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Accounting for football - let's give it a shot

**A delineation of financial statements
within Swedish football clubs**

Bachelor Thesis
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ABSTRACT

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Title: Accounting for football – let’s give it a shot

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Background and problem: In today’s business climate the importance of producing and presenting a settled accounting is growing. This also concerns the Swedish football clubs as their turnovers are increasing. The subject is of interest, since the business of football has come under an ever-increasing scrutiny from both media and other interested parties, such as creditors, sponsors, fans etc. The guidelines set by the Swedish Football Association (SvFF) demands that the clubs show healthy finances. This raises the question of how Swedish football clubs could improve their financial statements to better present their real financial value. This implies that the statements fulfill the fundamental qualities of accounting, follow valid legislation and give comparable and explicit supplemental disclosure.

Purpose: The purpose is to present suggestions on how Swedish football clubs can improve their accounting and produce financial statements that will better present the financial value and future potential of the club.

Delimitations: Focus is put on the Swedish football clubs in the premier division. Further, only male football is included. Taxation is of no interest, since most of the Swedish clubs are operated as non-profit associations. The study concentrates on the improvement of the financial statements and no proposals are made regarding how the current recordings could be improved. No emphasis has been put on how the accounting would change if the legal form of business entity changed.

Method: The study has been conducted through the comparison of the financial statements. These have been analyzed and investigated by looking into existing and applicable regulations and theories within the area. Interviews with auditors, football clubs and SvFF have been undertaken in order to get their opinions on the subject. The final discussion has been held with the theoretical and institutional framework as a foundation.

Result and conclusions: The results suggest that the football clubs, in many aspects, fail to follow existing legislation and the guidelines from SvFF. These errors obstruct the statements from fulfilling the fundamental qualities of accounting. The delineation further shows that the supplemental information in the statements is very scarce. Values that are not to be accounted for on the balanced sheet could be presented in supplementary disclosure. The financial statements should always follow existing legislation and this has

to be done to a greater extent by the clubs. This could be achieved if SvFF assumed greater responsibility

Suggestions for further research: It would be interesting to see how the implementation of the IAS-standards will affect Swedish football clubs. Both human resource accounting and player valuation are areas where further research would be of interest.

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1. INTRODUCTION

Football is the biggest sport in Sweden today and its popularity is growing faster than ever. To operate a football club requires a lot from everyone involved. The demands on the football clubs are reaching far beyond the actual sport activity. To be able to catch on to the development on the football market, clubs do not only have to develop their sport activities, but their financial activities as well. It becomes quite complicated as these two activities correlate. This is a fact that more and more clubs, Swedish as well as foreign, bitterly have experienced. A good and healthy economy is a prerequisite, as it enables the club to undertake the necessary investments for the future. One condition for operating a successful business is to present a true and fair accounting to potential investors and creditors. The rules of the football business are easy – money is a necessity to buy players, to raise money the club needs investors and creditors and the instrument of attracting investors and creditors is sporting success. The cycle is completed by the fact that success in sports, to an ever-growing extent, can be bought with money. One of the foundations for good finances is accounting. The fundamental role of accounting should therefore not be underestimated as its role grows in importance. The famous Malmö-profile and businessman Percy Nilsson once stated that there has always been too much sport in the game. Whether economist or sportsman, the fundamental role that money plays in sport today can and should not be neglected. To conclude this introduction we will let the artist and singer Frank Zappa share his view on the subject:

“You can not be a real country if you do not have your own beer and airline – it is also good to have some kind of football team or some nuclear weapons...”¹.

Put in other words - football is important business.

1.1. Background

In today's business-climate the importance of producing and presenting a settled accounting is growing. This also concerns Swedish football clubs, since their turnovers are increasing. Accounting is one way of showing the potential of the business for interested parties, such as creditors, sponsors, fans etc². It is necessary for the clubs to present a healthy economy that fulfills the criteria for the license of elite defined by the Swedish Football Association (SvFF). Without the license of elite the football clubs are prohibited from playing in the premier division³. In 1995 the Bosman-verdict changed the market fundamentally as out-of-contract players could move freely between clubs⁴. This verdict also came to affect the accounting of the players. The finances of football clubs are subjected to an ever growing medial and public scrutiny and the financial matters of the clubs are treated almost daily in the media. This is also due to growing public interest and, as a consequence, an increase in sponsorships⁵.

UEFA feels responsible for the game of football and its official reputation. For this reason the Swedish Football Association, as a sub-organization to UEFA, has issued

¹ Computer Sweden – 20020325 (id: 2433890), *Ett riktigt land kräver toppdomän*

² Morrow, S. *The new business of football*, 158

³ www.svenskfotboll.se/files/

⁴ Morrow, S. *The new business of football*, 36

⁵ Dagens Media i Sverige – 20030319 (id: 2875617), *Sponsorfest i allsvenskan*

recommendations and guidelines for proper accounting in football clubs⁶. Previous findings show the existence of financial misconduct in foreign clubs⁷ and that the financial statements of football clubs do not always follow existing rules and regulations⁸. This has raised the question of how the quality of the Swedish statements is maintained.

The tendency in European football is that more and more capital is generated and invested, which in many cases lead to an improper management of the club's finances. In Europe many clubs are operated as stock corporations and are in some cases even listed. This seems to be the natural development in Sweden as some clubs have expressed intentions to operate their businesses as stock corporations in order to raise more money⁹. Consequently, there is an ever-growing demand for healthy finances. A prerequisite for this are financial statements that show a true and fair view of the club's financial development.

1.2. Problem

Accounting is associated with several difficulties. One problem is how to produce financial information that communicates a true and fair view of the operations in the company. The financial statements aim at doing this by presenting information governed by the fundamental qualities of accounting. Do the financial statements of the Swedish football clubs fulfill these fundamental qualities, such as comparability?

Should companies provide comprehensive information regarding all their activities and what would they gain from doing this? Are football clubs providing satisfactory information today? If no, what do they need to improve and what are the chances that they will do this voluntarily? The advantages and disadvantages of giving extensive information can be explored by looking at existing theories regarding the asymmetry of information.

The most valuable assets to a football club are the players. How are these to be accounted for in order to show a correct value of the club? As a consequence of the Bosman-verdict the problem of accounting for players without an acquisition value arises. This is also related to the problem of accounting for internally developed players, which is important in order to assess the future potential of the club. Would it be possible to derive a proper value for these players by implementing an already existing human resource accounting theory? If this is the case, how should these values be shown in the financial statements?

The content of the financial statements are regulated by law. SvFF has also issued guidelines regarding the financial statements of the Swedish football clubs. Previous research show that foreign clubs do not always abide national regulations and the question arises if this also is the case amongst Swedish clubs. If this is the case, what could be done in order to improve the penetrative power of these?

⁶ www.svenskfotboll.se/files/

⁷ Dagens Industri – 20040313, *Miljarderna rullar bort*

⁸ Morrow, S. *The new business of football*, 153

⁹ www.nerikes.com/osk

The questions can be summarized as follows;

- ✓ Are the football clubs presenting satisfactory information today? Why should they provide more information?
- ✓ What information should the football clubs provide in the financial statements?
- ✓ How should the football clubs account for their player contracts to show a correct value of the club?
- ✓ How are self-developed players and Bosman-players to be accounted for to show a correct value of the club?
- ✓ Does the Swedish Football Association assume enough responsibility and how could their penetrative power be improved?

Altogether these questions lead to the overarching question of our study. How should Swedish football clubs improve their financial statements to better present their real financial value?

1.3. Purpose

Our purpose is to present suggestions on how Swedish football clubs can improve their accounting and produce financial statements that will better present the financial value and future potential of the club. The purpose is to delineate the financial statements of Swedish football clubs.

1.4. Delimitations

To delimitate the extension of the study certain areas and aspects within football accounting that are of no interest to the purpose have been left out.

Focus is put on Swedish clubs in the premier division and when foreign clubs are taken into consideration it is only for comparable and educational purposes. Only male football has been investigated since the turnover here is considerably higher than in female football. Taxation is of small, or no, interest since most of the Swedish clubs are operated as non-profit associations. The study concentrates on the improvement of the financial statements and do not intend to make any proposals regarding how the current recordings could be improved. No emphasis has been put on how the accounting would change if the legal form of business entity or organizational structure changed.

1.5. Further disposition of the study

Chapter 2 Method

Chapter two gives a description of the used research methods. The choice of primary data and the way it was prepared, carried out and analyzed is described..

Chapter 3 Institutional Framework

Chapter three describes the laws and regulations of football accounting that are of relevance to the study.

Chapter 4 Theoretical framework

Chapter four handles theories on accounting, human resource accounting and asymmetric information. The theories will later on be tested against reality and lie as a foundation for the final discussion.

Chapter 5 Empirical studies

Chapter five contains the empirical study and presents its findings. Empirical facts will be outlined and problems identified.

Chapter 6 Analysis

Chapter six presents the analysis and discussion made by the authors in reference to institutional and theoretical framework and analyzes the problems identified in the empirical study.

Chapter 7 Conclusion

Chapter seven presents the final conclusions drawn from the analysis. The main purpose is to give suggestions on how the financial statements of football clubs can be improved. Suggestions on further studies are given.

2. METHOD

In this chapter the methods used for the production of the paper are analyzed. The chapter is mainly split into four parts. The first part handles the scientific approach and methodology. Further on the procedure of finding information and research is handled. The fourth and conclusive part deals with the credibility of the paper.

2.1. Scientific approach

2.1.1. Hermeneutics and positivism

Two fundamental concepts within research are positivism and hermeneutics. Positivism is built on “positive knowledge”, meaning knowledge provided by experience¹⁰. The method aims at building definite knowledge. Hermeneutics is based on interpretation and understanding¹¹ and aims at building problems and hypothesis¹². The study is based on the hermeneutical approach since it interprets the factual findings.

Induction and deduction are two ways in which knowledge can be derived within these concepts. Deduction implies that one derives hypothesis from theory and test these against reality¹³. This method is hereby not relevant for this paper. Consequently, the method used is induction. Induction aims at drawing conclusions based on empirical facts. In this paper we try to tie our observations to already existing theories. The weakness of induction, as well as with this study, is that it is rarely built on all possible observations¹⁴. In our study we have decided to focus our attention on the football clubs playing in the premier division.

2.1.2. Qualitative and quantitative

These two methods are different ways of approaching a study. The quantitative method is based on quantitative data that will result in a numerical observation. The method takes for granted that it is possible to make the theoretical conceptions measurable and is for that reason not of interest for this paper.¹⁵ The qualitative method is based on the gathering of information and through this a deeper understanding of the problem and its context will develop. The primary purpose of the method is understanding and one does not aim at examining the general validity of the information. The purpose of this study is to investigate the circumstances that prevail when football clubs produce their financial statements and the qualitative method is hereby applicable.¹⁶

¹⁰ Arbnor, I. & Bjerke, B. *Methodology for creating business knowledge*, 96

¹¹ Arbnor, I. & Bjerke, B. *Methodology for creating business knowledge*, 130

¹² Eriksson, L. & Wiedersheim-Paul, F. *Att utreda, forska och rapportera*, 231

¹³ Patel, R. & Davidson, B. *Forskningsmetodikens grunder*, 21

¹⁴ Patel, R. & Davidson, B. *Forskningsmetodikens grunder*, 21

¹⁵ Holme, I. & Krohn Solvang, B. *Forskningsmetodik*, 13

¹⁶ Patel, R. & Davidson, B. *Forskningsmetodikens grunder*, 99 ff

2.2. Procedure

2.2.1. Selection of case studies/football clubs

When selecting the clubs that were to be included in the study, it was chosen to deal with all the clubs playing in the premier division of football in Sweden. Unfortunately, it was not possible to get hold of the financial statements of GIF Sundsvall. The reason for including all clubs in the study is to give a complete delineation and better grounds for comparison and generalization. All the clubs are obliged to follow the guidelines issued by the Swedish Football Association for the license of elite. All of the clubs are relatively big and of great interest to the public.

2.2.2. Information gathering

Primary information

Primary information means the new data collected by the researchers¹⁷. This may include interviews, surveys etc.¹⁸ The only primary information gathered for this paper has come from interviews. Interviews were conducted with Djurgården IF Fotbollsförening and IFK Göteborg to get an insight on how the football clubs reason when they draw up their financial statements. The interviews only fulfilled an explanatory purpose of the general principles used in football accounting. Since no more information was provided than the one already presented in the financial statements we found it unnecessary to conduct further interviews with football clubs.

Interviews were also conducted with two auditors as to get their opinion on the subject. The interviewees were Caisa Drefeldt at KPMG and Sven-Arne Nilsson at Deloitte & Touche. Drefeldt is an authorized auditor and a member of the Swedish Accounting Standards Board (BFN). Nilsson is an authorized auditor and handles sport issues at Deloitte & Touche in Sweden. The aim of the interviews with the auditors was to an understanding of how the standard-setting bodies within the area reason. Finally, Kjell Sahlström at the Swedish Football Association, was interviewed about their guidelines, since they play a central role in developing practice within the area.

The interviews with the football clubs were conducted face-to-face, as was the interview with Drefeldt. The interviews with Nilsson and Sahlström were made with the help of an interview guide that was sent via e-mail. We are well aware that this method does not give the same constructive answers as an interview face-to face, but because of the long distances and the busy work schedules of the interviewees it was not always possible to conduct the interviews face-to-face. To not risk losing or distorting valuable information all the interviews conducted face-to-face were recorded.

