



In brief

A look at current financial reporting issues

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Player Transfer Payments (IAS 38)

At a glance

The IFRS Interpretations Committee (IC) received a request asking whether a football club recognises a transfer payment received for transferring a player to another club, gross as revenue, or, net as part of the gain or loss arising from the derecognition of an intangible asset.

The IC concluded that the football club recognises the transfer payment received net as part of the gain or loss arising from the derecognition of an intangible applying paragraph 113 of IAS 38, 'Intangible assets'. The IC also concluded that the transfer payment received is presented in the statement of cash flows as a cash flow from investing activities.

The agenda decision affects football clubs, particularly those that currently present transfer payments received gross as revenue, but it might also be relevant to other entities that use and then sell intangible assets.

What is the issue?

A football club recruits, develops and potentially sells football players as part of its ordinary activities. Players are registered in an electronic transfer system that, together with the player's employment contract, comprise a 'registration right'. The club recognises costs incurred to obtain a registration right as an intangible asset applying IAS 38. When a player is transferred to another club, the selling club receives a transfer payment as compensation for releasing the player from the employment contract and cancelling the registration. It derecognises the intangible asset when the receiving club registers the player.

The IC noted that paragraph 113 of IAS 38, which applies to the derecognition of an intangible asset, requires that "*the gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset*". Paragraph 68A of IAS 16 '*Property plant and equipment*' does not apply to the transaction by analogy because it applies only to a specific situation where property plant and equipment is held for rental and there is guidance for derecognising intangible assets in IAS 38.

The IC concluded that the transfer payment compensates the entity for its action in disposing of the registration right. It is therefore part of the net disposal proceeds and is recognised as part of the gain or loss arising from the derecognition of the registration right, applying paragraph 113 of IAS 38. The club does not recognise the transfer payment received or any gain arising as revenue, applying IFRS 15 'Revenue from contracts with customers'.

IAS 7 'Statement of Cash Flows' states that cash receipts from the sale of intangible assets are an example of cash flows arising from investing activities. The IC therefore concluded that transfer payments received should be presented as part of investing activities.

What is the impact and for whom?

The agenda decision applies to football clubs, particularly those that currently present transfer payments received as revenue. These entities should reconsider their existing policies in the light of the IC's conclusion and determine whether any changes are required.

There are other industries in which entities might hold intangible assets for use in the business (for example by licensing intellectual property to third parties) and for subsequent sale. Entities that operate in these industries might also be affected, and they should consider their accounting policies and determine whether any changes are required.

When does it apply?

The agenda decision has no formal effective date. The IC has noted that agenda decisions might often result in explanatory material that was not previously available, which might cause an entity to change an accounting policy. The IASB expects that an entity would be entitled to sufficient time to make that determination and to implement any change. Any change in policy should be applied retrospectively, and comparative amounts should be restated.

Where do I get more details?

For more information, refer to the [agenda decision](#) or please contact Gary Berchowitz (gary.x.berchowitz@pwc.com) or Pablo Aligia (pablo.a.aligia@pwc.com).

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