

# RECORDING THE HUMAN RESOURCE OF FOOTBALL PLAYERS AS ACCOUNTING ASSETS: ESTABLISHING A METHODOLOGY

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## ABSTRACT

*This paper considers the accounting treatment adopted by professional football clubs in respect of their principal resource: the rights to services that the players are expected to provide. Preliminary empirical research is carried out into the accounting treatments adopted by clubs in Scotland in respect of costs connected with their players. Following on from this, three valuation methodologies are identified and evaluated, each of which is either currently used in accounting practice by one or more clubs, or is used in some form in the existing market place for players.*

*'On the face of it, the portents all looked good for Hibernian. Manager Alex Miller's two summer signings, Jim Leighton and Kevin McAllister, performed like genuine assets at Easter Road on Saturday.'*  
The Herald, 9 August 1993

## INTRODUCTION

Human resource accounting has long posed a challenge to the accounting profession. Academics have shown significant and enduring enthusiasm for the subject area. Although the majority of literature first appeared in the 1960s, accounting practice in earlier centuries could be described as human resource accounting, most notably accounting practice within the slave trade (Parker, 1958; Pareagallo, 1981; Mephram, 1988). The first classic research in the area was the seminal work of Hermanson (1964), with other notable early contributors being Hekimian and Jones (1967), Likert (1967) and Brummet, Flamholtz and Pyle (1968). Flamholtz has subsequently become the principal figure in the development of accounting for the worth of employees. Interest in the subject is

still evidenced today both in the academic literature (Sackmann, Flamholtz and Bullen, 1989; Scarpello and Theeke, 1989; Roslender and Dyson, 1992) and also in practice, for example, through the recent *Investors in People* initiative launched by the CBI in conjunction with major blue chip UK companies such as Kwik Fit and WH Smith.

Different approaches have been adopted by researchers to try and best capture and report accounting information about the human resources of an organisation. The essential issue is not however whether people *per se* should be treated as assets in the financial statements. Two issues require to be addressed: firstly, the extent to which the services provided by an employee on behalf of their employer can be defined as an accounting asset; and, secondly, whether there is an acceptable method for valuing or quantifying such services.

Throughout the human resource literature, various attempts have been made to justify the treatment of human resources as assets (Hermanson, 1964; Hekimian and Jones, 1967; Brummet et al, 1968; Dittman, Juris, and Revsine, 1976). The ASB *Statement of Principles* defines an asset as 'rights or other access to future economic benefits controlled by an entity as a result of past transactions or events' (ASB, 1992, Chapter 3, para. 7). This provides a benchmark against which to compare the services provided by an employee. It is possible to define many employees as assets in a general sense prior to a detailed consideration of the accounting technology required to represent those assets. One such example would be the teaching profession. Teachers are employed by their local authority as a result of a past transaction, being the signing of a contract, which provides the employer with the right to the potential for future service from that employee, through which future economic benefits will flow.

The second issue is the valuation methodology appropriate for the inclusion of such services in the financial statements. A variety of research has been carried out to develop and assess the validity of models for the measurement of human resource cost (historical, replacement and opportunity cost) and human resource value (both monetary and non-monetary). Sackmann et al. (1989, p. 239-240) summarise various measurement models set out in the previous literature to account for the cost and value of human resources. Chapter 5 of the ASB *Statement of Principles* (1993) deals with the principles underlying measurement of the elements of the balance sheet. It argues that there is no single valuation method which can cater for every need or be sufficiently reliable for financial reporting in all circumstances, and hence that it is desirable to choose

the valuation method appropriate to the circumstances (ASB, 1993, Chapter 5, para. 61). In this paper various valuation methods will be introduced which are considered to be relevant to the human resource under consideration.

