
Recognition of football players' contracts by means of the active market

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Abstract: The paper provides a theoretical analysis based on the idea that the active market is the main determinant of human capital recognition in the financial statements within football industry. The study represents a general review of the authors concerning the situation of players' contracts registration which may influence the management decision processes of companies operating inside and outside of the football arena. The paper can help the managers of firms operating in other industries than football to discover insights about the possibilities of recognition of human capital rights in the financial statements. We have used the archive method for documents such as UEFA Club Licensing and Financial Fair Play Regulations and Regulations on the Status and Transfer of Players. The paper contributes to the literature by analysing the situation of football players' rights being recorded in the financial statements in order to inform future research in the field.

Keywords: football industry; active market; human capital; football players' contracts, transactions.

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1 Introduction

In the development of communities, it is essential to invest in the human capital in order to ensure the durability and sustainability of the economy in any given society. The economic approach entails the existence of a market that, by means of different degrees of efficiency, coordinates the actions of various participants (individuals, economic entities, even nations) and which prices and instruments distribute insufficient resources within the society thus limiting the participants' requirements [Becker, (1998), p.5].

Based on the idea that "the market economy is an invention that humanity has contributed to for centuries" we would mention that the market economy has lately recorder significant progresses with characteristics and traits given by the evolution of the global economy and particularly by the evolutions taking place within the developed countries [Lumperdean, (2002), p.164]. In this sense, the most important facts refer to the existence of the human capital in an economic context: inventions, innovations, creativity and specific individual characteristics, all of these with the purpose of reflecting certain economic and social phenomena with impact on the market.

Switching from the economic to the international approach, based on accounting regulations, the market is defined as the active market where buyers and sellers can be found at any time to trade homogeneous items and where transactions involving a commodity take place at sufficient volumes and frequency to provide constant pricing information (IFRS 13, version 2012, annex A)¹. An entity does not have to perform a holistic verification of all possible markets in order to identity the main market, or, in the absence of a main market, the most advantageous one, but has to take into consideration all reasonably available information. In the absence of evidence to the contrary, it is assumed that the main market (or the most advantageous) is the market where the entity would normally conclude a sale of a commodity (IFRS 13, 2012, paragraph 17). In every field of activity, should there be a main market for a product, the fair value evaluation must represent the price on that market (regardless of the fact that the price can be directly observed or estimated by means of evaluation techniques), even though the price on a different market can be advantageous at evaluation date (IFRS 13, 2012, paragraph 18).

In consequence, we believe that the same criteria set for the existence of an active market are just as valid for the human capital. Our opinion is that in order to evaluate this capital the existence of an active market must be considered. Also, as long as its components (attitude, principles, knowledge, competences etc.) cannot be traded on such a market, it would be difficult to give them any value. Despite the existing context in most fields of activity, the sports industry has a special place, in particular the football industry, where there are market transactions of the human capital which is recognised and evaluated².

Wanting to reflect the differences occurring between the majority of fields, being restricted by the market into not recognising the human capital, and the field of football, giving value to this type of capital, precisely due to an existing active market, we intend to outline in our paper the ways human capital is valued where such process is allowed (due to market mechanisms).

Therefore, this paper is a small addition to the existing literature and provides new directions for research by drawing a pattern of published researches in the field of football players' contracts recognition in order to give a benchmark for further researches. Briefly, within this paper we tried to identify those characteristics which

might influence the recognition of a football player contract within the accounting documents.

The aim of this paper is to emphasise, in a descriptive way, the treatment of a football player's contract based on the active market theory. The paper is organised as follows: Section 2 introduces the football industry discussing about issues related to the recording of the players' rights in the financial statements. Section 3 consists in the performance of a theoretical comparison between the existing status in football versus other fields of activity, from the perspective of recognising the right to use an employee and Section 4 contains our conclusions.

