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Valuing Athletes

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Abstract

How does a sports team determine the value of its athletes? How should such information be communicated? Is silence misleading? In this study measurement models are explored to advance suggestions for improvement for reporting. Data from a large scale survey reveals that 62 percent of Australian Football League (AFL)-linked personnel disagreed with the idea of valuing players on their team's balance sheet. Statistical analysis identifies three clearly different categories; club/AFL management, player management (players, agents and players' union) and accountants/accounting academics. Each groups' views are significantly different with less, some and majority support for athlete valuation respectively. However, there may be a rising need to value such company assets. AFL clubs are being battered by increased transparency expectations of better and clearer communication. It is argued that the provision of providing player valuation information from a 'public interest' viewpoint would be beneficial for the hundreds of thousands of club members.

Introduction

Human capital is an important value driver in today's organisations (Mouritsen *et al.*, 2004). Yet, traditional financial statements do not provide key information such as an assessment of a firm's human capital for managers or investors to understand how such resources create value in the future. Human capital is the knowledge that individuals acquire during their life and use to produce goods, services or ideas in market or non-market circumstances (James & Gettler, 2004). The concept is to understand that employees are critical 'assets' and investments to be grown rather than resources to be managed.

The battle to acquire and retain quality personnel could become the number one strategy of organisations in the future (James & Gettler, 2004). This can be applied to an industry where human capital is the most significant revenue driver available to that company: the Australian Football League (AFL). This study examines issues relating to the potential recognition and measurement[1] of AFL players to better communicate a sporting club's intangible human capital. Investing in human capital is an important source of future income for companies whose employees are their main productive asset.

Data from this study enables a better understanding of the perceptions of AFL clubs, players, accountants and accounting academics regarding player valuations. The AFL recognises that football players are the most important asset to their clubs (AFL Commission, 2005). However, the Institute of Chartered Accountants in Australia (2005) note that they do not currently include their players within their balance sheet.[2] This raises the question as to the possibilities available to clubs to account for the value of their players within their financial statements and the choice of the best valuation technique. Two questions are examined, which are:

Do football players fulfil the accounting criteria to be classified as assets on the balance sheet of the football clubs?

If so, how should they be accounted for?

The issue of sports and valuation is important to the Australian public. 'With Australian football codes heading for a financial bonanza, with huge spectator interest, soaring television ratings and lucrative sponsorship deals, the sports clubs will soon be richer than ever' (Stensholt & Thompson, 2005: 38) and accountability and transparency issues are set to increase in the future. The game is Australia's premier spectator sport attracting more than 14 million people to watch all levels of the game across all communities. Participation continues to expand, with a total of 516,043 evolving nationally in 2004, whilst more than 494,000 people were club members in 2004 (AFL, 2005). The AFL boasted a financial performance in 2004 and gross payments to AFL players in 2004 totalling more than AUS$108 million across the 16 clubs (AFL Annual Report, 2005). BRW found the game contributes in excess of $1 billion annually to the Australian economy (Stensholt & Thompson, 2005), yet their key assets (the value of their players) are not shown in the clubs' financial statements. Moreover, the AFL is looking at listing on the Australian Stock Exchange (AFL Float Proposed, 2005). The flotation of the AFL, and/or AFL clubs, on the Australian Stock Exchange would potentially lead to a situation where hundreds of thousands of fans owned shares in their football club. This would surely increase accountability and transparency expectations by the fans (Gusenzow & Tower, 2006). Overall, based on the above discussion, it is important to examine the issues of if and how AFL players should be valued in financial statements.

This paper is comprised of seven sections. Following this Introduction is a brief synopsis of the literature on sports player valuations and human capital. The next section provides the conceptual analysis of measurement and recognition of assets for financial reporting under various valuation models. This is followed by an explanation of the research approach and use of the survey method. The data is then presented and analysed. The final section outlines the implications and conclusion of the research findings.

Prior Studies

Whiting and Chapman (2003) examined the use of expensed versus capitalised information in financial statements for New Zealand rugby players. The main finding was that human resource information (i.e., capitalising and including players' value on the balance sheet) made little difference to the investment decisions made by teams. The authors state that the major issues were accounting difficulties with the concept of

ownership or control of the employees (asset definition), and the concurrent reliability of measurement.

Aronsson, Johansson and Jönsson's (2004) study suggests how Swedish soccer[3] clubs might improve their accounting and product financial statements to better present the financial value and future potential of the club. It was found that guidelines set by the Swedish Football Association (SvFF) demand that the clubs show healthy finances, raising the question of how Swedish soccer clubs could improve their financial statements to better present their real financial value. The problem of accounting for players without an acquisition value arises, as there is no reliable historical cost figure. Would it be possible to account for these players by implementing an already existing human resource accounting theory? In this case, how should these values be shown in the financial statements? The SvFF offers clubs two options to account for their players; they can either capitalise their player acquisitions/contract costs or alternatively expense them (Aronsson *et al*., 2004). However, the research suggests that the soccer clubs, in many aspects, fail to follow existing legislation and guidelines from SvFF. Arguably, the club's unwillingness to show players' value on financial statements diminishes accountability and transparency. Aronsson *et al*. (2004) advocate clearer communication by capitalising player costs in the balance sheet and more disclosure in the accounting policy footnotes. They argue that such detailed accounting would provide a better assessment of the financial position of the club.

