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The Effect of Player Valuation as Intangible Assets as Per *IFRS/IAS 38* and *Return on Investment* (ROI) of Player Transfers on Financial Liquidity: A Case Study of Manchester United PLC

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A B S T R A C T

This study aims to analyze the effect of player valuation in accordance with IFRS/IAS 38 and *Return On Investment* (ROI) transfers on the financial liquidity of Manchester United PLC. The method used is quantitative with a longitudinal case study approach on financial data for the 2015–2024 period. The implementation process includes the collection of secondary data from the SEC's annual report and multiple linear regression analysis using SPSS. The results of the study show that player valuation and transfer ROI do not significantly affect the company's liquidity. These findings imply that the club's liquidity problems are structural due to *the hand-to-mouth* business model and high short-term debt burden, so they cannot be resolved through player trading strategies alone. Management is advised to focus on short-term debt restructuring.

INTRODUCTION

The modern football industry has evolved into a complex business ecosystem, characterized by a shift in revenue structure dominated by commercial aspects and broadcasting rights (García-Sánchez et al., 2024). Although revenues have increased dramatically, many clubs are showing signs of chronic financial instability (Bertheussen & Solberg, 2023). However, behind the massive surge in revenue as recorded by Manchester United with revenues of €771 million in 2024 is hidden a crucial financial paradox. This phenomenon is clearly seen in Manchester United PLC, where the club recorded a very high value of intangible assets (players) due to aggressive spending, but experienced a drastic downward trend in the *current ratio* to reach a critical figure of 0.36 in 2024. Increased operational costs, especially those related to player salaries and transfer fees, consistently outpaced the pace of revenue growth, creating a "dig a hole in the hole" or *hand-to-mouth* business model (Evans, 2023). This condition indicates a business model in which cash inflows are immediately absorbed by high operating expenses.

This research contributes to the sports management accounting literature by filling the research gap that has been focusing more on the profitability or impact of *Financial Fair Play* (FFP) regulations. The uniqueness of this study lies in the use of internal management accounting metrics, namely player trading efficiency (ROI Transfer) and the application of IFRS/IAS 38 accounting standards, to dissect liquidity performance, a dimension of financial health that is often overlooked but vital for short-term solvency. For example, research in the manufacturing sector shows that although ratios such as liquidity do not directly affect stock returns, they are significantly mediated by profitability (Nugroho & Pristiana, 2021). The main objective of this study was to quantitatively analyze whether the player's high valuation strategy and transfer efficiency (ROI) had a real impact on the improvement of Manchester United PLC's financial liquidity position over the past decade, without getting caught up in the assumption that large assets guarantee financial security.

LITERATURE REVIEW

IFRS / IAS 38

In accounting practice, the IFRS/IAS 38 standard classifies intangible assets as identifiable non-monetary assets even though they have no physical substance. The recognition of resources as assets is based on three fundamental conditions: identification, control, and potential future economic benefits. The relevance of this standard is evident in the football industry, where player registration rights are recognized as intangible assets because they derive from legal contracts that are legitimate and are projected to generate economic value for the entity.

Agency Theory and Investment Efficiency (ROI)

Agency Theory highlights potential conflicts of interest between the principal and the management (*agent*). In the context of football clubs, management often faces pressure to prioritise short-term sporting achievements for the sake of reputation and fan satisfaction, which can trigger financially irrational player spending decisions. Eisenhardt, (1989) emphasized that differences in risk preferences and objectives between principals and agents can lead to *agency loss*, where the company's resources are not optimally managed to maximize the welfare of the owners. The efficiency of management in managing a player's investment can be measured through *the Return on Investment* (ROI) of a transfer activity, which compares the player's release profit to the book value of the asset.

Stakeholder Theory and Liquidity Pressures

Stakeholder Theory argues that the organization's goal is not only to maximize profits for shareholders, but also to balance the interests of various parties, including supporters. In football, the pressure of supporters to achieve victory is very strong. This often forces management to make aggressive player spending (increasing Player Valuation) even when liquidity conditions are under pressure.

This perspective provides context for why clubs often ignore financial rationality (liquidity) in pursuit of social/sporting goals. This theory is the basis for understanding management behavior that is willing to maintain a *hand-to-mouth business model* in order to satisfy the expectations of external stakeholders, which ultimately affects the relationship between asset valuation and liquidity health.

