Released last July, Paramount Pictures' "Forrest Gump" has grossed over $657 million at box offices around the world. That's not counting videocassette and sound-track revenues. It's before licensing fees on such products as "Forrest Gump" wristwatches, Ping-Pong paddles and cookbooks. Larry Gerbrandt, a senior analyst with Paul Kagan Associates, figures "Gump" could generate up to $350 million in cash flow for Paramount's parent, Viacom, Inc.

But, believe it or not, the film lost money. That's right. By Hollywood standards it "lost" money, $62 million through Dec 31, 1994.

How do you show a loss on one of the most profitable Hollywood properties of all time? You get yourself a Hollywood accountant. Here's what they cooked up for this movie through Dec. 31, according to a confidential net profit statement:

After splitting the box office take with the theater owners, about 50-50, Paramount received $191 million in gross Gump receipts. Right off the top Paramount keeps for itself something called a "distribution fee" equal to 32% of the gross. What exactly is this distribution fee? It's not really to cover the costs of getting the movie out and to the public. That's covered with a separate category called "distribution expense," which includes advertising, making prints, holding screenings, throwing a premiere party, transporting and storing film reels. Paramount claimed these expenses came to some $67 million.

No, the "distribution fee" isn't for these things. It's just a rake-off by Paramount; almost pure profit. In this case, $61.6 million through the end of the year.

Paramount tacked on another charge: an advertising "overhead" fee equal to 10% of the distribution expenses. Again, this is not an expense at all, just another way of siphoning off some profits. Another $6.7 million.

Okay, add up all the "distribution" charges and they come to $135 million. But so far we haven't allowed anything for the cost of making the damned thing. That was $112 million—"negative costs," the Hollywood bean counters call them.

Does that sound like a lot of money to shoot a flick? Well, actor Tom Hanks and director Robert Zemeckis each got around $20 million of that $112 million (with more to come).

Paramount got into the act here, too. Included in "negative costs" is $14.5 million for studio "overhead," a charge equal to 15% of the cost of making the film. And, of course, it wanted to be paid for the money tied up in making the film. That added a separate $6 million on "interest on negative costs." Pierce O'Donnell, the lawyer who represents humorist Art Buchwald in a similar dispute with Paramount,
calls this "fictitious interest on money never borrowed."

With this kind of bookkeeping, anyone can lose money. Sure enough, Paramount claimed Gump lost $62 million through year's end.

Does anyone lose by this fanciful bookkeeping? Indeed. In the Forrest Gump case the losers include Winston Groom, who created the Forrest Gump character when he published his 1986 novel of the same name, and screenwriter Eric Roth. These two signed standard Hollywood contracts that promised them a percentage of Forrest Gump's net profits. Their mistake was that they didn't get to define what constituted "net."

Performer Hanks and director Robert Zemeckis were wiser in the ways of filmtown. Their contracts guaranteed each of them an estimated 8% of Gump's gross receipts--receipts, not profits.

In 1988, Art Buchwald sued Paramount, claiming the studio's 1988 blockbuster "Coming to America" was Buchwald's idea and that he and his producer, Alain Bernheim, were entitled to 19% of the film's net profits. After the court agreed with Buchwald, Paramount announced that it owed Buchwald nothing because Coming to America had lost money.