## **FOOTBALL PLAYERS AS ASSETS**

In recent years considerable academic research has been carried out into financial and economic aspects of the football industry in Great Britain: for example, the overall financial difficulties faced by clubs (Arnold and Beneviste, 1987a; Arnold, 1991a), specific financial studies (Arnold and Webb, 1986; Webb and Broadbent, 1986; Arnold, 1991b), the effects of competition and performance equalisation policies (Sloane, 1980; Arnold and Beneviste, 1987b), economic studies (Bird, 1982; Jennet, 1984; Sutherland and Haworth, 1986) and sociological studies (Moorhouse, 1986). In addition there have been articles in professional journals dealing with, for example, cash flow analysis (Arnold, 1985), consideration of the financial statements of football clubs (Beneviste, 1985), the financial environment for clubs in the 1990s (Temple, 1991) and financing Scottish football in the 1990s (Low and Shennan, 1991). A further recent development has been the publication of surveys by professional accountancy firms (Price Waterhouse, 1990-93; Touche Ross, 1992-94).

Surprisingly, there has been little emphasis in the literature on a consideration of human resources within football clubs. The literature in this area has either tended to be on some specialised aspect of the subject, for example, consideration of clubs' recruitment policies as investment decisions (Sutherland, 1986), or the operation of the transfer system and its implications for players (Sloane, 1969; Stewart, 1986; Moorhouse, 1992); or referred to in passing within a more general football finance article (Beneviste, 1985; Temple, 1991). Research on this topic has, however, been carried out by Dobbins and Trussel (1975) and more recently the subject has been examined in some detail by Morrow (1992) and Touche Ross (1992, 1993).

This paper will focus on one particular human resource: the services provided by a football player to the club holding his registration, considering the accounting treatment adopted by Scottish football clubs in respect of, arguably, their main resource. The paper is based on the premise that what comprises the accounting asset is the rights to services that people are expected to provide. What differentiates a football player from other human resources or intangibles is the existence of the measure-

ment aspect in the form of a transfer system through which fees are paid to transfer a player's registration between clubs. However, as pointed out in Harding (1991, p.4), although it is merely the registration of a player which is bought and sold and not the man, the point is a technical one.

## **SURVEY OF SCOTTISH FOOTBALL LEAGUE CLUB ACCOUNTS**

The survey of all the Scottish League clubs, using information from Companies House in Edinburgh, was carried out to establish the accounting treatment currently adopted by clubs in respect of recording costs connected with their playing staff. No survey of this nature had previously been carried out on Scottish clubs, although a similar survey was carried out on English clubs by Touche Ross (1992). Of the 38 league clubs, 34 are limited companies and thus available from this source. Requests for copies of accounts were made direct to the other four clubs (Alloa Athletic, Arbroath, Brechin City and Stranraer) but with no success. The quality of information available was also limited by the fact that many of the clubs take advantage of the exemptions allowed under sections 247 to 249 of the Companies Act 1985 to file modified accounts.

Given the above problems, the results of the survey detailed in **Table 1** are in respect only of those Scottish clubs who operate on a full-time basis, that is, employing full-time staff and players. The remainder of clubs are part-time and provide no details in their accounts of the accounting treatment adopted in respect of their staff.

### **Accounting policies in respect of players**

Moorhouse (1994) calculated that the total turnover of all transfers involving Scottish clubs in 1991 was approximately £22 million. Despite this level of activity, only 13 of the 34 clubs surveyed make any reference to the policy adopted in respect of accounting for transfer fees in their accounts.

The traditional accounting practice in respect of accounting for football players has been to exclude any valuation of players from the balance sheet, whether they are players bought by the club via the transfer market or those developed internally through the club. Transfer fees (and associated costs) are charged or credited to revenue in the year in which the transfer takes place.<sup>1</sup> Two Premier Division clubs, Heart of Midlothian and Dundee, have adopted an accounting policy which treats players as accounting assets on their balance sheet, while two further clubs