A different accounting solution is used in the English Premier (soccer) League, which treats the costs associated with the acquisition of players as capitalised intangible fixed assets. For instance, Manchester United had total intangible assets of £58,744,000 (approximately AUS$138,560,000) (all related to player valuation) in 2004 (Manchester United Annual Report, 2004). These costs are fully amortised over the period covered by the player's initial contract, which is usually two years. Where a playing contract is extended, any costs associated with securing the extension are added to the unamortised balance at the date of the amendment and that book value is amortised over the remaining revised contract life (see, for example, Manchester United Annual Report, 2004). Where a part of the consideration is contingent on a future event, this amount is recognised once it is probable that the event will occur. This is then amortised from the start of the year in which the contingent payment becomes probable.

The Institute of Chartered Accountants analysed a compilation of AFL clubs' financial reports for the 2004 financial year to provide recommendations for improvements in measurement and disclosure going forward. Their report states that there does not appear to be any concerted effort by clubs to improve their reporting in the 'Player Expenditure' area, with two thirds of the clubs in 2004 being assessed as requiring significant improvement (ICAA Survey, 2005). Their report recommends that all AFL clubs disclose both the minimum and maximum amount they are committed to make under contract obligations. It is also recommended that the clubs capitalise player acquisition costs and expense these costs over the term of the contract of the player (ICAA Survey, 2005).

This study is supportive of the ICAA recommendations. Insights are advanced on alternative measurement techniques available to AFL clubs and survey respondent data evidence from knowledgeable people within the AFL community.

Conceptual Analysis

To determine whether AFL players meet the definition and recognition criteria of assets, it is necessary to examine Australia and the IASB's framework documents. For reporting periods beginning on or after 1 January 2005, Australian companies and other reporting entities under the *Corporations Act 2001* are required to prepare their financial statements in accordance with accounting standards issued by the International Accounting Standards Board (IASB). In Australia, these are issued by the Australian Accounting Standards Board (AASB) so entities from 2005 are complying with AASB and IASB standards (AASB, 2005).

International Finance Reporting Standards (IFRS) (2005, paragraph 49) defines an asset as follows: 'a resource controlled by the entity as a result of past transactions or past events and from which future economic benefits are expected to flow to the entity'. For AFL players to be considered an asset, they must satisfy all three of the IASB asset definition criteria. The first criteria in which the 'future economic benefits' are expected to flow to the enterprise is satisfied with AFL players having the ability to directly contribute to the future cash flows of an entity. The second criteria, the capacity to dominate decision-making, is a resource 'controlled' by the enterprise. This can be demonstrated by the monopoly control enjoyed by the club in the exclusive rights of the players. The third element is that it should be the 'result of past events' and this is satisfied when players sign their contracts. Accordingly, it is concluded that the AFL players do meet the definition of an asset.

Whilst AFL players seem to meet the definition of an asset, a potential problem arises with the recognition of them. Recognition is the process of incorporating, in the balance sheet or income statement, an item that meets the definition of an element (IFRS, 2005, paragraph 82). The first criteria is that it is 'probable' that any future economic benefit associated with the players will flow to or from the club. It is argued that AFL players do generate future economic benefits for their clubs. Players on an AFL team list enhance the value of that club by bringing in many fans and members and lucrative television and sponsorship rights. The players' participation in the game should be sufficient to satisfy the probability criteria. For that reason, it is argued that the probability of future economic benefits of AFL players will flow to the club.

The second criteria for the recognition of an item, where it possesses a cost or value that can be 'measured with reliability' (IFRS, 2005, paragraph 86), is the most difficult aspect of valuing AFL players. The absence of a purchase price and the lack of a ready market for players' means, in many cases, that the cost or value must be estimated. However, the use of 'reasonable' estimates is an essential part of the preparation of financial statements and does not in itself undermine their reliability. It is argued in this study that AFL players do have a value and therefore meet the recognition criteria.

Stakeholder data is provided in this study to better understand how such values should be measured.

Measurement Models for Assets

Measurement under IFRS (2005, paragraph 99) is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the balance sheet and income statement. There is a wide range of measurement options for valuing AFL players and these include fair value, historical cost, capitalised wages or human resource accounting.

