



SPORTS ACCOUNTING: AN ANALYSIS OF BRAZILIAN SOCCER CLUBS REVENUE SEGREGATION IN ADEQUACY TO NBC ITG 2003

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ABSTRACT

This article aims to analyze the financial statements of the 20 football clubs of the 2018's Brazilian first division championship, in order to identify how the clubs are segregating the revenues related to the professional sports activity in their 2017's financial statements, according to the *Interpretação Técnica Geral* 2003. The content analysis technique was used, which consists of perceiving the existence or the lack of information about a specific issue. Data were collected on the websites of participating sample clubs shortly after the deadline for disclosure of the mandatory financial statements. It was perceived that most of the clubs segregate from professional sports activities (87.5%) and discriminate by the nature of revenue between ticketing sales, sponsorship, television, transfer of athletes, among others (80%). In addition, clubs with high disclosure levels and good quality information had a better sporting performance than those who have not. However, clubs still do not meet the obligation of *Interpretação Técnica Geral* 2003 even after 4 years since it has been publicized. Moreover, there is a lack of comparability between the statements and the quality of the information disclosed, essential aspects for the users. This paper contributes to the research field that it is dispersed in Brazil, and furthermore, it can improve the management in soccer clubs showing the importance of disclosure and good quality information.

Keywords: Sporting Organizations. NBC ITG 2003. Revenue Segregation.

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1. INTRODUCTION

Soccer is a market that moves millions, both in Brazil and in other major Markets, through clubs, athletes, regulators, supporters and sponsorships, having a significant influence on the economy and society, both domestic and foreign (Figueiredo, Santos, & Cunha, 2017; Rezende, Dalmácio, & Salgado, 2010; Santos, Dani, & Hein, 2016; Segal, Prado, & Auxiliadora da Silva, 2015; A. G. De Souza, Sousa, Nascimento, & Bernardes, 2016).

According to Galvão and Miranda (2016), the soccer market has generated significant revenues, for example, the 20 largest clubs in Europe in the 2011/2012 season obtained revenues of 5 billion euros and in the following season grew 8% in recips. While in Brazil, the revenues of the 24 most valuable clubs grew 122% between 2008 and 2013.

Other papers show the growth of Brazilian soccer club revenues in recent years. Like the work done by Itaú BBA (2017), which showed that the revenues of Brazilian football clubs' growth around 300% in the last 8 years.

Sports entities, especially those dealing with soccer, are an important source of resources for the national economy, since they are great generators of revenue for the government. Therefore, it is essential the correct disclosure of information in accordance with current legislation (Segal *et al.*, 2015).

However, according to the study of Barbosa, Dantas, Azevedo and Holanda (2017) the Brazilian soccer clubs do not present a financial efficiency regarding their costs and debts, they were going through a financial crisis concerning the revenue generation and the growth of their debts. In Brazil, few clubs can obtain positives financial results at the end of each period through a professional and efficient management (Lucente & Bressan, 2015).

Due to the peculiarities of professional sports entities, where they are considered non-profit entities, and at the same time, companies. These organizations are also regulated by the Resolution n°. 1.429/13 of the Federal Council of Accounting in Brazil, which approved the ITG 2003 - Professional Sports Entity, establishing criteria and specific procedures for the evaluation, accounting records and structuring of the financial statements of professional football entities and other entities of professional sports practices.

The Brazilian regulatory framework concerns about establish an acceptable level of efficiency to

the soccer clubs. However, if we analyzed the soccer department costs will be seen an increase of them (Barbosa *et al.*, 2017). One of the demands of ITG 2003, is the segregation of revenues, which is justified as a means of ensuring the transparency of Brazilian football clubs, through a comprehensive presentation of their information, making them comparable and useful to their users. Since the lack of comparability makes difficult to interpret their accounting records and the evaluation of their assets (Souza *et al.*, 2016).

As stated by Souza *et al.* (2016), a properly financial disclosure influences positively the efficiency and the development of an entity before the market, on the other hand, the lack of disclosure could be interpreted as bad perspectives. Issues about efficiency are becoming relevant to soccer clubs because of its direct relationship with success and financial health in long terms (Barbosa *et al.*, 2017).

Given the economic importance of sports, especially soccer when it comes to Brazil, more and more information is sought regarding the management of sporting entities. Whether social, administrative or, above all, accounting information about the asset management of these entities (Tibúrcio Silva, Teixeira, & Niyama, 2009).

According to Rezende *et al.* (2010), there has been a setback in the management of Brazilian sports entities, one of the reasons for the constant financial crises in the sector, reflected in their sports performance, as can be seen by the raise of the gross debt of these entities (Itaú BBA, 2017).

Several governmental actions were taken with the objective of forcing this segment to adopt a more professional management. Among these actions are corporate and accounting measures that have brought a greater level of disclosure to society, such as ITG 2003 (Rezende *et al.*, 2010).