**Table 1: Accounting Policies And Disclosure In Respect Of Player Costs: Full Time Clubs**

Club	Analysis of Accounting Policies (based on 1992 published accounts)		
	Transfer fees	Signing-on fees	Information disclosed
Aberdeen	—	—	—
Airdrieonians*	—	—	—
Ayr United*	—	—	—
Clydebank*	—	—	—
Celtic	A	D	—
Dundee	A, B	E (formerly D)	F
Dundee Utd	—	—	—
Dunfermline	A	—	F
Falkirk	A	D	G
Heart of Midlothian	C	—	H
Hibernian	A	E	F
Kilmarnock*	A	—	F
Morton	A	—	G
Motherwell	A	—	G
Partick Thistle*	A	—	—
Raith Rovers	A	—	F
Rangers	A	—	G
St Johnstone*	—	—	—
St Mirren	A	—	F

*Notation*

\* Modified accounts filed (permissible under Section 247 to 249 Companies Act 1985)

— No details provided in the accounts

*Accounting Policies*

A Transfer fees are charged or credited to revenue in the year in which they are incurred

B All players capitalised in the balance sheet at directors' valuation

C Bought-in players capitalised in the balance sheet at their cost of registration

D Signing-on fees are charged to revenue in the year in which they are payable

E Signing-on fees are charged to profit and loss over the life of the player's contract

*Disclosure*

F Transfer fees included within normal operating activity, disclosed on the face of the profit and loss account

G Transfer fees treated as exceptional items, disclosed in the notes to the accounts

H Players acquired shown as additions to intangible assets in notes to the accounts; gains or losses on sale of intangible assets treated as normal operating activity

briefly discuss the issue of valuing players for accounting purposes in their Accounting Policies note on transfer fees.<sup>2</sup> Morton notes that it is impractical to place a valuation on players at the balance sheet date, while Raith Rovers states that no value is placed on players for balance sheet purposes.

### *Heart of Midlothian*

At Heart of Midlothian, the accounting policy involves capitalising only those players bought by the club on the transfer market, at their cost of registration. After allowing for estimated residual values the costs are amortised over the period of the respective players' contracts. In the Annual Report and Accounts for the year ended 31 May 1992, a figure of £2,632,000 (1991, £2,133,000) was included as Intangible Fixed Assets on the balance sheet. This policy in respect of recording players was first adopted by the club in its accounts for the year ended 31 May 1990.

### *Dundee*

The accounting policy in respect of including players as assets at Dundee was changed in the Report and Financial Statements at 31 May 1992. Prior to the 1992 accounts no valuation of the players was included as an asset in the financial statements. The 1992 accounts, however, have incorporated the directors' estimate of the value of the playing staff employed by the club at the balance sheet date, an amount of £1,610,000 being included under the heading 'Fixed assets: Playing staff'. Per the Notes to the Financial Statements, the corresponding reserve, described as the 'Playing staff reserve' does not form part of shareholders' funds and therefore will not be available for distribution.<sup>3</sup> No mention is made in the Report and Financial Statements as to future policies for revaluation or amortisation. Neither is there mention made of the legal justification of adopting such a treatment (presumably Companies Act 1985 section 226, as amended, and Schedule 4, section 31 in respect of Alternative accounting rules). Further, none of the additional information as required to be provided under Schedule 4, section 33 in cases of departure from historical cost accounting rules is disclosed.<sup>4</sup>

Interestingly, the traditional policy of charging transfer fees to the profit and loss account in the year in which they are incurred is also still continued by Dundee. As a consequence any player bought during the year is not recorded at his historical cost but at a directors' valuation, the effect being that the acquisition cost is written off as incurred through the profit and loss account, but is then reinstated as an asset on the balance sheet at valuation.

## **Accounting disclosure in respect of players**

### *Player valuations as supplementary information*

In the case of Heart of Midlothian, in addition to capitalising bought in players, additional disclosure is also provided in the Report of the Directors in respect of player valuations, where the directors' estimate of the value of the senior members of the playing staff is given as £7.25 million. This is based on 'expected sales proceeds or replacement cost' and relates to all players, whether bought in or home grown. Two other Premier Division clubs, Hibernian and Rangers, although not actually including any valuations in respect of their players in the balance sheet, do provide additional disclosure elsewhere in the financial statements. Hibernian discloses the directors' valuation of the playing staff in the Report of the Directors, described as being in excess of £5 million. Rangers discloses the cost of players still employed by the company in the Notes to Accounts, a sum amounting to £15,868,000. Both of these clubs observe that their adopted accounting treatment (that is, the immediate write off to profit and loss account) is in common with the majority of other football clubs.