Fair value, 'the price at which an asset or liability could be exchanged in a current transaction between knowledgeable, unrelated willing parties' (Accounting Handbook, 2003), provides a more complete disclosure by offering up-to-date information and is compatible with transparency (Barlev *et al.*, 2003: 385). Accounting transparency means that the financial statements provide true, accurate and complete information about the business activities and the financial position of a firm (Barlev *et al.*, 2003: 385). Many commentators argue that fair value allows shareholders to better evaluate the outcome of their managers' decisions regarding selection of assets and liabilities for current operating activities (Barlev *et al.*, 2003). There are a number of ways to calculate the fair value of an asset, two main ones being exit value and replacement cost (entry value). Exit value is where assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal (IFRS, 2005, paragraph 100[c]). Under replacement cost, assets are carried at the amount of cash or cash equivalent that would have to be paid if the same or an equivalent asset was acquired currently (IFRS, 2005, paragraph 100[b]).

So which fair value approach to choose? The replacement cost would differ if players were traded for each other or if draft picks were traded for players. The problem with this is that a club would need to determine the fair value of a draft pick and of player/s given up. In view of this, it would arguably be more appropriate to calculate the value of a player by theoretically discovering how much the club and other clubs are willing to pay to acquire the services of a player. Therefore the fair value approach of exit value is the approach examined in this paper.

Historical cost is the measurement basis most commonly adopted by entities in preparing their financial statements. Its definition under IFRS (2005, paragraph 100[a]) is when 'assets are recorded at the amount of cash or cash equivalents paid or the "fair value" of the consideration given to acquire them at the time of their acquisition'. Criticisms include the lack of relevance in times of inflation, since it does not reflect changes in goods and services. Another criticism is that historical cost is only interested in cost, not value to the entity. Despite these criticisms, an alternative basis of measurement has yet gained sufficient support to replace historical cost (Henderson *et al.*, 2004). The major concern in using historical cost for valuing AFL players is that there is no purchase cost associated with the players. The problem of historical cost, even with a purchase price, is that it does not take into account changes over time; therefore, historical cost

does not reflect the value of the team's players today. In light of these inadequacies, it is argued that historical cost is not a useful method for measuring AFL players.

Any discussion of human capital implies that the people in the organisation represent more than just an expense; human capital should also be communicated in the balance sheet as an asset. While most organisations can readily give detailed information about their tangible assets of, for example, plant and machinery and land and buildings, these same organisations cannot provide formal records of investment in employees.

Human resources play an important part in the development of an enterprise (Patra & Khatik, 2003). The term human resource accounting (HRA) is defined by Brummet, Flamholtz and Pyle (1968: 1) as '…the process of identifying, measuring, and communicating information about human resources to facilitate effective management within an organization'. Human resource accounting helps to measure the value of employees, which in turn assists management in making the vital decisions related to human resources in order to increase production. So how is such a value calculated? Several strategies are outlined by Nankervis *et al.* (2002) that have been adapted from accounting practice to the effective management of an organisation's human resources. These include *original cost*, *current cost*, *opportunity cost* and *economic value*.

Original cost measures the accumulated costs associated with recruiting, selecting, inducting and training each employee or groups of employees at any time. In this approach, wages, salaries and employee benefits are considered expenses, whereas training outcomes are expressed as capitalised benefits (Nankervis *et al.*, 2002). *Current cost* capitalises the dollar value of replacing any employee, including separation payments and subsequent training costs (Nankervis *et al.*, 2002). Unlike original cost, this approach takes into account changes in salary levels and changes in requirements for post employment training (Henderson & Peirson, 1994). *Opportunity cost* gauges the maximum value of the employee in an alternative use and places that number on the balance sheet (Nankervis *et al.*, 2002). The opportunity cost and economic value approaches are impractical to use for valuing AFL players. The opportunity cost is based on a concept that a player will not be replaced if needed in another position; this is not the case for sports athletes. The *economic value* approach is based more on theory rather than practicality, where to derive the future earnings figure lacks reliability (Henderson & Pierson, 2004). Whilst current cost would probably provide more useful information, it is difficult to calculate; therefore. capitalising the original cost is the most practical approach. Historical cost is easy to calculate compared to the other approaches; however, it is arguably less relevant for stakeholders.

The concept of creating an asset out of wages (capitalisation) communicates the accounting for long-term benefits and is recorded as a non-current asset on the balance sheet. This logic can be applied to athlete valuations. The wages associated with players are capitalised as intangible fixed assets. These costs are then fully amortised over the period covered by the athlete's contract. Where a playing contract is extended, any additional costs are amortised over the remaining revised contract life (see, for example, the Manchester United Annual Report, 2004). However, the problem with capitalisation of wages is again a lack of relevance.

