International Journal of Science and Research (IJSR)
ISSN (Online): 2319-7064
Impact Factor (2012): 3.358

The Implementation of UEFA Financial Fair Play: An Analysis of Financial Performance of Manchester United

[1]Ardi Gunardi

[1]Pasundan University Bandung, Indonesia

Abstract: ***This study is aimed at analyzing the implementation of UEFA Financial Fair Play (FFP) in European football club namely Manchester United, a prominent club from England. This implementation is reflected on the club's financial statements of the year 2010, 2011, 2012, and 2013. The analyzes were conducted on the club's financial statements and the simulation result of the implementation of the UEFA FFP break-even in accordance with the conditions set by the UEFA. The analyses were also conducted on the club's financial performance ratios related to the implementation of the UEFA FFP. The result shows that Manchester United could meet the standards in the provision of UEFA implementation of the UEFA FFP. The performance of the profitability and solvency aspects need to be considered in the implementation of the UEFA FFP regarding to the high salaries and debt owned by Manchester United. An investment in football club is quite profitable, but the risk of debt owned is large too.***

Keywords: financial statements, financial performance, Manchester United, UEFA Financial Fair Play

1. Introduction

The financial report is a product of financial reporting processes regulated by the standard and accounting rule, manager incentives, and mechanisms for the implementation and supervision of the company. Understanding the financial reporting environment needs to be accompanied by an understanding of the object and underlying concepts of accounting information presented in the financial statements. This knowledge will help well in seeing the real financial position and performance of companies (Subramanyam and Wild, 2009).

The financial statements play an important role in the business world, as a disclosure medium photographing figures emerging from the various activities of the company. A financial statement reflects a business activity, so as to analyze the financial statements is part of a business analysis that cannot be separated.

As times goes by, the development of the business world is not limited to the manufacturing sector, trade, and banking course. The football (or also called soccer) has now been transformed into a promising new business area (Chariri and Siddik, 2013). Soccer business is so much tempting, thus attracting the attention of investors to invest in the business of football clubs. In addition to attract the investors, football also attracts the attention of several well-known sponsors such as Adidas and Nike apparel, automotive companies sponsoring Jeep Juventus FC, Standard Chartered Bank sponsoring Liverpool FC (Haryoprasetyo and Kiswara, 2013).

A football club has the opportunity to obtain various external funding sources regarding to the investment of shares between investors and companies. The fact that football is very popular, it lets a football club make a profit from the sale of match tickets, club merchandise, sponsor products, television broadcasting rights to the sale of the club's own players. The unique characteristic of football can be seen from the nature of matches where each football club experiences a reciprocal dependence (Sutherland and Haworth, 1986), and from the emotional influence given to the customers (Devi, 2004). The uniqueness of the football industry cannot be separated from the accounting issue inherent in it, especially with regard to the recognition and disclosure of the players in the financial statements of the club (Chariri and Siddik, 2013). Thus, the important role of financial reports later emerges as a medium of communication between the stockholders and management of a football club.

Realizing the development football industry, The Fédération Internationale de Football Association (FIFA) as the highest body in soccer, issued an official regulation named FIFA Regulations Club Licensing to ensure that the sport of soccer is does not go overboard. One of the contents of the regulation contains financial criteria which focus on the management and financial reporting of football clubs in the world.

The FIFA Transfer Matching System 2012 showed 11.2 soccer player transfers around the world with a total transfer value of 2.53 billion U.S. dollars, equivalent to 25.3 trillion rupiah (Soepriyanto, 2013). This phenomenon shows that there has been the development of football club as a commercial and increasingly globalized industry, thus requiring the clubs to start improving themselves by increasing their capacities in financial management, including looking for fresh additional funds from investors. The easiest way for the clubs to do is to look for a sugar daddy (someone or wealthy investor willing to capitalize the club). A recent example is the Manchester City owned by an oil businessman from the United Arab Emirates namely the Sheikh Mansour. An alternative to this is to conduct an initial public offering (IPO).

An empirical study related to the football clubs listed on the stock exchange conducted by Scholtens and Peenstraa (2009). They analyzed 1,274 matches for the 8 teams that competed in national competition and Europe in the period 2000-2004. They found that stock market investors responded positively and significantly to the victory of the clubs and vice versa. Furthermore, Benkraiem et al. (2011) found that the performance of the club influences the stock price volatility of the clubs.

Planning of football club in Indonesia for the IPO has been initiated by Persib Bandung (PT Persib Bandung Bermartabat). A breakthrough that should be appreciated by many people where an Indonesian football club planned to go public, so it is not expected that it will have dependence on the government budget anymore. However, until now the IPO plan has not been implemented. Of course, it is not an easy thing to convince many people, both exchange managers and regulators which are needed in ensuring the feasibility of soccer club listing on a stock exchange. In addition, when viewed in terms of financial accountability, the football clubs listed on the stock market have better quality management and financial transparency (Baur and McKeating, 2011).