### *Transfer income and expenditure*

There is great variety in the level and standard of disclosure in the financial statements in respect of transfer fees. Little meaningful information can be derived from a study of transfer fee disclosure due to the diversity of accounting practice. As can be seen from **Table 1**, only eleven clubs disclose financial information on their transfer dealings in their accounts. Within these eleven clubs, three different methods of disclosure are adopted. Even within these three different methods of disclosure, there are variations in the type of information which is published. For example, as can be seen from **Table 1**, four clubs treat transfer fees as exceptional items. However, of these four clubs, two clubs – Falkirk and Motherwell – identify both fees payable and receivable, while the remaining two – Morton and Rangers – identify only net transfer fees.

## **Summary**

Two-thirds of Scottish clubs do not explain their accounting policy in respect of players. The 85% of clubs which do outline their policy follow the traditional industry practice of treating expenditure on players as normal operating costs. The level of disclosure in respect of costs connected with players is also very limited. Once again, the majority of Scottish clubs (71%) do not disclose information regarding their treatment of transfer fees in their accounts. Those clubs which do disclose information exhibit a great variety of methods of disclosure, thus making comparability difficult. Two clubs – Heart of Midlothian and Dun-

dee – do, however, include their players as assets on the balance sheet. In the case of Heart of Midlothian all acquired players are shown at their historical cost, while in the case of Dundee all players employed by the club are shown at directors' valuation.

## VALUATION METHODOLOGIES

In this section, three possible methods of recording players as accounting assets will be evaluated. Each of these methods is either currently used in accounting practice by one or more clubs, or is used in some form in the existing market place for players. The historical cost model (Method 1) involves capitalising players acquired by the club via the transfer market at their cost of registration. The earnings multiplier model (Method 2) involves applying a multiplier to a players earnings to produce a current valuation of that player. An independent multiple player evaluation model (Method 3) involves various informed and knowledgeable sources providing a value for the players of the club in question.

### **Historical cost: Method 1**

The least controversial method of recording players as accounting assets is at their historical cost where players acquired by the club via the transfer market are capitalised on the balance sheet at their cost of registration. This method capitalises human resource costs without seeking to value people, the rationale being that it is easier to measure human resource costs than human resource values as the same approach used to account for other assets can be adopted (Flamholtz, 1974). Its principal advantage is also, therefore, its principal drawback, that is, this consistency with the treatment of other acquired assets means that the wide ranging criticisms of historical cost accounting generally will apply to the amounts at which the players are recorded.

One Scottish club, Heart of Midlothian, capitalises those players bought by the club on the transfer market at their cost of registration. After allowing for estimated residual values the costs are amortised over the period of the respective player's contract. Under this model the residual value is estimated using the UEFA (Union of European Football Associations) coefficient factor formula by reference to a player's earnings and a multiplier factor based on his age at the end of his contract (UEFA, 1992, Article 3).

If a permanent diminution in a player's value occurs prior to the completion of that player's contract, for example, through injury, then, in line



with the treatment for other assets, the carrying value should be written off as appropriate. Where the diminution is temporary due to, for example, a player's loss of form, the appropriate accounting treatment is perhaps open to question. Under normal accounting convention, if the net book amount is considered not to be recoverable in full ('perhaps as a result of ... a fall in demand for a product'), then the carrying value should be written down to the estimated recoverable amount (ASC, 1987, para. 19). Recoverable amount is a well accepted concept and is defined in the standard as the greater of the net realisable value of an asset and, where appropriate, the amount recoverable from its further use. It also allows the write back of the provision at a later stage if there is a change in circumstances. The most prudent treatment would be for the directors to use their experience of the transfer market to assess whether the carrying cost of an individual player is recoverable. In the current market conditions, where all players are for sale if the price is right, if the directors believe that the book value is not recoverable, then an immediate write-off would seem appropriate.