2 The football industry – a literature perspective

Brandy et al. (2008, p.61) introduces the world of sports, making reference precisely to football, 'as an economy of talent' wherein teams having a higher level of talent generally record higher performances than less talented teams. The concept of human capital in sports is limited to the player's contributions in terms of creating value, either by his/her recorded performances or by marketing effects (fame, reputation, image). The physical and technical competences of a player can possess an innate potential, which does not involve an investment, or an acquired potential, developed within the entity by means of trainings or marketing, associated with a cost and thus considered an investment. As a rule, entities, and by that we mean the sports clubs have two ways of gaining economic benefits from an efficient management of human resources, i.e. human capital. Either they keep the players, ensuring for themselves future economic benefits, or they transfer them, at a price that needs to cover at least the future value of flows generated by such players. For example, should a player be purchased at a 10 million Euro and transferred for 15 million Euro, we may consider the difference of 5 million Euro as a value assimilated to the creation of human capital, gained by the club as compensation for the costs of integration, training and development of that player (Gumb and Desmoulins-Lebeault, 2010).

In view of our initial idea that the existence of an active market allows the valorification of human capital, we believe that in sports, mostly in football³ this is possible because there are transactions with players on an active market, and therefore we believe an analysis of the accounting treatment of human capital in this field to be necessary.

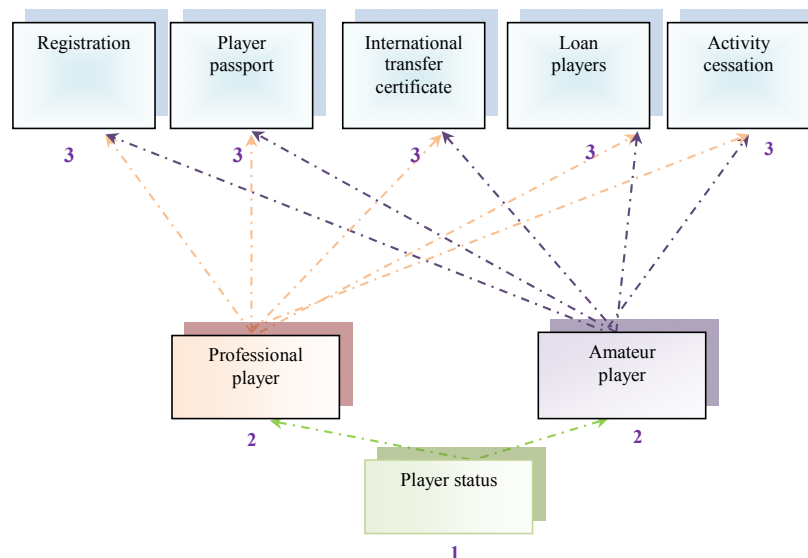
2.1 Information on the player's status⁴

For a proper introduction in the area of human capital accounting, we have to familiarise ourselves with the notions included in such a process. Therefore, in accordance with the Regulations on the status and transfer of players published on the website of the Fédération Internationale de Football Association (FIFA), version 2010, 'the main actors' are the players taking part to the organised football games, either professional or amateur players. The difference between a professional and an amateur consists in the signing of a contract between the player and a football club and receipt of a salary as a result of playing football as basic activity, unlike an amateur, whose main activity is not in football.

In order to be able to play for a club, every player must sign into a football association⁵ and follow its imposed regulations. A player can be registered only to a single club, and a maximum of three clubs during one season⁶, thus being eligible to play in official matches only for two clubs. While the first registration period starts normally at the end of a season and ends before the beginning of a new season, the second registration is performed at the middle of the season. Both registrations are included in a so-called transfer matching system⁷ at least 12 months before it becomes valid. Also, the association handling the registration of the players is obligated to supply the club where the player is registered with, a 'player passport', containing all relevant details about the respective player including the football club/clubs having been registered with since the age of 12 years old.

A player registered with a certain association can be registered with a new one only on the basis of an international transfer certificate, issued free of charge and without prerequisites in terms of reference period. At the same time, the lending of a player to another club is done based on an agreement concluded between the two clubs, with the observance of provisions and regulation on players' transfer. The period of time during which the player is leased must be the period between two registrations, and the club having leased the player is not entitled to transfer the player to a third club without a previous authorisation from the first club or the player's consent. In terms of ending their activities, both professionals and amateurs with expiring contracts, remain registered in the association and with the last club they activated in for a period of 30 months, counting from the last appearance in an official game. In short, the aspects mentioned above can be graphically represented in Figure 1.

Figure 1 Player's registration conditions (see online version for colours)



Therefore, the transfer of players belonging to the same football association is done on the basis of regulations set by the respective association and approved by the Football International Federation. The regulation on the status and transfer of players, according to FIFA, includes much information regarding the way a football player can be organised and 'used', and also his recording within the financial and accounting statements.