An increasing competition in the world of football requires the football club to manage everything toward a betterment, which is to a more accountable and transparent club. The research result of Tsagkanos and Dimitropoulos (2012) shows that the quality of corporate governance of football clubs is very influential in pushing the club to achieve a higher profit and or have a greater ability to survive.

Union of European Football Associations (UEFA) and especially the President of UEFA, Michel Platini, are very concerned about the latest development of European football competition. Many clubs have repeatedly reported about their financial deficit that led to a record of highest debt level in recent years. In addition, the private owners and other equity holders increasingly expand their influence on the professional football clubs. Therefore, some clubs experienced liquidity problem and other problems such as inflation in wages and increasing transfer price that is not logical. While on the other hand, there were clubs who managed to climb up to the top of European league with the help of external funds (private funds of the owner of the club).

In addition, European football has basically been dominated by oligopolies of approximately ten European giants (including FC Barcelona, Real Madrid, Manchester United, Bayern Munich, Chelsea, or Manchester City, and others) that will keep going away from other competitors.

This situation will certainly have a negative impact if the club owner uses his influence to spend a large amount of money to buy players and it may lead to the loss suffered by the club. Chelsea, Manchester City, and Paris Saint-Germain (PSG) are the example who have spent cash massively in pursuit of glory and profit of a this business club. This contributes to an increase of the debt level of European clubs, accompanied by a decrease in the competitive rivalry between the rich clubs and poor clubs in Europe.

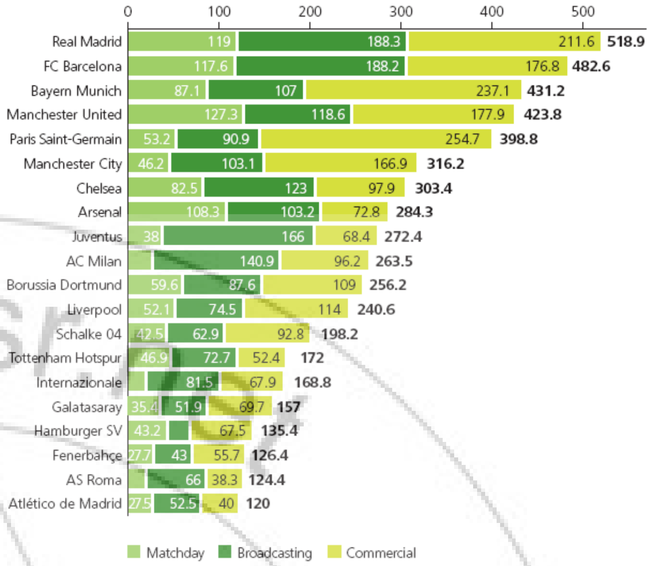

Figure 1: Money League Clubs Revenues by Source (€ million)
Source: Deloitte (2014)

This development is expected to threaten the financial stability as well as change the balance of competition, not only among the clubs but also among the European football leagues. Club purchase made by Roman Abramovich and Sheikh Mansour bin Zayed Al Nahyan made the Agency European Football (UEFA) open eyes wide. It is because the acquiring of Chelsea and Manchester City were accompanied by the action of spending money. It is undeniable that since owned by Abramovich, Chelsea has poured tens of trillions of dollars. And so the Manchester City since Sheikh Mansour controlled.

These occurrences did not directly encourage the UEFA Financial Fair Play rules apply (FFP) in the 2011-12 season. This rule is useful to reduce club spendings which are considered not reasonable and could ruin football. UEFA FFP provides a regulatory framework to prevent the club to fall into in huge debt while ensuring that the funding is rooted from financial resources or funds owned by the club itself.

UEFA will conduct an assessment of the club over the limit of tolerance deviation to determine whether the club will be subject to sanction or not. The reinforcement of this rule will make the club more careful in using money, especially in the transfer of players and the player payroll activities. Each club is expected to maximize the level of operating income and other sectors for expenditure activity, rather than using the personal wealth of the owner of the that club. It results a problem though. The clubs used to spend money freely, primarily to the activity in the transfer market, now they have to keep up with the revenue side in order to qualify break even requirement set by UEFA.

Manchester United (MU) is an example of public football club which has been managed professionally. In order to meet the accountability aspect to the parties concerned, MU is required to be able to account for and report all forms of fund management activities. These must be conducted openly and transparently. All information is presented in the financial statements. As set out in the International Accounting Standard (IAS), the purpose of financial reporting is to provide information regarding the financial position, performance and changes in financial position of an entity that is useful for the stakeholders in making economic decisions.

