



Research Report on Football Players

Qiyao Li

Business School, Chengdu University of Technology, Chengdu 610000, Sichuan, China

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Abstract: This research report examines the recognition and measurement of football players as intangible assets under IAS 38. It presents a literature review, methodology, critical analysis, and conclusions with recommendations for future research. The study concludes that while players are not intangible assets, transfer player registrations can be recognized as such if they meet IAS 38 criteria. It suggests further research on refining the control concept and recognition conditions for player registrations. The report's limitations include not analyzing contracts of players or locally developed players' accounting treatment.

Keywords: intangible assets; football player registration; accounting standards

1. Introduction

Concerns over the football industry's influence on the macroeconomic level have arisen due to its rapid development in the context of globalization (Oprean and Oprisor, 2014)[16]. Numerous studies have demonstrated the importance of intangible assets to a company's value and how intangible assets can affect a company's financial decisions (Lim, Macias, and Moeller, 2020)[11]. However, the debate about accounting for intangibles is widespread in the football sector (Rowbottom, 1999)[19]. So, the purpose of this paper is to examine whether football players can be recognized as intangible assets and how to measure football players.

This paper is divided into four parts. Firstly, in the literature review section, the definition of intangible assets and the conditions for recognition of intangible assets according to IAS 38 are presented, followed by a description of the views of different scholars on the recognition and measurement of football players. Secondly, in the methodology section, the main sources of citations and the analytical methods used in this paper are introduced. In the critical analysis section, whether football players are intangible assets is identified, then how the measurement related to football players is reflected in the financial statements is analyzed, and lastly, the limitations of the analysis are explained. Finally, conclusions are drawn from the analyses in this paper, and recommendations are made for future research.

2. Literature Review

IAS 38 developed by the IASB (2023)[8] mentions that the recognition of an item as an intangible asset requires the entity to demonstrate that the item meets the definition of an intangible asset as well as the recognition criteria. Intangible assets are non-monetary assets that are not identifiable, have no physical substance, and can be controlled by the entity (IASB, 2023)[8]. The recognition criteria for an intangible asset are that it is probable that the expected future economic benefits attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably (IASB, 2023)[8].

The players themselves are not an asset, but a service offering (Morrow, 1996)[14]. The contract of employment entered into by a football club to transfer a player to another club and the registration in the Electronic Transfer System are collectively referred to as "player registration" (IASB, 2023)[8]. The player registration meets the definition of an asset as it is a resource controlled by the club and capable of future economic benefits flowing to the club, and it meets the definition of an intangible asset in IAS 38 as it arises from legal rights and lacks a material entity (PwC, 2018)[18].

According to Flouti and Akhlaque (2017)[5], the standard accounting procedure in the football industry is to player registration as intangible assets and then amortize it over the term of the player's contract. Additionally, football clubs are required by the accounting principle of prudence to evaluate whether any signs after the fiscal year indicate the deterioration of intangible fixed assets (Martín, López, and Santín, 2019)[13].

3. Methodology

This paper uses a literature review methodology and academic resource websites such as Springer, ResearchGate and Science Director as its primary sources. Firstly, it determines whether footballers can be recognized as intangible assets.

Secondly, the accounting measurements associated with footballers in financial statements are analyzed. And the limitations of this paper's analysis are then discussed. Finally, the findings of this paper are summarized and some improvements are suggested for future research.

4. Critical Analysis

4.1 Recognition

Firstly, it should be confirmed whether the footballer meets the definition of an intangible asset. According to IAS 38, assets defined as intangible assets should not have an entity (IASB, 2023)[8]. Aronsson, Johansson and Jönsson (2004) [1] argue that football players do have an entity because they are human beings. However, clubs obtain the registrations of players. The player registration has no physical entity and therefore fulfills one of the conditions for an item to be recorded as an intangible asset (Campa, 2021)[4].

It is clear from the above that player registrations can be treated as intangible assets and therefore it will subsequently be confirmed whether the player registrations qualify as intangible assets for residual conditions.

IAS 38 states that to be recorded as an intangible asset, the item must be identifiable, and an asset is identifiable if it is separable or arises from a contractual or other legal right (IASB, 2023)[8]. Morrow (1996)[14] argues that player registration is separable because it can be sold or rented individually, and player registrations arise from contractual rights, so player registrations fulfill the condition of being identifiable. In addition, a necessary condition to satisfy the definition of an intangible asset is that the subject must have control over the asset (IASB, 2023)[8]. Control is defined in IAS 38 as "the ability of a subject to direct the use of economic resources and to derive economic benefits from them" (IASB, 2023) [8]. Footballers registered with the Football Association are contractually obligated to perform for their club (Benterkia and Benmoussa, 2020)[2]. As a result, clubs receive financial benefits and can restrict access to these benefits to others.

When the player registration meets the definition of an intangible asset, it also needs to meet the conditions for recognition of an intangible asset. One of the conditions for recognition of an intangible asset is that it is probable that the expected future economic benefits from the asset will flow to the entity (IASB, 2023)[8]. Through player registration, football clubs can utilize the skills of their players to earn income (Morrow, 1996)[14]. Another type of financial benefit that clubs obtain from player registration is the potential profit from selling a player to another club during the transfer market window and the corresponding cash inflow (Campa, 2021)[4]. It is also necessary to recognize whether the asset can be measured reliably (IASB, 2023)[8]. Typically, the difference between a footballer and an ordinary member of staff is that footballers are acquired for a transfer fee, which means that the cost can be measured reliably (Johan and Martin, 2014)[10].