#### *Revaluation within modified historical cost*

It has been suggested previously that if historical cost is to be used, then a modified system to include revaluation, similar to that in use for land and buildings, may be appropriate (Morrow, 1992).<sup>5</sup> The alternative accounting rules of the Companies Acts permit the upward revaluation of separately identifiable intangibles.<sup>6</sup> The analogy of land and buildings in respect of the basis of valuation is more appropriate for an intangible asset such as the rights to the services provided by football players than for other intangibles such as brands. A significant distinguishing feature between brands and the services provided by football players is the fact that there is no problem of separability in respect of football players.<sup>7</sup> Players may or may not be assets, but they are separable: a team requires eleven players but each of those individual players can be separately selected or dropped from the team; each player, whether acquired via the transfer market or home grown, is employed on a separate contract; each player can be separately bought or sold on the transfer market.

Power (1992) suggests that separability is not a natural concept with obvious criteria of application but depends upon the acceptance of particular measurement technologies and bodies of expert knowledge which determine when separability is possible. Separability is therefore both a technical issue and an issue of practitioner acceptance. With both issues, the intangible asset of football players is better placed for inclusion in the financial statements than an asset such as brand names. A credible measurement technology has been demonstrated which has practical ac-

ceptance through the operation of the market place. In respect of brands, no such claims have been made to date.

### **Earnings multiplier: Method 2**

Under this approach a multiplier is applied to a player's earnings to produce a current valuation of that player. Such a system was first put forward in the UK in 1898 by the then Secretary of the Association Football Players Union (the forerunner to the Professional Footballers Association). His alternative transfer system was: 'based on the logical notion of tying a man's fee to what his club considered he was worth in terms of wages offered.'<sup>8</sup> The multiplier valuation approach is used in practice by UEFA (the governing body of football within Europe) to value out-of-contract players who are transferring between two clubs within Europe which are unable to agree a fee in respect of the transfer. It is currently used by most continental associations (other than in the UK<sup>9</sup>) and it is UEFA's stated intention that it should be universally adopted: 'It is desirable that the principles of the national transfer system for top class football should be adapted as soon as possible to the joint system for the UEFA Football Associations' (UEFA, 1992, p.10).

Article 3 of the *Principles of Co-operation between Member Associations of UEFA and their Clubs* sets out the application of the multiplier approach. The total amount of the compensatory fee to be paid for the player's training and development must include the gross income of the player multiplied by a coefficient factor which varies according to his age.<sup>10</sup> The gross income includes the player's contractually fixed wages, bonuses for matches fixed by the club together with match fees and bonuses contractually fixed by the National Association (that is, payments in respect of international matches). The coefficient factors set by UEFA decrease as a player gets older, ranging from a factor of 12 for a player between 14 and 21 years' old through to a factor of zero for a player aged 39 years' old or more.

Within the UK, the compensatory fee for an out-of-contract player is set by an independent transfer tribunal which arbitrates between clubs. One of the major factors that the tribunal uses in arriving at a subjective valuation of a particular player is the salary of the player in question. Many of the selling clubs that have appeared to suffer at the hands of the tribunal have often been the victims of their salary levels, that is, the buying club will use the low salary of the player in question as evidence to justify their view that the player cannot be highly rated by the selling club and that the fee should reflect this. For their part, the selling club argue that the relevant salary cost which the tribunal should consider is

not the player's historical salary but rather the salary which he is being offered in his new contract. Anecdotal evidence tends to suggest that greater weight is given to actual salary information as opposed to potential future salaries.

### *Previous models*

Various models have been proposed in the past by Hermanson (1964) and Flamholtz (1971), among others, which employ wages and salaries as measures of human resource value. Such models have been criticised on various grounds, most notably that of subjectivity within the estimation process. Accounting practice has shown a certain reluctance to value any asset by reference to its estimated future cash flows.