H_1: *The Player's valuation as an intangible asset has a significant effect on financial liquidity.*

However, the application of these standards often creates tensions between asset reporting and cash flow realities. Gamayuni, (2015) in his research found that there is a *trade-off* where companies with high intangible asset values tend to experience pressure on the *current ratio*. This is because the accumulation of intangible assets often demands massive investment cash expenditure or an increase in short-term debt, which directly erodes the company's liquidity. Although assets are highly rated on the balance sheet, their illiquid nature cannot be used to pay off urgent short-term obligations.

H2: *Return on Investment (ROI) Player Transfers have a significant effect on financial liquidity.*

Theoretically, a positive transfer ROI should increase liquidity through cash inflows (*proceeds*). Dimitropoulos & Scafarto, (2021) prove that the sales efficiency of players can improve financial performance. However, if these gains are immediately absorbed by other operational inefficiencies (such as excessive salaries), then the ROI will not have a significant impact on the improvement in liquidity, as noted by Sulastri et al., 2023) in the context of a crisis.

H3: *There is a significant simultaneous effect of the player's valuation as an intangible asset and the player's transfer ROI on the financial liquidity of Manchester United PLC.*

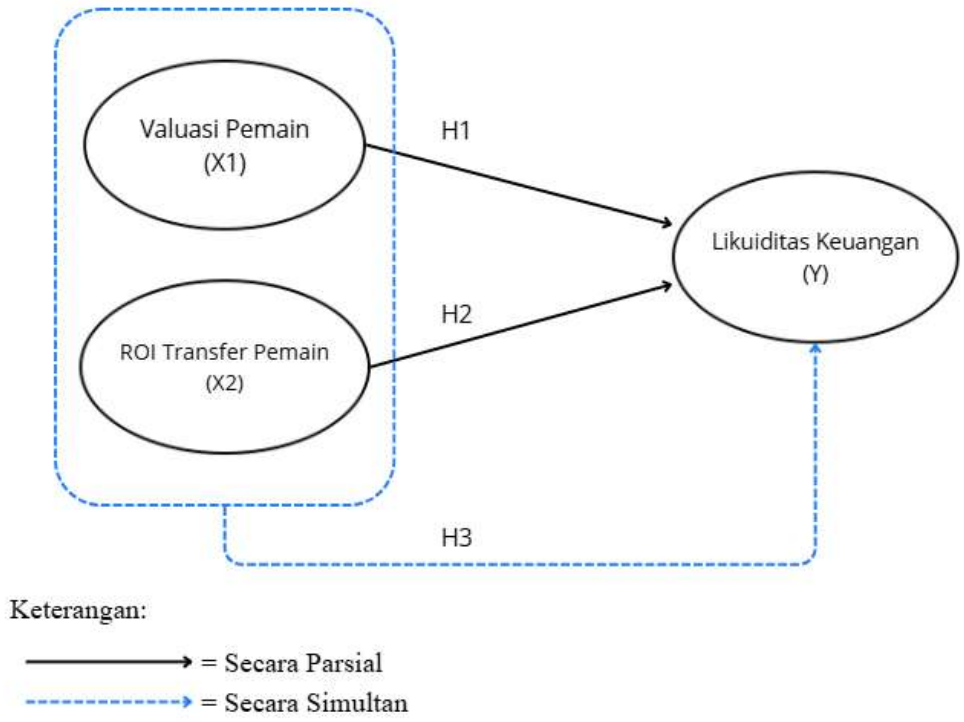

Figure 1. Conceptual Framework
Source: Processed by the author

METHODOLOGY

This study uses a quantitative approach with a longitudinal case study design (*time series*). The population and sample of the study are all of Manchester United PLC's annual financial statements (Form 20-F) that have been audited and reported to the U.S. Securities and Exchange Commission (SEC) during the 10-year fiscal year period, from 2015 to 2024.

Table 1. Research Variables

Variabel	Notasi	Indikator	Skala
Valuasi Pemain (Aset Tidak Berwujud)	X1	Total *Intangible Assets* (dalam satuan Pound Sterling)	Rasio
ROI Transfer	X2	$ROI = \frac{Profit\ on\ Disposal}{Net\ Book\ Value} x\ 100\ \%$	Rasio (Presentase)
Likuiditas Keuangan	Y	$Current\ Ratio = \frac{Total\ Current\ Assets}{Total\ Current\ Liabilities}$	Rasio (Desimal)

Source: Accessed by the Author

The Multiple Linear Regression Analysis approach was used to process the data using SPSS software version 26. After ensuring the suitability of the data with the criteria through traditional assumption tests, which include autocorrelation tests, heteroscedasticity, multicollinearity, and normality, this step is completed.