Secondary information

Secondary information means information that previously has been collected¹⁹, such as information found on the Internet, literature, articles, statistical yearbooks and public sources.²⁰ The secondary information that we have used consists of literature and articles

¹⁷ Arbnor, I. & Bjerke, B. *Methodology for creating business knowledge*, 224

¹⁸ Eriksson, L. & Wiedersheim-Paul, F. *Att utreda, forska och rapportera*, 65 ff

¹⁹ Arbnor, I. & Bjerke, B. *Methodology for creating business knowledge*, 224

²⁰ Eriksson, L. & Wiedersheim-Paul, F. *Att utreda, forska och rapportera*, 65 ff

on human resource accounting and assets as well as the economics of football in general. The Internet has been a valuable source for gathering information. The databases used are GUNDA and the Economic Library's databases for facts regarding accounting. The search-terms we have used are; accounting, valuation, football, sports, human resources and intangible assets. The empirical facts are mainly founded on the financial statements issued by the football clubs. The financial statements needed for the delineation are from both 2002 and 2003. We have also examined the standard-setting organizations within the area, first and foremost the Swedish Financial Accounting Standards Board and the Swedish Financial Accounting Standards Council and their interpretation of the Annual Accounts Act. The guidelines published by the Swedish Football Association have been analyzed since they help create the practice within the area.

2.2.3. Research approach

Our research phase started with the gathering of information, partly on the Internet and partly through literature. After having taken part of the information we considered of importance to the study we drew up the problem and the purpose of the study. Both problem and purpose have been revised and adapted several times during the process. In the early stages of the process drafts were drawn for both methodology and theoretical framework. After having taken part of the information published by the clubs, as well as the guidelines published by the Swedish Football Association and valid legislation, we started contacting people whose knowledge and opinions in the area we considered as vital for the study. Getting in touch with people who were willing to take part in interviews was not always easy. Many of the people we contacted, especially within the football industry, had busy work-schedules and not all of them were able to participate in interviews. The main reason for this is that the football season starts in April. In some cases we were able to solve this by sending the questions via e-mail. After having compiled the collected empirical facts the process of localizing and analyzing the accounting differences amongst the clubs, the Swedish Football Association and the areas standard-setters started. The financial statements were delineated and a discussion was created by testing the empirical facts against theories.

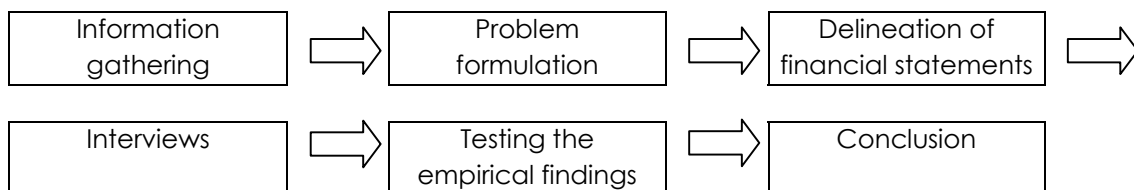


Exhibit 1 – Research approach

2.3. Credibility

2.3.1. Criticism of sources

The purpose of source critique is to decide if the source measures what it sets out to measure (validity), if it is relevant to the problem (relevance) and if it is free from systematic variations (reliability)²¹. The theoretical concepts, which are to be used, will be tested against the empirical results from the examination.

Three important concepts in this area are criticism of tendencies, demands on timeliness and dependency.

When it comes to criticism of tendencies one has to take into account what interests the giver of the information might have²². This is of interest when interviewing the different clubs since it can be hard to know what incentives the clubs might have to alter the information. It is hard to decide whether or not the information given in the interviews is subjective. This also applies for the financial statements. To determine whether the level of truth is high or low in the financial statements and interviews is not the main purpose of the study. We have taken for granted that these sources are accurate and we believe that these are the best sources available for collecting empirical facts. We have been careful with the use of articles since these often harbor the subjective opinion of the author.

Our sources meet the demands of timeliness since they are no more than five years old, with exception for the theories within the theoretical framework. The theories, however, are all still considered as valid.

The dependency criteria aims at establishing whether the sources are dependent on each other or not.²³ This mainly concerns how the clubs relate themselves to the Swedish Football Association that have issued guidelines for the area.

2.3.2. Validity

Validity concerns the accuracy of the information and is defined as a measuring tool's ability to measure what it sets out to measure²⁴. Validity is connected to criticism of tendencies, as it in some cases can be hard to determine the validity of the source. The study is focused on all the clubs playing in the premier division of football, except for one. The fact that the financial statements of GIF Sundsvall was not included in the delineation has decreased the validity of the study. Even though the clubs are bound to follow the same guidelines when putting together their financial statements, the size of these clubs and their texture are still quite different, which makes them hard to compare. A model of comparison was used in the delineation to reach a higher level of validity. Obscurities and differences in the accounting of the clubs jeopardize the validity of the study but the qualities of the model should enable generalization.

²¹ Eriksson, L. & Wiedersheim-Paul, F. *Att utreda, forska och rapportera*, 153 ff

²² Eriksson, L. & Wiedersheim-Paul, F. *Att utreda, forska och rapportera*, 154

²³ Eriksson, L. & Wiedersheim-Paul, F. *Att utreda, forska och rapportera*, 154

²⁴ Yin, R. *Case study research*, 33

2.3.3. Reliability

Reliability means the credibility and trustworthiness of the information.²⁵ This is of importance since the conclusion of the study is based on the quality of the information. Our study does not include a quantitative part, which means that errors originating from typing caused by slump and other factors can be excluded. To avoid that any information was forgotten or distorted all interviews were recorded. The interviews were undertaken in the interviewees' offices, which can be regarded as undisturbed environments. We believe that the same result would be presented if other researchers were to make the same delineation and comparison again. The possibilities of interpreting the financial statements are limited and the laws and regulations are rigid.

²⁵ Yin, R. *Case study research*, 33

3. INSTITUTIONAL FRAMEWORK

The chapter describes the laws and regulations that set the framework for the studies. A description of the aspects of the Annual Accounts Act affecting the football clubs is given. The guidelines and recommendations issued by the Swedish Football Association are handled and the effects of the Bosman-verdict are described. The chapter is important, as it sets the legal postulations that will be used in the delineation of the financial statements.

3.1. Legislation

The content of the section is primarily based on the Annual Accounts Act (ÅRL), Swedish Accounting Act (BFL) and the recommendation and guidelines set by the Accounting Standards Board (BFN) and the Swedish Financial Accounting Standards Council (RR) as they are published in FAR 2004.

3.1.1. Swedish standard-setting bodies

When forming an opinion on the accounting of football clubs, it is necessary to investigate which regulations that are to be taken into consideration. Swedish accounting is foremost regulated by the Swedish Accounting Act and the Annual Accounts Act. Further, there are the Swedish standard setters, the Accounting Standards Board and the Swedish Financial Accounting Standards Council. They interpret the laws of accounting and help to develop generally accepted accounting principles. Which laws and standards that are valid depends on the corporate form and the size of the company or association.

3.1.2. Foreign standard-setting bodies

Today there are two major institutions that develop standards for accounting. The increasing process of harmonization in accounting is making the European standard setter IAS grow in importance. This also gives the transatlantic accounting board FASB a bigger impact on the development of accounting. Locally, the football clubs, depending on size, can decide if they want to comply with the transnational rules or not.

3.1.3. Non-profit associations

Most football clubs have chosen to operate their activities as non-profit associations. This means that the association does not have profit as a goal and principally the focus is to carry on their activities. Accordingly, the associations do not have to pay any income tax on prospective profit, since the profit is to be reinvested in the activities. Non-profit associations are not always required to maintain accounting records. The requirement of accountancy arises first when the association conducts business activity. Consequently, all clubs playing in the premier division are required to maintain accounting records. Different criteria on the size of the non-profit associations affect which kind of financial statements they have to produce. The clubs in the premier division are often parent companies with more than ten employees or have net assets that are bigger than 24 MKR. Thereby they fulfill the criteria, meaning that they have to produce an external financial statement as per ÅRL²⁶. These criteria are defined in the first chapter of the ÅRL. The

²⁶BFN, *Ideella föreningar – en kort information om bokföring*

financial statements should, according to ÅRL, consist of balance sheet, statement of operations, supplementary disclosure, administration report and in some cases a cash flow statement. A non-profit association is forced to set up a cash flow statement when the net value of the assets is bigger than 1000 times the price basic amount, the average number of employees has been higher than 200 during the last two years or the stocks or promissory notes of the company are listed at a stock market or any other authorized marketplace.

Besides the demands that ÅRL put on the texture of the financial statements, there are requirements of a good perspicuity, a clear and fair view and the following of generally accepted accounting principles. The language of the financial statement should be Swedish and the amounts should be in the accounting currency of the company.

3.1.4. The balance sheet

The balance sheet is dealt with in the third chapter of ÅRL and should give an abridged report on all assets, payables and equity capital of the company on the closing day. The balance sheet is to be created after the in ÅRL specified arrangement. Changes in this arrangement are only allowed under certain circumstances and is to be specified in the notes. According to ÅRL, it should also be specified which parts of the equity capital that is restricted equity and non-restricted equity. ÅRL further says that the entry “Deferred charges and accrued income” is to be specified in the notes if it concerns a larger amount and if the average number of employees has been higher than ten.

3.1.5. Intangible assets

To possess a contract with a football player means that the club owns the rights of using the player. In this way, the actual contract shall be seen as an intangible asset. A football player can never be considered as a tangible asset since it is not possible to own a physical person. All Swedish football clubs in the premier division are obliged to following ÅRL and should thereby either account for the contract as an asset at its acquisition value or expense it directly. The acquisition value of assets is treated in the fourth chapter of ÅRL and is to be accounted for at the value equivalent to the expenses of the acquisition. Costs that are direct assignable to the acquisition should also be part of the acquisition value.

The asset is to be written off during its economic life, which in this case is the duration of the contract. An intangible asset can not be written off over a longer period of time than five years, if the economic life of the asset, to a reasonable extent, can not be assumed to be longer. A contract with a player is not to be longer than five years and therefore no exceptions from the five year rule are of interest. ÅRL states that an intangible asset, that on the closing day has a lower value in reality than in the books, is to be written down if the reduction of the value appears to be long term. This write-down should be reversed if it later can be shown that there was no need of it. If a write-down has been made this should be shown in the statement of operations.

Further, intangible assets are treated in recommendation number 15, issued by the Swedish Financial Accounting Standards Council. In the recommendation an intangible asset is defined as an identifiable, non-monetary asset without physical substance, that is in one's possession to be used in production, to provide goods or services, to be rented out to others or to fill an administrative purpose.

An asset is a resource

- over which a company has control as a consequence of occurrences and
- that is expected to give the company financial advantages in the future.

Intangible assets that are developed internally and do not comply with these criteria, are not allowed to be accounted for as assets.

Due to the fact that Sweden is in a phase where Swedish accounting is adjusting to international standards, it is important to look at where the trends for accounting of intangible assets are heading abroad. The standards valid internationally work as role-models for the Swedish recommendations as these are drawn up. In accordance with this there are two important standards for intangible assets:

FASB Concept No. 6

“probable future economic benefits obtained or controlled by a particular entity as a result of past transaction or event.”

IAS International Standard No. 38

“An intangible asset should be recognized if, and only if: (a) it is probable that the future economic benefits are attributable to the asset will flow to the enterprise; and (b) the cost of the asset can be measured reliably.”

3.1.6. Statement of operations

The statement of operations is dealt with in the third chapter of ÅRL and should be a summary of the revenues and costs of the company during the fiscal year. The statement of operations should be created after the in ÅRL specified arrangements. Changes in these arrangements are only allowed under certain circumstances and are to be specified in the notes. ÅRL states that revenues can not be set off against costs. Associations that are owners of associated companies should account for revenues and cost from these. It is of importance that the player contracts accounted for as assets on the balance sheet are handled correctly in the statement of operations when it comes to amortization, write-downs and other scenarios that will affect the earnings.

3.1.7. Supplementary disclosure

As a complement to the other parts of the financial statements supplementary disclosure is to be given in notes with reference to entries on the balance sheet and in the statement of operations. The information that is to be included in the supplementary disclosure is described in the fifth chapter of ÅRL. Principles that are used for valuation of assets, allocations or payables should be stated. Concerning entries that are accounted for as fixed assets, supplementary disclosure shall be given about acquisition value, additional and deductible assets, transfers, amortizations of the year and accumulated amortizations. In case a write-up or a write-down has been made information about this should be given in the notes. Parent companies and subsidiaries shall give information about how much of the sales and acquisitions during the year has taken place in other companies within the group. When a company possesses shares in a subsidiary or an associated company information shall be given about the company name, organization number, seat, equity capital, earnings and the company's share of capital in the other company. Further

supplementary disclosure shall be given about the average number of employees during the year and the division between females and males.

3.1.8. Administration report

The administration report is regulated by the sixth chapter of the ÅRL. According to ÅRL the administration report is to contain a justifying overview of the operations of the company and the company's situation and earnings. Information shall also be given about factors that are of importance to the company but not dealt with on the balance sheet, in the statement of operations or the supplementary disclosure. The company shall give notice of elements that can be of importance to its future development. If the company or association is a parent, supplementary details shall be given about amounts that, according to the consolidated financial statements, will be transferred from non-restricted equity to restricted equity within the group.

3.1.9. Cash flow statement

The cash flow statement is dealt with in the sixth chapter of the ÅRL. This statement shall give account for financing and capital investments during the fiscal year.