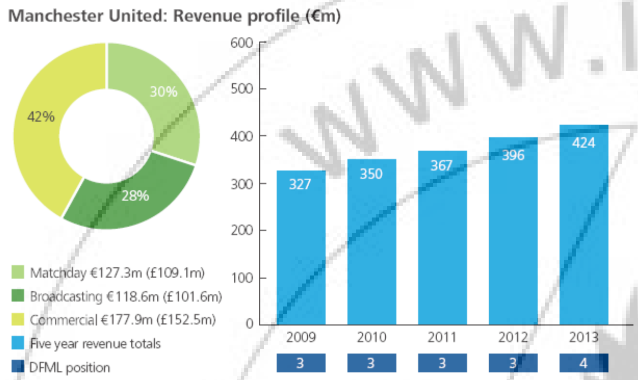

Figure 2: Money League Clubs Revenues by Source (€ million)
Source: Deloitte (2014)

In the last 3 years, Manchester United experienced a quite good growth in its income as can be seen from the income of match-day, broadcasting, and commercial. The researcher here chose England Premier League (Manchester United) as the object of study because the Premier League is often referred to as one of the best domestic competitions and the competitive one in Europe.

Premier League of 2010/2011 season is named the most watched league in the world with an annual TV audience statistic reached 4.7 billion viewers (www.premierleague.com). Due to the limitation of the data, that is not all the league clubs publish their financial statements in the stock market, the author chose Manchester United as the data sample.

Based on these phenomena, the researcher tried to raise the issue of Financial Fair Play as a topic of the study and analyze the implementation of the UEFA FFP at Manchester United with reference to the financial statements of the club for four years (during the period 2010-2013).

This study aims to analyze how Manchester United present its financial statement format as defined in the UEFA Club Licensing rules regarding the minimum presentation of financial statements should be presented by European football clubs. This research is also aimed at knowing Manchester United qualification and comparing the financial statements requirements in accordance with the UEFA license with common standards set by IAS 1.

Furthermore, this research aims to know the implementation of the UEFA FFP at Manchester United as can be seen from its financial statements in 2010-2013. In addition, it is also aimed to know the preparation and qualifications of the clubs to the implementation of FFP began in 2014. The ratio analysis is done to know the club's financial performance for the year 2010-2013.

2. Literature Review

The Presentation of Financial Statements

IAS 1, entitled Presentation of Financial Statements sets things necessary in preparing the financial statements as a whole, the instructions to the structure of financial statements and minimum requirements regarding the contents of the financial statements. The goal is as a basis for preparing the financial statements to ensure the comparability with previous periods or with the financial statements of other entities (Comparability). IAS 1 defines that a complete set of financial statements should consist of: 1) A statement of financial position at the end of the period, 2) A statement of comprehensive income for one period, 3) A statement of change in equity for one period, 4) A statement of cash flow for one period, 5) Notes which contain significant accounting policies and other explanatory information.

The company is allowed to use another title to their financial statements in addition to the title set by the IAS. The company also can present profit or loss as part of a statement of comprehensive income, or presented in a separate income statement. If the income statement is presented, then the report becomes part of a complete set of financial statements. Income statement is displayed immediately before the statement of comprehensive income.

FIFA as an organization and the highest authority in world football issued FIFA Regulations Club and Licensing containing the regulations that must be obeyed by its members throughout the world. One of the rules is financial criteria of football club, written in Article 10 entitled financial criteria. In the article, it is written that the recording preparation and the presentation of financial statements of entities (clubs) differ between countries depending on the social, economic, and local laws across countries. FIFA states that the implementation of the financial criteria will provide challenges for associate members of both countries and of football clubs.

Here is a financial criterion set by FIFA where each club must provide minimum financial statements include: balance sheet, profit and loss account, and notes prepared and audited by independent auditors.

As for European football, the UEFA as the ultimate authority of European football also has special rules regarding the presentation of the minimum that must be contained in the annual financial statements of European football clubs. The regulations are contained in the UEFA Club Licensing and Financial Fair Play Regulations (2012) as a condition of license that will be granted by the UEFA to the European football clubs so that they are able to compete in European football competition (UCL and

UEL). As written in the licensing regulations in Article 47, the minimum presentation of the financial statements of European clubs are as follows: a) Balance sheet, b) profit and loss account, c) Cash flow statement, d) Notes, e) Financial review by management.

UEFA Financial Fair Play (FFP UEFA)

To solve the problem that has engulfed the financial health of European football, UEFA established a set of rules called the UEFA Financial Fair Play and regulations listed in the official UEFA Club Licensing and Financial Fair Play Regulations (2012).

UEFA will conduct club assessment on the break even requirement over three reporting periods: (i) the reporting period ending in the calendar year of UEFA competition (T), (ii) the reporting period ending in the calendar year prior to the start of the UEFA club competitions (T- 1), (iii) and the reporting period the previous year (T-2). For example, the monitoring period in the season 2015/16 includes the reporting that ends in 2015 (T), 2014 (T-1), and 2013 (T-2). Following are points of UEFA FFP break-even limit.