RESEARCH RESULTH

Descriptive Statistical Analysis

Table 2. Descriptive Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Valuasi Pemain (Intangible Assets)	10	660397000.00	837564000.00	753493300.0000	58835960.65342
ROI Transfer (Profit on Dispossal)	10	-9786000.00	37422000.00	17425300.0000	12574378.42997
Likuiditas (Current Ratio)	10	.36	.97	.6750	.23839
Valid N (listwise)	10				

Source: SPSS 26, processed by the Author

Descriptive analysis shows the club's uneven financial profile. The average valuation of the player's assets is very high (£753 million), but the average liquidity (*Current Ratio*) is only 0.675, well below the industry's healthy standard (1.5 - 2.0). Transfer ROI shows extreme volatility with a minimum value of -9,497% (in 2024) and a maximum value of 262% (in 2022), signaling the inconsistency of the profitability of the player's trades.

Classic Assumption Test

Prerequisite tests should be performed to ensure the final regression model meets the requirements *of the Best Linear Unbiased Estimator (BLUE)* before using regression analysis to test the hypothesis.

Normality Test

Table 3 Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		10
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.19567879
Most Extreme Differences	Absolute	.253
	Positive	.253
	Negative	-.159
Test Statistic		.253
Asymp. Sig. (2-tailed)		.069[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: SPSS 26, processed by the author.

The data has undergone a prerequisite test before the regression analysis. The *Asymp. Sig. (2-tailed)* value of 0.069 was found based on the results of the normality test using the *Kolmogorov-Smirnov One-Sample* approach. It can be concluded that the data is normally distributed because the value is greater than 0.05.

Multicollinearity Test

Table 4. Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.984	1.119		1.773	.119		
	Valuasi Pemain (Intangible Assets)	-1.637E-9	.000	-.404	-1.037	.334	.634	1.577
	ROI Transfer (Profit on Dispossal)	-4.312E-9	.000	-.227	-.584	.578	.634	1.577
a. Dependent Variable: Likuiditas (Current Ratio)								

Source: SPSS 26, Processed by the Author

The results of the multicollinearity test showed a *Variance Inflation Factor* (VIF) of 1.577 and a Tolerance value of 0.634. It can be concluded that there is no multicollinearity between independent variables because the tolerance value is greater than 0.10 and the VIF is less than 10. This shows that in the regression model, the variables of Player Rating and Transfer ROI are independent of each other.

Heteroscedasticity Test

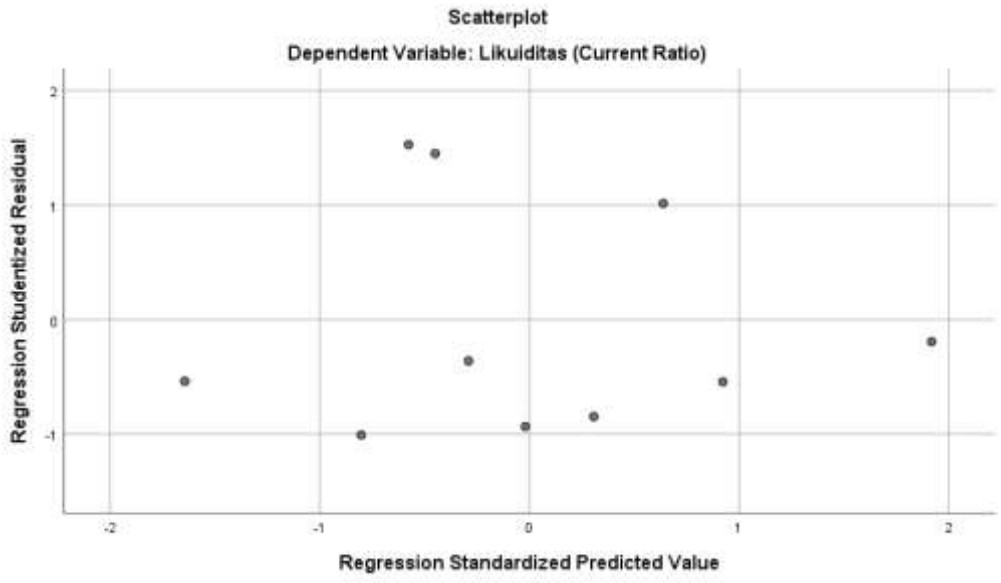

Figure 1. Heteroscedasticity Test

The data points are randomly scattered, either above or below the number 0 on the Y axis, based on the results of the heteroscedasticity test using a scatterplot graph. Since there are no obvious patterns, such as waves or spreads, it can be concluded that this regression model is free of heteroscedasticity.