3.1.10. Consolidated financial statements

A parent company is for every fiscal year bound to create consolidated financial statements. Excepted are companies that are subsidiaries, has had an average number of employees lower than ten under the last two years or has a lower net value of the assets than 24 MSEK within the group. Consolidated financial statements are regulated in the seventh chapter of the ÅRL, which states that consolidated financial statements, as well as the regular financial statements, shall be set up in a perspicuous way as per the generally accepted accounting principles.

The consolidated balance sheet and statement of operations shall give an overview of the balance sheets and the statements of operations of the different companies within the group. Supplementary disclosure shall be given to the same extent as in regular financial statements. Above that, information shall be given if the structure of the companies within the group has changed considerably during the year.

Subsidiaries are a part of the consolidated financial statement through the purchase accounting method, the pooling of interest method or the equity method. In those cases that associated companies are taken into consideration it is done with the equity method or the proportional method.

3.2. Regulations by the Swedish Football Association

The content of the section is based on the recommendations and guidelines issued by the Swedish Football Association (SvFF)²⁷.

3.2.1. The license of elite

UEFA imposes demands on its members to assume responsibility for the financial development of the football clubs. As a consequence the Swedish Football Association has issued their own guidelines and recommendations to be followed in Sweden. Primarily, this effects the clubs in the two highest male divisions and, from 2005, the clubs in the premier female division. The reason for this is that UEFA fears that bad finances amongst the clubs can jeopardize the credibility of the sport. The clubs are forced to maintain a healthy financial situation and abide general accepted accounting principals, i.e. follow the laws, rules and regulations within the area. If the financial criteria are not fulfilled the club does not receive the license of elite needed for playing in the premier division. First and foremost, the license demands that the club can show positive equity. The criteria are to be fulfilled disregarded of in which form the club is operated. If the criteria are not fulfilled the club can be forced to move down in the system of football divisions. The license demands, amongst other things, that the club uses an authorized or approved auditor, has a fiscal year based on the calendar year and follows the account plan created by the SvFF. On top of this the clubs are to account for their squad in the financial statements. This means that information regarding the squad should be presented in the supplementary disclosure. All teams holding the license of elite are covered by BFL and therefore also by ÅRL.

3.2.2. Accounting for and valuating players

According to the guidelines issued SvFF, the club has two options when it comes to accounting for the players. External player acquisitions can be accounted for as assets on the balance sheet by capitalization of the acquisition cost. The second alternative is to directly expense the sum in the statement of operations. When the acquisition costs are directly expensed this should be accounted for in the supplementary disclosure in the same way as if they had been activated on the balance sheet. The reason for this is that it increases comparability between clubs that capitalize their players and clubs that directly expense them. The possibility also exists for a club to rent players and if this is the case information about rental costs, rental time and future rental costs should be given in the supplementary disclosure.

3.2.3. The player as an asset

According to BFL it is the purpose of the possession that determines the classification of the asset. FAR interprets a fixed asset as an asset that is not turned over in the normal business activity. Consequently the capitalized costs for player acquisitions should be accounted for as fixed assets. The player is to be valued to the acquisition cost, meaning the agreed upon transition fee that the acquiring club is paying. If an expense, that at the time of the acquisition was unknown, later should arise it should be added to the acquisition cost. Write-offs are to be done on the acquisition costs of the player

²⁷www.svenskfotboll.se/files/

acquisitions that have been accounted for as assets. The write-offs are to be linear and based on the original duration of the contract.

It is required that both the method used and the period under which the write-offs are to be made are defined in the notes. If the write-offs are made over plan they should be accounted for as appropriations in the statement of operations and as fund capital on the balance sheet. Write-ups are not allowed. When an externally acquired player is sold or quits the acquisition costs and the write-offs are to be eliminated. Earnings or losses should be accounted for under separate entries in the statement of operations.

A football club does not have the right to account for self-developed players, since the purpose of capitalization is not to account for the value of the player, but to allocate the costs that the club has had over time. The acquisition costs that are accounted for, at an external acquisition, are regarded as additional costs and can therefore be capitalized on the balance sheet. The additional cost is allocated over time to give a more perspicuous accounting and a better matching of costs and income. Worked up surplus values on players, as well externally acquired as self-developed, can only be accounted for in connection to an external sale. This follows the prudence concept that states that surplus values should not be accounted for until they have been realized. If an acquisition is made within a group the player can not be accounted for by the internal buyer.

When external acquisitions are accounted for several demands are put on the supplementary disclosure of the financial statements. Information should be given about historical costs, write-offs, accounted value, write-off method and average write-off time. It should be stated in the notes that the player is to be written off linearly over the original duration of the contract. Individual values do not have to be accounted for, only the total value of the squad, average write-off time and the average duration of the contracts.

3.2.4. The account plan

SvFF has developed an account plan to be used by the affected Swedish clubs. The account plan is based on the BAS-account plan but has been further developed to better suit the activities of the clubs. The fact that the same account plan is used by all clubs heightens comparability between the financial statements. The account plan makes clear that capitalized costs for player acquisitions are to be accounted for as intangible assets.

3.3. The Bosman-verdict

The Bosman-verdict has come to change the European business of football fundamentally. Before the Bosman-verdict, players that were out of contract were not allowed to move freely between clubs. Instead, a tribunal constituted of representatives from the governing body of football in each country decided on a compensation fee. This fee was to be paid by the buyer if the player signed a contract with a new club.

The history of the Bosman-verdict dates to the early 1990s when the Belgian football player Jean –Marc Bosman took his case to court. Bosman was under contract with the Belgian club Royal Club Liegeois until June 1990. When the new contract was negotiated the club offered him a considerably lower salary, which was refused by Bosman. Bosman was placed on the transfer list and the compensation fee was set at £200 000 by URBSFA, the governing body of football in Belgium. This price was obviously too high as no club showed interest in buying his contract. At this point, Bosman was out of

contract with his old club and not able to perform his services as a football player. Bosman himself contacted the club Dunkerque. However, Royal Club Liegois was concerned about the financial solvency of Dunkerque and afraid that they would not receive the compensation fee. As a consequence Royal Club Liegois refused and URBSFA did not issue the transfer certificate. Royal Club Liegois suspended Bosman from playing professional football and he found himself in football wasteland. Bosman later took his case to court in order to challenge the legitimacy of the EC law of football. The court came to the conclusion that the prohibition for out-of-contract players to move between clubs only if compensation was paid was incompatible with article 48 of the EC Treaty. Subsequently, no compensation fees had to be paid to the selling club and players without contracts were free to move between clubs without any restrictions²⁸.

²⁸ Morrow, S. *The new business of football*, 36

4. THEORETICAL FRAMEWORK

In the concept of theoretical framework theories of importance to the study are handled. The chapter will initially describe the qualities and purposes of accounting. Two human resource theories will be developed as well as a theory on information asymmetry. The theories will later on be tested against reality and together with the institutional framework lie as a foundation for the final discussion.

4.1 The qualities of accounting

4.1.1. Relevance

The information is relevant to the user if it can be used in the decision-making process²⁹. FASB Concept Statement No 1 declares that accounting should give information that is useful to current and future investors, creditors and other interested parties who on the basis of the information given are to make decisions regarding investing, lending etc. According to Kam, relevancy is the goal of accounting³⁰. For the information to be of relevance it has to fulfill the minimum requirements of understandability and timeliness³¹.

4.1.2. Reliability

Reliability means that the information has to be trustworthy. Reliability consists of validity and verifiability. Validity demands that the accounting information portrays the aspects of reality that it sets out to portray. The minimum requirements are that the information is neutral, puts substance over form and completeness versus essential information³². With verifiability means that one should be able to verify the information by providing verifications or such³³. Verifiability requires prudence since subjective judgments are made within accounting³⁴.

4.1.3. Comparability

Comparability is of importance since the accounting should be comparable over time and between companies³⁵. The users of the information need comparability to be able to identify the differences, otherwise the understanding will be lost³⁶.

4.1.4. Restraints

The balance between benefits and costs restricts the information provided. The more information provided the higher the costs and consequently one needs to find a balance between these two factors³⁷.

²⁹ Alexander, D. *International financial reporting and analysis*, 125

³⁰ Kam, V. *Accounting theory*, 47

³¹ Smith, D. *Redovisningens språk*, 25

³² Smith, D. *Redovisningens språk*, 27

³³ Smith, D. *Redovisningens språk*, 28

³⁴ Alexander, D. *International financial reporting and analysis*, 127

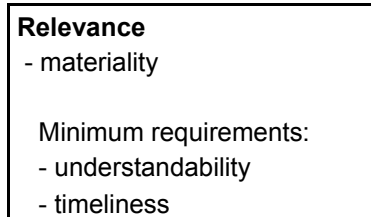
³⁵ Smith, D. *Redovisningens språk*, 31

³⁶ Alexander, D. *International financial reporting and analysis*, 127

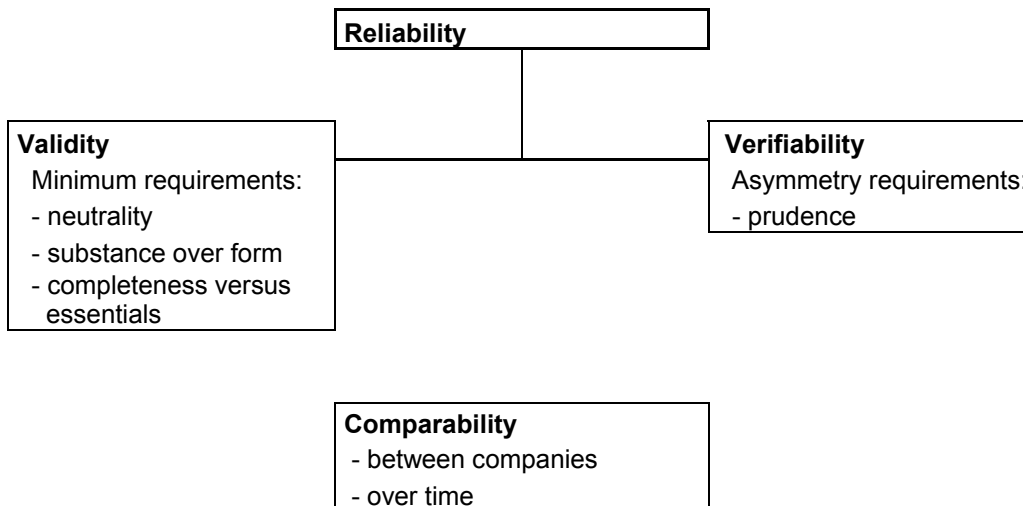
³⁷ Alexander, D. *International financial reporting and analysis*, 128

The balance between relevance and reliability affects the timeliness of the information. The longer one waits to present the information the more reliable it becomes but relevance can be lost if the information is delayed³⁸.

Primary qualities:



Supplementary qualities:



Restriction:

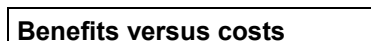


Exhibit 2 - The qualities of accounting³⁹

³⁸ Alexander, D. *International financial reporting and analysis*, 128

³⁹ Smith, D. *Redovisningens språk*, 25

4.1.5. The concepts of accounting

According to Smith the purpose of accounting is to describe certain aspects of the reality in which the organization operates. There are many ways in which to describe reality but Smith brings out five different aspects that should be taken into consideration. These five concepts are: unit of accounting, point of time, subject, object and exchange⁴⁰.

The unit of accounting is the unit for which the business account is prepared⁴¹, in this case the football club.

Point of time defines the period for which the accounting is produced. The aspects of reality that the company wants to portray are related to the state of the company at different points in time and to events taking place during different periods. One big problem that always arises in accounting is connected to the fact that the period of accounting usually is shorter than the length of the organization's life. This consequently leads to that an appreciation has to be made of the organization's remaining assets at the end of the accounting period. Based on how the assets are valued, i.e. how the assets are distributed over a period of time, the result will be divided between the periods⁴². In this case the problem arises when a player's contract stretches further than the accounting period and the remaining value has to be appreciated.

Subject refers to the group or the groups that share the results and have contributed with capital or can lay claim to the capital. The subject is, in other words, the groups of interested parties that in different ways have interest in the organization's finances; namely owners, creditors, employees and the government⁴³.

The concept of object answers the question of what is to be valued⁴⁴, in this case the player contracts. An exchange means that the company gives up control over one resource to gain control over another⁴⁵. In the case of a football club this can be regarded as if the club consumes part of the contract when the player performs his services as a football player.

4.1.6. Methods of valuation

The different methods of valuation state the ways in which non-monetary assets can be measured in money. The method of evaluation decides how the financial situation of the company will be presented. The four methods are; historical cost, replacement cost, net-realizable value and future value⁴⁶.

The historical cost for an asset is the acquisition costs of the resources that make up the asset. The replacement cost for an asset is the liquid assets that on the closing day are needed to replace the remaining part of the asset. The net realizable value should equal the liquid assets that would accrue to the organization, after deductions for sales costs, if the asset was to be sold on the closing day. Future value refers to the future cash flows that would be generated by a sale or usage of the asset in the future. The future cash flows can be either non-discounted or discounted, where one calculates the future market value of the asset with regard to inflation and a company specific risk.