Based on the above discussion, it can be argued that historical cost and capitalised wages methods are insufficient for valuing AFL players for financial statement purposes (Gusenzow & Tower, 2006). The key problem with historical cost is that it does not communicate changes over time to reflect the value of the team today. Moreover, historical cost values would be similar for most players and in some cases as low as zero. Fair value (exit value) and HRA (original cost) may, therefore, be better methods for valuing players. HRA lets the club know the investment in its players, although one could assume that similar amounts are spent across all 16 clubs. Fair value, on the other hand, shows the amount the team is worth to the club. Based on the above information, it is argued that fair value measurement would be the best method for valuing AFL players to distinguish clubs from each other. The second phase of this study generates key stakeholders' perceptions on these measurement options.

Research Approach

From the above discussion, it is concluded that AFL players do meet the definition criteria of an asset and that it is crucially important to utilise a reliable measurement approach. Another key question then arises of what measurement methods could be best used to account for the players within their club's financial statements using Generally Accepted Accounting Principles (GAAP). The above text advances some positions; however, for key stakeholders to consider whether it is plausible to include players on the balance sheet, it is important to assess all possible ways of accounting for the players. This study generates key stakeholder evidence to answer these questions.

The key question in this study is the respondents' (measured as a metric interval) view of player valuation. Potential predictor variables are analysed to better understand the reasons behind each respondent's choice. Possible explanatory factors include: type of respondent (nominal measure), business experience (ratio) and knowledge of accounting (ordinal). Control variables analysed are gender (nominal) and age (ratio).

Respondent type may be influenced by what player valuations can do for them. For example, if they are an agent, player valuations may assist with contract negotiations with clubs. Business experience is measured as the number of years in their respective industry. This allows an examination of whether business experience affects their choice on player valuation. The level of accounting knowledge may explain which measurement methods are chosen and whether sports player valuation is plausible in financial statements. The higher the knowledge of accounting the more the respondent should understand the possible implications or improvements of including player valuation in an AFL club balance sheet.

Survey data is obtained from knowledgeable individuals in the sports industry, such as players, accountants and accounting academics. The survey respondents evaluated player valuation, the measurement models and asset impairment options. The mailed survey was written as clearly as possible to encourage maximum return rate. The survey used a dichotomous yes/no answer for the player valuation proposal. The survey measure was a 5-point Likert scale (1 being very poor to 5 being very good) and a ranking scale for the assessment of models. For the asset impairment criteria a 5-point Likert scale was also

used (1 being of no importance to 5 being of great importance). Respondents were also asked to complete demographic information.

The participants selected for the survey sample were five club staff representatives from each of the 16 AFL clubs. One financial backer representing each AFL club was also sent a survey. The Australian Football League Players' Association (AFLPA) representative (a player) from each club was also sent four copies of the survey to distribute to a representative sample of players. The finance departments of the AFL and AFLPA were sent ten copies of the surveys for distribution, while all the accredited agents for AFL players (51) were sent a survey. Further surveys were distributed to accounting academics and accountants to assess the viability of the measurement models. A summary of the categories, their populations and samples are provided in Appendix 1. A total of 510 surveys (231 mailed to AFL and 279 emailed to academics and accountants) were distributed.

Characteristics of Variables

Table 1 provides data on the survey respondents. Table 1 shows that 78.4 percent were male, which was expected given that AFL is a male-dominated sport. There is a good spread of respondent ages with no category having more than 30 percent. The non-AFL group had a higher number of 50 & Over respondents.

Column I of Table 1 reveals a minimum of one and a maximum of 42 years with a healthy mean of 14.3 years' business experience. Column II shows non-AFL respondents had a larger mean for business experience. This was expected as the non-AFL respondents are, on average, older than the AFL respondents. When separating the AFL into Players and AFL/Clubs in Column III, the categories are similar.

Table 1: Business Experience – Demographics

	I	II		III		
	Total	**AFL**	**Non-AFL**	**Players**	**AFL/Clubs**	**Accountants**
Number	128	79	49	36	39	49
Mean	14.34	12.53	17.24	12.33	13.00	17.24
Standard Deviation	10.643	10.010	11.084	10.176	10.159	11.084
Minimum	1	1	1	1	1	1
Maximum	42	41	42	41	35	42

Source: Original table.

Table 2 shows the Type of Respondent category numbers received and their percentage of the total population. The individual categories in Column I are well spread with all categories, except for AFL staff and the Other category, being over nine percent. Columns II and III represent a better spread of respondents between the categories. The All Categories is the initial categorisation with re-categorisation for further analysis into the: 1) AFL/Player/Accountant Categories (Column II); 2) AFL & Non-AFL Categories

(Column III); and 3) Accountants/Academics (regardless of link) & All Other Respondents. The AFL/Player/Accountant categories are based on those representing the players (Players, AFLPA & Agents), the club and AFL management, and accountants and academics. AFL and non-AFL linked categorisation is self explanatory.