Consequently, due to the economic and social importance that the sports entities have, and to the management problem that these entities are going through, the disclosure of information is something pertinent to be studied. According to Tibúrcio Silva *et al.* (2009) and Segal *et al.* (2015), both accounting and disclosure have been themes of recent studies. Since research on this subject contributes to the discussions related to the need to increase transparency in sports entities (Segal *et al.*, 2015).

However, research on accounting disclosure of sports entities in Brazil is still dispersed, presenting opportunities for future research, since accounting



disclosure in sports entities, especially in football clubs, is an issue that interests governments, investors, fans and researchers (Figueiredo *et al.*, 2017).

According to Soares (2013, *apud* Figueiredo *et al.*, 2017), a sport such as soccer, due to the economic, social and political coverage it possesses, should have a more intense discussion about the results measurement practices. Conforming to Figueiredo *et al.* (2017), the relevance of research that deals with accounting disclosure in sports entities is justified by contributing to the development of this field of research. In addition, football clubs can use the results of these studies to review some accounting practices in order to improve them for their respective users.

Thus, the present study analyzed the financial statements of the twenty (20) football clubs participating in the Brazilian Championship Series A of 2018, in order to identify how they are segregating their revenues related to the professional sports activity of the others in their financial statements of 2017, according to ITG 2003.

The relevance of the study is justified by the adjustments required by ITG 2003, more specifically, concerning about the segregation of the revenues related to the professional sports activity of the others. Many Brazilian soccer clubs are going through unfavorable financial conditions, mostly because of issues related with lack of salary expenses control and low revenue diversification, which basically, are coming of athletes' transactions, TV rights and gaming tickets (Rezende & Custódio, 2012).

Transparency of Brazilian football clubs through a comprehensive presentation of their financial statements is necessary due their economic role (Figueiredo *et al.*, 2017) as its social paper, after all, Brazil is going through a corruption crisis. Moreover, transparency is an essential tool in combating club mismanagement, which has resulted in debts contracted over the years (A. G. De Souza *et al.*, 2016). Besides the importance of disclosure, that performances an important role in the global market (Hendriksen & Van Breda, 2014), the specific issue approached in this research is the disclosure of revenues segregation, making this paper different from others, and which allows the entities and its stakeholders a more detailed analyses of the club's economic performance. Contributing to the continuity of the soccer clubs in the long term.

The present research was structured in five sections, including this first one, represented by the

introductory aspects related to the studied theme. The second section consists of the background surrounding the theme and addresses the main concepts about the study. In the third section, the methodological aspects are highlighted. In addition, in the fourth and fifth sections, the discussions on the results achieved and the conclusions about the study are presented respectively.

2. LITERATURA REVIEW

2.1 Sporting Compliance

Just as private sector organizations, which are classified as joint stock companies, are regulated and supervised by the Brazilian Securities and Exchange Commission. The sports entities also respond to one or more entities as the National Sports Council and, more specifically in the case of soccer, the Brazilian Football Confederation.

The National Sports Council is an advisory body to the Minister of Sports in the development of policies in favor of national sport. Which aims to develop programs that promote the intensive and planned practice of physical activity for the entire population, as well as improving the organization, management, quality and transparency of the sector (Sports Ministry, 2013).

The Brazilian Football Confederation, as stated by Prado (2012), is the governing body of Brazilian soccer, recognized by all other national and international sports management entities. Which exclusively manages professional soccer in Brazil, direct and supervise its practice. Besides performing and coordinating national competitions, complying with and enforcing the decisions and standards of the federation and international confederation of sport, and apply penalties, when applicable, to offenders.

According to international norms, each sport administration entity must have its own Superior Court of Sport Justice, Sports Courts of Justice and Disciplinary Commissions, all of which must be autonomous, independent and have competence to judge disciplinary issues (Prado, 2012).

Conforming to Figueiredo *et al.* (2017) Brazilian sports legislation has started a century ago, however, changes still happening. Some laws have significantly affected sports entities, both in the form of legal organization, and in the form of recognition, measurement and accounting disclosure.

As an example, the Brazilian Law 9.615/98, which was a landmark in National Sports, and instituted the classification of sport for an international transfer of athletes. However, it did not



approach accountable and financial aspects to sports entities but brought the need for good management by clubs (Galvão & Miranda, 2016).

As stated by Galvão and Miranda (2016), the Law previously mentioned was updated by Brazilian Law nº 12.395/2011, which brought a concern with the accounting of professional sports entities and highlights the preparation of financial statements in accordance with the criteria established by the Brazilian Federal Accounting Council. Those statements must be submitted to an independent audit and should be disclosed through the entity's website and the sports league that it is linked.

In 2013, another law that regulated the accounting of Brazilian football clubs was launched, the Resolution of the Brazilian Federal Accounting Council nº 1.429, dated January 25, 2013, which determines the application of ITG 2003 - Professional Sports Entity, which specifies the processes of evaluation, registration and structuring of the financial statements in professional entities of the sports field.