Autocorrelation Test

Table 5. Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.571[a]	.326	.134	.22188	.648
a. Predictors: (Constant), ROI Transfer (Profit on Dispossal), Valuasi Pemain (Intangible Assets)					
b. Dependent Variable: Likuiditas (Current Ratio)					

Source: SPSS 26, Processed By the Author

Based on Table 5, the *Durbin-Watson* value (DW) is 0.648. This value is below the general limit (usually 1.5 - 2.5), which indicates a strong positive autocorrelation potential for this time series data. However, for the purpose of regression analysis in this thesis, the test will continue with these limitations noted.

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Table 6. Results of Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.984	1.119		1.773	.119
	Valuasi Pemain (Intangible Assets)	-1.637E-9	.000	-.404	-1.037	.334
	ROI Transfer (Profit on Dispossal)	-4.312E-9	.000	-.227	-.584	.578
a. Dependent Variable: Likuiditas (Current Ratio)						

Source: SPSS 26, Processed By the Author

Based on table 6 (Column Unstandardized *Coefficients* B), the regression equation is obtained as follows:

$$\boldsymbol{Y = 1,984 - 1.637E - 9X_1 + -4.312E - 9X_2 + \varepsilon}$$

Model Interpretation:

1. Constant () = 1.984. Indicates that if Manchester United Player Valuation and Transfer ROI are 0, then the Liquidity (αCurrent Ratio) is predicted to be 1.984.
2. Player Valuation Coefficient () = -1.637E-9: The value of the negative coefficient indicates the direction of the opposite relationship. However, this value is very small (close to zero). The value of the negative coefficient indicates an inversely proportional relationship. Any increase in the Player's Valuation (intangible assets) will decrease $\beta_1$the Current Ratio. This means that the strategy of piling up expensive players actually puts a strain on short-term liquidity, most likely due to the increase in short-term transfer payables that accompany the purchase.
3. Transfer ROI Coefficient () = -4.312E-9: The value of the negative coefficient indicates that the increase in ROI is actually followed by a decrease in liquidity in this model, but the value is also very small.β_2

Partial Test (t-test)

Table 7. Partial Test Results (t-test)

Hipotesis	Coefficients[a]							Hasil
	Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
			B	Std. Error	Beta			
	1	(Constant)	1.984	1.119		1.773	.119	
H1		Valuasi Pemain (Intangible Assets)	-1.637E-9	.000	-.404	-1.037	.334	**Ditolak**
H2		ROI Transfer (Profit on Dispossal)	-4.312E-9	.000	-.227	-.584	.578	**Ditolak**
	a. Dependent Variable: Likuiditas (Current Ratio)							

Source: SPSS 26, Processed By the Author

The purpose of the t-test is to determine the partial contribution of independent factors to the dependent variable. By referring to Table 7, the following results were obtained:

1. Effect of Player Valuation (X1) on Liquidity (Y): With a Sig. value of 0.334, a t value of -1.037 was found. The alternative hypothesis (H1) was rejected because Sig. 0.334 > 0.05. This shows that the financial liquidity of a club is not too affected by the assessment of player value.
2. Effect of Transfer ROI (X2) on Liquidity (Y): Obtained a t-value of -0.584 with a Sig. value of 0.578. Because the value of Sig. is 0.578 > 0.05, H2 is rejected. This means that the rate of return on investment (ROI) from player transfers does not have a significant impact on liquidity positions.

Simultaneous Test (F Test)

To determine whether all independent factors together have an influence on the dependent variables, simultaneous testing, also known as testing F, is performed.

1. H0 : There is no significant effect simultaneously (together) of the Player Valuation variable (X1) and the Player Transfer ROI variable (X2) on Financial Liquidity (Y)
2. H1 : There is a significant influence simultaneously (together) of the Player Valuation variable (X1) and the Player Transfer ROI variable (X2) on Financial Liquidity (Y)

The basis for decision-making in this study uses a probabilistic approach with a significance level (α) of 0.05. The test conditions are based on a probability value (Sig.) where H0 is accepted if the Sig. value > 0.05, and vice versa H0 is rejected if the Sig. value < 0.05.

Table 8. Simultaneous Test Results (F Test)

ANOVA[a]							Hasil
Model		Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	.167	2	.083	1.694	.251[b]	Ditolak
	Residual	.345	7	.049			
	Total	.511	9				
a. Dependent Variable: Likuiditas (Current Ratio)							
b. Predictors: (Constant), ROI Transfer (Profit on Dispossal), Valuasi Pemain (Intangible Assets)							

Source: SPSS 26, Processed By the Author

The calculated F-value, with a significance threshold of 0.251, is 1.694 based on Table 8. Hypothesis 3 (H3) was rejected because the Sig. value was 0.251 > 0.05. It is concluded that the Player Valuation and Transfer ROI simultaneously have no significant effect on Manchester United's Financial Liquidity.

