mlb.com">www.mlb.com</a> [pronounce this as: W. W. W. dot M. L. B dot com] which stands for Major League Baseball. You just click on any baseball team, and select job opportunities. Some internships are paid, some aren't, and some even get you college credit.   |
| McGraw | Did you need prior training or experience to get your job?  |
| Eric   | Yes, you had to know something about accounting, which I did because I took two high school courses in accounting and one in personal finance. They also wanted to be sure I knew how to use Excel, but fortunately, I learned it in my high school courses.  |
| Glenn  | So is it a great job?   |
| Eric   | It's super, much better than I imagined. At first, I thought that I'd be like counting cash from ticket sales, hanging out in the office, getting coffee for the big shots, stuff like that.  |
| Glenn  | And what did it turn out to be?   |
| Eric   | Well, I did get to meet some of the ball players, which was <b>really</b> amazing. But it's the job I love. I get to work with the people in charge of the accounting operations for the entire baseball team. We have payroll, accounts payable, player's services, ticket operations, financial reporting and analysis— it's like another baseball team up here, but they're all accountants! |
| McGraw | What do you do every day?   |
| Eric   | I'm an A.R. intern, so I work directly with the A.R. clerk.   |
| Glenn  | Wait, tell us what A.R. stands for?   |
| Eric   | Oh, yeah. A. R. stands for Accounts Receivable.   |
| Glenn  | And what do people do in Accounts Receivable?   |
| Eric   | We record all kinds of sales that the Red Sox make to people and organizations who promise to pay their accounts later. Most customers are allowed 30 days to pay their accounts.   |
| Glenn  | Give our listeners an idea of what types of accounts receivable an organization like the Red Sox might have.  |
| Eric   | Sure. First, we have receivables from season ticket holders who pay us after they buy the tickets. But the biggest receivables we have come from sales to lots of advertisers, media contracts, and special licensing from companies that use the Red Sox logo on shirts and caps and mugs  |

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|        | and stuff like that. These are all companies that end up owing the Red Sox money in Receivables.   |
| McGraw | Is it a lot of money?  |
| Eric   | I don't know for sure, but I've heard the Red Sox take in \$200 million per year. It never really occurred to me that TV networks like CBS or ESPN pay millions of dollars to baseball teams to televise the games.  |
| Glenn  | So you're constantly getting checks from these customers, right?   |
| Eric   | Yes, but sometimes we get a full payment, and sometimes we get just a partial payment. It can get confusing so I really have to make sure I'm recording the checks to the right customer account in the correct amount.  |
| McGraw | How do you keep track of all the payments?   |
| Eric   | Well, first, I help prepare daily summary reports listing all the receivables that have arrived. We also prepare an aging schedule every week that lists all outstanding accounts and how far past due they are. The A. R. manager really stays on top of these collections. She doesn't like to see things get too far past due.  |
| Glenn  | Eric, is there cash involved in your job? Do you have to count money?  |
| Eric   | No, big companies don't pay us in cash. But the team gets lots of cash from box office sales.  |
| McGraw | So you get to see big piles of cash sitting around, huh?   |
| Eric   | No, all the cash is recorded through what they call the Ticket Operations Group. They've got security procedures like you wouldn't believe. There are cash counting machines, lockboxes, cameras, security guards, and lots of accounting controls too.  |
| Glenn  | Accounting controls? Like what?  |
| Eric   | In accounting, they call these <i>internal controls</i> to safeguard the cash. For example, the guy who makes the bank deposits is not allowed to see the daily cash report. And the person who reconciles the bank account is not allowed to make the bank deposits. The idea is to make sure that no <i>single</i> person has <i>sole</i> control over the cash.   |
| Glenn  | Who do you report to, Eric? Who's your boss?   |
| Eric   | I work for a man named Charlie Brinks. He's the head of A.R.   |
| McGraw | What does he do?   |
| Eric   | I pass my work on to him and he does the journal entries. Here's how it works. Each day, I prepare an electronic summary of the incoming checks for Accounts Receivable. Then I pass the checks along to our cash control clerk who handles the bank deposits. Meanwhile, Charlie takes my summary report and prepares a journal entry that debits Cash, and credits each customer's individual account in the subsidiary ledger <b>and</b> credits the Accounts Receivable controlling account. |
| McGraw | This assumes that the customer has already charged a purchase on account, right?   |
| Eric   | Right. The initial entry would have been a debit to Accounts Receivable and a credit to Sales.   |
| Glenn  | Does it ever happen that a customer never pays the Accounts Receivable?  |
| Eric   | Yeah, apparently it does. Charlie says these are called uncollectibles, or bad debts. Charlie estimates the total annual uncollectibles and records an adjusting entry at the end of the year for them. That entry debits an account called Uncollectible Accounts Expense and credits another   |

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|        | account called Allowance for Uncollectible Accounts.  |
| Glenn  | Oh, that sounds simple enough.  |
| Eric   | There's more though. If Charlie determines that a specific customer is definitely not going to pay, he has to write off that customer's account. He debits Allowance for Uncollectible Accounts and then credits the customer's account in the subsidiary ledger <b>and</b> the Accounts Receivable controlling account.              |
| McGraw | Looks like you have really been learning a lot in your internship, Eric. What a great summer job!   |
| Eric   | Definitely. And given how bad I am at playing baseball, I know this was the only way I was ever going to find myself in Fenway Park.  |
| Glenn  | Eric, thanks for spending time with us. Remind our listeners again how you found out about these internship jobs with baseball teams.   |
| Eric   | Just go to the web site for Major League Baseball, called <a href="http://www.mlb.com">www.mlb.com</a> [W. W. W. dot M. L. B. dot com]. Also, there's another web site with a section that lists internships with sports teams. It is <a href="http://www.GetThatGig.com">www.GetThatGig.com</a> [W. W. W. dot Get That Gig dot com]. |
| Glenn  | Well, that's our time for today. I'm Glenn Coe, saying join us next time for another segment of <b>Accounting Away</b> .  |
| McGraw | And I'm McGraw Hill, saying accounting is fun; look at us here in Fenway Park. This is so cool.....   |
|        | <i>FADE OUT ---RADIO SHOW THEME MUSIC</i>   |

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