⁴⁰ Smith, D. *Redovisningens språk*, 34

⁴¹ *The new American Webster handy college dictionary*

⁴² Smith, D. *Redovisningens språk*, 35 ff

⁴³ Smith, D. *Redovisningens språk*, 36

⁴⁴ Smith, D. *Redovisningens språk*, 40

⁴⁵ Smith, D. *Redovisningens språk*, 44

⁴⁶ Smith, D. *Redovisningens språk*, 52 ff

Kam states that the accounting information can be based on historical values but that the future can not be ignored when decisions are made based upon this information. Future occurrences can only be appreciated since they have not yet occurred and therefore are not objective and can not be used as basis for decision. Closest to the future and still based on reality is the present, which means that the value of the asset is based on more or less subjective estimations of the future⁴⁷. Such subjective judgments are also hazardous for the accountability of the accounting information. The reason that one does not totally relinquish from making similar estimates about the future is that the accounting information sets demands on relevance and validity. On account of this, several possibilities on how to value the assets one possesses at the end of the accounting period arises.

To provide guidance on however an expense should be capitalized or expensed Kam gives two requirements that differ according to whether the asset is newly required or already in the possession of the organization. The expenses for a newly required asset should be capitalized if they are related to the acquisition, transportation, storage, sales or usage of the asset. Already required assets should be capitalized if they come from an increase in the assets productivity, its economic life or its economic value⁴⁸.

4.2. Human resource accounting

It is the contract that is accounted for on the balance sheet, but in the end it is the player, the physical person, that creates the value of the contract. With this in mind it becomes important to examine the possibilities that exist for an organization that wishes to account for its human resources. In this section two human resource accounting (HRA) theories will be handled. These are of great importance when one wants to calculate the value of a player that lacks an historical cost, i.e. self-developed players and Bosman-players.

Ever since the Roman days the question of how to account for human resources has been raised. The Roman Cato outlined different methods on how to account for the capacity of slaves and derive a sales price. The American slave owners were also keen to receive a fair market price for their slaves and accounted for both wagons, donkeys and slaves. Deaths, escapes, births, purchases and sales were all taken into account. By doing this a true and fair portrayal of the business emerged⁴⁹. There is no doubt that humans are of value to an organization, but how should their value best be appreciated?

Today, no such thing as slavery, where employees are owned by their employer, exists which complicates the equation. The employees can decide for themselves whether or not they want to stay with the company or terminate their employment. The freedom for the employees to decide their economic life means that the criteria of measurable future financial benefits becomes very hard to fulfill. The accountant can not possibly determine how long the employees intend to stay within the organization. Another issue is how to judge what kind of future financial benefits that historical investments in the employees will lead to. However, the latter is not specific only for human assets but is applicable for all assets.

⁴⁷Kam, V. *Accounting theory*, 48

⁴⁸Kam, V. *Accounting theory*, 152

⁴⁹Gröjer, J. & Johansson, U. *Human resource costing and accounting*, 18

The following theories deal with the problems that are related to the financial value of human assets to an organization. Since knowledge-intensive organizations invest large amounts of money in their employees they also expect for these to pay off in the future⁵⁰. The difficulty is to estimate the future value of these investments. Flamholtz defines human resource accounting as accounting for people as an asset to the organization, which includes the measuring of costs assignable to recruiting, selecting, hiring, training and developing the human asset⁵¹.

Moreover, Flamholtz argues that accounting is about measuring the value of the human assets to the organization and that the main purpose of accounting is to help the managers plan and control the use of the human assets in an efficient manner⁵². Seen against this background there are strong incentives to finding better methods of estimating the value of the employees.

4.2.1. Capitalization of wage costs

Gröjer describes a simplified idea where one capitalizes the costs incurred to the company by the employees as both assets as well as liabilities. By capitalizing last years wage costs, the organization receives an estimated value of the services that the organization expects to receive from the employee. The future wage is in other words capitalized on the liability side, as the organization is obliged to pay the wage in the future. The corresponding entry on the asset side is a working claim on the employee for the services that he is paid to perform⁵³. This method is very simplified and leaves out several important variables that will affect the value of the employees. One of these variables is the developing- and training costs that arise when the employee is further educated. The problem is to, on forehand, estimate which costs will arise in the future. Gröjer gives examples on how to capitalize the costs of education in knowledge companies. For example, if the company wants to execute a course for a group of employees, the company has to consider both direct and indirect costs for the course as well as the opportunity costs, i.e. the revenue lost when the employees are not working. Direct costs are costs such as instructors, course material and the lost production. Indirect costs are subscription costs, computer fees, the process of selecting participants for the course and administration fees. These costs can all be capitalized and added to the value of the human assets⁵⁴.

4.2.2. Division of historical costs

Flamholtz discusses the concept of acquisition costs, which include both the direct and indirect costs that arise when the company ties the employee to the organization. Direct costs can be selection costs, i.e. costs for finding and selecting appropriate employees for example transition costs, interviews etc., as well as education costs, i.e. investments made in the employee to increase competency so that the employee will be able to perform the work tasks. Indirect expenses are for example the wages of the trainers and the production that is lost when the employees are educated and trained, i.e. opportunity

⁵⁰ Gröjer, J. & Johansson, U. *Human resource costing and accounting*, 89

⁵¹ Flamholtz, E. *Human resource accounting*, 3

⁵² Flamholtz, E. *Human resource accounting*, 3

⁵³ Gröjer, J. & Johansson, U. *Human resource costing and accounting*, 59

⁵⁴ Gröjer, J. & Johansson, U. *Human resource costing and accounting*, 93

costs⁵⁵. By looking at historical expenses that originated from similar occurrences one can derive prognoses about the future. The historical expenses have to be divided into costs or assets. The criteria for an asset is that it is likely to create financial benefits under more than one period. The next step is to divide the expenses, now considered as assets, into different functional categories (as for instance outlays for transition, interviews, education etc.). These functional categories will be divided amongst the employees on to which they are assigned. Finally, the assets are to be written off during the period under which one estimates that they will be of value to the organization. The economic life of the asset varies according to the category it belongs to. For example the costs of hiring will generate benefits as long as the employee remains with the company whereas the costs for education may generate benefits only during a shorter period of time. With this information the management can estimate what costs a specific acquisition will lead to⁵⁶.

4.3. The market for lemons

The market for lemons is a problem concept within adverse selection in game theory. The market for lemons scenario can occur under three different conditions; perfect information, imperfect but symmetric information and asymmetric information. Perfect information means that both buyer and seller are informed about the quality of the goods on the market. Imperfect but symmetric information means that neither buyer nor seller has information about the quality. Asymmetric information implies that the seller possesses information about the quality but the buyer does not. In the case of accounting and financial statements the organization possesses information but not the investors and creditors. Consequently, the case of asymmetric information is relevant.

Akerlof's example describes a car market where cars of two qualities are sold, good cars and bad cars (lemons). Only the seller has absolute information about which cars are good or bad. The buyer will not be prepared to pay a price that is higher than the value of a bad car, since the buyer does not have sufficient information to tell the good cars from the bad. This means that the sellers that offer good cars will not put these on the market, since they will not receive the value of the car when sold. In the end there will only exist one market where only bad cars are traded⁵⁷. The problem can be solved through signaling, i.e. the seller informs the buyer about the state of the market⁵⁸.

Producing a financial statement is a way for the company to inform the market about its value. This is a way to attract creditors and investors by providing absolute information. As the market for lemons show, companies in good financial shape gain from providing information.

⁵⁵ Flamholtz, E. *Human resource accounting*, 35

⁵⁶ Flamholtz, E. *Human resource accounting*, 67

⁵⁷ Akerlof, G. *The market for lemons*

⁵⁸ Binmore, K. & Dasgupta, P. *The economics of bargaining*, 179

5. EMPIRICAL STUDIES

The chapter examines how well the financial statements of the clubs follow legislation, as well as other aspects of importance to the fundamental qualities of accounting.

5.1. Delineation of financial statements

To get a clear view of the differences between the financial statements of the clubs a delineation has been made. The delineation compares the statements to each other and elucidates possible violations of laws and regulations. Focus is put on the entries and aspects that are of importance to a football club or on entries that considerably differ between the clubs. The choice of entries compared is based on the regulations in ÅRL and the guidelines issued by Swedish Football Association. The delineation aims at explaining how the clubs have formed their financial statements and how well they follow ÅRL and the guidelines issued by SvFF.

The following criteria was considered when choosing entries to compare:

- How well the regulations in ÅRL are followed
- How well the guidelines issued by SvFF are followed
- Entries that differ between the financial statements
- Extra information given by the clubs that may be of specific importance in order to assess the clubs economy and other operations

Since we in some cases only had access to the financial statements of the year previous, the fiscal year for each report has been stated. Many clubs refer to their member magazines for further information, but in order to follow ÅRL all financial information should be given in the financial statements.

5.1.1. Explanation to the delineation

To understand the delineation of financial statements it is important to understand why the specific entries was selected. A thorough description and explanation of each post in the model of comparison will follow. When an entry is marked X it means that the entry is irrelevant in the case of the specific club.

5.1.1.1. Describing facts

A differentiation between stock corporations (SC) and non-profit associations (ASS) was made. The partition is important as ÅRL set different requirements depending on legal form of business entity. All clubs set up financial statements and are obliged to follow ÅRL. As a consequence this means that the clubs should follow the general advice from BFN and to a certain extent the recommendations of the Swedish Financial Accounting Standards Council. The latter depends on the size of the club and general interest in the club. When a club is a parent company it is the consolidated financial statements that are a part of the delineation. In case of consolidated financial statements the club is to follow the Swedish Financial Accounting Standards Councils recommendation no 1.

5.1.1.2. The balance sheet

Focus is put on how the clubs have accounted for their player contract, as there are different ways of treating these. The clubs can either choose to capitalize the contracts as assets (In. A. or Tan. A.) or to expense them directly (Exp.). In accordance with ÅRL a write-down has to be undertaken on the closing day if the loss in value is estimated to be of lasting character. This means that the player contracts have to be tested for impairment every year. It has been taken into consideration whether or not write-downs have been made and how these have been accounted for. SvFF states that information should be given on the average duration of the player contracts. The values that are included in the acquisition value of the contract have been investigated, i.e. to which extent so called “sign on fees” have been included. “Sign on fee” is an additional amount paid to the player in order to convince him to sign the contract. ÅRL states that the equity capital should be divided into restricted and non-restricted equity capital. ÅRL further demands that the entry deferred charges and accrued income is to be specified in the notes if the amount is of considerable value⁵⁹.

5.1.1.3. Statement of operations

It has been examined to what extent clubs with consolidated financial statements have included revenues and costs from associates in the statement of operation or in the supplementary disclosure. Whether or not clubs have accounted for player transfers as items affecting comparability has been looked into.

5.1.1.4. Cash flow statement

Certain companies are obliged to set up cash flow statements. These companies have accounted for asset values corresponding to 1000 price basic amounts⁶⁰ or more.

5.1.1.5. Administration report

The administration report aims at giving a fair view of the company’s operations, financial situation, expected development and earnings⁶¹. Consequently, information regarding circumstances that are not accounted for on the balance sheet, in the statement of operations or in notes should be provided⁶². Emphasis has been put on the aspects that are of importance to the operations and future potential of a football club. The concept “investments in infrastructure” includes both repairs and new constructions on the stadium as well as development of the organization and investments in security. Numbers of members and average spectator attendance at home games are of importance to football clubs, since these provide information about the public interest in the club. The sportive success of the club is important and is also related to financial elements in the environment, such as revenues from advertisement, sponsors, TV-transmissions etc.

⁵⁹ ÅRL chapter 3, 8 §

⁶⁰ Price basic amount 2003, 38.600 SEK

⁶¹ ÅRL chapter 6, 1 §

⁶² ÅRL chapter 6, 1 §

5.1.1.6. Additional information

A factor of great importance to the sportive success of the club is its playing material. It The guidelines do state that the playing squad should be disclosed in the financial statements. The extent to which the clubs have presented information on its squad in the statements has been looked into. ÅRL also states that some companies are obliged to reporting on the average number of employees and the division between men and women.

5.1.1.7. Further information given and strange occurrences

When looking closer, there are occurrences in almost all financial statements that distinguish them from each other. Certain entries may appear strange to the beholder and/or are specific for the club. These occurrences have been looked into and commented upon. Specific information given by the clubs has also been taken into account.

5.1.2. The financial statements

To make the delineation clearer, the clubs have been divided into three different groups, depending on the value of net assets. The financially smaller clubs do not face the same demands on producing informative and detailed reports as wealthier clubs do. The first group consists of clubs with net assets valued to 38 MSEK or more. This division has been made as these teams are obliged to set up cash flow statements. The second group consists of clubs with net assets valued between 15 and 38 MSEK and the third group consists of clubs whose assets are valued to less than 15 MSEK. It is important to observe in what form the clubs operate their business, as groups or non-profit associations, and how the player contracts are accounted for. Depending on this, asset values will vary substantially.

5.1.2.1. Group 1

The first three financial statements to be compared are those of AIK, Malmö FF and Helsingborgs IF. The three clubs are all operated as groups and are obliged to follow recommendation no. 15 by the Swedish Financial Accounting Standards Council. One of the clubs treats its player contracts as tangible assets. Only one of the clubs has accounted for write-downs on player contracts. There is only one club that gives information on the average duration of the contracts. In accordance with ÅRL all values associated with the acquisition of an asset should be included in the capitalized value. However, according to the guidelines issued by SvFF only the transfer fee paid to the selling club should be part of the acquisition value. As a consequence, none of the premier clubs have included any other expenses, like "signing on fee", in the acquisition value. Two of the three clubs fail to divide their equity capital into restricted and non-restricted capital. It is of importance to note that the two clubs dealing with associates do not report on revenue derived from these. Two of the clubs account for player transfers as items affecting comparability, which differentiate them from the rest of the clubs in the premier division. One club in the group does not provide a cash flow statement.