Previously mentioned aspects are intended to help us understand the basic notions in the present section, representing a preamble in the development of the human capital accounting treatment in sports. We here forth intend to approach as briefly as possible, from accounting point of view, the main provisions of the FIFA Regulations on human capital accounting, for the football players.

2.2 Training compensation

Unlike USA, Australia or Canada, in Europe, when a player transfers from one club to another, he is allowed to negotiate the contract, and the club is compelled to usually pay compensations or benefits in terms of players' use right. This occurs usually as a training compensation, paid by the club until the players reach the age of 23 (from 12 to 23 years old). The payment of such training is done, under the following terms and conditions:

- 1 The player is registered for the first time as a professional.
- 2 A professional player is transferred between clubs belonging to two different associations, either during the contract or at the end of the contractual period, before the conclusion of the season when the player will turn 23 years of age.

In general, the new club is responsible to pay the value of the training within 30 days to each club where the player has activated in accordance with the data from his player passport, containing the history of his career. The amount is calculated pro-rata based on the training period that the player benefitted from with each club. In order to simplify calculations, the football associations classify clubs into four main categories⁸ based on the financial investment involved in the players' training. The costs associated to training are set depending on each category and updated at the end of every year. They indicate the amount required to perform the training of a player for a period of one year.

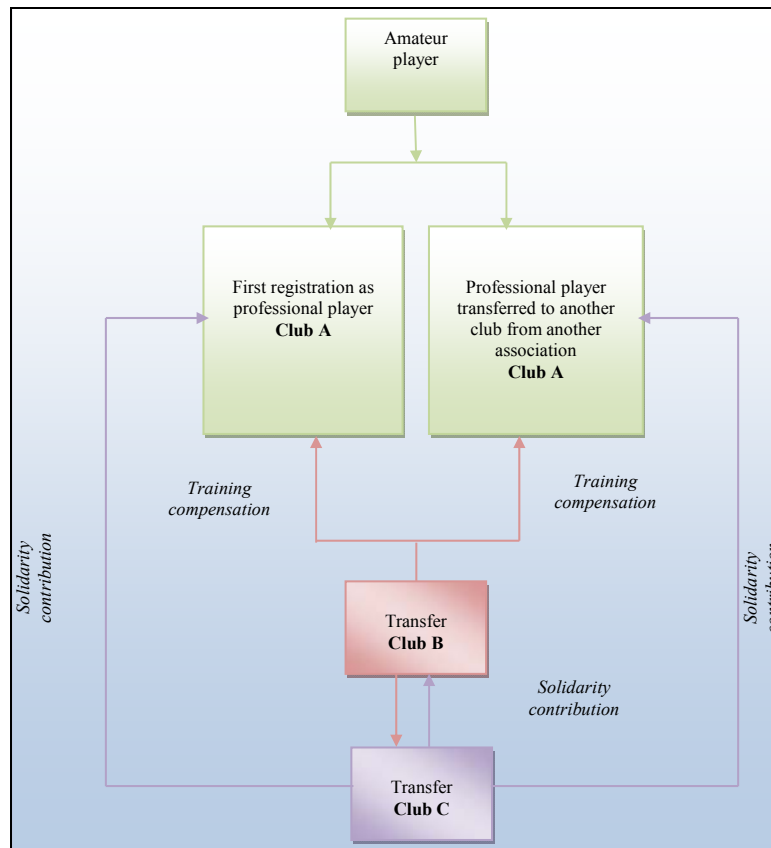
Considering the condition stating that the player is registered as professional one time, the compensation for the training will be calculated based on the multiplication of the costs in relation to the number of years of training, normally from the age of 12 until the age of 23 (or 21 if the player is thought to have reached sports maturity). In the event of a subsequent transfer, the training compensation will be computed based on the multiplication of training costs borne by the new club in relation to the number of years with the previous club.

It is important to mention that such benefits associated to training are paid by the club only in the situation where there is a contract between the club and the player. In the event the player leaves during the contract period, 5% of any transfer fee minus the training compensation paid to the previous club, must be deducted from the total amount and paid by the new club, as 'solidarity contribution', to the club or clubs involved in time in the player's training. This contribution reflects the number of years that a player has been registered with various clubs between the age of 12 and 23 years of age.