Hermanson's discounted earnings model was applied by Trussel (Dobbins and Trussel, 1975) to value the human resources of Liverpool Football Club. Forecast earnings for the next five years were discounted to give a net present value. The product of this figure and an efficiency ratio (calculated via a points system to reflect the success of all Division 1 teams) was a valuation of all staff. It is difficult to view this model as an appropriate way of valuing footballers. The model assumes that human resources are responsible for differences in earnings among firms. Such an assumption presumably requires such firms to be in some way earnings oriented. However, evidence suggests that football clubs are not first and foremost profit maximisers.<sup>11</sup> Football clubs can be more accurately described as aiming to 'maximise utility subject to financial viability' (Sloane, 1971, p.136) or 'achieve playing success whilst remaining solvent' (Political and Economic Planning Report, 1966, p.160).

The model proposed by Flamholtz (1971) uses the general theory of value to suggest that compensation be used to estimate the market value for performance outcomes from a job, arguing that the price for which a thing is exchanged equals the expected net present value of the stream of future values generated from employing it. Given that wages are the exchange price for labour, then net present value of the wage stream is equivalent to the present value of labour.

The view that wages tend to equal the marginal net product of labour was rejected by Wooton (1962, p.65). She put forward the professional footballer as a particular case in which the traditional theory of wages does not apply due to the existence of two anomalies: until 1961 a maximum wage was in operation; and the existence of a marked discrepancy between the wages actually paid and the player's true market value as reflected in his transfer fee.



The validity of using wages and salaries as surrogate measures of human resource value is also rejected by Scarpello and Theeke (1989, p.273) on the grounds that a job's compensation is not a linear transformation of the market value for performance outcomes from that job. For such a linear transformation to hold, the input and output markets would require to be efficient and free from imperfections. Given that markets are not likely to be perfect, the use of an individual's wages is not likely to reflect the value of that individual.

### **Independent multiple evaluation: Method 3**

One Scottish club, Dundee, includes all players employed by the club as fixed assets in the balance sheet at directors' valuation. Including all of a club's players at the directors' valuation leaves the financial statements open to accusations of unacceptable subjectivity. Capitalisation of players is often viewed as simply a means of improving the balance sheet. It has been suggested that it is the clubs with the largest overall financial problems who are the keenest to include their players as assets.<sup>12</sup>

However appropriate the recognition of the services provided by a player as an asset is, it is desirable to reduce the subjectivity of the valuation process as currently practised by certain clubs. A model was suggested by Biagoni and Ogan (1977) for valuing US professional sports teams. Under this method, individual evaluations were made of players by several evaluators, these being persons judged in a position to assess a player's value to a club in an informed manner. The values arrived at by each evaluator were weighted according to the evaluator's knowledge of a particular player and then arranged to provide the mean value of each player to the team over his estimated useful life. Suggested evaluators were the team manager, managers of other teams, sports media and club owners. Such a model could be operationalised in the UK drawing on the categories of evaluator suggested by Biagoni and Ogan, plus, possibly, a representative of the transfer tribunal. Each of the evaluators would be asked to value individual players on a realisable value basis in an orderly sale, if the player was out-of-contract.

A simpler solution which may be viewed as more practicable would be for the services provided by players to be included in the financial statements, as valued by independent experts such as the transfer tribunal. Independent experts already produce valuations for inclusion in the financial statements. The use of expert valuers is discussed in the auditing guideline, *Reliance on Other Specialists* (Auditing Practices Committee, 1986). Normally the competence and objectivity of the non-accounting expert valuer is 'indicated by technical qualifications or member-



ship of an appropriate professional body' (para. 9). Given the lack of professional qualifications within this field, such a tribunal could rely on the exception that '... in the absence of any such indications of his competence, the specialist's experience and established reputation should be taken into account' (para. 9).