In the administration report all clubs have reported on both investments and disposals of players during the season, but only one gives information regarding the development of youth activities. Only one club provides information on the number of members in the club. However, all clubs provide information on average attendance at their home games. Investments in infrastructure are reported on by two clubs. As it comes to the surrounding

ACCOUNTING FOR FOOTBALL

Group 1 38 – MSEK	AIK	Helsingborgs IF	Malmö FF
DESCRIBING FACTS			
Accounting year	2002	2003	2003
Stock Corporation or Non-profit Association	SC	ASS	ASS
Follows Annual Accounts Act (ÅRL)	YES	YES	YES
Consolidated Financial Statements	YES	YES	YES
BALANCE SHEET			
Player contracts	In. A	In. A	Tan. A
Reports write-downs on player contracts	NO	YES	NO
Reports average duration of player contracts	NO	NO	YES
"Sign on fees" are included in the acquisition value	NO	NO	NO
Specifies deferred charges and accrued income	YES	YES	YES
Divides equity capital into restricted and non-restricted	YES	NO	NO
STATEMENTS OF OPERATIONS			
Reports costs and revenues from associated companies	NO	NO	NO
Reports player transfers as items affecting comparability	NO	YES	YES
CASH FLOW STATEMENT			
Bound to give cash flow statement	YES	YES	YES
Gives cash flow statement	YES	YES	NO
ADMINISTRATION REPORT			
Reports player transfers	YES	YES	YES
Reports planned transfers	NO	NO	YES
Reports on investments in youth activities	NO	YES	NO
Reports number of members	NO	YES	NO
Reports average spectator attendance at home games	YES	YES	YES
Reports on investments in infrastructure	YES	YES	NO
Analysis of the surrounding environment			
Sporting	YES	YES	YES
Financially	YES	YES	YES
OTHERS			
Reports on the playing squad during the season	NO	YES	NO
Reports on average number of employees and division between men and women	YES	YES	YES

Exhibit 3 – Group 1

environment, all clubs reported thoroughly. Amongst the three clubs only one presents any information on its player squad and players during the season. All clubs report on the average number of employees and the division between men and women during the year.

To summarize, it can be established that the treatment of player contracts as tangible assets is wrong in accordance with ÅRL. Moreover, two of the clubs consider player transfers as items affecting comparability, which differentiates them from all the other clubs. Noteworthy is that clubs fail to divide their equity capital into non-restricted and restricted capital. The failure of some clubs to report on revenues due to associates within the group is a divergence from ÅRL. The omission of a cash flow statement by one of the clubs is an obvious violation of ÅRL.

Additional information and strange occurrences

AIK

The club makes a comparison between the key ratios for both the group as for the parent company during the last four years.

Helsingborgs IF

The club places cash and bank balances among current payables which is not in accordance with appendix 1 in ÅRL. "Licensed players" has been expensed in notes among "adjustments against earnings of previous years" and hereby increased the amortization cost. This, however, is not further explained. In the model of comparison this has been accounted for as a write-down on player contracts. The financial statements give comprehensive information on absence due to illness and on the age diversion of the employees both in the group as well as in the parent company.

Malmö FF

The club gives information on the re-organization of the financial controlling system and the following-up process. Amongst the costs of operations an entry called "expensed parts of player contracts" has been set up, but has no specifications as to the content of the entry. "Items affecting comparability" includes entries such as "cash received from player transfers" and these have been set off against "remaining value of sold players", "deficits in pension foundations" and "enforced taxes and fees regarding past years". Any kind of set-offs are forbidden by ÅRL⁶³.

⁶³ ÅRL chapter 2, 4 §

5.1.2.2. Group 2

The second group constitutes of the clubs Elfsborgs IF, Hammarby IF, Halmstads BK, IFK Göteborg, Örebro SK and Örgryte IS. All the clubs, except for one, have set up consolidated financial statements. All clubs treat their player contracts as intangible assets but merely two of them inform about the average duration of the contracts. One of the clubs has accounted for write-downs. Two clubs have neglected to divide equity capital into restricted and non-restricted capital. Two clubs within the group deal with associates but only one of them accounts for them in the statement of operations. None of the clubs treat player transfers as items affecting comparability. The clubs do not have any obligations as to setting up cash flow statements, but one of them has decided to do this voluntarily. Two clubs have left out all information regarding transfers, youth activities, number of members, average attendance and investments in infrastructure. One club has presented information on every aspect except for the number of members. Another club informs about number of members, average attendance and investments in infrastructure but makes no notifications regarding player transfers and investments in the youth organization. Yet another club has left out information on average spectator attendance and investments in infrastructure.

Comments on environmental circumstances are left out by two of the clubs, i.e. no information is given on the sportive or financial conditions. Three clubs do, however, provide their view on the present conditions. One club gives a thorough description of its economical problems and how it plans to fulfill the demands set by the license of elite. However, it does not say anything about the sportive outlook of the club.

Three clubs present full information regarding the squads during the season, something that is completely omitted by the other two. All clubs, except one, provides information on the average number of employees and the division among males and females.

In short, we can see that only two of the clubs follow the guidelines issued by SvFF when it comes to information on the average duration of the player contracts. Otherwise, it is notable that Hammarby IF, which has expressed the desire become a listed stock corporation, does not leave more information in its administration report. In general, most of the clubs leave out a lot of information that would contribute in giving a more comprehensive view of the operations.

ACCOUNTING FOR FOOTBALL

Group 2 15 - 38 MSEK	Elfsborg IF	IFK Göteborg	Hammarby IF	Halmstad BK	Örebro SK	Örgryte IS
DESCRIBING FACTS						
Accounting year	2003	2003	2003	2003	2003	2003
Stock Corporation or Non-profit Association	ASS	ASS	ASS	ASS	ASS	ASS
Follows Annual Accounts Act (ÅRL)	YES	YES	YES	YES	YES	YES
Consolidated Financial Statements	YES	YES	YES	NO	YES	YES
BALANCE SHEET						
Player contracts	In. A	In. A	In. A	In. A	In. A	In. A
Reports write-downs on player contracts	NO	YES	NO	NO	NO	NO
Reports average duration of player contracts	NO	NO	YES	YES	NO	NO
"Sign on fees" are included in the acquisition value	NO	NO	NO	NO	NO	NO
Specifies deferred charges and accrued income	X	NO	YES	X	YES	YES
Divides equity capital into restricted and non-restricted	YES	YES	YES	NO	NO	NO
STATEMENTS OF OPERATIONS						
Reports costs and revenues from associated companies	X	NO	YES	X	X	X
Reports player transfers as items affecting comparability	NO	NO	NO	NO	NO	NO
CASH FLOW STATEMENT						
Bound to give cash flow statement	NO	NO	NO	NO	NO	NO
Gives cash flow statement	NO	NO	NO	NO	NO	YES
ADMINISTRATION REPORT						
Reports player transfers	YES	YES	NO	NO	NO	YES
Reports planned transfers	NO	NO	NO	NO	NO	NO
Reports on investments in youth activities	YES	YES	NO	NO	NO	NO
Reports number of members	NO	YES	NO	YES	NO	NO
Reports average spectator attendance at home games	YES	NO	NO	YES	NO	NO
Reports on investments in infrastructure	YES	NO	NO	YES	NO	NO
Analysis of the surrounding environment						
Sporting	YES	YES	NO	YES	NO	NO
Financially	YES	YES	NO	YES	YES	NO
OTHERS						
Reports on the playing squad during the season	YES	NO	NO	NO	NO	YES
Reports on average number of employees and division between men and women	NO	YES	YES	YES	YES	YES

Exhibit 4 – Group 2

Additional information and strange occurrences*Elfsborgs IF*

The club reports on the net revenues from “commercials and sponsoring activities”, as well as from “Bingolotto and other lotteries”. This is not in accordance with ÅRL since it prohibits set-offs and therefore no net values can be presented. The financial statements treat “long-term payables” and specify them as “paid saleable pension premiums for covering pension commitments”. The entry should be placed among receivables. Elfsborgs IF states that it has shares in associates and specifies these as IF Elfsborgs Arena AB and Borås Arena AB. The consolidated financial statements state that IF Elfsborg Arena AB is a fully-owned company whilst Borås Arena AB is not mentioned. The club has subtracted the cost of wages from the insurance compensations that has been received due to injured players. This has reduced the cost of wages for the club, but no write-downs because of injured players have been undertaken. Among “wages and costs of employees” an entry called “sport pension” has been accounted for, although this is not further specified. No auditors report is included in the financial statements and neither is an explanation for this. Nevertheless, the financial statements give much information on the planned budget for next season, as well as on the organizational structure, the work with fans and the market organization etc.

Halmstads BK

The club presents a thorough description of its youth activities. Not much additional information is provided regarding the core activities, i.e. the development of and the investments in football operations. For further information Halmstads BK refers to its member magazine “Kvasten”.

Hammarby IF

The club gives information on how future profitability is to be attained and on which sections that are to be prioritized within the organization.

IFK Göteborg

The club gives information on the upcoming year, which includes the 100th anniversary of the club and other great events. Although the club has reported on write-downs on player contracts the reasons and the amount is not further specified.

Örebro SK

The club gives thorough information on its plans to secure the financial future and retain the license of elite. Otherwise, not much information on the football operations and other activities is provided.

Örgryte IS

The club has integrated all sections of Örgryte IS, wrestling, athletics, wheelchair sporting and football, in the financial statements. A short administration report is given by every section. In all, Örgryte IS presents little information on its activities. The subsidiary Gamla Ullevi HB is included in the consolidated financial statements.

According to the purchase accounting method this entry should be completely eliminated in the consolidated financial statements⁶⁴.

5.1.2.3. Group three

The third group consists of Djurgårdens IF Fotbollsförening, Kalmar FF, Landskrona Bois and Trelleborgs FF. None of the clubs set up consolidated financial statements and are not obliged to follow the recommendations issued by the Swedish Financial Accounting Standards Council. One club directly expenses its contracts and, consequently, there is no need to further examine how the contracts are accounted for. However, if a club decides to expense its contracts, information is to be given in the notes in the same manner as if the contracts had been accounted for as assets. The financial statements only state the carrying value of the contracts and gives no further information regarding acquisition costs and amortizations. Only one club informs about the average duration of the contracts and none of the clubs account for write-downs. A division of equity capital into restricted and non-restricted capital is only made by one club. One of the clubs has interests in an associated company, but it does not account specifically for the costs and revenues related to it. Further, none of the clubs treats player contracts as items affecting comparability.

Only one club gives information on player transfers, but all clubs, with exception for one, presents information on the youth activities in the organization. Only one club presents the number of members and only one presents data on average spectator attendance during the season.

All clubs, with one exception, provide information regarding investments in infrastructure. Two clubs share their view of the environmental conditions in their financial statements and the same two clubs are the only ones giving information about their playing squads during the season. Only two clubs follow the rules in ÅRL concerning information on average number of employees and the division among males and females.

Worth commenting on is the general omission, with one exception, of information on the average duration of the contracts and the failing to divide the equity capital into non-restricted and restricted capital. It is also notable that only two clubs give information on the average number of employees and the division among males and females. Conclusively, it should be mentioned that the information in the administration reports of most clubs is very scarce.

⁶⁴ ÅRL, chapter 7, 9 §

ACCOUNTING FOR FOOTBALL

Group 3 - 15 MSEK	Djurgårdens IF FF	Kalmar FF	Landskrona Bois	Trelleborgs FF
DESCRIBING FACTS				
Accounting year	2002	2003	2003	2003
Stock Corporation or Non-profit Association	ASS	ASS	ASS	ASS
Follows Annual Accounts Act (ÅRL)	YES	YES	YES	YES
Consolidated Financial Statements	NO	NO	NO	NO
BALANCE SHEET				
Player contracts	In. A	Exp.	In. A	In. A
Reports write-downs on player contracts	NO	X	NO	NO
Reports average duration of player contracts	NO	X	NO	YES
"Sign on fees" are included in the acquisition value	NO	X	NO	NO
Specifies deferred charges and accrued income	YES	NO	YES	YES
Divides equity capital into restricted and non-restricted	NO	YES	NO	YES
STATEMENTS OF OPERATIONS				
Reports costs and revenues from associated companies	NO	X	X	X
Reports player transfers as items affecting comparability	NO	NO	NO	NO
CASH FLOW STATEMENT				
Bound to give cash flow statement	NO	NO	NO	NO
Gives cash flow statement	YES	NO	NO	NO
ADMINISTRATION REPORT				
Reports player transfers	YES	NO	NO	NO
Reports planned transfers	NO	NO	NO	NO
Reports on investments in youth activities	YES	YES	YES	NO
Reports number of members	YES	NO	YES	NO
Reports average spectator attendance at home games	YES	NO	NO	NO
Reports on investments in infrastructure	YES	YES	YES	NO
Analysis of the surrounding environment				
Sporting	YES	YES	NO	NO
Financially	NO	YES	NO	NO
OTHERS				
Reports on the playing squad during the season	YES	YES	NO	NO
Reports on average number of employees and division between men and women	YES	YES	YES	NO

Exhibit 5 – Group 3

Additional information and strange occurrences

Djurgårdens IF Fotbollsörening

The club gives, in the administration report, information on the organizational structure and texture of the group. Write-downs are accounted for as write-offs over plan in the statement of operations, meaning that they appear as costs. According to ÅRL a write-down should be considered as an appropriation and consequently accounted for as a fund amongst the equity capital⁶⁵. It is also important to note that the financial statements of Djurgårdens IF Fotbollsörening only show the figures of the non-profit association. However, Djurgårdens IF Fotbollsörening has an agreement with the venture capital corporation Djurgårdens Fotboll AB and it is the venture capital corporation that owns the players. Consequently, all player contracts are accounted for in the financial statements of Djurgårdens Fotboll AB. However, we have not taken these statements into account, which may give a somewhat twisted estimation of the financial size of Djurgårdens IF Fotbollsörening.

