



## Football Stars as Intangible Assets

*Lionel Messi, Neymar, and Cristiano Ronaldo respectively, were the world top three football players. Transfer value of these players can be as high as EUR 200 Million. These players are assets of the football clubs, intangible assets, and need to be properly recorded in the clubs books.*

Talking about football is always interesting, especially when it comes to players. Football stars will always be the target of famous clubs for transfer. They are the valuable assets of the club they play. The value of transfer can be very significant and it is a major component of expenses for the club. The more valuable the players, the higher the values of the club become. With escalating payouts from television broadcasting, sponsorship and commercial merchandises (shirt and kit), and transfer fees, football club's revenue also increase and at the end increase the value of the club. All those will boost the brand values of the club.

Football players are recruited. The same as company employees are recruited. They contribute as revenue generating assets. In a manufacturing company, employee salaries are charged as expenses to match against revenues in the income statement.

However, the value of employees is not seen as "assets" in the balance sheet.

Slightly different, footballers are recruited for a certain fee. More talented player is more expensive to recruit. Certain cost is applied if the players are recruited from other club. Such cost may include transfer fees, intermediation fees and other related costs. Clubs buying players would earn "rights to use" the players to generate revenues.

In the accounting world, "rights" are considered as intangible assets. Football player is contracted for a period of time. The benefits enjoyed by the club are limited to the period of contract. Thus, football players have limited useful life. Intangible asset includes players transfer rights and costs incurred to acquire such rights. These rights are measured at acquisition cost and amortized on a

straight-line basis over the term of each player's contract. The asset is initially recognized at the date the acquisition contract enters into force.

After initial recognition, this asset is subsequently measured at cost less any accumulated amortization and impairment loss. The cost of the intermediation services incurred in player acquisitions is recognized as an increase in the acquisition cost and amortized on a straight line basis over the life of the player's contract.

At the end of each reporting period, the value of players is assessed to assess any indication of impairment. If there is an objective and clear evidence that it is impaired before the date of issuance of the financial statements, the related impairment loss is recognized. Club usually conduct analysis, on an individual and collective basis, of the value of its players' potential to identify whether there are

any indications that the value of players are impaired or not.

A player is sometime excluded from the playing squad due to career threatening injury or any reason that it is unlikely a particular player will be able to play for the club again. If such circumstances happened and considered permanent, then the carrying value of the player would be assessed at best estimate of fair value less any costs to sell and a provision would be made.

Players are not any more recognized as an asset at the date of disposal, transfer, cancellation of the contract, or expiry of the contractual rights over the players. The club will recognize gain or loss until either the sale or transfer contract has been signed, or until the player's contract expires. The club will then recognize transfer fees as revenue.

### KEY POINTS

- Clubs acquiring players would earn the "right to use" the players and generate revenues. The rights are intangible assets and have a limited period.
- Intangible assets include mainly the "right to use" and the costs incurred to acquire such rights. At the end of each reporting period, the value of players is assessed to see if there is indication of impairment.
- Players are not any more recognized as an asset at the date of disposal, transfer, cancellation of the contract, or expiry of the contractual rights over the players.

### THE POWER OF BEING UNDERSTOOD

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