



## **Costs Amortization**

(Digital Media & Broadcasting Company )

Developed a model to amortize the costs incurred on various TV shows / series

### AMORTIZATION SCHEDULING FOR A DIGITAL MEDIA COMPANY



### **ABOUT THE CLIENT**

Client is a Digital Media & Broadcasting company and was trying to improve its amortization process and compare against its JV partners



### **SITUATION**

- Client is currently amortizing its costs on TV shows / series equally over the lifetime of the show / series, and was facing challenges in reconciling against the amortization schedule provide by its JV partners
- Merilytics partnered with the client to develop a robust amortization schedule model, that streamlined the process of updating new shows / series and helped in reconciling the numbers with the JV partners



### **VALUE ADDITION**

- Partnered with a stakeholder from the client's TV business to develop comprehensive understanding of the current process in place at the client and its JV partners
- **Developed a user-friendly model** that the users can use to review the amortization schedule of the show /series by providing inputs such as # shows, total cost, amortization period, start date, % split of cost (if a show has lifespan of more than 12 months)
- Reconciled the amortized costs provided by JV partners and recommend adjustments to be made to the current amortization schedule based on the process followed by JV partners

### **IMPACT**



- Helped in allocating the costs efficiently through a streamlined process (that was processed manually in the past) leading to more reliable financial reporting
- Client was able to identify any changes to the amortization schedule followed by JV partners and implement changes to the schedule seamlessly using the dynamic amortization scheduling model

## METHODOLOGY / APPROACH



01

### **UNDERSTANDING THE CURRENT APPORACH**

• Reviewed the existing amortization schedule process and identified that it is purely distributing the costs across the lifespan of the asset

02

#### **DEVELOPED A ROBUST SOLUTION**

- Developed a robust solution that distributes cost of assets based on key parameters mentioned below and prepares amortization schedule
- Using varying % split across different years instead of equal distribution for all years of lifespan
- Based on airdate of each episode rather than 1st airdate of the entire show
- Provides flexibility to user input key parameters such as # Episodes, Total Cost, Lifespan, % Split for each year etc.

03

### **COMPARISON WITH PARTNERS SCHEDULE**

- Reconciled the amortization schedule prepared by client using the model against the regular amortization schedule received from partners
- Developed processes to identify any changes needed in key parameters such as # Episodes, Total Cost, Lifespan etc. in Client's or Partners schedules
- Developed an automated process to identify any new shows / series added by partners so that Client can include those shows / series to the schedule

# **EXIHIBIT (1/2): Amortization Schedule Inputs and Summary**



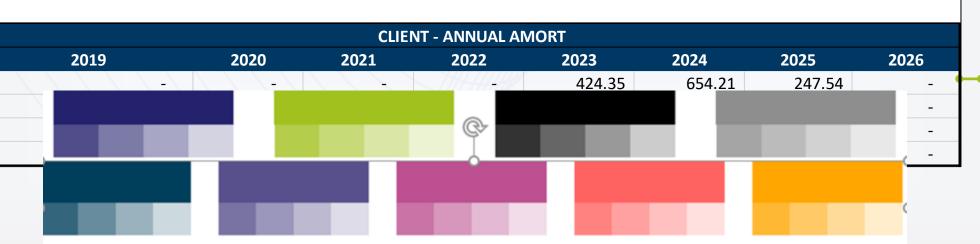
**ILLUSTRATIVE** 

Provided flexibility to input "% distribution" for current & subsequent years

Provided flexibility to input key parameters of the show / series and distribution approach to be followed

AMORTIZATION DISTRIE UTION PERCENTAGES								
Amort curve (In Months)	Year 1	Year 2	Year 3	Year 4	Year 5			
24	60.0%	40.0%	N/A	N/A	N/A			
36	30.0%	33.3%	36.7%	N/A	N/A			
48	25.0%	25.0%	25.0%	25.0%	N/A			
60	20.0%	20.0%	20.0%	20.0%	20.0%			

Show	Episodes	Duration	<b>Total Cost</b>	Amort Curve	Distribution	<b>Total Hours</b>	<b>Cost Per Hour</b>
Show 1	10	0.5	1,000	24	Distribution	-	50
Show 2	10	0.5	800	Live	Straight Line	-	40
Show 3	2	1	200	Live	Straight Line	-	100



Amortization amounts calculated





ILLUSTRATIVE

Comparison of the amortization amounts as per JV partner and Client schedules, and visibility into variances observed

Comparison by Quarters CLIENT vs. Partner									
Show	Q1 JV'22	Q4 CLIENT'21	Q2 JV'22	Q1 CLIENT'22	Q3 JV'22	Q2 CLIENT'22	Q4 JV'22	Q3 CLIENT'22	Variance
Show 1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Show 2	\$0	\$0	<b>\$</b> 0	\$0	\$0	\$0	\$0	\$0	\$0
Show 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Show 4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Show 5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Show 6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Show 7	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Show 8	\$0	\$0	\$135	\$135	\$152	\$152	\$152	\$152	(\$152)
Show 9	\$220	\$220	\$353	\$353	\$353	\$353	\$353	\$353	(\$59)
Show 10	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0