However, Oprean and Oprisor (2014)[16] contended that youth players cannot be included in the intangible asset class as they do not match the conditions set out in IAS 38, because the underage players cannot sign contracts as professionals, and hence clubs cannot get player registration. Secondly, there is no control over youth players, and teams may offer a conventional contract to young players of legal age, but will not force them to sign it (Martín, López and Santín, 2019)[13]. Finally, youth players do not produce future financial benefits through their status, as youth camp activities are extremely resource-intensive (Benterkia and Benmoussa, 2020)[2]. Furthermore, in the absence of a credible valuation basis (Maglio and Rey, 2017)[12], free agents are not recognized as intangible assets without transfer fees and an active market (UEFA, 2012)[21].

4.2 Measurement

Above, it has been discussed that transfer player registrations can be recognized as intangible assets, so the next discussion is on the measurement of player registrations.

According to IAS 38, player registrations that meet the relevant recognition criteria are initially measured at cost (IASB, 2023)[8]. The measurement of the cost should consider the value of the asset being recorded, namely the agreed-upon money between football clubs for the player's transfer and associated rights, together with any supplementary expenses associated with the asset (Starita, 2019)[20].

4.2.1 Amortization

According to Starita (2019)[20], after the completion of a player's registration, it is necessary to gradually amortize the carrying value over its useful life. And amortization of player registrations is on a straight-line method (Flouti and Akhlaque, 2017)[5]. Under IAS 38, the carrying value to be amortized is calculated by subtracting its residual value, which is expected to be zero (IASB,2023)[8]. The duration of a player's registration aligns with the contractual period between the player and the club (Oprean and Oprisor, 2014)[16]. According to IAS 38, the useful life of an intangible asset arising from a contract or other legal right shall not exceed the useful life of the contract or other legal right (IASB, 2023)[8]. If a player

renews a contract with the club, the net book value of the player's registration at the date of renewal will become the new amortizable amount and will be reallocated to the income statement on a straight-line basis over the term of the new contract (Campa, 2021)[4]. And the amortization terminates when the player's registration is transferred to another club (Benterkia and Benmoussa, 2020)[2].

However, the 'salva calcio' decree issued in Italy allows football clubs to amortise a player's registration over any ten-year period, which is longer than the maximum period of the contract (Morrow, 2006)[15]. In addition, Bourgeois (2007, cited in Pavlovic, Milacic and Ljumovic, 2014)[17] argues that the amortisation period should encompass the period in which the player's participation has an impact, rather than the contractual period. However, since this paper is based on the study of IAS 38 issued by IASB (2023)[8], the amortisation period for player registration will still be equal to the contract period (IASB, 2023)[8].

4.2.2 Impairment

Clubs need to check for signs of intangible asset impairment before the end of each reporting period (Maglio and Rey, 2017)[12]. If the recoverable amount of a player's registration is lower than the carrying amount in the balance sheet, the carrying amount must be adjusted to the recoverable amount and the adjustments are recognized as an impairment cost in the income statement (UEFA, 2015)[22].

Mancin (2009, Cited in Maglio and Rey, 2017)[12] argues that the estimated recoverable amount of a football club is not specific to each player but takes into account the whole team, which is in line with the fact that individual players do not possess the ability to generate cash flows independently and consistent with the principles outlined in IAS 36. IAS 36 mentions that if it is not possible to determine the recoverable amount of an individual asset, the entity will determine the minimum aggregate amount of assets that will generate substantially separate cash inflows, i.e., a cash-generating unit (IASB, 2023)[7]. So, the smallest identifiable group of assets that can generate cash inflows independently is made up of the entire team (PwC, 2018)[18].

However, Biancone and Solazzi (2012)[3] contended that a single player could constitute the smallest CGU due to the potential revenue generation capabilities of highly renowned players, for example by selling jerseys featuring the player's name and number. Hence, it may be inferred that a player has the potential to generate cash flows for the club autonomously, or at least a fraction of those cash flows, and it can be assumed that a player will be tested for impairment as a separate intangible asset (Starita, 2019)[20].

The main reason for the discrepancy in determining impairment objects may be that there are varying accounting treatments due to the different composition of the assets of football clubs and the regulations of national football associations (Maglio and Rey, 2017)[12].

4.3 Limitation of Critical Analysis

This paper does not analyze whether contracts signed by players can be recognized as intangible assets, nor does it analyze the measurement of locally developed players before and after registration with the Football Association. Therefore, this paper's reflection on the accounting treatment of footballers is incomplete.

5. Conclusions and Recommendation

In summary, football players, cannot be recognized as intangible assets because football players are entities. However, the registration of transfer players can be recognized as an intangible asset because it meets the definition and recognition conditions of an intangible asset: it has no entity, it is identifiable, it is controllable, it will probably bring future economic benefits to the subject, and it can be measured reliably. Regarding the measurement of player registrations, the cost of player registration is made up of all fees associated with the transfer of a player, and amortization of player registrations is done on a straight-line basis and the amortization starts on the day the contract becomes effective. Meanwhile, impairment is assessed by choosing whether to treat an individual footballer as a CGU or the main team as a CGU based on the criteria of different football federations in different countries.

Current analyses of clubs' control over player registrations oversimplify the concept of control, particularly when players are transferred, and do not delve into whether the conditions for control are all met by player registrations. Therefore, future research should focus on how football organizations such as UEFA can implement reforms in terms of giving football clubs greater control over player registration so that player registration fully satisfies the conditions for recognition of intangible assets.

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