Trelleborgs FF

The club leaves no additional information, except for the financial figures.

Kalmar FF

The club integrates the financial statements with the annual report, which makes the document in all more informative.

Landskrona BOIS

The club does not give much information regarding their activities and the supplementary information is very sparse.

5.1.3. Summary of the delineation

The general impression is that Swedish premier clubs fail in producing comparable financial statements of their operations. The big differences in size and legal form of business entity mean that the clubs do not have the same obligations to give information. This obstructs the users of the reports from making accurate comparisons. Many reports fail in following the ÅRL and SvFF, which is remarkable and serious. A majority of the clubs omits from giving an informative administration reports, this consequently leads to that potential investors and other interested parties do not receive enough information in order to make decisions regarding investments.

⁶⁵ SvFF – Anvisningar till elitlicensens ekonomikriterier 8.2

6. ANALYSIS

In the analysis the empirical findings are tested against the institutional and theoretical framework. The analysis aims at presenting a discussion around the empirical findings and the problems already stated in the problem discussion. The analysis will lead to the recommendations made in the final chapter. The following questions will be discussed;

- ✓ Are the football clubs presenting satisfactory information today? Why should they provide more information?
- ✓ What information should the football clubs provide in the financial statements?
- ✓ How should the football clubs account for their player contracts to show a correct value of the club?
- ✓ How are self-developed players and Bosman-players to be accounted for to show a correct value of the club?
- ✓ Does the Swedish Football Association assume enough responsibility and how could their penetrative power be improved?

6.1. The qualities of accounting

The delineation of the financial statements shows that they do not give the information necessary to fulfill the fundamental qualities of accounting. The relevance of the financial statements are jeopardized if the information they provide is not sufficient for making decisions regarding investments and other financial activities. It can be assumed that it is important to provide information describing the sportive potential and healthy finances. Generally, the statements do not succeed in presenting this to the user. The statements are not always understandable since occurrences not always are explained. The information given can be considered as reliable and valid to the extent that the football clubs have no incentives for manipulating the earnings for tax purposes. Apart from this, other incentives for manipulating the accounting can arise. Showing good finances attract investors, since they are followed by high expectations of the sporting success in the future.

The statements do not put substance over form regarding player contracts, since contracts without acquisition value are not allowed to be accounted for. The prudence concept is not always respected, which decreases verifiability. Most football clubs capitalize their player contracts, but it would be more in accordance with the prudence concept if all contracts were directly expensed. For example, Djurgården IF Fotbollsörening made a full write-off on their only capitalized player, since they considered this more cautious⁶⁶.

When it comes to comparability it is not known if the financial statements are comparable over time, since the delineation only included financial statements from one

⁶⁶ Appendix – Interview Henrik Berggren, Djurgårdens IF Fotbollsörening

year. However, the statements are not comparable between the clubs, partly because of differences in size and texture and partly because similar occurrences often are accounted for in different ways. That the comparability is relatively low can be considered as quite strange, as all clubs are to follow the same laws and guidelines and basically perform the same activities. Yet, the Swedish Football Association believes that the financial statements are comparable, even if different accounting methods are used, since a mutual account plan is to be followed by all concerned clubs⁶⁷. Timeliness is guaranteed, since the guidelines issued by SvFF has stated the duration of the fiscal year and demands that the financial statements should be handed in by March 5th.

6.2. Information value of the supplementary disclosure

In order to assess the value of a club there are many non-financial aspects that are of considerable importance. Most of these aspects shall not be disclosed in the statement of operations or on the balance sheet. An alternative placement of this information could be in the notes or in the administration report.

In accordance with the theory of market for lemons companies with good finances always have something to gain from giving comprehensive financial statements. By producing comprehensive financial statements the football clubs can inform the market about their true value. Informing the interested parties about the state of the market, also known as signaling, is of importance to a football club, since they want to give their creditors, sponsors and members a good view of their finances. Well organized finances will attract more investors, since it is important for them to secure their returns.

Clubs with unstable finances can also gain from giving comprehensive information. By doing this the club can show its future potential and also derive sympathy from the members who might be willing to invest money in the club to save it⁶⁸. It has also occurred that businessmen with loyalties to a special club have bought players for the club, since they have been sure to receive their money back when the player later on is sold. The financial statements can help in providing the information that the investors need for making a decision of this kind. One disadvantage is, that by providing information on transfer fees competitive advantages will be lost. Clubs, in general, do not wish to report on these fees, since it could lead to harder negotiations when buying players in the future. If all clubs were forced to give this information all negotiations would be held under the same conditions and the supply and demand of players would control the market. By doing this, equilibrium could be reached.

To give more information could be difficult for many of the smaller clubs, since it would take more time and consequently cost more money. The lack of practice in setting up financial statements amongst the smaller clubs would also lead to great difficulties, meaning that one has to take costs versus benefits into consideration. Due to the fact, that all the supplementary information already exists within the company we believe that the cost for presenting it in the financial statements would not be of significance.

⁶⁷ Appendix – Interview Kjell Sahlström, SvFF

⁶⁸ Appendix – Interview Henrik Berggren, Djurgårdens IF Fotbollsörening

6.2.1. Notes

According to ÅRL and SvFF information on several entries should be disclosed in notes. The notes shall give supplementary information to the entries in the statement of operations and on the balance sheet, so that these are made understandable. Since the football clubs are not able to convey their activities as it is today, the need arises to specify the information that should be given in the notes. Legislation already regulates some of these aspects, but this is believed to be insufficient. It is not likely that the information will be given voluntarily by the football clubs, so the need for more exhaustive regulations within the area exists, for example when accounting for player contracts. Aspects as acquisition value, average duration of the contracts, accumulated amortizations, the amortizations of the year and the carrying value should be clearly stated in the notes.

Moreover, it is important to specify any undertaken write-downs and the reasons for them. It is of significance for any club setting up consolidated financial statements that the organizational structure is thoroughly described. Here, information on shares in subsidiaries or in associated companies and other information demanded by legislation should be provided.

6.2.2. Administration report

Supplementary disclosure not given in the notes should be conveyed in the administration report. The notes together with the administration report shall give a true and fair view of the development of the company's operations, situation and earnings. In other words, information that is of significant importance to a football club should be conveyed.

When a football club wants to present its expected future development certain aspects are more important than they would be for a normal company. It is vital to give details about the player squad, transfers and planned transfers, because these aspects determines the sportive potential of the club. If a club can show a strong player squad this attracts sponsors and investors. This data could be completed with specific facts about each player during the last season, as for instance goals, played games, caps etc. Investments and activities concerning youth development show the re-growth within the club and what can be expected out of internally developed players.

Number of members and spectator attendance gives an idea of the public interest in the club. It is also a source of income. A new and modern stadium is strongly correlated with the spectator attendance, earnings and sportive success. Kalmar FF provides evidence for this in its administration report, stating that "in other cities, both in Sweden as in foreign countries, has the correlation between stadium, incomes and sportive success been obvious within football as well as in other sports"⁶⁹. For football clubs, as well as for other companies, the environment surrounding the club is of great interest. Information should be given on both the sportive and the financial environment, as both factors influence the club's potential to remain successful. It is essential that the clubs show this information in the same way to facilitate comparison between their reports. A uniform practice would make the statements more informative.

⁶⁹ Financial Statement, Kalmar FF 2003

6.3. Player contracts

According to SvFF there are two possible ways of accounting for player contracts, either to capitalize them as assets on the balance sheet or to expense them directly. Kam provides guidance on how assets should be treated. If an asset is newly required it should be capitalized at its acquisition value⁷⁰. The acquisition value is the same as the costs for the acquisition, which in this case is the historical cost. A contract should not be valued to its replacement cost, net-realizable value or future value. To estimate these values would be far too subjective⁷¹.

The delineation shows that most clubs chose to capitalize their contracts as assets, which is in accordance with Swedish legislation. The fact that clubs chose to treat their player contracts in different ways decreases comparability and naturally it would be much simpler if the clubs stayed with one general practice.

The prudence concept could be one reason to why some clubs choose to expense their contracts. Sahlström believes that clubs should have the possibility to show lower earnings and values on the asset side by directly expensing the contracts. This is in order to avoid hasty investment decisions influenced by members that do not see the connection between liquidity and fixed assets⁷². On the other hand, this method would leave out important information on the club's actual value seen to the players. This also has the consequence that earnings will fluctuate considerably over time. Non-profit associations have no interest in keeping the earnings low for tax reasons, therefore this is not an incentive for expensing contracts.

Most of the clubs regard their investments in players as assets that will generate financial benefits over more than one fiscal year, meaning that the contract has to be capitalized. In addition, many clubs cannot afford the whole cost of the player in the same fiscal year. Capitalizing the player contracts leads to a more balanced trend of earnings.

Nevertheless, there is a great deal of uncertainty in the future value of a player. This would support the method of expensing the contract directly. ÅRL states that a sustainable loss in the carrying value of an asset should be recognized as a write-down on the balance sheet and in the statement of operations. SvFF gives no further guidelines for how this should be done. It has been shown that clubs do not seem to take write-downs into consideration at any level. This constitutes a problem, as the rules of capitalizing assets are not fully carried out.

Furthermore, ÅRL states that any expenditure related to the acquisition of the asset should be included in the capitalized value. Conversely, SvFF lines out that only the transfer fee paid for the player should be recognized on the balance sheet, which consequently violates the statements of ÅRL. This leads to a clash between ÅRL and SvFF and confusion about how to interpret these. Consequently, this is a violation made by SvFF, since laws should always prevail over recommendations.

6.4. Human resource accounting

Another area that could be developed to make the financial statements more informative is the one dealing with human resources. Some player contracts can not be accounted for

⁷⁰ Kam, V, *Accounting theory*, 152

⁷¹ Appendix – Interview Caisa Drefeldt, KPMG

⁷² Appendix – Interview Kjell Sahlström, SvFF

as assets, due to the fact that conventional accounting does not allow companies to account for human resources. These two categories are Bosman-players and youth players developed within the club.

As explained in chapter four, there are many different methods on how to account for human resources. Two of the theories have been further developed, since they are both applicable to the study. By accounting for the players according to these theories, we believe that the financial statements of the clubs would become more informative and useful to the interested parties. The reason that capitalization of these players is not allowed, is the obvious level of uncertainty associated with the future benefits connected to these players. However, we believe that by accounting for these resources, not necessarily on the balance sheet, the financial statements would become a better basis for making investment decisions.

6.4.1. The applicability of Gröjer's theory

Gröjer presents the possibility to account for the future wages of the employees. The wage cost is to be capitalized both as a wage liability to the player and as a working claim on the player. This means that the club is confined to paying the wages of the players under the duration of the contract. On the other hand, this obliges the player to carry out the services that he is paid for. This mutual obligation means that the player with great certainty will perform his services as long as he is tied to the club and his services are secured. Nonetheless, great uncertainty remains regarding how well the player will be able to perform, but this is, to a varying extent, normal for all assets. The future wage is an estimation of what the club expects to render from their investment in the player and could therefore be considered as the market price of the asset. The liability and the claim due to the wages will then be amortized in equal installments over the duration of the player's initial contract.

According to Drefeldt, one big problem connected to this method is the compulsion to discount the wages⁷³. Since the liability is not interest-bearing future payments should be discounted and this is a difficult procedure for the clubs. All the interviewees confronted with this theory also warned for the possibility that clubs would boast up their balance sheets when using this method⁷⁴. The latter can be solved if the club provides the carrying value in notes or in the administration report, where no legal restrictions prohibit this. When it comes to accounting for contracts, a comparison can be made between player contracts and leasing contracts. RR's recommendation no. 6:99 clearly states that the future lease costs that the company, in accordance with the contract, is obliged to pay should be accounted for in the notes.

We consider Gröjer's method as useful and feasible in order to convey the values that actually exist within the club to investors and other interested parties. The only problem connected to it, in our opinion, is the complexity of discounted values. The method could be adopted for Bosman-players as their wages make out the only existing marked based price.

⁷³ Appendix – Interview Caisa Drefeldt, KPMG

⁷⁴ Appendix – Interview Caisa Drefeldt, KPMG

6.4.2. The applicability of Flamholtz’s theory

Flamholtz discusses the possibility to account for recruiting costs associated with the employee. In the case of a football player such costs include training costs, trainer wages, hiring costs of training fields etc. Today, most clubs account for training costs and other costs associated with their youth activities. This allows the club to derive an estimate of which historical costs are assigned to each player. Drefeldt points out the problems of locating and distributing these costs among the players⁷⁵. Costs could be calculated and distributed only among those players who sign professional contracts with the club. According to this theory, the acquisition value should include every expense incurred to the club in the development of the player. The acquisition value should then, as all player contracts, be amortized in equal installments over the duration of the initial contract. This method is associated with the same problems as the method of Gröjer. Hence, the proposed solution to account for these players in the supplementary disclosure would be the same.