This law revoked the Resolution nº 1.005/04, which approved the Brazilian Standard of Technical Accounting 10.13 - that dealt with the specific accounting aspects in professional sports entities. In addition, with the objective of disciplining and standardizing specific criteria and procedures of evaluation, accounting records and structuring of the financial statements of professional football entities and other sports, as well as other measures such as changes that meet the standard of international accounting standards (Figueiredo *et al.*, 2017; Segal *et al.*, 2015; Souza *et al.*, 2016).

According to Figueiredo *et al.* (2017), ITG 2003 is composed of 17 items, segregated into five sections: (1) objective; (2) scope; (3) accounting records; (4) expenditure control with training of athletes; and (5) financial statements.

Among other points, ITG 2003 establishes the obligation to maintain accounting records related to the professional sports activity segregated from other equity and income accounts, such as revenue, costs and expenses (Souza *et al.*, 2016). Since the clubs obtain resources from several sources: (1) selling shirts and products; (2) gaming tickets; (3) association of fans; (4) sponsorship; (5) games transmission contracts (Figueiredo *et al.*, 2017).

About the revenues, ITG 2003 states that: (1) revenue from gaming tickets (part of the entity), transmission and image rights, sponsorship,

publicity, glove and other similar items shall be recorded in specific accounts in accordance with principle of competence; (2) when received in advance, receipts from gaming tickets (part intended for the entity), transmission and image rights, sponsorship, advertising, glove and other similar items shall be recorded in liabilities; and (3) revenue obtained by the entity for the definitive assignment of professional rights to athletes must be recorded in a specific account as revenue for the period.

ITG 2003 also requires that the professional sporting entity must elaborate the Balance Sheet, Statement of Income, Statement of Comprehensive Income, Statement of Changes in Shareholders' Equity, Statement of Cash Flows and the Explanatory Notes.

It is also verified that the norm determines that the professional sports entities observe how should be the control of expenses with the training of athletes. According to the norm, the amounts spent directly related to the training of athletes should be recorded as intangible or expense. This record must be supported at least by the following controls: (a) composition of expenses directly related to the training of the athlete on a monthly basis and competence regime, by type (housing, food, transportation, education, technical committee, etc.), moreover, those expenditures should be appropriated on a monthly basis and on an accrual basis by category (children, youth, juniors); and (b) a monthly statement of appropriation of expenses for income and intangible assets must be reported.

2.2 Accounting Treatment

One of the functions of accounting is to provide its users with information for they can make the best possible decisions that match with their goals. Therefore, the information must be reliable, clear and timely, if not, information users can interpret the facts in a way that does not fit the reality (Prado & Moreira, 2014; Tibúrcio Silva *et al.*, 2009). According to Prado and Moreira (2014), the accounting information disclosed in economic-financial reports should be comprehensible to the user, otherwise the information becomes useless since it does not aid held in the decision-making. Therefore, disclosure is considered a necessary condition for evaluating the quality of financial statements. The disclosure of accounting information is the action of making this kind of information public (Ferreira, 2004).



When it comes to Brazilian sports entities, the disclosure of accounting information makes it possible for those interested in the conducting of their business (investors, governments, sponsors, fans) a clearer and more reliable view of the economic situation of these entities. Enabling greater control over their management and reducing informational asymmetry between managers and other stakeholders (Verona, Pereira, & Silvestre, 2016). However, according to Verona *et al.* (2016), soccer clubs have always been considered Non-Profit Entities, therefore they have never been accountable to society. That changed with Pelé Law, where they started to fit as companies. In addition to the clubs, several other bodies had to adapt to this new reality, such as the States, Sports Federations, Brazilian Soccer Confederation, among others. One new way found by these to better evaluate the transparency of sports entities of soccer, was through the analysis of the financial statements.

Since then, the legislation dealing with sporting entities has undergone several changes, and recently, the Federal Accounting Council instituted the ITG 2003 in 2013, which brought specific aspects to sporting entities. The ITG 2003 presents criteria and requirements regarding the uniformity of accounting records, with disclosure standards that attempt to ensure reliable and relevant information for the interest groups of entities that are subject to this norm (Fernandes, Nascimento, Monteiro, & Aparecida da Silva, 2017; Galvão & Miranda, 2016).

According to Souza *et al.* (2016) and Fernandes *et al.* (2017), there is a lack of uniformity in the disclosure of financial statements by Brazilian football clubs. Mainly due to the lack of norms and standards that

support their elaborations. The incompatibility of accounting practices hinders the interpretation of equity records and increases the risks for investors in sports entities, as sponsors and supporters (Fernandes *et al.*, 2017). According to others studies (Sales, Andrade, & Ikuno, 2012) the non-disclosure of relevant information has an impact on the ethical and corporate responsibility issues of organizations.