Table 1 Calculation of solidarity contribution⁹

<i>Seasons played at age</i>	<i>% Tax deducted</i>	<i>% Total compensation</i>
12	5%	0.25%
13	5%	0.25%
14	5%	0.25%
15	5%	0.25%
16	10%	0.50%
17	10%	0.50%
18	10%	0.50%
19	10%	0.50%
20	10%	0.50%
21	10%	0.50%
22	10%	0.50%
23	10%	0.50%
<i>Total</i>	<i>100%</i>	<i>5%</i>

Source: Regulations on the status and transfer of players, FIFA (2010, p.64)

Figure 2 Payments on transfers of players (see online version for colours)

In other words, training compensation is paid by the new club at the time a player is registered for the first time as a professional or transferred between clubs belonging to two different associations; in case he is transferred during his contract or at the end of it to, the new club taking him over, will pay solidarity contributions to the previous club having been trained them, less the training compensation which had already been paid. In order to facilitate the understanding of these aspects, we have prepared the following graphical representation (see Figure 2).

We believe that settlement between clubs on the right of using a player, is an actual reflection of the value that player stands for. Each club taking the player is obligated to pay previous clubs a monetary reward, because they have invested in his preparation. As such, the value of a player, i.e. the human capital made available by the player represents at least the value of the training compensation paid by the new club to the previous one at the time of becoming a professional (21 or 23 years old) or if it is transferred after the training period (for instance, at 25 years), the new club will have to pay solidarity contributions to the previous clubs that have trained him in the past. Therefore, the value of the human capital, in the context of the football players (or any other player activating in a club from a certain association) is given by the value of the training compensation and the solidarity contribution, as the case may be. Of course, such values are supplemented by the transfer price negotiated between the clubs, price normally set based on a market value, as we are referring to an active market trading players.

According to the opinion expressed by Esteve Calzada¹⁰, a former FIFA agent, the objective market value of football players is given by the weighted mean of several factors such as:

- Technical abilities and field position: counts for 20% of the final value. Goals and goal passes are considered, as well as the individual titles (golden ball, golden boot, championship goal-getter); normally, the attackers have higher scores than middle or back players.
- Experience (20%): the seasons played in the most important leagues (England, Italy, Spain) are decisive.
- Recent performance (20%): the players prone to accidents or having played little in the last period of time would lose important amounts of their quota.
- The selling club (18%): its tradition is important and the economic pressure of the transfer.
- The age of players (8%): the age of 26 is considered ideal for a professional player.
- The market interest (7%): the number of teams interested by the same player at a given time.
- Owning a so-called 'green card' or 'European passport' (3%).
- Marketing variables (4%).

According to this algorithm proposed by Calzada, the value of a player can decrease or increase considerably depending on the variation of the suggested factors. For instance, in the event of an accident, the player's yield would decrease and automatically his market

value as well, determining a lower interest from other clubs in terms of transfer/take over¹¹. Also, the experience a player can accumulate in time could be an advantage, as it could increase the value, by comparison to another player with the same abilities but less experience. In general, the use of the algorithm, means taking simultaneously into consideration various factors that determine the value of a player. For instance, an experienced player, with high performances, of adequate age and presenting a certain interest on the market must also be skilled technically speaking in order to have a high evaluation. Hence, these variables could generate the value of a player and simultaneously may improve the image of a football club on the market. During the time, researchers have been developed many studies regarding the influence of a club image in different football league (Johnston and Paulsen, 2011; Jelaska et al., 2013; Orhan et al., 2013).

In this respect, in their study, Johnston and Paulsen (2011, p.29) tested a preliminary model that examined the direct and mediated relationships between the motivations for club membership, perceptions of the club and sponsor, evaluations of club-sponsor image congruence, and in turn, sponsor patronage, and satisfaction with club membership. Based on a sample of 299 football club members provided ratings on these measures through a structured questionnaire the results revealed that members who identified highly with the club, and who responded positively to efforts to maintain club traditions, were more likely to have a positive image of the sponsor and to report higher levels of sponsor patronage.

Others researchers (Bell and Blakey, 2010; Torgler, 2008) focus on women's international team performance comparative with men's performance in order to observe the club value. In line with the previous studies, which analysed the performance of men, the results of their work reveal that economic, demographic, and climatic factors have a strong impact on teams' performances and countries with a stronger football tradition not only have strong men's teams, but also women's teams [Torgler, (2008), p.305].