Table 2: Type of Respondent – Demographics

	I		II		III	
	ALL CATEGORIES		AFL/PLAYERS/ACCOUNTANTS		AFL & NON-AFL	
	Number	Percent	Number	Percent	Number	Percent
AFLPA & Players	17	12.4%	36	27.1%	79	57.7%
Agent	19	13.9%				
AFL Staff	4	2.9%	39	29.3%		
Club Management (Personnel)	35	25.5%				
Other	4	2.9%				
Accountant	13	9.5%	58	43.6%	58	42.3%
Academic	45	32.8%				
Total	**137**	**100.0%**	**133**[4]	**100.0%**	**137**	**100.0%**

Source: Original table.

Valuing Athletes - Respondents' Descriptives

The key research question is the survey respondents' opinions as to whether or not the value of AFL players should be included as an asset in their clubs' balance sheets? This is a dichotomous yes/no categorical variable. Table 3 depicts the answers and percentages for both AFL linked and non-AFL linked respondents for this question.

Table 3: Should AFL Players be Included as an Asset? Survey Respondents' Views

	AFL		Non-AFL		Total	
	Number	Percent	Number	Percent	Number	Percent
Yes	18	22.8%	34	58.6%	52	38.0%
No	61	77.2%	24	41.4%	85	62.0%
Total	**79**	**100.0%**	**58**	**100.0%**	**137**	**100.0%**

Source: Original table.

Table 3 shows there are clear differences between respondent types. Sixty-two percent of overall respondents disagreed with valuing AFL players. Sixty-one out of 79 AFL respondents answered 'no'; however, non-AFL respondents (the accountants) were

more willing to value players with 34 out of 58 (58.6%) indicating so. Table 4 data highlights the breakdown of the respondent perceptions for the question *Should AFL players be included as an asset?*

Table 4: Type of Respondent – Percentage Agreement that AFL Players should be Included as an Asset

	I		II		III	
	ALL CATEGORIES		AFL/PLAYER/ ACCOUNTANT		AFL & NON-AFL	
	Mean	Number	Mean	Number	Mean	Number
AFLPA & Players	47%	17	39%	36	23%	79
Agent	32%	19				
AFL Staff	0%	4	10%	39		
Club Management (Personnel)	11%	35				
Other	0%	4				
Accountant	47%	13	59%	58	59%	58
Academic	60%	45				
Total	**38%**	**137**	**38%**	**133**[5]	**38%**	**137**

Source: Original table.

The above information reveals majority support for the key question from the Accountants/Academics grouping with 59 percent. Players/Agents/AFLPA group appears in the middle with 39 percent support and the least support was from the AFL and clubs with only ten percent supporting the proposal. At least 30 percent of the AFLPA/players/agents and accountants/accounting academics agreed to players being assets. Club management and AFL staff did not support the concept with only 11 percent and zero percent, respectively, in support of player valuation. The analysis reveals that nearly twice as many Accountants/Academics supported the proposal to value players than all other respondents; 49 percent to 25 percent respectively.

Additional Analysis for Those Who Answered 'Yes'

The respondents, who answered yes for the player valuation question were then asked to rate and rank the four most likely valuation accounting methods that were reviewed in Phase 1. Table 5 depicts the means and standard deviations for a 5-point rating of the measurement models.

The numbers show[6] the most support was for Fair Value accounting method with the highest mean of 4.19 and the lowest standard deviation of 1.020. This reveals strong support and relative uniformity of view. The HRA valuation method had the least support with only 2.75 (less than the neutral position).

Table 5: Ratings of the Measurement Models

	Number	Mean	Std Dev.
FAIR VALUE	53	4.19	1.020
CURRENT WAGES	52	3.52	1.057
HISTORICAL COST	53	3.09	1.390
HRA	53	2.75	1.142

Source: Original table. Legend: Means are based on the rating scale of: 1 = Very Poor, 2 = Poor, 3 = Neutral, 4 = Good and 5 = Very Good.

Additional Analysis for Those Who Answered 'No'

The respondents who answered no for the player valuation question were then asked to provide a reason or reasons why AFL players should not be included as assets in a club's balance sheet. Respondents were offered four choices as well as an Other category to put forth their own reasons.

Table 6: Why should AFL Players not be Included in their Club's Balance Sheet?

	Number	Percent
It is too difficult to calculate a value	32	38.1%
Players' values change too much	31	36.9%
AFL players are not assets of the club	25	29.8%
Other	25	29.8%
There is no need for these values	18	21.4%

Source: Original table.

The Table 6 data illustrates the number of times a reason was selected. The main concerns for excluding a player's worth from the balance sheet were the difficulty of calculating a value (38.1%) and a players' value changes too much (36.9%). 'Other' reasons given by respondents fell into three main categories. First was that players are employees, second was the lack of ownership and control of the benefits and third was the difficulty in obtaining an objective value. These can best summed up in the words of respondent 121:

> *From a personal perspective I don't believe in the commodification, objectification and, therefore, accounting measurement, of people, nor, from a more professional point of view, do I believe this form of accounting is useful due to the high level of specificity of the (human) asset and difficulties regarding the accuracy of estimates concerning the future economic life, marketability, market value, or value-in-use of the (human) asset.*

Statistical Analysis

The data gathered from the survey was analysed using ANOVA (Analysis of Variance) and Logistic Regression.[7] ANOVA measures the different types of variance

(variability in scores) that appear in the data and then explains the source of each variance (Cooper & Schindler, 2003). Logistic regression generates insights about the relationship between several independent variables and a dependent variable, where the dependent variable is dichotomous and the independent variables are of any type (Cooper & Schindler, 2003).