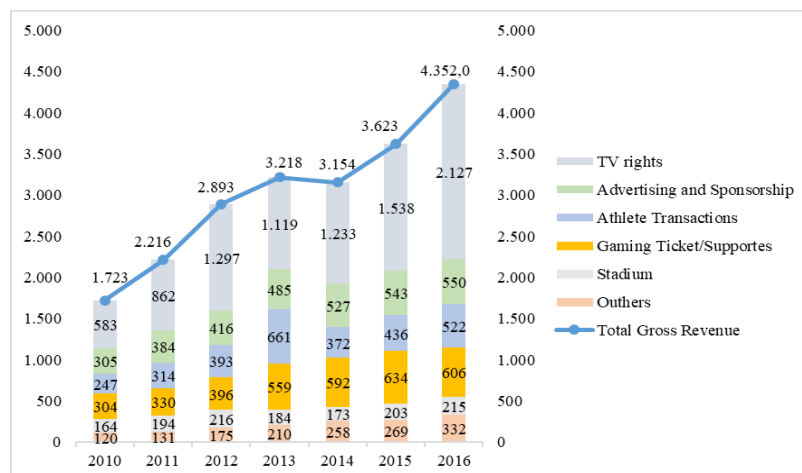
ITG 2003 requires that accounting records of professional sports activities be separated from other activities, in equity and income accounts (revenues, costs and expenses). Which maintained an already existing point in NBC T 10.13, which required that gaming ticket receipts (part intended for the entity), broadcasting and image rights, sponsorship, advertising, glove and others like, should be recorded in specific accounts.

A greater detailing of the revenues of soccer clubs, that is, an increase in the level of disclosure, may assist in the evaluation of the management of these entities by their investors, creditors, Regulatory Entities, and other interested parties. Through Accounting Statements, sports organizations managers can generate a significant amount of data that, after a meticulous analysis, allow obtaining useful and timely information about the organization's financial situation (Lucente & Bressan, 2015).

As stated by Barbosa *et al.* (2017), the success of a soccer club is related with its financial performance, because awake the interest of sponsors, selling of products, among other kinds of revenues.

According to a survey conducted by Itaú BBA (2017), TV revenue, gaming ticket revenue, sponsor, advertising and athlete transactions represented the bulk of the gross revenues of the largest 28 clubs in 2016, as shown in the following graph:

Graph 1 – Segregation of Gross Revenue (R\$ millions)



Source: Adapted from Itaú BBA (2017).



Segregation of revenues may allow a more detailed analysis of the club performance, for example, television networks have been instrumental in revenue growth over the last years. However, gaming ticket and supporters' revenue fell 4% from 2015 to 2016, reflecting the country's economic situation (Itaú BBA, 2017), as well as the violence in football that has kept fans away from stadiums.

In addition to increasing the level of comparability of information, which would lead to a greater interpretation of its accounting records and a better evaluation of its assets and performance (A. G. De Souza *et al.*, 2016).

Therefore, it is verified that the need for segregation of revenues demanded by ITG 2003 is justified as a way to ensure the transparency of Brazilian soccer clubs through a comprehensive presentation of their financial statements, making them comparable and therefore useful for the users. Besides, it provides information to the managers, so they can make the clubs more efficient and successful.

2.3 Previous Works

In addition to the present study, others also sought to ascertain the level of disclosure of Brazilian sports entities. In this topic, some of these studies will be analyzed regarding the objectives and the founding results.

According to the research of Souza *et al.* (2016), 89% of the clubs surveyed adhered to item 3 of the ITG 2003, which refers to the segregation of the professional activity of the others (revenues, costs and expenses). In terms of revenue segregation specifically, on average, 61.25% of the soccer clubs adhered completely to items 9, 10 and 14 of ITG 2003. The amounts referring to the indemnity clause and the compensation athletes the least adhered item (0%), followed by the segregation of the revenues related to the value of gloves received (47%). The work of Souza *et al.* (2016) concluded that no club fully complied with the criteria established by the general technical instruction for the item of disclosure of the Statements of Income.

Galvão and Miranda (2016), with the objective of investigating how Brazilian soccer clubs show the value of their athletes in the accounting reports, analyzed the financial statements of 25 clubs that participated in the first and second divisions of the Brazilian Football Championship of 2013. The study

reveals that of the 25 clubs investigated, 20 show the athletes according to ITG 2003.

Segal *et al.* (2015), in their study, sought to identify the adhesion of Brazilian soccer clubs to the ITG 2003, regarding the registration of their athletes and their disclosure in the financial statements of the fiscal year of 2013. They analyzed the statements accounting for the twenty clubs that participated of the first division of Brazilian football in 2013 and evidenced an evolution in the accounting disclosure required of these clubs because of ITG 2003, in relation to previous studies. In addition, they emphasize that not all clubs fully comply with what is provided in the norm, the clubs only showed correctly more than half of the required items, out of a total of eighteen, evidencing their care in meeting the norm and propitiate the disclosure of their movements.