Table 1: UEFA FFP Break Even Limit

Acceptable Deviation Levels						
Monitoring Period	*Number of Years*	*Financial Statement Years*			*Acceptable Deviation (€m)*	
		T-2	T-1	T	Covered	Not Covered
2013/14	2	N/A	2012	2013	45	5
2014/15	3	2012	2013	2014	45	5
2015/16	3	2013	2014	2015	30	5
2016/17	3	2014	2015	2016	30	5
2017/18	3	2015	2016	2017	30	5
2018/19	3	2016	2017	2018	<30	5

In addition, the UEFA Club Financial Control Panel may also request the club to provide additional information relating to the financial condition when the following circumstances discovered: a) the salaries of employees (employee benefits) exceeds 70% of the total, b) revenue net debt (net debt) exceeds 100% of the total revenue.

Ratio Analysis on Financial Statements

Kieso, Weygand, and Warfield (2008) state that the readers of financial statements can obtain information by examining the relationship between items in the financial statements and identifying the trend of that relationship. The relationship can be expressed numerically in the ratios and percentages and identified through comparative analysis.

One of the tools frequently used in the analysis of those statements is ratio analysis. Some of the main types of ratio analysis is as follows: 1) Liquidity ratio, to measure the company's ability to repay short-term debt maturities less than 1 year, 2) Solvency ratio, to measure the performance of the company in the long-term obligations and manage loans, 3) Profitability ratios, to measure the level of success of a company that can be reflected in the profit/loss earned in a given time, 4) The activity ratio, or the ability to measure the effectiveness of the company to manage assets owned.

3. Research Methods

The method used is qualitative method by studying literature with the aim to analyze the implementation and effect of UEFA FFP over the financial reporting of European football club. Manchester United was chosen as object and sample of research due to the fact there may be interesting fact to to analyzed based on the purpose of this study, namely in the presentation of its financial statements primarily related to the income and expenses associated with the implementation of the club's UEFA FFP regulations. In addition, the access to the financial data of the club can also be easily obtained because it is listed on the stock exchange and also announced in the club's official website. Because of these factors, the author selected Manchester United as a sample in this study.

Data used in this study is secondary data. The data is in the form of annual report in which there are reports that will be scrutinized. The report was published on the official website of the Manchester United (http://ir.manutd.com) and it becomes research object. A yearly report released also uses different name, namely the Annual Report on Form 20-F (Manchester United). Moreover, the authors also use other secondary data which are literatures on the financial statements of the football club such as Deloitte Football Money League and references on other football clubs.

The author will begin the discussion by generally looking Manchester United's operating and reporting its financial transactions in the financial statements. The analysis will be performed on the financial statements based on UEFA Club Licensing clubs which have been applied the by UEFA since 2010. Then the author will analyze the influence of the UEFA FFP on the financial reporting of Manchester United. It includes the discussion regarding the determination of the relevant revenues and relevant expenses according to UEFA in the calculation of break-even in Manchester United's financial statements. The calculation will be made to the financial statements in the year 2010-2013. The ratio assessment of club financial performance for the year 2010-2013 will be conducted and its influence on the adoption of UEFA FFP. The discussion will end with the conclusion of the qualification of Manchester United with regard to the UEFA FFP and the influence of the club's financial performance in the implementation of the UEFA FFP.

4. Results and Discussion

In this section we will be discussing the implementation of UEFA FFP at Manchester United football club. But before going into that section, the analysis will be carried out in general about the presentation of financial statements conducted by the club as defined in the UEFA Club Licensing rules regarding the minimum presentation of financial statements which should be presented by the European football club. This is to know the qualification of Manchester United as well as to compare the financial statement presentation requirements according to the UEFA license with the common standards set by IAS 1.

After that, the simulation of UEFA FFP implementation will be conducted on the financial statements of the year 2010-2013 to find out the club preparation and qualifications of the implementation of FFP began in 2014. Next is to carry out ratio analysis of the club's financial performance for the year 2010 -2013.

Comparison of Financial Statements

Manchester United is a football club with a go public status. Manchester United's stock has been traded on New York Stock Exchange (NYSE) since August 2012. This status of go public certainly made a difference to the format and complexity of the financial statements that Manchester United produces compared to other football clubs that are not publicly traded. This is because the companies that have been go public are required for a better transparency in its financial statements as a consequence of the implementation of good governance. This is in line with research of Baur and McKeating (2011) saying that the listed football clubs have better quality management and financial transparency.

Unlike common companies which generally end the accounting period on December 31, Manchester United ends the accounting period for recording financial statements as of June 30 (Manchester United). It is influenced by the cycle of European football which is different from other business industries. The cycle of football industry follows the European football competition organized by UEFA and the calendar customized with the UEFA and FIFA. General comparison of the financial statements of Manchester United is presented in the following table.