Statistical analysis enhances the understanding of interrelationships between predictor variables and the research question. Table 7 data shows the combinations for the three different types of categories. All three regressions are highly significant with Accounting Knowledge and Type of Respondent Category being the best predictors.

Table 7: Logistic Regression

	Significance (p-values)		
	I	**II**	**III**
	All Categories	**AFL & Non-AFL**	**ALF/Players/ Accountants**
Category	0.025**	0.000***	0.000***
Gender	0.183	0.186	0.174
Age	0.659	0.544	0.701
Accounting Knowledge	0.070*	0.009***	0.043**
Business Experience	0.693	0.869	0.603
ANOVA Sig	0.002***	0.001***	0.004***
Nagelkerke R Square	0.338	0.319	0.332

Source: Original table. Legend: * Moderately Significant ($p < 0.10$), ** Significant ($p < 0.05$), *** Highly Significant ($p < 0.01$).

The Table 7 data shows that Respondent Category is statistically significant or highly significant. In addition, Accounting Knowledge is highly significant for AFL and non-AFL groupings, significant for the AFL/Player/Accountant categories and moderately significant for all categories. Whereas, Business Experience, Gender and Age are not significant in any of the logistic regression analysis.

Type of respondent analysis illustrates that the majority of support for the proposal is from the AFLPA/players and agents group with 47 percent and 32 percent respectively and from accountants and accounting academics group with 47 percent and 60 percent respectively. AFL staff and club management had least support with 10 percent collectively. AFL respondents were far less supportive with only 23 percent as compared to non-AFL respondents with 59 percent support.

Additional Analyses - Asset Impairment Considerations

Regardless of whether or not respondents answered yes or no to the dependent variable question, they were asked to complete an asset impairment section on rating the

impact certain variables may have on players' values. Table 8 depicts the means, standard deviations and overall rank (as determined by the average mean scores) for a 5-point rating of these issues.

Table 8: Asset Impairment Variables

	I				II			II			Mean Diff Between Columns (II – III)
	Total				AFL			Non-AFL			
	N	Std Dev.	Mean	Rank	N	Mean	Rank	N	Mean	Rank	
Performance	129	0.516	4.75	1	76	4.76	1	53	4.74	1	0.02
Injuries	130	0.756	4.05	2	76	4.00	3	54	4.11	2	-0.11
Leadership Abilities	126	0.815	4.01	3	75	**4.19**	**2**	51	**3.75**	**4**	**0.34**
Age	130	0.907	3.75	4	76	3.80	4	54	3.69	5	0.11
On-Field Attitude	130	0.817	3.68	5	76	**3.59**	**6**	54	**3.81**	**3**	-0.22
Player Type	125	0.968	3.66	6	74	3.74	5	51	3.53	6	0.21
Awards Received	129	1.051	3.21	7	76	3.08	8	53	3.40	7	**-0.32**
Social Image	128	1.075	3.13	8	76	**3.29**	**7**	52	**2.90**	**9**	**0.39**
Draft Position	129	1.102	2.84	9	76	**2.63**	**10**	53	**3.13**	**8**	**-0.50**
Rule Changes	127	1.017	2.66	10	74	2.74	9	53	2.55	10	0.19

Source: Original table. Legend: The respondents' averages are based on the rating scale of: 1 being of no importance, 2 being less important, 3 being neutral, 4 being important and 5 being of great importance.

Performance scored the highest mean and lowest standard deviation of 4.75 and 0.516 respectively as virtually all respondents felt this to be of great importance. Rule Changes and Draft Position were rated the least important and below the neutral point. Analysis of results greater than +/-0.3 (by subtracting non-AFL means from AFL means) show AFL respondents rated Leadership Abilities and Social Image higher than non-AFL respondents, but rated On-Field Attitude lower. Possible reasons why Social Image was rated higher by the AFL may include promoting a better image for younger AFL supporters and players. Leadership qualities were highly praised by AFL clubs, with the AFL Players Association MVP award containing leadership as one of the criteria. On-Field Attitude may have rated lower by AFL respondents as it involves a perception of the player, not the person. Awards Received and Draft Position were rated higher by non-AFL respondents, probably as these have no major impact on the football club. Table 8

data also revealed that AFL respondents ranked On-Field Attitude lower than Age and Player type whereas non-AFL respondents ranked On-Field Attitude higher than Age and Player type. This may be because the AFL respondents see age and player type as unalterable attributes while on-field attitude can be altered.

