CHAMELEON NETWORK – QUESTIONS

The CEO of Chameleon Network has hired your consulting firm to produce a report on this possible breach of contract case, including recommendations. Use the report writing guide from the course website. In your analysis of this case include answers to the following questions:

Q. 1. Did Chameleon Network breach the 2018 contract with Spotlight? Specifically, discuss whether the showing by a movie theater in Toronto, Canada constituted a violation of the Chameleon Network and Spotlight agreement.

Q. 2. Assuming the contract is valid, prepare the following financial analyses:

* 1. Prepare a budget of expected minimum revenues under the contract. Show the sources of revenues from the set of five films and the fee.
  2. How much revenue should Chameleon recognize in 2018? Explain the rationale for your answer.
  3. For the year ended 12/31/2018, prepare a schedule that shows the cash flows received from Spotlight from the contract.

1. Why do cash flows and revenues recognized differ, if they differ under your calculations?

Note: To the extent that you may recognize any antitrust issues (which we would not expect) please ignore them for purposes of this analysis.

In preparing your report remember to review LDC financial accounting concept 5 (cash flow vs. GAAP income), financial accounting concept 8 (understanding the timing of revenue recognition), management accounting concept 5 (understanding how to budget revenue), and business law concept 1 (offer and acceptance of contracts; enforcement of contracts: interpreting the parties’ intent).