Table 2: Financial Statements

Name of Club	Manchester United
Date of Financial Statement	June 30
Reporting Period	July 1 to June 30
Presented Financial Statements	▪ Consolidated Income Statement ▪ Consolidated Statement of Comprehensive Income ▪ Consolidated Balance Sheet ▪ Consolidated Statement of Change in equity ▪ Consolidated Statement of Cash Flow ▪ Notes to the Consolidated Financial Statements
Currency Used	Pounds are presented in (£000's)
References in the Preparation of Financial Statements	IFRS

From the Table 2 we can see the general presentation of the financial statements carried out by Manchester United. Manchester United has been using IFRS since 2011. Moreover, Manchester United shows the statement of change in equity. This is because Manchester United is listed on New York Stock Exchange so it is required to do a presentation of financial statements in accordance with applicable regulations.

Based on the observation of a set of financial statements presented by Manchester United, it appears that there is a difference in the fulfillment of IAS 1 as the basis of an entity's financial statements. Meanwhile, when observation is done on the financial statements presentation prepared by Manchester United to the UEFA Club Licensing and Financial Fair Play Regulations set by UEFA, it can be seen that the Manchester United showed a complete report by providing all financial components as a whole set of UEFA licensing regulations. This club license regulation is a requirement for clubs to obtain a license in order to follow the European football competition organized by UEFA (UCL and UEL).

The comparison of the financial statement components on the club between IAS 1 and the financial statements presented in licensing regulations set by UEFA can be seen through the following table.

Table 3: Components of Financial Statements (IAS) and the Financial Statements (UEFA)

IAS 1	Manchester United	UEFA Club Licensing	Manchester United
Statement of Financial Position	Consolidated Balance Sheet	Balance Sheet	Consolidated Balance Sheet
Statement of Comprehensive Income	Consolidated Income statement and Consolidated Statement of Comprehensive Income	Profit and Loss Account	Consolidated Income statement and Consolidated Statement of Comprehensive Income
Statement of Change in Equity	Consolidated Statement of Change in Equity	Cash Flow Statement	Consolidated Statement of Cash Flow
Statement of Cash Flow	Consolidated Statement of Cash Flow	Notes	Notes to the Consolidated Financial Statements
Notes to the Financial Statement	Notes to the Consolidated Financial Statements	Financial Review by Management	Operating and Financial Review

Based on Table 3 it can be seen that regarding the presentation of the financial statement components, Manchester United showed a complete report by providing all financial components in accordance with the financial rules written in IAS 1. Entitlement in respect of the financial statements, Manchester United still uses the title of the balance sheet for the Statement of Financial Statement. Then for the Income Statement that can be presented separately as set by IAS, Manchester United uses the title Income Statement. For the component other financial reports, Manchester United has used the title accordance with the rules of IAS 1. This is because the status of Manchester United is listed on the NYSE that requires to perform a complete presentation of financial statements in accordance with IFRS.

Based on Table 3, it can also be seen that all components required by UEFA in preparing the financial statements have been met by Manchester United. Each report is presented complete and audited by independent auditors. Differences in the title of the report contained in the UEFA rule is not a problem because there are no specific rules regarding the title of the report to be used. Then when explored further in Table 3, there are differences in the components of financial statements that are required by the IAS and by the UEFA Club Licensing regulations. UEFA does not require European football clubs to present the Statement of Changes to Equity as required by IAS in preparing the financial statements, but UEFA asks each club to present a financial review, which is a review about the financial state of the club during a certain period. Through the financial review, UEFA can also assess the financial state of clubs in general and the readiness of the club in the UEFA FFP implementation. Based on T able 3, it can also be concluded that the Manchester United meets the financial criteria required by UEFA as one of the UEFA license conditions in terms of financial statement presentation.

The Implementation of UEFA Financial Fair Play

The thing to note is that UEFA does not require clubs to break even in the early years of the implementation of FFP. Therefore the UEFA introduced the concept of acceptable deviation that facilitates the club as a sustainable model toward the break-even point in the future. A concept defined as acceptable deviation set out in the UEFA Financial Fair Play Regulations will be discussed soon.

Here is a calculation simulation of relevant income and expenses of Manchester United in accordance with UEFA FFP regulations excerpted from Manchester United plc's Annual Report on Form 20-F for the last 4 years.

Table 4: Manchester United Income (£ million)

Manchester United Income	2010	2011	2012	2013
Match day	105,8	110,8	98,7	109,1
Broadcasting	103,3	117,2	104,0	101,6
Commercial	77,3	103,4	117,6	152,4
Football Turnover	286,4	331,4	320,3	363,1
Other operating income	-	-	-	-
Total Turnover	286,4	331,4	320,3	363,1
Profit on player sales	13,4	4,5	9,7	9,2
Profit on disposal of fixed assets				
Finance income	1,7	1,7	0,8	1,3
Gross Income	301,5	337,6	330,8	373,6
Exclusion				
Non-monetary credits				
Income transaction with related party above fair value				
Income from non-football operations				
Relevant Income	301,5	337,6	330,8	373,6

In Table 4 is shown the overall income earned by Manchester United over the last 4 years. The entire income of Manchester United has no any entry in the specified exceptions set by UEFA regarding the relevant income for the calculation of FFP because the company's activities are fully focused on the football club activities.