Other studies (Felgueiras Silva & Carvalho, 2009; Raschka, Wallner, & Costa, 2008; A. L. F. Souza, Farias, Tavares, & Galvão, 2015) have also proposed to study this level of disclosure of soccer clubs in the Brazilian context. They evidenced that there is a relevant variation in the process of disclosure. As stated by Souza *et al.* (2016), this lack of standardization in accounting practices in accordance with the ITG 2003 makes it difficult to interpret accounting records and to evaluate the assets of soccer entities. Increasing the risk of a wrong decision regarding the purchase and sale or player training, decisions that affect the club's financial health, as well as creating barriers for attracting investors, as they cannot clearly verify the club's situation and calculate the return on their investment.

These studies raise the concern about the disclosure of a specific soccer club item: the athletes. Which shows some gaps in the literature regarding the study of these organizations, especially regarding complete accounting information and adoption of ITG 2003.

Based on this background, this study brings in its scope the interest of analyzing the segregation of revenues in compliance with the ITG 2003 of the Brazilian soccer clubs of Series A of 2018, what makes this study different from others. This information can bring efficiency to the clubs, if analyzed carefully by competent managers. In addition to instigate the debate about these organizations and to contribute with the literature (Figueiredo *et al.*, 2017; Segal *et al.*, 2015).



3. METHODOLOGY

In order to identify how the soccer clubs are segregating the revenues related to the professional sports activity of the others in their financial statements for the year 2017, according to ITG 2003, the content analysis technique was used. Which consists of systematic procedures that allow the elaboration of quantitative and/or qualitative measures, that enable to make inferences about the content analyzed (Cavalcante, Calixto, & Pinheiro, 2014).

Through this method, the researcher seeks to understand the characteristics that are behind the fractions of messages analyzed. In addition, it is possible to classify the information disclosed in the reports in several elements that present the characteristics that will be interpreted. This method is the most used in works that involve disclosure (Branco, 2010; Câmara, 2013; Chiu & Wang, 2015). It was used the form of content analysis which consists of perceiving the existence or the lack of information about a specific issue, where at least one information

item needs to be disclosed under each studied aspect (Branco & Matos, 2016; Haniffa & Cooke, 2005).

Regarding revenue segregation, the financial statements of the sample were analyzed to: (1) see how many clubs are segregating the proceeds of the professional activity of the other clubs; and (2) observe how many clubs reported revenue from professional sports segregated from gaming ticket revenue, revenue from broadcasting rights, sponsorship revenue, advertising revenue, and revenue from definitive assignment of professional rights to athletes.

3.2 Sample

The sample is composed of the 20 clubs that participated of the first division of the 2018 Brazilian Championship. The data were collected from the financial statements for the 2017 fiscal year, published in their respective websites on May 6, 2018, almost one week after the deadline of the mandatory disclosure of their financial statements in accordance with ITG 2003, as shown in the next table:

Table 1 – Composition of the sample

2018 First Division	Affiliation	Website
<i>América Futebol Clube</i>	MG	https://americamineiro.com.br/
<i>Associação Chapecoense de Futebol</i>	SC	https://chapecoense.com/pt
<i>Botafogo Futebol e Regatas</i>	RJ	https://www.botafogo.com.br/
<i>Ceará Sporting Club</i>	CE	http://www.cearasc.com/
<i>Clube Atlético Mineiro</i>	MG	https://www.atletico.com.br/
<i>Clube Atlético Paranaense</i>	PR	www.atleticoparanaense.com
<i>Clube de Regatas do Flamengo</i>	RJ	http://www.flamengo.com.br/
<i>Clube de Regatas Vasco da Gama</i>	RJ	http://www.vasco.com.br/site/principal
<i>Cruzeiro Esporte Clube</i>	MG	https://www.cruzeiro.com.br/index.php?section=home
<i>Esporte Clube Bahia</i>	BA	http://www.esporteclubebahia.com.br/
<i>Esporte Clube Vitória</i>	BA	http://www.ecvitoria.com.br/
<i>Fluminense Football Club</i>	RJ	http://www.fluminense.com.br/site/
<i>Grêmio Foot-Ball Porto Alegrense</i>	RS	https://gremio.net/
<i>Paraná Clube</i>	PR	https://www.paranaclube.com.br/
<i>Santos Futebol Clube</i>	SP	http://www.santosfc.com.br/
<i>São Paulo Futebol Clube</i>	SP	http://www.saopaulofc.net/spfc
<i>Sociedade Esportiva Palmeiras</i>	SP	http://www.palmeiras.com.br/home/
<i>Sport Club Corinthians Paulista</i>	SP	www.corinthians.com.br
<i>Sport Club do Recife</i>	PE	http://www.sportrecife.com.br/
<i>Sport Club Internacional</i>	RS	http://www.internacional.com.br/

Source: Prepared by the authors.