In order to identify the best practices related to the creation of added value for a football club, recent studies (Risaliti and Verona, 2013; Storm, 2012) have examined the influence of the gamut of changes that have taken place in the last years in the world of international football considering some specific events that have affected the football in term of valuation of players' registration rights in the financial documents. A good example in this regard is the research conducted by Risaliti and Verona (2013) that shows that the football crisis that exploded during the 2001/2002 season was aggravated by the artificially overestimations values of players' registration rights. Therefore, unlike other industries, the sports industry allows the attribution of value to the human capital detained by the human resources involved in such sports activities.

From an accounting point of view, clubs include in their financial statements, information related to their players and are obligated to prepare them in accordance to the valid regulations which include certain specific accounting practices on the capitalisation of costs related to the acquisition of the players. In consequence, we intend to continue by discussing the accounting treatment of the players, as accounting item.

2.3 Recognition of the players' use right

From our previous presentation, we can observe that a player's human capital is recorded into accounting and not the player himself. This action, once performed, is recorded in the financial accounting documents, just like any other action recordable in such statements. As a result, football clubs are obligated to prepare annual financial statements including:

- 1 balance sheet
- 2 profit and loss statement
- 3 cash-flow statement
- 4 explanatory notes
- 5 management financial report.

All of these five components must be identified and presented in a clear and precise manner. According to the financial regulations set by the Union of European Football Associations (UEFA), the clubs' balance sheet and profit and loss statement is presented in the following forms.

Table 2 Balance sheet

<i>Current assets</i>
Cash and cash equivalents
Accounts receivable from player transfer
Accounts receivable from group entities and other related parties
Other current assets
Inventories
<i>Non-current assets</i>
Tangible fixed assets
Intangible assets – players
Intangible assets – other
Investments
Other non-current assets
<i>Current liabilities</i>
Bank overdrafts and loans
Accounts payable relating to player transfers
Accounts payable to group entities and other related parties
Accounts payable to employees
Accounts payable to social/tax authorities
Other current liabilities
Short-term provisions

Table 2 Balance sheet (continued)

<i>Non-current liabilities</i>
Bank and other loans
Accounts payable relating to players' transfer
Accounts payable to social/tax authorities
Other non-current liabilities
Other tax liabilities
Long-term provisions
<i>Net assets/liabilities</i>
Net assets/liabilities
<i>Equity</i>
Capital and reserves

Source: UEFA Club Licensing and Financial Fair Play Regulations
2012 edition, pp.52–54 [online] <http://www.fifa.com>
(accessed 06 November 2012)

Table 3 Profit and loss statement

<i>Revenue</i>
Gate receipts
Sponsorship and advertising
Broadcasting rights
Commercial
UEFA solidarity and prize money
Other operating income
<i>Expenses</i>
Cost of sales/materials
Employee benefits expenses
Depreciation and amortisation
Impairment of fixed assets
Other operating expenses
<i>Other</i>
Profit/loss on disposal of assets
Profit/loss on disposal of intangible assets – players
Finance income
Finance costs
Tax expense
Profit or loss after taxation

Source: UEFA Club Licensing and Financial Fair Play Regulations
2012 edition, pp.52–54 [online] <http://www.fifa.com>
(accessed 06 November 2012)

Depending on the accounting policies of each entity and the national accounting practices, the costs related to the acquisition of a player can be capitalised or treated as expenses for the related period within the financial statements. The clubs that capitalise such costs must observe the following requirements¹²:

- Only direct costs can be capitalised.
- Only costs related to acquired players can be capitalised, and not the costs related to the players trained internally.
- The accounting value of a player is not re-evaluated, even if the management believes that the market value is higher than the accounting value.
- Depreciation is calculated as of the player's registration as being acquired and ends with the classification of the player as an asset for sale or when he is un-recognised (for instance, when his registration has been transferred to another club).
- The profit or loss from players' sale is recorded in the profit and loss statement as a difference between the value of the sale/transfer and the residual accounting value from the balance sheet. The profit/loss is recorded only in the event the player has been permanently transferred, and not in the event the club has 'sold' to another club the economic use rights for that player (it allows him to play for another club, but he continues to be registered with the club allowing him this).