The Relevant income owned by Manchester United fluctuated in the last 4 years. The decline occurred in 2012 due to a decrease in achievement. Manchester United failed to become Premier League champion and to reach the final of the UCL as the club won in 2011. This bad result causes a decrease in revenue from broadcasting and matchday revenue of the club.

While the calculation of the expenses owned by Manchester United according to UEFA regulations are as follows:

Table 5: Manchester United Expenses (£ million)

Manchester United Expenses	2010	2011	2012	2013
Cost of property sales	-	-	-	-
Wages expenses	131,7	153,0	161,7	180,5
Other operating expenses	52,3	68,8	67,0	74,1
Exceptional Items	2,8	4,7	10,7	6,2
Depreciation	8,6	7,0	7,5	7,8
Player Amortization	40,1	39,2	38,3	41,7
Finance costs	110,3	53,0	50,3	72,1
Gross Expenses	345,8	325,7	335,5	382,4
Exclusion				
Expenditure on youth development activities	10,0	10,0	10,0	10,0
Expenditure on community development activities	2,0	2,0	2,0	2,0
Exceptional items	2,8	4,7	10,7	6,2
Non-monetary debits/charges	-	-	-	-
Finance costs attributable to the construction of fixed assets	-	-	-	-
Expenses of non-football operations not related to the club	-	-	-	-
Depreciation/Impairment of tangible fixed assets	8,6	7,0	7,5	7,8
Amortization/Impairment of intangible fixed assets	-	-	-	-
Tax expense	-	-	-	-
Relevant Expenses	322,4	302,0	305,3	356,4

Table 5 shows the overall expenses which are owned by Manchester United over the last 4 years and calculated according to the provisions of relevant expense by UEFA. Exceptions are made on the depreciation, exceptional items, as well as the expense generated for the infrastructure development for the coaching of young players and the club community. The assumption is also made to the amount of expense generated for the coaching of young players and the club community as the value of investments in this sector is not found in the financial statements of the club. The number of these assumptions is £10 million and £2 million per year.

Relevant expense owned by Manchester United suffered a decline in 3 years (2010-2012), while in 2013 it underwent a significant increase. The highest value of the expense occurred in 2010 when the finance costs (predominantly interest payable) reached a value of £110.3 million and continued to decline up to £50.3 million in 2012. However, it increased in 2013 amounted to £72.1 million. The salary expense owned by Manchester United also continued to increase for 4 years and reached £180.5 million in the year 2013. This gives a prove that salary is the biggest expense and the focus which needs to be considered for European clubs in facing UEFA FFP.

Based on the calculation of relevant income and expense, the break even produced by Manchester United over the last 4 years can be shown as follows:

Table 6: Manchester United Break Even (£ million)

Manchester United Break Even Result	2010	2011	2012	2013
Relevant Income	301,5	337,6	330,8	373,6
Relevant Expenses	322,4	302,0	305,3	356,4
Break even	(20,9)	35,6	25,5	17,2

The acceptable deviation according to the UEFA is €45 million. If this is converted into sterling currency used in the financial statements of the club in the UK totaled £38 million (€1 = £0.8455). When compared with the simulation result of the break even for Manchester United during the year 2010-2013, it can be seen that Manchester United still meets the qualifications or standards set by UEFA. The deficit occurred in the year 2010 amounted to £20.9 million, but that number could still be covered by the owner because it is below the acceptable deviation of £38 million.

The increase occurred in the next 3 years when Manchester United could reduce the expenses obtained mainly from the sector of finance the cost caused by the repayment of certain debt conducted at the end of 2010, although there is a tendency to re-decline every year. Manchester United also gained a considerable increase in the business income which was caused by the club's success in winning the English Premier League and because MU reached the final of the UEFA Champions League in 2011. This increase results a quite high surplus and it makes Manchester United fulfill UEFA standards. Based on these data, it can be concluded that Manchester United is also not getting the problem in dealing with the implementation of the UEFA FFP and obtaining a license in order to follow the European club competition.

In practice, the assessment conducted by UEFA in 2013/2014 is for the club's financial statements ending in 2012 and 2013. Based on the results obtained, the break even of Manchester United is £17.2 million for 2013. This amount decreases compared to the previous year. Then it can be concluded that the achievement of Manchester United in 2013 is good enough to make it eligible to break even on the set of UEFA assessment conducted in 2014.