With fictive numbers, we will present an example of how this method could be used in reality. Djurgården IF FF has in the statements for 2002 accounted for costs of recruiting, referees, travels, food, lodging, training, material etc., proving that the clubs have knowledge of these figures. According to Berggren it would be possible to capitalize development costs, since these can be separated and a stereotyped method of dividing the costs can be used⁷⁶. These historical costs could then be calculated for each youth team each year and then be divided and assigned to the players who finally sign professional contracts with the club.

An example of how a model for human resource investments could be applied on a football club looks like this⁷⁷:

	Outlay (for the whole youth team during the year)			
	1999	2000	2001	2002
Recruiting	5500	6000	7000	6000
Referees	4000	5500	5500	5000
Travels	5500	6000	7500	7000
Food	1500	1500	2500	2000
Lodging	2000	2000	3000	2500
Training	4000	4000	5000	4500
Material	3000	3500	4000	3500
TOTAL	25500	28500	34500	30500
Number of players	20	21	24	21
Average cost / player	1275	1357	1437	1452

⁷⁵ Appendix – Interview Caisa Drefeldt, KPMG

⁷⁶ Appendix – Interview Henrik Berggren, Djurgårdens IF Fotbollsörening

⁷⁷ Flamholtz, E. *Human resource accounting*, 81

Assume that one of the players that has been training with the youth team during 1999-2002 signs a professional contract with the club at the end of 2002. The value of player could be estimated by summarizing the average costs assignable to him.

$$1275 + 1357 + 1437 + 1452 = 5521$$

The value of the player would be estimated to 5521 and accounted for in the supplementary disclosure. The estimated value of the player is low but it is a way of showing the fictive acquisition value of his playing skills.

Djurgården IF Fotbollsörening has presented another option for capitalizing youth players. A participating debenture was issued between the football club and the venture capital corporation Djurgården AB and this allowed capitalization of the contracts. When this is done the football club will receive money for the player, but no expenses are accounted for and consequently the earnings will improve. This method can be very risky, since there is a long way between youth and professional⁷⁸ and the balance sheet of the club could be blown up if an excessive price was paid for the player.

Morrow also presents examples on how to convey quantitative information about “hidden” values. These examples allow the user to assess the effectiveness of training and development expenditures. The clubs could give information on number of apprentices, number of youth players and schoolboy trainees under contract, the percentage who progress through the ranks to professional contracts, the number of coaches employed, expenditure on coaching staff and changes in the coaching structure etc⁷⁹.

We believe that, by describing the costs associated with these hidden assets it would be easier to estimate the value and potential of the club. Still, there are many problems and uncertainties related to the different theories, something that we are well aware of. The idea is, however, not to give precise measurements, but rather to show that additional values exist within the club. Nevertheless, it is important to look at the costs and benefits related to accounting for these values.

6.5. The Swedish Football Association

The guidelines issued by SvFF is a prerequisite for the establishment of the financial statements. Without guidelines the comparability of the financial statements would decrease drastically. By the use of a common account plan SvFF lays the foundation for comparable statements. The license of elite ensures that all clubs in the premier divisions have positive equity capital, hence ensuring that all of the concerned clubs maintain stable finances. The threat of being relegated functions as an incentive for the clubs.

The main problem of the guidelines is that they are not clear and easy to understand. Information is given but not found where it is most logical. For example, the guidelines state that the player contracts are to be treated as fixed assets, or expensed, but not until in the account plan is it stated that they are to be accounted for as intangible assets⁸⁰. By looking at the statements it becomes clear that this information does not always reach the clubs, since one can see examples of players accounted for as tangible assets. In many

⁷⁸ Appendix – Interview Henrik Berggren, Djurgårdens IF Fotbollsörening

⁷⁹ Morrow, S. *The new business of football*, 156

⁸⁰ www.svenskfotboll.se

cases, sufficient information is not given. For example, no guidance to how utility value and net realizable value should be calculated is provided. This is important, since these estimates are needed when a player contract is tested for impairment. SvFF believes this to be of little importance, as the guidelines are not based on RR's recommendations⁸¹. Drefeldt believes that write-downs are hard to conduct, because these values are hard to measure, which means that they in the end will be too subjective⁸². By not explaining these values this can be regarded as an area where SvFF does not assume the explanatory responsibility it should.

The guidelines refer to, and state that all clubs are to follow ÅRL, but this is also lost on many of the clubs. Many formal mistakes are made against ÅRL, for example, very few of the clubs seem to be aware of that assets are to be tested for consisting impairment in value. The larger clubs are also obliged to set up cash flow statements, something that is not reported on in the guidelines. Since SvFF is regarded as a standard-setting body amongst many of the clubs⁸³ they should put more pressure on the clubs to follow existing legislation.

The problem of lacking information could be solved by the introduction of guidelines regarding the information to be included in the supplementary disclosure. These guidelines must be backed up by SvFF and part of the criteria to receive the license of elite, since it is not likely that the clubs will give these facts voluntarily. Many problems with the financial statements could be solved if SvFF presumed bigger responsibility for the accounting accuracy. The criteria for the license of elite demand that the clubs have an authorized or approved auditor. A special football auditor could be employed and educated by SvFF. The auditor would possess certain knowledge that is needed for football accounting and also approve the financial statements of the clubs. If the financial statements are not approved by the football auditor the concerned club would not receive the license of elite. By appointing a special football auditor SvFF would provide help in setting up the financial statements, eliminating the errors made by the clubs and secure that the guidelines are followed. Another way to strengthen the penetrative power of the guidelines would be to make sure that all of the football clubs employed at least one accountant that had been educated by SvFF.

⁸¹ Appendix - Interview Kjell Sahlström, SvFF

⁸² Appendix - Interview Caisa Drefeldt, KPMG

⁸³ Appendix – Interview Sven-Arne Nilsson, Deloitte & Touche

7. CONCLUSIONS

The aim of the study is to present suggestions on how Swedish football clubs can improve their accounting and produce financial statements that better present the financial value and future potential of the club. So far, the financial statements of the Swedish football clubs in the premier division have been delineated and the presented suggestions aim at making the statements more relevant, informative and comparable. The following recommendations are based on the research and findings of the earlier study and aim at answering the overarching question defined in the introduction.

How should Swedish football clubs improve their financial statements to better present their real financial value?

7.1. Recommendations

The player contracts should be capitalized as intangible assets and treated accordingly to existing regulations. Consistency, in the treatment of the contracts, leads to higher comparability. The acquisition value of the contract should include all cost assignable to the acquisition, as for instance “sign on fees”. By capitalizing the contracts the internal value of the club is better portrayed.

Higher demands should be put on the information given in the supplementary disclosure. This is important as better information leads to higher credibility and could in the long run attract investors and sponsors. Clubs with healthy finances always gain from providing comprehensive information.

Information should be given in the notes about acquisition value, average duration of the contracts, accumulated amortizations, amortizations of the year, carrying value and undertaken write-downs. Information on the organizational structure should be given. The value of the contracts should be specified in the notes even if they are owned by subsidiaries or associated companies. The methods of doing this should be the same for all clubs to increase comparability.

The administration report should present additional information not provided in notes. This includes facts on the player squad, transfers and planned transfers, together with specific data about each player. Investments in youth activities and infrastructure as well as information on the surrounding environment should be provided. Again, a uniform practice should be developed to further increase comparability.

The Swedish Football Association needs to assume greater responsibility for the formulation of the above-mentioned recommendations. The existing guidelines have to be made clearer and more accessible. The Swedish Football Association should also, to a greater extent, see to that the guidelines are followed by the affected clubs. By appointing a football auditor, the Swedish Football Association could ensure that the financial statements are set up correctly in accordance with ÅRL and the guidelines.

The estimation of future wages is a way to value Bosman-players. By assigning the historical costs for self-developed players a value can be estimated. Since it is not possible to capitalize these on the balance sheet this information could be presented in the administration report.

To summarize, the financial statements of the football clubs would better comply with the fundamental qualities of accounting if these recommendations were to be implemented. During the progress of the study a discussion has been held regarding the different aspects of accounting. Advantages and disadvantages of the different accounting methods in the financial statements have been weighed against each other. The conclusion is that these recommendations would increase the relevancy and the comparability of the financial statements.

7.2. Suggestions for further research

Through the implementation of the IAS-standards the conditions for accounting for intangible assets will change. Interesting would be to see how this will affect the Swedish football clubs. Many clubs have expressed the intention of listing their stock and by doing this the prerequisites for the production of the financial statements would change. All problems concerning taxation have been disregarded since most clubs operate as non-profit organizations. If the clubs were to be listed new problems within the area would arise. Both human resource accounting and player valuation are also areas where further research would be of interest.

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Interviews

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Caisa Drefeldt, authorized auditor at KPMG, 2004-04-30

Sven Arne Nilsson, authorized auditor at Deloitte & Touche, 2004-05-12 (e-mail interview)

Mats Person, chief director at IFK Göteborg, 2004-04-27

Kjell Sahlström, The Swedish Football Association, 2004-05-14 (e-mail interview)

APPENDIX 1 – INTERVIEW GUIDE

Questions to the auditors:

Should player contracts be considered as assets?

Seen from the human recourse perspective, how would it be possible to value player contracts and how should these be accounted for?

Would it be possible to account for player contracts without acquisition value (i.e. Bosman-players and self-developed players)?

What are your reflections on the guidelines issued by SvFF?

Questions to the football clubs:

How do you account for player contracts and what is your opinion on this procedure?

What are your opinions on football clubs operated as stock corporations?

What are your opinions on the guidelines issued by SvFF and the license of elite?

What values are taken into account when players are acquired?

Would it be possible to account for player contracts without any acquisition value and what problems are connected to this?

Do you take into account, that SvFF is not a standard-setting body ?

Questions to the Swedish Football Association:

How were the guidelines worked out?

What is the logic in how the guideline regulate the treatment of player contracts and how do they correspond with the recommendations of the Swedish Financial Accounting Standards Council?

Are the financial statements of the Swedish premier football clubs comparable, useful and informative?

Would it be possible to account for player contracts without any acquisition value and what problems are connected to this?

APPENDIX 2 - INTERVIEWS

Kjell Sahlström, The Swedish Football Association

Kjell Sahlström is employed by the Swedish Football Association (SvFF) and is one of the employees responsible for the formulation of guidelines issued by the association. Sahlström was not employed by the SvFF at the time when the guidelines for the license of elite were issued. The interview was made via e-mail 2004-05-12.

The guidelines issued by the Swedish Football Association

Sahlström does not know whether or not the SvFF took practice in the rest of Europe into consideration when the guidelines were created, but certifies that Swedish practice complies with international practice. The guidelines were created in co-operation with authorized auditors but without the participation of BFN. Sahlström motivates this by saying that the BFN lacked time since it, during this period, was very busy implementing the new ÅRL. In the creation of the new guidelines representatives from the SvFF, the football clubs and the SEF (Svenska Elitserieföreningen) participated. The involved parties were both elected representatives and officials; lawyers as well as economists, authorized accountants and managers were represented.

The player contracts

The reasoning behind the possibility to either capitalize or expense a contract is to give the clubs the opportunity to mediate their financial position in different ways to the members. If a club was forced to capitalize a contract, Sahlström means that a layman could perceive a much too positive image of the club's economy. Members that do not see the connection between liquidity and fixed assets could interpret the high asset values as if there were resources free for investing in players etc. The economy of the clubs would be jeopardized by the members' financial unawareness. The development is leaning towards a larger share of capitalization since the club by doing this will show a more leveled out development and a more solid economy, which in the long run will lead to competitive advantages. Since most clubs are not affected by recommendations issue by RR SvFF does not find it necessary for contracts longer than one-year to be treated as assets. Consequently, it is possible to regard the contract as either an asset or as an operational cost. SvFF allows for write-offs over plan and this also is motivated by the need to communicate different results to the members. Write-offs over plan are made to lower and smooth out the results of the club and stop the members from voting for decisions that will jeopardize the club's economy. Further, SvFF refers to ÅRL, which means that the clubs, besides having to follow the recommendations issued by the association, have to follow Swedish laws and regulations.

The problem of how to calculate utility value and net realizable value for a player has not been dealt with since the guidelines are not based on RR's recommendations.

The quality and comparability of the accounting

Sahlström believes that the financial statements of the clubs are comparable, even though different methods are used when accounting for the contracts, since all clubs are directed to follow the account plan issued by SvFF.

Regardless to form of association all clubs in the premier division are obliged to follow the rules of ÅRL. When a club is quoted/listed (AIK is the only Swedish club that has been quoted) demands are raised and the club has to follow the recommendations issued by RR. For this reason the accounting principles are not affected notably if the club is a stock corporation or a non-profit association.

Self-developed players and Bosman-players

Since the market for players in Sweden is relatively small, Sahlström does not believe that it is possible to derive a market value for a player that has not been externally acquired by calculating a market price. A model based on this would be very theoretical and precarious to use, as there would be more sellers than buyers on the market. Sahlström further believes that that it would be hard to estimate the value of a player lacking a market value, since it probably would lead to an inflated balance sheet. In the long run the club would have to make large write-downs, followed by large consequences to the result.

Mats Persson, IFK Göteborg

Mats Persson is chief director of IFK Göteborg and responsible for the acquisition and hiring of new players. The interview was made 2004-04-27.

