

Accounting Case Exploration

Director of Finance for a Major League Baseball team

Name _____

Accounting Case:

You are the director of finance for a Major League Baseball team. Your team had a profitable season last year, generating \$20 million net of expenses. The revenue stream has increased due to the concession business the team started with the other professional sports teams in the local area.

The team's biggest expense (just like any sports team) is the payroll. Other than adjusting the roster and a possible salary cap in the future, this expense is not adjustable. The franchise makes profit in several different ways. The price for seats to a regular season game range from \$30 to \$100 each, box seats range from \$150 to \$350 each and the average attendee spends \$30 on concessions at each game. There are 42,150 seats in the stadium.

During the past two years, you have found that revenue has declined in this year's opening season due to lower attendance. In this economy, many fans do not have the disposable income to attend games.

The General Manager has asked for your advice on how to improve attendance, which in turn would improve revenue. He has suggested expanding club seats (offering waiter/waitress service and/or complimentary snacks) and more advertising opportunities in and around the arena.

It is your responsibility to meet with your department to discuss the owner's possible solutions as well as brainstorm further ways for the team to bring in additional revenue. He would like you to present the following considerations to management next week.

Considerations:

1. List possible solutions to increase attendance.
2. What factors must be considered with each solution—pros/cons.
3. How would attendance be improved by increasing advertising opportunities?
4. What would be your recommendation?
5. How would you evaluate the success of your decision?