4. RESULTS

At first, was observed the compliance with the item 16 of ITG 2003, which demands the disclosure of the next financial statements: Balance Sheet (BS);

Income Statement (IS); Statement of Comprehensive Income (SCI); Statement of Changes in Shareholders' Equity (SCSE); Statement of Cash Flows (SCF); and Explanatory Notes. As shown in the following table:

Table 2 – Mandatory disclosure of the financial statements

2018 First division	Affiliation	BS	IS	SCI	SCSE	SCF	Explanatory Notes
<i>América Futebol Clube</i>	MG	X	X	X	X	X	X
<i>Associação Chapecoense de Futebol</i>	SC	X	X	X	X	X	X
<i>Botafogo Futebol e Regatas</i>	RJ	X	X	X	X	X	X
<i>Ceará Sporting Club</i>	CE	X	X	X	X	X	X
<i>Clube Atlético Mineiro</i>	MG	X	X	X	X	X	X
<i>Clube Atlético Paranaense</i>	PR	X	X	X	X	X	X
<i>Clube de Regatas do Flamengo</i>	RJ	X	X	X	X	X	X
<i>Clube de Regatas Vasco da Gama</i>	RJ	X	X	X	X	X	X
<i>Cruzeiro Esporte Clube</i>	MG	X	X	X	X	X	X
<i>Esporte Clube Bahia</i>	BA	X	X	-	X	X	X
<i>Esporte Clube Vitória</i>	BA	X	X	X	X	X	X
<i>Fluminense Football Club</i>	RJ	X	X	-	-	-	-
<i>Grêmio Foot-Ball Porto Alegrense</i>	RS	X	X	X	X	X	X
<i>Paraná Clube</i>	PR	X	X	-	X	X	X
<i>Santos Futebol Clube</i>	SP	X	X	X	X	X	X
<i>São Paulo Futebol Clube</i>	SP	X	X	-	X	X	X
<i>Sociedade Esportiva Palmeiras</i>	SP	X	X	X	X	X	X
<i>Sport Club Corinthians Paulista</i>	SP	X	X	-	X	X	X
<i>Sport Club do Recife</i>	PE	X	X	X	X	X	X
<i>Sport Club Internacional</i>	RS	X	X	X	X	X	X

Source: Prepared by the authors.

The only statements that all the studied clubs disclosed were the Balance Sheet and the Statement of Income according to table 2. The Statement of Comprehensive Income was the least disclosed, but only 5 clubs (*Esporte Clube Bahia*, *Fluminense Football Club*, *Paraná Clube*, *São Paulo Futebol Clube* and *Sport Club Corinthians Paulista*) did not

disclose it. In relation to the Statement of Shareholders' Equity, the Cash Flow Statement and the Explanatory Notes, only *Fluminense Football Club* has not disclosed these respective statements. Therefore, in general, most clubs have met this requirement proposed by ITG 2003, as can be seen in the following tables:



Table 3 – Percentage of disclosure of financial statements

Financial Statements	Disclosure Percentage
Balance Sheet	100%
Income Statement	100%
Statement of Comprehensive Income	75%
Statement of Shareholders' Equity	95%
Cash Flow Statement	95%
Explanatory Notes	95%

Source: Prepared by the authors.

Table 4 – Soccer clubs disclosure percentage

2018 First Division	Statement Disclosure Percentage
<i>América Futebol Clube</i>	100%
<i>Associação Chapecoense de Futebol</i>	100%
<i>Botafogo Futebol e Regatas</i>	100%
<i>Ceará Sporting Club</i>	100%
<i>Clube Atlético Mineiro</i>	100%
<i>Clube Atlético Paranaense</i>	100%
<i>Clube de Regatas do Flamengo</i>	100%
<i>Clube de Regatas Vasco da Gama</i>	100%
<i>Cruzeiro Esporte Clube</i>	100%
<i>Esporte Clube Bahia</i>	83%
<i>Esporte Clube Vitória</i>	100%
<i>Fluminense Football Club</i>	33%
<i>Grêmio Foot-Ball Porto Alegrense</i>	100%
<i>Paraná Clube</i>	83%
<i>Santos Futebol Clube</i>	100%
<i>São Paulo Futebol Clube</i>	83%
<i>Sociedade Esportiva Palmeiras</i>	100%
<i>Sport Club Corinthians Paulista</i>	83%
<i>Sport Club do Recife</i>	100%
<i>Sport Club Internacional</i>	100%

Source: Prepared by the authors.

The low disclosure level of *Fluminense Football Club* could be explained by the bad results that the club had in 2017. The club presented a sales return of -37% and has 38% of the short-term liabilities composed by debts, what could explain why was disclose only to statements as table 2 shows. This poor financial performance was showed in the field, where the club

finished the competition in fourteenth place, four points to be demoted to the second division.