The Analysis of Club Financial Performance Based on Financial Ratios in the UEFA FFP Implementation

Based on the empirical study of Ecer and Boyukaslan (2014), nowadays financial performance evaluation is very important to the club managers, investors, credit financial institutions, competitors, and other stakeholders. This is because the success of the club's financial performance plays a fundamental role in the success of the football club.

Financial ratios are calculated based only on the data that are actually available and can be used in calculating financial ratios of the club. Referring to the data available in the club's financial statements, the numbers are entered into the formulas to calculate financial ratios. The club's financial performance ratios are presented in the following table:

Table 7: Analysis of Club's Financial Performance based on Financial Ratios

Ratio	2010	2011	2012	2013
Liquidity:				
Current Ratio	1,32	0,82	0,65	0,69
Quick Test Ratio	1,31	0,82	0,64	0,69
Solvability				
Debt Ratio	1,04	0,78	0,75	0,6
Debt to Equity Ratio	-26,93	3,61	3,03	1,5
Profitability				
Return on Assets Ratio	-0,05	0,01	0,02	0,14
Return on Equity Ratio	2,76	0,14	0,10	0,43
Return on Sales Ratio	-0,17	0,04	0,07	0,4
Activity				
Total Assets Turnover Ratio	0,29	0,33	0,33	0,35
Receivables Turnover Ratio	6,65	6,64	4,94	5,09

In Table 7, it can be seen that Manchester United has level of liquidity that is considered less liquid. The level of liquidity decreased in the last two years, namely 2011 and 2012, although in 2013 it experienced an increase. This demonstrates that the ability of Manchester United to fulfill its current debt (obligation) is not good enough.

Current assets owned by Manchester United cannot be fully used to cover all of its current debt. This is because the amount of debt or obligation of Manchester United is high. More liquid non-current assets is the the cause of the small level of liquidity of Manchester United. This is because the football players are easier to sell or to convert into cash than other current assets. Often a football club pays its debts by selling its football player, not by using the cash.

From the overall result of the study regarding the solvency performance, Manchester United is considered quite solvable. This can be seen from the continuing decline in 2011-2013. Manchester United could improve the level of solvency and show the better trends compared to the year 2010 when its solvency could jeopardize the position of creditors because the club was insolvable (has less solvency). The level of loss risk was getting smaller, meaning that the funding from debts became lower day by day. Therefore the credit risk of Manchester United got smaller every year. This can be a consideration for investors and sponsors who want to invest in Manchester United.

Based on the result of profitability ratio analysis, Manchester United was pretty good. Every year the profitability of Manchester United increased, although there was a decline in 2012 and 2013. Manchester United was quite profitable; it can be seen by the increasing profit experienced every year. This gives information / positive signal to investors and sponsors that Manchester United was rated profitable and worth it for the investment.

Viewed from the ratio of the activity, Manchester United was quite well in managing its assets. Only in 2012 it experienced a decrease. This may be influenced by Manchester United's performance in 2012 which also declined. None of the competitions could be won by Manchester United, and thus affected its income.

The results of this study support the research of Kase et al (2006) which states that a good financial is influenced by success of the football team in a competition. Good asset management, in this case is the management of a football player, influences the finance of a football team. The team that won a competition has a better financial level than teams that do not win. Indirectly, the whole management team in a competition will affect the finance of the team itself, both in terms of profit and revenue of the team.

From the ratio of total asset turnover it can be seen that the club has a not so good ratio, indicating the use of assets that is not very effective in gaining revenue. The ratio receivable turnover which was high enough shows that the club had a low level of account receivable as well as the collection of account receivable. These could be controlled efficiently. These account receivables consist of receivable sale of players to other clubs and advanced earnings received by the club from other companies such as parties in sponsorships.

For the football club, the use the asset has no direct influence in obtaining revenue. The revenues of football club focusing on the activity of the football in the competition (matchday, broadcasting, commercial) are different from revenues of the companies in general which use assets to earn income. Assets in the form of stadium, training center or the value of the player contracts do not directly affect club's revenue. However the revenues are more influenced by the performance of the players on the field.

A high enough ratio of receivable turnover can be seen if the club has a low level of account receivable as well as the collection of account receivable that can be controlled efficiently. Account receivables consist of receivables sale of players to other clubs and advanced earnings received by clubs from other companies such parties in sponsorships.

The financial performance of Manchester United is considered quite well. It has been able to implement its business strategy well. The IPO on the NYSE shows that MU tried to expand its business globally. Business arrangement with Chevrolet for the exclusive shirt sponsorship for the season 2014/15 shows its commitment to expand its global links. Furthermore, based on the result of the study, an increase in MU's annual profit shows how MU wants to increase its revenue margins. According to the financial performance assessment, Manchester United has implemented overall business strategy properly. As stated by Anthony and Govindarajan (2007), the purpose of performance measurement is to implement a strategy. If the financial performance of an entity is good, then it has implemented its strategy well too.