Table 9 shows the results of analysis using ANOVA to test for differences for the player variables between the AFL respondents and non-AFL respondents.

Table 9: ANOVA - Player Variables between AFL & Non-AFL

	F	Sig.
Performance	1.479	0.226
Injuries	0.087	0.769
Leadership Abilities	0.680	0.411
Age	**4.07**	**0.046****
On-field Attitude	1.148	0.286
Player Type	0.527	0.469
Awards Received	**2.888**	**0.092***
Social Image	**6.723**	**0.011****
Draft Position	2.372	0.126
Rule Changes	**9.523**	**0.003*****

Source: Original table. Legend: * Moderately Significant ($p < 0.10$), ** Significant ($p < 0.05$), *** Highly Significant ($p < 0.01$).

The significance of the difference is represented by higher F values and low significance (p) values. The results are consistent with the above analysis, noting that for Rule Changes there was a highly significant difference between AFL respondents' answers and non-AFL respondents' answers. Age and Social Image showed a significant difference between the two groups, while Awards Received was marginally significant.

In summary, descriptive statistics for the dependent variable reveal that 62 percent of respondents disagreed with the concept of showing the value of AFL players in their club's balance sheet. For those who answered yes, the majority of support was for Fair Value measurement with a mean of 4.19 on the 5-point scale. Fair Value was also ranked first 37 of 53 times. The results from the logistic regression analysis and ANOVA analysis show that there is a significant relationship between the dependent variable (valuing AFL players) and both Type of Respondent and Knowledge of Accounting. The level of Business Experience is not a significant predictor. Additional analysis of asset impairment variables shows Performance, Leadership and Injuries as the top three concerns with all means over 4 (important) on the 5-point rating scale. Draft Position and Rule Changes are the least valued being rated below 3 (neutral) on the scale. An ANOVA test between groups shows significant differences between AFL respondents and non-AFL respondents on the Leadership Abilities, Awards Received, Social Image and Draft Position variables.

Conclusion

It is argued that AFL players are assets of their clubs; however, the majority of respondents disagreed with this position. AFL players meet the IASB definition and recognition criteria with clubs controlling the players' future economic benefits, of which are probable and can be measured with reliability and, as such, could be recorded in their club's balance sheet.

Club and AFL management, player management (players, agents and AFLPA) and accountants/accounting academics show significant differences in opinions. The findings from the survey for club and AFL management reveal that only 10 percent supported putting the value of players on the balance sheet. Such a low figure clearly suggests clubs are satisfied with the way things are. Main reasons given were the difficulty in calculating an objective value and the fact that players are employees, not assets. Thirty-nine percent of the player management category supported the proposal to value players. This increased support may be due to the possible benefits to be established by valuing players. Possible benefits could arise during contract negotiations. The final category of accountants and accounting academics showed 59 percent support for the proposal. Reasons for this could be that as accounting knowledge increases, a better understanding of what could or should be recorded in financial statements also increases. Thus, knowledge of accounting is also a significant predictor of the dependent variable. However, gender, age and business experience did not demonstrate predictive power.

The main reason why respondents opposed the proposal was the difficulty in calculating an objective value. The respondents were clearly concerned about the reliability issues by opposing the measurement techniques examined. However, a deeper understanding of the measurement methods and their application to the AFL may assist respondents' decisions about the reliability and effectiveness of the measurement techniques. The survey highlighted concerns that players' values change too much. However, under the AASB 136 Asset Impairment rules, assets are to be re-valued every year. Therefore, all AFL clubs should be examining the value of their players and other assets every year.

Two new directions for future research are suggested by the findings of this study. First, to assist the sports industry, future research could work with clubs to learn how accounting information could better assist (or not) decision-making. Second, further analysis could be done by surveying the financial statement users themselves to help determine what information they need. Finally, this research could be extended to other sporting codes within or outside of Australia.

The analysis of the IASB conceptual framework and other sport player valuation studies show it is possible to account for the value of AFL players in the club's balance sheet though the AFL respondents are clearly far less willing to change. Two major reasons for this resistance could be the fact that the AFL has a salary cap to limit amounts paid to players and that no transfer fee system is applicable in the AFL. The existence of the salary cap and the non-existence of a transfer fee affect the objectivity in calculating a value or, alternatively, the need for such valuation is lessened. Based on the evidence in

this article, the AFL believes it is not a good idea to implement player valuations on club balance sheets at the moment. The need has simply not yet been demonstrated.

In the future AFL clubs may list on the stock exchange and, if so, the AFL and its clubs will be have increased accountability and transparency requirements. Because of this, the AFL might be required to emulate the English Premier League whereby players' costs are represented in the form of intangible assets. These costs involved are contracting costs (mainly transfer fees) which are amortised over the period of the initial contract. Where a playing contract is extended, any costs associated with securing the extension are added to the unamortised balance at the date of the amendment and that book value is amortised over the remaining revised contract life.