As to the next components, *the cash-flow statement*, the club must report the cash-flow related to the financial period, in comparison to the previous ones from the operational activity, investments, financial operations, and the *explanatory notes* must be presented in a systematic manner (for instance, each class of intangible assets must be presented separately: the players registration, the goodwill, the other intangible assets). By means of the last component, the management performs a *financial analysis or report*, describing the main characteristics of reporting the position and financial performance of the entity, as well as the main risks and uncertainties it confronts.

We would therefore notice that, similar to entities performing their activity in other fields/industries, football clubs (considered economic entities, as well) are obligated to prepare financial statements. The difference occurs in terms of what they are allowed to record. Football clubs¹³ have specific items reserved for them in the balance sheet and the profit and loss statement, dedicated to the registration of costs associated to players. It is important to mention that it is not the player himself (the human resource) being recorded, but the right of using it, on the bases of a contract, representing the only means of controlling him. This right of use is recorded as intangible asset – players and other similar rights and assets. Also, within the profit and loss account, the football clubs are recording, among others, the profit or loss resulting from the sale, i.e. the transfer of a player¹⁴. This is the most important part for the activity of a club, although in the conditions of the existing active market, the players' transfer values are overestimated on most occasions.

Unlike football clubs, the status of economic entities from other fields of activities is quite different. Employees cannot be 'sold' between entities and no market value can be attributed to them, as there is no transaction taking place (a transaction implies the establishment of an estimation basis for the sale price). As there is no transaction, we cannot discuss about an existing active market for employees, just like for football

players. Therefore, we would again point out that the market plays a determining role in the establishment of a value for the human capital, and its characteristics are a restrictive factor for the evaluation of this type of capital in other fields of activity. According to our knowledge, the sports industry is presently one of the most important industries, allowing the registration into accounting of the right to use an individual, at least due to the reasons we will present briefly henceforth.

3 The human capital within the football industry versus other industries

During the last years, the literature (Flamholtz, 1974; Morrow, 1996, 1997; Roslender and Dyson, 1992; Shareef and Davey, 2005; Gumb and Desmoulins-Lebeault, 2010) has recorded several preoccupations towards the major differences that can occur between a performance sportsman and other employees. From the point of view of the labour contract concluded, there are no significant differences between football players and other groups of employees, as the latter may have contracts for a determined period of time, just like the football players. Nevertheless, the differences between the two categories of employees do exist and refer to [Morrow, 1996, p.79]:

- The nature of the contract is different, as a player does not have contract rights similar to other employees in terms of resignation or re-signing of contracts (it means they cannot play for another club at any time as they want).
- The transfer price for a player paid between clubs. The contract is the only method of control since one can pay a transfer price for a player who still has a valid contract with the original club (employees in other industries cannot be transferred or 'sold' between entities).
- The existence of specific re-hiring conditions for a player, required by football regulation bodies which are not applicable to other hiring industries.

From the moment of signing the contract, each player is separable, can be sold or transferred since it can be replaced by another player and by means of recorded performance could contribute to the generation of economic benefits for the entity. Every player is registered with the club, according to the regulations set by FIFA and is obligated by the contract to activate for the benefit of the club owning him and having the capacity to restrict access of others to the benefits created by him (Morrow, 1996). The literature (Dawson and Dobson, 2002; Barajas et al., 2005; Tunaru and Viney, 2010) associates the football industry with a 'performance laboratory' where the main engine is the human capital. But not only the players' competences, individual talent and performance are favouring the entity. There is a series of other factors that evidence the connection between the investment in the contracts concluded with the players and the market value of the club. Age, international status, team position, and other similar aspects play a significant role in the creation of value and can favour or disfavour the club, as the case may be. Also, the results in the matches, turned into defeats or victories are other factors determinant for increases/losses of the market value of the entity, or otherwise put, losses/increases of the clubs' turnover. The arrival of a star in a team does not target exclusively the improvement of the team's efficiency, but also the increase in number of fans, sponsors, and sale of tee-shirts (Gumb and Desmoulins-Lebeault, 2010).