However, even the number of the statements disclosed is good, even mandatory, it is necessary to check the quality of these reports. If indeed, the user could be able to take some useful information for decision-making.



The *Associação Chapecoense de Futebol* and *Ceará Sporting Club* were the only clubs that, in place of the Statement of Income, disclosed the Statement of Surplus or Deficit of the Year. Other important points to note are: (1) 11 clubs (*Botafogo Futebol e Regatas*, *Ceará Sporting Club*, *Clube de Regatas Flamengo*, *Clube de Regatas Vasco da Gama*, *Esporte Clube Bahia*, *Esporte Clube Vitória*, *Fluminense Football Club*, *Grêmio Foot-Ball Porto Alegre*, *Paraná Clube*, *Santos Futebol Clube* e *Sociedade Esportiva Palmeiras*) are with an unsecured Liabilities; (2) *Esporte Clube Vitória*, *Fluminense Football Club*, *Paraná Clube*, *Santos Futebol Clube*, *Sport Club Corinthians Paulista* and *Sport Club do Recife* had a qualified opinion in their audit opinions, and the *Clube de Regatas Vasco da Gama* audit report was not expressed any opinion; and (3) *Fluminense Football*

Club only released the abridged version of its financial statements.

About the disclosure of mandatory financial statements, as well as other studies (Souza *et al.*, 2016; Figueiredo *et al.*, 2017), the Statement of Comprehensive Income was the least disclosed. These findings corroborate with other studies involving soccer clubs of the first division of the Brazilian championship that also verified that the clubs never fully disclose their mandatory demonstrations, as shown in studies by Souza *et al.* (2016) and Figueiredo *et al.* (2017).

As for the segregation of the proceeds from the professional sports activity of the others, most of the clubs did it (87.5%) as shown in table 5, supporting the results of Souza *et al.* (2016), where 89% of the clubs studied segregated the revenues from the professional sports activity of the others.

Table 5 - Segregation of revenue from professional sports activities

2018 First Division	Segregation of Professional Sports Revenue	
	Yes	No
<i>América Futebol Clube</i>	-	X
<i>Associação Chapecoense de Futebol*</i>	-	X
<i>Botafogo Futebol e Regatas</i>	X	-
<i>Ceará Sporting Club*</i>	-	X
<i>Clube Atlético Mineiro</i>	X	-
<i>Clube Atlético Paranaense*</i>	-	X
<i>Clube de Regatas do Flamengo</i>	X	-
<i>Clube de Regatas Vasco da Gama</i>	X	-
<i>Cruzeiro Esporte Clube</i>	X	-
<i>Esporte Clube Bahia*</i>	-	X
<i>Esporte Clube Vitória</i>	X	X
<i>Fluminense Football Club</i>	-	X
<i>Grêmio Foot-Ball Porto Alegre</i>	X	-
<i>Paraná Clube</i>	X	X
<i>Santos Futebol Clube</i>	X	-
<i>São Paulo Futebol Clube</i>	X	-
<i>Sociedade Esportiva Palmeiras</i>	X	-
<i>Sport Club Corinthians Paulista</i>	X	-
<i>Sport Club do Recife</i>	X	-
<i>Sport Club Internacional</i>	X	-

*: Clubs that do not have another activity beyond football.

Source: Prepared by the authors.



Concerning the segregation of gaming ticket revenue, broadcast and image revenue, sponsorship, publicity, glove and other similar items, all according to the principle of competence (items 9, 10 and 14), 80% of the clubs did this segregation, as shown in the following table:

Table 6 – Revenue Segregation

2018 First Division	Revenue Segregation	
	Yes	No
<i>América Futebol Clube</i>	X	-
<i>Associação Chapecoense de Futebol</i>	X	-
<i>Botafogo Futebol e Regatas</i>	X	-
<i>Ceará Sporting Club</i>	X	-
<i>Clube Atlético Mineiro</i>	X	-
<i>Clube Atlético Paranaense</i>	X	-
<i>Clube de Regatas do Flamengo</i>	X	-
<i>Clube de Regatas Vasco da Gama</i>	X	-
<i>Cruzeiro Esporte Clube</i>	X	-
<i>Esporte Clube Bahia</i>	X	-
<i>Esporte Clube Vitória</i>	-	X
<i>Fluminense Football Club</i>	-	X
<i>Grêmio Foot-Ball Porto Alegrense</i>	X	-
<i>Paraná Clube</i>	-	X
<i>Santos Futebol Clube</i>	X	-
<i>São Paulo Futebol Clube</i>	X	-
<i>Sociedade Esportiva Palmeiras</i>	X	-
<i>Sport Club Corinthians Paulista</i>	X	-
<i>Sport Club do Recife</i>	-	X
<i>Sport Club Internacional</i>	X	-

Source: Prepared by the authors.