If the overall financial performance ratios of the club are associated to the implementation of UEFA FFP, Manchester United did not face any problem as long as the club could still make a profit. Or at least it qualified the break event set by UEFA if the club gained a deficit on the implementation of break-even.

5. Conclusion

Manchester United has met the minimal presentation of the financial statements set by the UEFA Club Licensing as one of the requirements to obtain a UEFA license of the financial statements. The financial statements used Manchester United apply the IFRS reference.

Manchester United had no difficulty in dealing with the implementation of the UEFA FFP. The club gained a surplus of £17.2 million in the simulation of break-even implementation set by UEFA FFP in 2013 for the assessment carried out in 2014. It is therefore the club could meet the qualification and license to take part in the European competition organized by UEFA.

The result regarding financial performance ratios, associated with the implementation of UEFA FFP, shows that the club had a problem related to solvency and worse profitability due to the amount of salaries and finance costs caused by to high debt levels. Club had expenses from debt owned, so it had high interest expense each year, making the value of profit earned fall.
This study has limitation, namely the lack of literature on accounting for the football. Therefore the study of accounting at the football club is less deep. Based on this limitation, it is hoped that the future study can use the comparative financial performance in addition to the Manchester United.

6. Future Scope

For future research, you can use comparisons of financial performance for other football clubs. And for The Football Federation can be able to make good accounting standards for football, so it can be used as a reference for football clubs in the world.

Reference

[1] Anthony, Robert N and Vijay Govindarajan. 2007. Sistem Pengendalian Manajemen 12th Buku 2. Tangerang: Karisma Publishing Group.

[2] Baur, Dirk G. and Conor McKeating. 2011. Do Football Clubs Benefit from Initial Public Offerings? International Journal of Sport Finance, 6 (1), 40-59.
[3] Benkraiem, Ramzi, Frédéric Le Roy, dan Wael Louhichi. 2011. Sporting Performances and The Volatility of Listed Football Clubs. International Journal of Sport Finance, 6 (4), 283-297.
[4] Deloitte. 2014. Deloitte Football Money League. Sport Business Group.
[5] Devi, Astri Prima. 2004. Akuntansi untuk Pemain Sepakbola. Jurnal Akuntansi dan Keuangan Indonesia, 1, 38-53.
[6] Dimitropoulos, Panagiotis E. and Athanasios Tsagkanos. 2012. Financial Performance and Corporate Governance in the European Football Industry. International Journal of Sport Finance, 7 (4), 280-308.
[7] Ecer, Fatih and Adem Boyukaslan. 2014. Measuring Performances of Football Clubs Using Financial Ratios: The Gray Relational Analysis Approach. American Journal of Economics, 4(1), 62-71.
[8] Haryoprasetyo, Riza dan Endang Kiswara. 2013. Analisis atas Kinerja Finansial Klub Sepak bola Profesional: Studi Kasus pada Manchester United PLC. Diponegoro Journal of Accounting, 2 (3), 1-8.
[9] http://ir.manutd.com
[10] http://www.premierleague.com
[11] Kase, Kimio., Gomez, Sandalio., Urrutia, Ignacio., Opazo, Magdalena and Carlos Marti. 2006. Real Madrid-Barcelona: Business Strategy V. Sports Strategy, 2000-2006. IESE Occasional Paper, 06/12.
[12] Kieso, Donald E., Jerry J. Weygandt, and Terry D. Warfield. 2008. Intermediate Accounting 12th edition International Student Version. Connecticut: John Wiley & Sons.
[13] Scholtensa, Bert and Wijtze Peenstraa. 2009. Scoring on The Stock Exchange? The Effect of Football Matches on Stock Market Returns: an Event Study. Applied Economics, 41 (25), 3231-3237.
[14] Siddik, Muhammad Hananto dan Anis Chariri. 2013. Mencari Format Laporan Keuangan yang Sesuai dengan Klub Sepak Bola di Indonesia: Studi Kasus pada Klub Sepak Bola Persema. Diponegoro Journal of Accounting, 2 (3), 1-11.
[15] Soepriyanto, Gatot. More Than a Game: Akuntansi dan Profesi Akuntan di Pusaran Bisnis Sepak Bola. Akuntan Indonesia, 59-61.
[16] Subramanyam, K. R. and John J. Wild. 2009. Financial Statement Analysis 10th. New York: McGraw-Hill Irwin.
[17] Sutherland, R.J. and Haworth, M. 1986. The Economics of The Industry, Managerial Finance. Thousand Oaks, CA, Sage Publication.
[18] UEFA. 2012. UEFA Club Licensing and Financial Fair Play Regulations. Switzerland.

Authors Profile

Ardi Gunardi, His Bachelor degree from Management of Economics Faculty, Pasundan University (2010). Master degree from Post Graduate, Magister of Science Management, Padjadjaran University (2013). 2010-present Lecturer & Researcher Faculty of Economics, Pasundan University.