There is a series of other elements that in fact lead to an increase of added value, in addition to the player's 'dowry', elements gained from the valorisation of the human capital, such as a player's fame, international recognition, age, technique etc. All of these, regarded as a whole and adjusted by the elements of the human capital (talent, competences, knowledge, experience) generate economic benefits and create more value, which make the difference between clubs. By comparison to employees from other industries, football players as accounting item summarise to the following aspects:

- Football players as distinct element cannot be recognised as an asset within financial statements, since they do not meet the recognition criteria set by valid accounting regulations (only the right to use them is recorded in accounting), just like other employees.
- In exchange, the contracts concluded between a sports club and a football player may be the object of an accounting record, in the group of intangible assets (aspect which is not allowed to employees from other industries, since the entity does not control them on the basis of the contract).
- Unlike the costs related to other employees, those associated to players recruited from other clubs should be capitalised as long as they can be separable (transferred) and controlled by the entity under legal rights for the entire duration of the contract.
- Just like the internally generated intangible assets, the players trained within the club cannot be recorded as assets.
- Along with the players' talent, competences and knowledge, which are components of human capital, other traditional elements of contractual nature or marketing related should be considered as well, as they lead to the creation of value and become relevant for the players of higher value.
- In football, the human capital explains part of the players' value, part of the team's collective competences, fans and stockholders' loyalty.
- As far as football players are concerned, the separability feature is not an issue, this is proven by the fact that each player signs a contract and is subject to transfer against a sum of money, but in the case of employees in other industries this is not permitted.

These characteristics provide a unique nature to the sports industry (we make reference to the existence of clubs) differentiating it from other industries where human capital could play a decisive role. For instance, the pharmaceutical industry requires the involvement of the human capital at a high level in order to ensure a significant performance. Creativity of the people working in laboratories in order to create and sell a medicine is a criterion that cannot be ignored and should be quantified one way or another by the entities operating in such sectors. The added value of such entities is obviously based on the talent, creativity, knowledge and other abilities of an individual who is directly involved in the obtaining of products, which as a whole represent the human capital. It seems that, for the moment, the quantification of such values fails to be performed, which is not the case with sports industry where talent and other human capital elements are considered important and create value, thus being recorded in the financial statements. We are of course, talking here about the existence of a contract as a single form of

controlling the individuals, which is absent or impossible to achieve in other industries, at least for now.

We believe that the problematic of including the human capital in the financial statements is not a matter of valid accounting standards or regulations, but of market mechanisms, that should be perhaps modified. We find that for certain industries the accounting record of human capital is allowed because the market allows it, just like in the case of the football players on an active market, they can be traded and recorded into accounting; this does not take place in other knowledge based industries (pharmaceutics, IT, etc.) which do not quantify the human capital, precisely because of the impediments risen by the market mechanisms. We therefore mention that the other industries cannot have, for the time being, due to the market's current mechanisms, the right to evaluate a labour contract, meaning the right to use a certain individual whose value is given by the value of that contract. Since there is no active market in other industries, and there is no form of controlling the employees, the costs related to them are treated as expenses for that fiscal period.

Moreover, at the time of evaluation, the entity must have access on a main market, or the most advantageous, depending on the entity's analysis, thus allowing the existence of difference between entities with different activities. Since different entities with different activities can have access to different markets, the main market (or most advantageous) for an asset may be different for entities (IFRS 13, 2012, paragraph 19). Thus, by means of different market mechanisms, related to different industries, human capital accounting would be more successful. We believe that a viable solution for including this type of capital within the financial statements in any industry would be to change the market mechanisms and not necessarily by setting new accounting regulations or standards. It might be easier to perform a change in market mechanisms than accounting regulations, because entities would adjust more easily to it, than by imposing on them certain requirements by means of regulations or standards.

4 Conclusions

In our opinion, the field of human capital is often dealing with difficulties and it is one of the most controversial areas of research, because of the barriers and limits existing in the traditional accounting system. Since human capital is rather non-financial in 'nature', its inclusion in financial statements and other reporting complementary documents is treated with lack of credibility, relevance and importance. We believe that regardless of the value of an entity's financial elements, the non-financial elements can bear the most significant impact on the continuity of the entity's operations and the creation of added value capable of differentiating it from another entity. The absence of a market evaluating the trust in human capital is one of the primary reasons for human capital failing presently to be recognised and evaluated.

In the sports industry (not just football, but other sports in organised clubs) it is not the individual per say (the human resource) which is recorded in the financial accounting statements, but what the individual owns in terms of human capital. As a result, in football accounting, the right to use the human capital of an individual is recorded, on the basis of a contract concluded between the individual and the entity. In this way, the contract represents the only form of control that the entity can manifest onto the individual.