In line with the ICAA (2005) best practice recommendations, this study advocates that all clubs capitalise player acquisition costs and expense these costs over the term of the contract of the player. This study has provided opportunity to examine the views of knowledgeable people in the AFL industry and accounting/academics. Results of this study present helpful information to the area of human resource accounting for AFL players though only initial insights are provided and additional work is needed within the AFL and/or other sporting codes to fully understand the various contributions provided by this project.

Appendix 1: Survey Sample Numbers

Type of Respondent Category	Population	Sample	Sample %	Received	Received %
AFL Players	542	48	8.90%	17[a]	23.0%
AFLPA Representatives/Delegates	32	16	50.0%		
AFL Players Association (Head of Dept)	10*	10	100.0%		
Club Management[b] (Head of Dept)	240*	80	33.3%	35[c]	36.5%
Financial Backers of each club	40	16	40.0%		
AFL (Head of Dept)	15*	10	66.7%	4	40.0%
Player Agents / Managers	51	51	100.0%	19	37.3%
Accounting Academics	1,000*	135	13.5%	45	33.3%
Accountants	145,000*	144	0.1%	13	9.0%
Other	0	0	0	4	0
Totals	146,930	510	0.3%	137	26.9%
Totals – AFL Linked	930	231	24.8%	79	34.2%

Source: Original table. * Estimate, [a]The survey did not differentiate between players and the AFLPA staff to encourage responses from players, [b]In retrospect the Club Management category in the survey caused confusion and should have been called 'Club Personnel'. Re-categorisation was done for those who marked other categories and were able to clearly be identified as club personnel, [c]Financial backers, who marked the other category, were re-categorised as Club

Management. Note: The data in Appendix 1 shows an acceptable return rate of 26.9% with the AFL return rate of 34.2%. Due to this relatively high response rate for such social science research, concerns about non-response bias are lowered.

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Notes

[1] Because detailed information about the AFL is not made known to the public, data limitations exist and some assumptions need to be made. Assumptions include the estimation of costs associated with players to determine their value under each of the valuation methods. Expenses

are involved in bringing interstate players, especially draftees, to the club. These costs include payments to the 'grass roots' club, for all new draftees, and other initial payments for interstate players. These and other costs such as training and development are estimated in this study. Assumptions on actual amounts the clubs feel its players are worth are also made. The AFL assists with these assumptions by providing approximations on the number of players in set salary levels (AFL Report, 2004). The final assumption is that the participants in the survey are representative of their respective category sub-populations.

[2] The Richmond Football Club, however, discloses player acquisition costs (registration and transfer) and amortises them over a three year period, being the period of which the benefits are expected to be derived by the club. Essendon and Fremantle Football Clubs write off player acquisition costs in the year they are incurred as uncertainty exists as to the term over which the benefit will be received (ICAA Survey, 2005).

[3] Referred to internationally (excluding US) as 'football'.

[4] The Other category includes one Other, two accountants that were AFL linked and one person who did not select a category. These could not be categorised at stage two and were excluded from the statistical phase.

[5] The total is only 133 because the four Other respondents were unable to be categorised for this re-categorisation, due to a lack of information.

[6] Additional analysis reveals that AFL respondents, who supported valuing players as a whole, are more in favour of the Current Wages approach. The most support for non-AFL respondents was for Fair Value, with AFL respondents also highly rating this method. Players were more in favour of the Current Wages approach, whereas accounting respondents were clearly in support of Fair Value. Moreover, AFL and non-AFL respondents ranked Fair Value first more than the other methods. Similar results are shown with accounting respondents ranking Fair Value first 25 times out of 33, while player respondents ranked Current Wages first or second 12 out of 16 times. Furthermore, both the AFL and non-AFL respondents supported the difficulty in calculating a value and that there is no need for player valuation figures. The clubs category were more likely to feel that there is no need for player valuation figures, with 30 percent of respondents, whilst the accountant respondents were of the opinion that it is too difficult to calculate a value. Similar results were found where respondents were asked to rank the accounting methods. Fair Value was ranked first 37 times, Historical Cost 11 times, Current Wages eight times and HRA only twice.

[7] Multicollinearity refers to high correlation among the independent variables. This affects how data is interpreted and can have damaging effects on regressions (Cooper & Schindler 2003). Analysis was employed to examine the correlations between the independent variables. Variables with correlations over 0.7 are considered high (Cooper & Schindler, 2003). It is clear from the correlations run that the only variables that are correlated over 0.7 are type of respondent categories; however, this is expected as the three other categories are subsets of the initial All Categories type of respondent category. This problem of highly correlated independent variables is avoided as they are never run co-jointly in the same regression together. Moreover, the logistical regression employed in this study has lesser statistical assumptions to meet than multiple regression techniques.

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