## CONCLUSION

This paper has highlighted two main issues involved in recording the services provided by football players as accounting assets. The first issue is the variability of existing practice among Scottish clubs. The objective of financial reporting is to communicate useful information about an entity to users having rights to such information. Despite the centralised control structure of many clubs, and the fact that they are utility as opposed to profit maximisers, there are still likely to be users who have an interest in financial information about the club, albeit different in type from that required in relation to other commercial organisations. Webb and Broadbent (1986) identify various likely interested user groups and their information requirements; the groups include other clubs, spectators, the community and employees. At present only two clubs in Scotland currently record any of their players as assets, while only eleven clubs give any sort of disclosure in respect of transfer fees. On such evidence it is difficult to argue that many users are receiving useful information from the financial statements of their clubs.

The second issue is the absence of an acceptable valuation methodology. The survey of Scottish clubs identified that the question of the accounting treatment for football players is an issue within the full-time professional clubs in Scotland. In this paper three possible valuation methodologies have been identified, each of which has practical relevance. Issues and problems associated with each of these possible valuation models have been recognised. A full assessment, however, is an empirical matter. It is intended to develop this paper by evaluating each of the models, using case study data relating to a club identified from the empirical study detailed in this paper as having the appropriate characteristics in terms of the profile of player transfer costs and movement.

Although this paper has largely concentrated on one particular type of human resource, the services provided by football players, it has also hopefully re-awakened interest in human resource accounting more generally. Notwithstanding the absence of the measurement aspect which exists for football players, one issue which would be worthy of further

consideration is the extent to which the findings of this project are relevant to other people-intensive businesses such as service industries.

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## NOTES

- (1) This traditional practice was reaffirmed in the Touche Ross (1992) survey of significant accounting policies in English football clubs.
- (2) The policy of capitalising those players bought by the club on the transfer market has also been adopted by Rangers in its 1994 financial statements, on the grounds that this reflected the accounting profession's recognition that the previously adopted policy of writing off acquired players in the year of purchase failed to represent a true and fair view of a football club's financial affairs.
- (3) The only other British club to adopt a similar treatment, as identified in the initial Touche Ross survey (1992), was Portsmouth which invokes the provisions in Schedule 4 of the Companies Act 1985 to enable it to carry all its players in the balance sheet at directors' valuation. Subsequent to the survey this treatment has also been adopted by Swansea City (Touche Ross, 1994). In addition, Sheffield United carries all its players in the balance sheet at manager's valuation.
- (4) The directors of Portsmouth do refer in their report to the various appropriate legalities, but again the additional disclosures required when using such provisions are absent.
- (5) Revaluing players' registrations at their market value, whether acquired or home grown, was rejected by Touche Ross (1992), but no justification was provided.
- (6) Companies Act 1985, Schedule 4, Section C, para. 31.
- (7) The issue of separability dominates the debate on accounting for brands. In a consideration of the services provided by football players, questions such as whether separability is an identification issue

(Chambers, 1966) or a recognition issue (ASC, 1990), or whether it is a physical or legal issue (Napier and Power, 1992) are not relevant factors.

- (8) According to the Lancashire Daily Post, October 1898, reported in *For The Good of the Game* (Harding, 1991, p.21), Saer's transfer system was based on the following two points:
- If a club offers a player no terms for the ensuing season, no fee shall be charged for his transfer. An offer of less than £1 a week – £52 a year – shall not be considered a bona fide one
  - If a club offers a player a sum exceeding £52 a year then should he refuse, half the difference between £52 and the sum offered shall be the maximum fee chargeable for his transfer.
- (9) However, this system of setting transfer fees was to have been used in the proposed Scottish Super League.
- (10) This is the same procedure as that used to establish the residual value to apply under the historical cost method (Method 1).
- (11) Arnold and Beneviste (1987b) carried out a survey of English League clubs which suggested that for clubs in the top three divisions, playing success was the most important business objective.
- (12) This view was put to me by several sources in the game. It is also mentioned in Temple (1991). Excluding the players as intangible assets would cause the net assets position of Dundee to be 31% lower. Excluding their bought-in players as intangibles would cause an 82% drop in net assets for Heart of Midlothian. Including the players of Hibernian in the balance sheet at directors' valuation per the Report of the Directors' would turn net liabilities of £1.2m into net assets of £3.8 million.

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