According to our knowledge, sports industry is one of those industries that allow the inclusion of human capital in the financial statements, because the mechanisms of the active market permit it. For entities in other industries, there is no market for trading an individual, hence no value, and no association between human capital and a certain value. Also, there are no regulations to this purpose, more reason to consider that recognition, evaluation and reporting of such type of capital is difficult to approach in other industries. Nevertheless, our theory is based on the idea that an existing active market in industries that consume human capital (for instance, an active market in IT business, or biotechnology etc.) would help the practice in terms of human capital accounting.

Basically, what we need is to change the market mechanisms in order to allow the other industries recognise the human capital in the financial statements. In our opinion, we do not need additional accounting standards or improvements to those already in place, but only a series of changes in the market mechanisms, in order to have an active market for other industries than football.

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Notes

- 1 <http://www.icaew.com/en/technical/financial-reporting/ifrs/ifrs-standards/ifrs-13-fair-value-measurement>.
- 2 More accurately, the right to use it.
- 3 Or any other sport involving the evolution of players in organised clubs, depending on national culture (as football is considered in Europe national sports, we will focus on the football industry).
- 4 Information taken and adapted according to the regulation on the status and transfer of players, approved by the Executive Committee of FIFA in 07.06.2010 and valid since 01.10.2010 [online] <http://www.fifa.com> (accessed 06 November 2012).
- 5 A football association is a forum that governs football activities in a given state, managing the national team and other national football competitions.
- 6 Season is the period between the first and the last official game of a championship.
- 7 Is based on an information system supplying associations and clubs with information on international transfers.
- 8 1st European category is only in England, France, Germany, Holland, Spain and Italy, 2nd category – League Premier Division, 3rd category – League First Division, 4th category – All the other clubs, including the 12–15 years' groups.
- 9 Examples:
 - a Vitorino Antunes: $\text{€}1,500,000 \times 5\% \times (5\% \times 4 \text{ seasons} + 10\% \times 4 \text{ seasons}) = \text{€}45,000$ from Freamunde to Rome. So, the club from Rome will have to pay €45,000 to the club from Freamunde. This sum is the 'solidarity contribution' for having prepared the player.
 - b Arjen Robben: €500,000 from Groningen to Bayern Munich.
 - c Edin Džeko: about €1,120,000 from Željezničar to Manchester City.
- 10 <http://www.manager.ro/articole/analize/analiza-managerro:-cat-costa-un-fotbalist-21732.html>.
- 11 A good example in this regard would be that of the player Giuseppe Rossi of Villareal (Spain) evaluated at some time at 41 million Euros, according to the algorithm proposed by Calzada. Following a serious injury, his value dropped to 20 Million Euro and the clubs interest in his transfer was very low.

- 12 Taken from UEFA Club Licensing and Financial Fair Play Regulations, 2012 edition, pp.62–63[online] <http://www.fifa.com> (accessed 06 November 2012).
- 13 According to FIFA regulations, there is no obligation to capitalise players' costs; there are clubs that consider all costs related to players as expenses for the related period.
- 14 Examples – top 3 (<http://www.transfermarkt.de/en/transfers/gewinne>):
 - Cristiano Ronaldo – bought by Manchester United from Sporting for 17,500,000€ and sold to Real Madrid for 94,000,000€ (76,500,000€ profit).
 - Gareth Bale – bought by Tottenham Hotspur from Southampton for 14,700,000€ and sold to Real Madrid for 91,000,000€ (76,300,000€ profit).
 - Zinedine Zidane – bought by Juventus Torino from Bordeaux for 3,500,000€ and sold to Real Madrid for 73,500,000€ (70,000,000€ profit).
 - Zlatan Ibrahimovic bought by FC Barcelona from Inter Milan for 69,500,000€ and sold to AC Milan for 24,000,000€ (45,500,000€ loss).
 - David Villa bought by FC Barcelona from FC Valencia for 40,000,000€ and sold to Atlético Madrid for 2,100,000€ (37,900,000€ loss).
 - Ronaldo bought by Real Madrid from Inter Milan for 45,500,000€ and sold to AC Milan for 7,500,000€ (37,500,000€ loss).