

PROFESSIONAL PLAYERS: SPECIFIC INTANGIBLE ASSETS

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The goal of this research lays in a reflexion on the opportunity to measure the value of professional players and record them as an asset in the balance sheet. The question is: “is it possible to assimilate professional player to specific intangible assets?”. The new definitions proposed by the French and International accounting standards bring a new glance on the accounting approach of an asset. However, many questions remain unanswered about assessment and impairment test of such a specific asset.

First, the “player capital” concept is viewed as a specific intangible asset of the professional sport field. Second, the accountability of this asset is discussed, emphasizing on the difficulty to respect the principle of sincerity as well as to reach the objective of fair view.

METHODS

Our reflection leans on a review of the literature dedicated to the theory of the human resources (T. Schultz [on 1961], G Becker [on 1964] and J.C. Mincer [on 1958], R. E Flamholtz [on 1968, 1972, 2001], B Likert [1967,1973]. Brummet [on 1968] and W. Pyle [on 1968], E. Marquès [on 1980]) and accounting theory on the French accounting standards (General accounting plan) and international standards (IFRS).

RESULTS

At present, only the operation of transfer is allowed to be recorded as an asset in the balance sheet.

The activation of these contracts reveals a phenomenon of strong enhanced value of the asset in the clubs constituted by their players.

| | Season 2003/2004 | Season 2002/2003 | Season 2001/2002 | Season 2000/2001 | Season 1999/2000 | Season 1998/1999 |
|----------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Charges to share out | 167 062 | 249 789 | 346 498 | 434 659 | 341 201 | 218 060 |
| Total Asset | 600 957 | 720 512 | 847 158 | 929 342 | 803 227 | 517 138 |
| | 28% | 35% | 41% | 47% | 42% | 42% |
| Transfer's amortization | 173 253 | 203 269 | 286 008 | 276 268 | 181 719 | 109 624 |
| Charges to share out | 167 062 | 249 789 | 346 498 | 434 659 | 341 201 | 218 060 |
| Total charges to share out | 340 315 | 453 058 | 632 506 | 710 927 | 522 920 | 327 684 |
| Total Asset | 774 210 | 923 781 | 1 133 166 | 1 205 610 | 984 946 | 626 762 |
| | 44% | 49% | 56% | 59% | 53% | 52% |

Some clubs such as A.,J. Auxerre, Olympique Lyonnais or Metz Football Club count as an immediate charge the costs of the transfers made whereas at the same time, the Marseilles Olympic, A.S. Monaco or the Lens Racing Club treat these very transfers as charges to share out and thereby improve the amount of their own capital.

| | Olympique Lyonnais | Football Club de Metz | Olympique de Marseille | A.S. Monaco | Racing Club de Lens |
|----------------------------|-----------------------|--------------------------|---------------------------|-------------|------------------------|
| Charges to share out | 0 | 0 | 36092 | 22486 | 19747 |
| Total of their own capital | 25 390 | 675 | 10 154 | -72 | 13 122 |

DISCUSSION

The regulation CRC 2004-07 dated 23 November 2004 concerning the accounting treatment of the transfer allowances paid defines the allowances as the «amounts paid by a company in the sports sector to another French or foreign company during the transfer of a professional player, except for the allowances paid to any other body¹». The regulation introduces an important change in the accounting mode of transfer allowances. These allowances can no longer be considered as charges but be counted as incorporeal immobilisations, redeemable over the length of the contract and the club must operate periodical depreciation tests to check that the net accounting value remains inferior to their use value.

The regulation of the CRC is based on the opinion² related to the definition, the counting and the assessment of assets inspired from the IASB standards: *“any heritage element with an economic value for the entity is considered as an asset”*. It completes the present definition by the following terms: *“an asset is an identifiable element of the heritage with a positive economic value, that is to say an element generating a resource which the entity controls because of past events and from which it expects future economic advantages”*.

Taking into account the dispositions of the norm IAS 38, the above opinion defines more precisely the identifiable character of incorporeal immobilisations namely, *“an incorporeal immobilisation is identifiable if it is separable from the activities of the entity, that is liable to be sold, transferred, rented or exchanged in a separate manner or with a contract, another asset or liability or it results from a legal or contractual right even if this right is not transferable or separable from the entity or from the other rights and obligations”*.

The allowance paid by the company in the case of a transfer corresponds to the acquisition of a contractual right “it controls because of past events » and of which it will be the only one to expect future economic advantages related to the presence of the player in its team”.

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1 See above the comments on the commissions paid to the agents and intermediaries.

2 Article 211-1 of the regulation n°99-03 of the CRC concerning the accountancy plan.

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