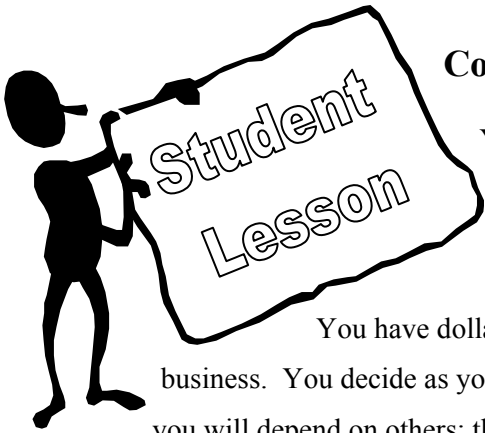


Who Needs Accounting?



Consider this:

You're the top player at a basketball exposure camp. You're a star on the court, but you are anything but a star in the classroom. Agents convince you that you will be a star in the NBA.

You have dollar signs in your eyes! The only problem is that you have no knowledge of business. You decide as you head for fortune and fame on the basketball court – not in an office – you will depend on others; the scouts, agents and lawyers who will be on your payroll, to make your dream of becoming an NBA star come true. After all, you have talent, and isn't that all you really need to make it?

You have an agent who is throwing money in your lap just for hiring him, and you don't even have to read the contract because that's why you pay lawyers. Could life possibly be better? You're not even in the NBA and you're already getting paid.

Just as you think everything is going your way, you get injured – no more NBA. The scouts stop calling, all your "new friends" act as if you have never met them, not to mention you are deeply in debt and your agent wants the money you owe him. Remember those contracts you didn't bother to read? Well, besides all the big green dollars there was a lot of important information you didn't know. Now, instead of making money, you owe money to all the people your contract *says* you hired.

Now, just think if you were the same superstar, but you have strong basketball **and** academic skills. Instead of counting on others for everything including business advice, school taught you that working with a CPA financial advisor can help chart out your career. By having knowledge of business and how things work, you don't have to rely on everyone else. You can read and understand your own contracts. When you do run across financial or business related information that is difficult for you to understand, you can look to your trusted CPA for advice and counsel.

Take a look at these scenarios and complete the worksheets attached:

In this first example, your agent (who also acts as your lawyer) gives you an advance of \$50,000 when you sign the contract with him. Since you don't have any business knowledge, you think this is free money. You don't realize your agent is **loaning** you this money and expects you to pay him back when you sign with the NBA. Your contract says you will pay him 10 percent of your **gross pay** for services as

your agent and \$200 an hour for services as your lawyer. Due to your lack of business knowledge, you trust your agent and take his word for things. He advises you to also hire:

- A personal trainer for \$6,250 per month (\$75,000 per year)
- A publicist who you pay 3% of your **gross pay**, to set up public appearances
- A CPA financial advisor, who charges you \$150 an hour for consulting services

With all these expenses, your \$50,000 is shrinking and you're in a hurry to sign with the NBA. Luckily, your agent gets you signed by the Indiana Pacers, where you will make \$1.5 million per year.

Even though you will make \$1.5 million a year, all that money is not yours. You will have to pay taxes to the government, in addition to paying all the people you owe for helping you. And don't forget you agreed to pay your agent and publicist out of your **gross pay** (not to mention the \$50,000 advance you still have to repay your agent) which means they get their money before you get yours based on your contract salary – not how much you bring home after taxes. After signing with the Pacers, you receive a contract offer from Nike© to endorse their new basketball shoes. Your lawyer (agent) will review this contract and bill you for 20 hours of time at a cost of \$200/hr. So because you seem to be running out of money, you decide to meet with your financial advisor and invest in stocks. Since you have no business knowledge you are unprepared and the meeting lasts five hours. This ends up costing you \$150/hr. for 5-hrs. After all of those payments to all those people, you end up only taking home \$672,750.

Now, here's the second example... this time you have business knowledge. You get the same advance from your agent (\$50,000), hire the same people and have the same general expenses. However, instead of agreeing to pay your agent and publicist out of your **gross pay**, because of what you learned in your accounting class, you know you should pay them from what you **net**. Also, because you know something about contracts you review the shoe deal from Nike© *before* your lawyer and cut his time in half (10 hrs. at \$200/hr.). Lastly, you are able to reduce your meeting with your financial advisor to only 2 hours because you come to the meeting prepared and with an accounting knowledge that helps you understand financial statements. Your advisor's job is much easier because you know and understand what you want to do. All that said and done, you get to take home \$740,525 (from the same \$1.5 million salary).

That's a difference of \$67,775, which is more than most people take home in an entire year!

NOW DO YOU SEE WHY KNOWLEDGE OF BUSINESS AND ACCOUNTING IS IMPORTANT?



Without Business Knowledge

Complete the worksheet using the attached Student Lesson Scenarios.

Salary	\$ 1,500,000
Taxes-33.5%	\$
Agent:	
<i>%10 fee</i>	\$ 150,000
<i>Lawyer's fees</i>	\$
<i>Advance</i>	\$ 50,000
Trainer	\$
Publicist	\$
CPA	
<i>Consultation</i>	\$
Total Expenses	\$
Take Home Pay	\$

With Business Knowledge

Complete the worksheet using the attached Student Lesson Scenarios.

Salary	\$ 1,500,000
Taxes-33.5%	\$
Agent:	
<i>%10 fee</i>	\$ 99,750
<i>Lawyer's fees</i>	\$
<i>Advance</i>	\$ 50,000
Trainer	\$
Publicist	\$
CPA	
<i>Consultation</i>	\$
Total Expenses	\$
Take Home Pay	\$

ANSWER KEY

Without Business Knowledge

Salary	\$1,500,000.00
Taxes-33.5%	\$ 502,500.00
Agent:	
<i>10% fee</i>	\$ 150,000.00
<i>Lawyer's fees</i>	\$ 4,000.00
<i>Advance</i>	\$ 50,000.00
Trainer	\$ 75,000.00
Publicist	\$ 45,000.00
Financial Advisor	
<i>Consultation</i>	\$ 750.00
TOTAL EXPENSES	\$ 827,250.00
TAKE HOME PAY	\$ 672,750.00

With Business Knowledge

Salary	\$1,500,000.00
Taxes-33.5%	\$ 502,500.00
Agent:	
<i>10% fee</i>	\$ 99,750.00
<i>Lawyer's fees</i>	\$ 2,000.00
<i>Advance</i>	\$ 50,000.00
Trainer	\$ 75,000.00
Publicist	\$ 29,925.00
Financial Advisor	
<i>Consultation</i>	\$ 300.00
TOTAL EXPENSES	\$ 759,475.00
TAKE HOME PAY	\$ 740,525.00

That's a difference of \$67,775!!!!!!!!!!!!!!

WOW! Bet you never knew a little knowledge about business and accounting could make you that much richer!