Coefficient of Determination) (R^2)

To assess the extent to which the model explains variations in dependent variables, a determination coefficient *(R^2) analysis was performed.* The *Adjusted R Square value* was chosen as a reference because this study involved several independent variables. This indicator was chosen because it provides a more objective and accurate assessment of the addition of variables in the model.

Table 9. Increase the Coefficient of Determination (R^2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.571[a]	.326	.134	.22188	.648
a. Predictors: (Constant), ROI Transfer (Profit on Dispossal), Valuasi Pemain (Intangible Assets)					
b. Dependent Variable: Likuiditas (Current Ratio)					

Source: SPSS 26, Processed By the Author

The Adjusted R Square value of 0.134 (13.4%) in Table 9 shows that the influence of the Player Valuation and Transfer ROI variables on Financial Liquidity is weak. The model's contribution was only 13.4%, while 86.6% of the variation of dependent variables was determined by other variables outside the study.

DISCUSSION

The results of this study refute the hypothesis put forward and reveal a deeper structural reality regarding the financial management of elite football clubs. The insignificance of this statistic is not an absence of meaning, but a strong indication of systemic financial management anomalies.

The Paradox of Asset Valuation*: The Window *Dressing Phenomenon

The finding that player valuations have no significant effect on liquidity confirms the limitations of the application of IFRS/IAS 38 in assessing the real health of clubs. Although Manchester United's balance sheet looks "fat" with intangible assets reaching £837 million in 2024, these assets are *illiquid*. This creates a *window dressing* effect, where the high value of assets on paper masks the true fragility of liquidity. This is in line with the findings of Gamayuni, (2015), but in this case, the negative effects are exacerbated by the structure of transfer debt. The proportion of transfer *payables* dominates an average of 45% of total current liabilities, even reaching 67% in 2024. This means that any increase in a player's assets is accompanied by a much more aggressive short-term payment obligation, negates the potential for liquidity improvements.

ROI Conversion Failure: Hand-to-Mouth Business Model

The insignificance of the Transfer ROI to liquidity explains that the profits from the sale of players at Manchester United failed to settle into cash reserves. This proves that the club is trapped in a *hand-to-mouth* business model . Even positive cash inflows from transfer activities (*proceeds*) are immediately absorbed or "evaporated" to cover massive operational expenses, especially salary expenses. Data shows that the average payroll to income expense ratio reached 54%, with a peak of 66% in 2022. This high fixed cost causes the cash surplus from transfers to never be sufficient to permanently improve the current asset's position. These findings support the view (Sánchez-Apellániz, M. Alaminos & Fernández, 2024) that profitability (ROI) does not necessarily improve solvency if cash outflow management is not controlled.

Structural Issues Outside of Player Trading

The low coefficient of determination (13.4%) confirms that Manchester United's liquidity crisis is a structural problem, not just a transfer strategy problem. A persistent working capital deficit (Current Ratio < 1.0 over a decade) suggests that clubs rely on short-term debt and revolving credit facilities to survive, regardless of how successful or unsuccessful their player buying and selling activities are.

CONCLUSIONS AND RECOMMENDATIONS

The study concluded that aggressive player valuation strategies and transfer ROI performance did not have a significant impact on restoring the financial liquidity of Manchester United PLC. The club's liquidity problems proved to be structural due to the adoption of *a hand-to-mouth* business model, where cash inflows were absorbed by high salary burdens and bloated short-term transfer debt, creating a gap between the value of assets on the balance sheet and the availability of cash real. As a practical recommendation, Manchester United's management was advised to restructure short-term debt (*transfer payables*) into long-term and tighten the control of salary burdens, instead of relying on player sales as a cash flow solution. For regulators, these findings suggest the need for stricter supervision of liquidity ratios beyond the current *Financial Fair Play* break-even rules.

ADVANCED RESEARCH

This study has limitations in a single case study design and a limited number of *time series* samples (N=10), and only uses *the Current Ratio* as a single proxy. The researcher is further advised to expand the object through comparative studies between European clubs, add variables of salary *bill* that are indicated to have a strong effect, and use more conservative liquidity indicators such as *Quick Ratio* or *Cash Ratio*.

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