Player acquisition

When a new player is acquired Persson states that the two most important criteria are how good the player is and what kind of player he is. Sporting qualities are more important than possible marketing advantages. If the player does not contribute to the quality of the squad he is of no value to the club. Age is of importance since younger players have a larger future potential value that can lead to future sales. The acquisition of players can, as well as other investments, even though it is hard to measure, lead to greater expectations and greater publicity. This is especially evident when it comes to the sales of membership cards and the interest of the sponsors..

The guidelines issued by the Swedish Football Association

Persson says that whether the contract is defined as a tangible or as an intangible asset is of no importance to the club. What is interesting is how the choice will affect the balance sheet in total. IFK Göteborg looks only at the guidelines issued by the SvFF and do not pay attention to how other clubs conduct their accounting. The fact that SvFF is not a standard setter is of no importance to the club.

The player contracts

For IFK it is more natural to capitalize the acquisition costs since expensing them would lead to large fluctuations in the result. Persson says that self-developed players are never accounted for since the Swedish Soccer Association explicitly forbids this. Depreciations are made based on injuries and the severity of these. Persson further says that IFK Göteborg last year was forced to write-off a player entirely, since the judgment was made that the player would not be able to play during the remaining period of the contract. To make depreciations based on controversial behavior or bad shape would be far too arbitrary.

Self-developed players and Bosman-players

Today there are clear limitations regarding the possibilities of how to balance self-developed players and Bosman-players. Otherwise it would be far too easy for the clubs to value these players as to suit them best. The club would have an easy way to re-adjust its equity to suit its wishes. FIFA has developed a system that aims at compensating the clubs for the players developed within the club. The compensation is called "development-contribution" and is based on the estimated average cost for the development of player, calculated by each country. The size of the contribution also depends on the transfer fee paid for the player, which gives a misleading portrayal of the actual development costs. By doing this it is possible to calculate the historical costs assignable to the player, but these judgments could become very partial. Persson is convinced that all attempts at accounting for Bosman-players would lead to subjective estimates and an improved equity. The possibility to value players according to their future salary exists but the result would probably be misleading.

Caisa Drefeldt, KPMG

Caisa Drefeldt is an authorized auditor working for KPMG in Gothenburg and a member of the Swedish Accounting Standards Board. The interview was made 2004-04-30.

The player contracts

Drefeldt states that according to RR15 an intangible asset should be capitalized and written off during the economic life of the asset. The difficulty with valuating human capital is how one should measure and determine future cash flows. The whole amount should either be capitalized or expensed. Djurgårdens IF Fotbollsförening has, for example, chosen to account for their contracts as assets, but a write-off over plan has been made. The write-off has de facto been accounted for as a write-down and expensed. Drefeldt says that when the clubs have larger margins the comparability amongst the financial statements decrease. A player contract is a right and thereby an intangible asset, which, according to RR15, should be capitalized at its market value. The demands for smaller organizations to, at every financial statement, re-evaluate their contracts are smaller than they are for larger organization. This will in the long run lead to that many clubs refrain from doing these considerations. Especially write-downs are complicated since it is very hard to measure utility value and net realizable value for a player. For an

injured player the utility value should reasonably be zero. In this case one is forced to look at the net realizable value, but on a small, imperfect market like the Swedish transfer market it should be very hard to derive a market value for the individual player. Further Drefeldt states that the only circumstances under which a club should be able to conduct write-down of a player is when a serious injury has occurred, meaning that the player will not be able to play for the club again.

Human resource accounting

According to Drefeldt it is impossible to determine which parts of a contract is referable to the players qualities as a football player and which parts are related to other values. It is also hard to determine which benefits are connected to which player. Collective valuation is the only possibility. The difficulties of judging future cash flows are larger for football players than for the, by RR and ÅRL defined, assets which most of the time are more concrete and easier to measure (for example patents).

Self-developed players and Bosman-players

Regarding the possibility to evaluate players without an acquisition value Drefeldt states that to derive a fair value the expenses for the acquisition have to be identified and it has to be determined that they will lead to probable future economic advantages. A large problem is consequently to derive which costs that are directly referable to the specific player. Should the whole youth football team be accounted for? Drefeldt believes that the grounds for valuation is far too subjective and that the balance sheet would be blown up and give a much too positive portrayal of the clubs economy. If future wages were capitalized the balance sheet would become far too complicated for the user. The debt that is credited and the claim that is charged have to be discounted since the debt is not interest-bearing and the value of the payments decreases. The general impression would become far too difficult to comprehend. If the club wants to show these values it would be possible to do so in the supplementary disclosure.

Sven Arne Nilsson, Deloitte & Touche

Sven Arne Nilsson is an authorized auditor employed at Deloitte & Touche in Gothenburg.

The interview was made via e-mail 2004-05-06.

The player contracts

Nilsson believes that it is correct to consider the player contracts as assets. If the club has made a payment this has to be accounted for, naturally it depends on the nature of the contract, but generally speaking they should be considered as assets.

Whether the contract should be defined as a tangible or an intangible asset is not an issue since ÅRL states how contracts should be handled. The asset should be valued at its acquisition cost. Other costs can arise, such as negotiation-costs, but this does not separate/distinguish them from other contracts, such as leasing contracts.

The guidelines issued by the Swedish Football Association

Nilsson further believes that the Swedish Football Association is regarded as a standards-setting body by the Swedish football clubs. The recommendations are part of a larger system handled by SvFF, including the license of elite, and can consequently not be disregarded by the clubs. Nilsson has no objection against the guidelines saying that it, as before, depends on the nature of the contract, but he does not see the sense in expensing the contracts.

Human resource accounting

Nilsson finds it unnecessary to bring the concept of human resources into the discussion. Accounting is not directly connected to classification of the resources, but to how transactions with the world around should be handled. The clubs enters into contracts and these contracts imply that the clubs pay significant amounts of money. These amounts have to be handled and allocated.

Self-developed players and Bosman-players

It is, according to Nilsson, not possible to account for self-developed players or Bosman-players within the frame of conventional accounting.

Henrik Berggren, Djurgårdens Fotboll

Henrik Berggren is financial manager at Djurgårdens Fotboll. The interview took place 2004-05-07.

The organizational structure of Djurgårdens Fotboll

Berggren explains that the organizational structure of Djurgården Fotboll consists of several parts; the non-profit association Djurgårdens IF Fotbollsörening, the venture capital corporation Djurgårdens Fotbolls AB and the market company Djurgårdens Fotboll Marknads AB. DIF FF is all about the soccer (matches, youth soccer, wages etc), all commercial activities are handled by DFM AB (sponsors, souvenirs, commercials etc) and all investments are made by DF AB. The accounting is not consolidated and it is DIF FF that is a member of the Swedish Soccer Association and responsible for negotiating the player transfers. DIF FF buys the player and if the venture capital company wants to finance the player a participating debenture is drawn up and sold to DF AB, making the result of the acquisition zero in DIF FF. When a player is sold the profit is divided between DIF FF (20%) and DF AB (80%). Both the financial statements of DIF FF and DF AB are sent to SvFF, which uses the equity method to consolidate them. By doing this all risk from the transfer market lands on the venture capital corporation and the football club sticks to what it knows best; football, creating long-term stability and safety. Several clubs, AIK and IFKGöteborg amongst others, have copied the organizational structure of Djurgårdens Fotboll.

Player contracts

The participating debentures are accounted for as financial assets in DF AB and no consideration is taken to the contracts in the financial statements of DIF FF. The participating debentures are written off linearly over the duration of the contract, according to the guidelines issued by SvFF. This is a way to raise money, to be able to invest in new players and protect the football club. Sometimes the club wants to acquire players in which the venture capital corporation does not wish to invest. In these cases the acquisition cost is capitalized as an intangible asset on the balance sheet of the football club. If there is any hesitation a write-off over plan is made. The write-off is made against the statement of operations. Berggren says that the future ambition is to do this with all acquisitions made in DF AB. Write-downs and write-ups are hard to conduct. If the value accounted for is too high the accountants will hesitate. The whole process is very complicated since no perfect market exists for players. Berggren further believes that the ability to account for the goodwill of players is of no importance since there are no stars of this caliber in Sweden.

In the financial statement from 2002 a write-off over plan was made and the entire value of the intangible assets were removed. Berggren says that DIF FF chose to expense this directly against the statement of operations. According to the guidelines issued by the SvFF the same sum should have been offset in a capital fund. This was not done and Berggren motivates this by saying that it was easier and more cautious to expense everything as an operational cost. When the player later on is sold no offsetting has to be done. A write-off over plan gives a lower value and is therefore more cautious.

Company formation

Berggren believes that it would be easier to be a stock corporation, since the operations would be controlled by ABL and the tax-situation would be easier. There are many private persons that would be willing to invest money into the organization so why say no? It is hard to manage a sports club and to form a company would be an alternative. The stock would not be listed and AIK is the only Swedish football club to have had listed their stock. This ceased when it became evident that it was not worth the additional costs and demands. Berggren has a hard time seeing Swedish clubs introduced in the short run. The advantage would be an easy way of pricing but the turnover is extremely low.

The guidelines issued by the Swedish Football Association

Berggren says that not all clubs follow all the guidelines issued by SvFF, but that they disclose openly towards the association. First and foremost laws and regulations within the area are followed and discussions are undertaken with the auditors, not SvFF. SvFF only needs to be able to judge the economical state of the club since they are not standards setters and do not examine the financial statement.

Player acquisitions

Many qualities are taken into consideration when a club plans on doing a new acquisition. Age, caps, quality, character, but first and foremost what kind of player is he and what does the club need? In Sweden it is not possible to buy players just because they are for

sale like many European clubs do. A commercial value is obviously good, but there is no possibility in Sweden to buy according to just these premises.

Self-developed players and Bosman-players

The Swedish Soccer Association is critical to accounting for players without transfer fees on the balance sheet since it is hard to determine their value. Issuing a participating debenture for youth players between DIF FF and DF AB has solved this. By doing this it is possible to derive a value even though it still is very low. The fact that the football club receives money for the player but has no costs makes this a possibility for clubs to show better results/values. On the other hand this is very risky since the step between youth and professional is a long one. Berggren also says that it is not certain that the clubs want to show the value of the players since it becomes a question of competition. The quality of the information would improve if all surplus values and underestimates were showing but this would also mean that competitors would be able to see the acquisition costs and bargaining power would decrease. Complicated negotiations will arise so the clubs try to keep the acquisition costs secret as not to give competitive advantages to the competitors. According to Berggren it would be possible to capitalize development costs since these can be divided and a stereotyped method can be used. This is definitely possible in theory but it is not sure that the clubs would want to show these numbers. Direct costs assignable to the team are easy to divide but profits assignable to venues may be harder to distribute.

The license of elite in Europe

To obtain the license of elite a club has to have positive equity. The license uses simply measurements but Sweden is in the lead. Berggren believes that it would not be possible to carry through similar regulations for the European clubs in the short run, since their economies are unsatisfactory. However, UEFA has introduced the UEFA-license which prohibits clubs from having debts to other clubs or employees.

APPENDIX 3 - LIST OF DEFINITIONS AND WORDS

accrual accounting	periodisering
acquisition value	anskaffningsvärde
additional assets	tillkommande tillgångar
administration report	förvaltningsberättelse
allocation to a particular period	periodisera
allocations	avsättningar
amortization	avskrivning (im. AT)
Annual Accounts Act	Årsredovisningslagen (ÅRL)
annual report	verksamhetsberättelse
appropriations	bokslutsdispositioner
asset side	tillgångssidan
associated company	intresseföretag
auditor	revisor
balance sheet	balansräkning
capitalize	aktivera
carrying value	bokfört värde
cash flow statement	finansieringsanalys
caviar on top	perfekt lösning
closing day	balansdag
consolidated financial statements	koncernredovisning
current recording	löpande bokföring
debts	skulder
deductible assets	avgående tillgångar
deferred expenses and accrued income	förutbetalda kostnader och upplupna intäkter
delineate	kartlägga
depreciation	avskrivning (mat. AT)
earnings	resultat (i resultaträkning)
economic life	ekonomisk livslängd
entry	post
equity capital	eget kapital
<i>non-restricted</i>	<i>fritt</i>
<i>restricted</i>	<i>bundet</i>
expense	kostnadsföra
financial statements	årsredovisning
fiscal year	räkenskapsår
generally accepted accounting principles	god redovisningssed
intangible asset	immateriell tillgång

legal form of business entity	associationsform
liability side	skuldsidan
listed	noterad
non-profit association	ideell förening
notes	noter
parent company	moderföretag
participating debenture	vinstandelsbevis
payables	skulder
premier division	Allsvenskan
receivables	fordringar
set off against	kvitta
standard-setting body	normgivare
statement of operations	resultaträkning
stock corporation	aktiebolag
subsidiary	dotterbolag
supplementary disclosure	tilläggsupplysningar
Swedish Accounting Act	Bokföringslagen (BFL)
Swedish Accounting Standards Board	Bokföringsnämnden (BFN)
Swedish Financial Accounting Standards Council	Redovisningsrådet (RR)
tangible asset	materiell tillgång
the accounting method	förvärvsmetoden
the equity method	kapitalandelsmetoden
the Swedish Football Association	Svenska Fotbollsförbundet (SvFF)
the pooling of interest method	poolningsmetoden
the proportional method	klyvningsmetoden
the prudence concept	försiktighetsprincipen
venture capital corporation	riskkapitalbolag
write-down	nedskrivning
write-off	avskrivning
write-off over plan	överavskrivning
write-up	uppskrivning