The most detailed statements regarding the ITG 2003 demand were those of the *Associação Chapecoense de Futebol* and *Botafogo Clube e Regatas*, which presented a greater level of detail in relation to the others. For example, in addition to discriminating against gaming ticket revenues, the clubs still segregated the amount collected by disputed competition. Doing the same for the other types of revenue.

This level of detailing, which brings quality to the information available, is essential to managers in the decision-making process.

Information quality plays a crucial role in the success of a firm, been the key to achieve organizational effectiveness and increasing the

understanding on their assets (Abumandil & Hassan, 2016; Azemi, Zaidi & Hussin, 2017).

Different of *Fluminense Football Club*, *Associação Chapecoense de Futebol* and *Botafogo Clube e Regatas* even with not expressive revenues, comparing to “giants” of Brazilian soccer, finished the championship in eighth and tenth respectively. Both teams could participate of 2018 international’s South American tournaments as *Taça Libertadores da América*, the greatest one in Shout America, and the *Copa Sulamericana*.

There is an effort to give a new look to the legal framework, which can bring improvement to the soccer clubs in Brazil (Barbosa *et al.*, 2017), as ITG 2003. This mandatory information demanded by ITG 2003



give important data to managers, and possible investors, so they can make decisions that could lead their clubs to a better financial situation.

An appropriately financial disclosure influences positively the efficiency and the development of an entity before the market, as the lack of disclosure could be seen as a signal of bad perspectives (Souza *et al.*, 2016).

The results showed an evolution of the segregation of the type of revenue in relation to the work of Souza *et al.* (2016), which, on average, slightly more than 60% of the sports entities analyzed disclosed in their financial statements this segregation of revenues.

However, even with the high percentages of disclosure, it is still not enough. Since ITG 2003 items are mandatory and yet, part of the clubs in the first division of 2018 still do not disclose their statements, as they should according to a norm that it is current since 2013.

Moreover, besides the disclosure, the information needs to present quality to satisfy the need of the user, what was not seen during the analysis of results.

According to Rezende, Dalmácio and Salgado (2010), these modifications on the legal framework of sports entities are an attempt to make more professional the soccer club's management, after all the success of these entities is related to their financial performance (Barbosa *et al.*, 2017). As stated by Felgueiras da Silva and Carvalho (2009), clubs that disclose more financial statements are those who present the best results in the field and in terms of financial performance.

5. CONCLUSION

The soccer market has moved millions and caused a great influence on the economy and society in several countries through its clubs, athletes, fans and sponsorships (Rezende *et al.*, 2010; Figueiredo *et al.*, 2017).

In order to stimulate the debate of these entities, this study aimed to identify how the football clubs are segregating their revenues related to the professional activity of the others in their financial statements, in 2017, according to ITG 2003.

To achieve this objective, the content analysis technique was used to examine the financial statements of the Brazilian first division clubs. Through this technique, it was seen: (1) how many clubs are segregating their revenues between professional sports activity and others kind of revenue; and (2) how many

clubs reported revenue from professional sports segregated from gaming ticket revenue, revenue from broadcasting rights, sponsorship revenue, advertising revenue, and revenue from definitive assignment of professional rights to athletes.

Among the main results are: (1) the only statements that all the clubs disclosed were the Balance Sheet and the Income Statement; (2) the Statement of Comprehensive Income was the least disclosed; (3) regarding the segregation between the revenues from the professional activity of the others, 87.5% of the clubs did it; and (4) in relation to the segregation of gaming ticket revenue, broadcasting and image rights revenue, sponsorship, advertising, gloves revenues, and other similar items, all according to the principle of competence (items 9, 10 and 14), 80% of the clubs did it.

Although the disclosure level of these clubs is high, in relation to the appropriateness of the ITG 2003 standard, this is not enough. It is necessary that all items be taken care of, since they are mandatory items. In addition, it is essential to pay attention in the quality of the Financial Statements in order to satisfy the need of all its users.

The results show that soccer clubs do not have a standard in the process of accounting records for the same events and do not meet, in large part, the criteria established by ITG 2003. Regarding the revenues, the findings showed an evolution of the segregation when compared to the study of Souza *et al.* (2016), which, on average, slightly more than 60% of the sports entities analyzed disclosed in their financial statements this segregation of revenues.

These changes in the sports entities legal framework are an attempt to make the management of soccer's clubs more professional, by improving the disclosure and the quality of information disclosed. As known, a positive financial performance has influence on the results conquered in the field, as seen by the examples of *Fluminense Football Club*, *Associação Chapecoense de Futebol* and *Botafogo Clube e Regatas*. Besides, these entities needs to be accountable due their important role in society.

The study presents as limitations the size of the sample, because there are several clubs that were not considered, because the focus of the study has been concentrated in the clubs from the first division of the Brazilian championship. Suggestions for future research include the analysis of the quality of accounting information and its relationship with the results accomplished in the field, besides the expansion of the sample, provoking further debate and comparisons with previous studies.



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