

ANALYSIS OF THE IMPLEMENTATION OF UEFA FINANCIAL FAIR PLAY: A CASE STUDY ON ARSENAL AND MANCHESTER UNITED FOOTBALL CLUB

Sendy; Gatot Soepriyanto; Nuraini Sari

Accounting and Finance Department, Faculty of Economic and Communication, BINUS University
Jln. K. H. Syahdan No. 9, Palmerah, Jakarta Barat 11480
gsoepriyanto@gmail.com; nsari@binus.edu

ABSTRACT

This study aims to analyze the implementation of UEFA Financial Fair Play (FFP) to European football clubs. Research is conducted based on Arsenal and Manchester United football clubs financial statements for 2010-2012. The study uses financial simulation to test whether the two England-based club are able to meet the UEFA FFP rules. Analyses were also conducted on the financial performance ratios of both clubs and their effects on the implementation of the UEFA FFP. The result is the two clubs can meet the standard provisions for the implementation of UEFA FFP. In the assessment of financial performance, Arsenal have a slightly better financial ratios than Manchester United. Performance aspects of profitability and solvency became an issue in the implementation of UEFA's FFP, related with debt holdings and high salaries that owned by both clubs.

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

ABSTRAK

Penelitian ini bertujuan untuk menganalisis penerapan UEFA Financial Fair Play terhadap klub sepakbola Eropa. Penelitian dilakukan terhadap klub sepakbola Arsenal dan Manchester United yang berasal dari Inggris pada laporan keuangan klub untuk tahun 2010, 2011 dan 2012. Analisis dilakukan terhadap penyajian laporan keuangan klub dan simulasi hasil penerapan breakeven UEFA FFP sesuai dengan ketentuan yang ditetapkan oleh UEFA. Analisis juga dilakukan terhadap rasio kinerja keuangan kedua klub dan pengaruhnya terhadap penerapan UEFA FFP tersebut. Hasil yang diperoleh adalah kedua klub dapat memenuhi standar ketentuan UEFA terhadap penerapan UEFA FFP. Dalam penilaian kinerja keuangan, Arsenal memiliki rasio keuangan yang sedikit lebih baik dari Manchester United. Aspek kinerja profitabilitas dan solvabilitas menjadi isu dalam penerapan UEFA FFP terkait kepemilikan hutang dan beban gaji yang tinggi yang dimiliki kedua klub.

Kata kunci: laporan keuangan, Arsenal, Manchester United, UEFA Financial Fair Play

INTRODUCTION

One aspect that cannot be ignored in the development of football is the economic aspect which has grown rapidly in football. This aspect also makes the sport as a business center that is very interesting. The fact that football is one of very popular sports, football club can make a profit from the sale of the match tickets, club merchandise, sponsor products, television broadcasting rights, and the transfers of players. It then attracts the billionaire investor to disburse money to invest or even acquire full ownership of the football club to pursue a triumph in the form of achievement for the club or just a benefit to running the business in the club. This situation worsened when the owner of the club used its influence to spend large amounts of money to buy football players and led to the loss to its club. Seeing the situation, the UEFA (the Union of European Football Associations) made the decision to implement a new regulation called the UEFA Financial Fair Play (FFP UEFA) in European football.

UEFA will conduct an assessment if a football club is over the limit of deficit deviation tolerance to determine whether the club will get sanctions or not. The application of this rule will make the club more careful in using money, especially in transferring fee of players and determining salary for the players. Each club is expected to maximize the level of operating income and other income to fill the expenditure activity, rather than using the personal fund of the owner of the club itself. The problem arises when the clubs got used with the unrestrained for using the money especially to perform the activity in the transfer market. And now they have to keep up with the revenue side in order to break even qualified set by UEFA. Therefore, the authors tried to raise the issue of the Financial Fair Play as a topic of study and analyze the application of the UEFA FFP clubs in Europe with reference to the club's financial statements for the last three years.

In accordance with the formulation of the problem, the authors will analyze the effect of implementation of UEFA's FFP over the financial reporting of Arsenal and Manchester United. Authors will use financial simulation to test whether Arsenal and Manchester United are able to meet the UEFA FFP rules. Then the discussion will be made regarding the determination of the relevant revenue and expenditure according to UEFA's regulation in calculating the break-even on the financial statements of Arsenal and Manchester United. This study will give analysis on the implementation of UEFA Financial Fair Play (FFP) against European football clubs. This study will also analyze the financial performance ratios of both clubs and their effects on the implementation of the UEFA FFP.

Research is conducted based on Arsenal and Manchester United football clubs financial statements for 2010-2012. At the end of the discussion, the authors will give the conclusion whether Arsenal and Manchester United have met the qualifications as well as its influence in the implementation of UEFA's FFP.

UEFA will conduct an assessment of the club through the break-even calculation. The break-even is calculated from the relevant income deducted by the relevant expenses, as written on Article.58 (UEFA Club Licensing and Financial Fair Play Regulations, 2012). UEFA will assess the requirements of the club's break-even over three reporting periods: (i) the reporting period ended in the calendar year UEFA club competition starts (T), (ii) the reporting period ended in the calendar year before the UEFA club competition starts (T - 1), (iii) and the reporting period the previous year (T - 2).

For example, the monitoring period for season 2015/16 include reporting that ended in 2015 (T), 2014 (T - 1), and 2013 (T - 2). All clubs with relevant income and expenditure of more than €5M must show that the result of the calculation of break-even in three reporting periods is positive. Maximum allowable deficit is 5 Million Euros. The amount could exceed that limit if the excess is entirely covered by a contribution of equity participant or party associated with the maximum deficit:

(1) 45 Million Euros for the monitoring period in the season 2013/14 and 2014/15. (2) 30 Million Euros for the monitoring period in the season 2015/16, 2016/17 and 2017/18. (3) Lower amount in accordance with the decision of the UEFA Executive Committee.

The purpose of this study is to obtain knowledge and insight on whether European Football Clubs could meet the requirements specified in the UEFA to prepare the financial statements based on UEFA Club Licensing and application of breakeven on the relevant income and expenses according to UEFA's Financial Fair Play. This study will also obtain evidence of the effect on the implementation of the UEFA FFP to the European football clubs' financial performance.

METHOD

The authors used qualitative methods for this research in the form of literature study with the aim to analyze the application and effect of the UEFA FFP on the financial reporting of European football clubs. Arsenal and Manchester United were selected as the object of study and the sample due to the fact there is an interesting possibility to be analyzed based on the purpose of this study, namely the presentation of its financial statements primarily related to revenues and expenses associated with the implementation of the club's UEFA FFP regulations, particularly in the presentation of its financial statements related to revenues and expenses associated with the implementation of the club's UEFA FFP regulations. Besides, access to the financial data of both clubs can also be easily obtained because it is listed on the stock exchange and their annual reports are also published on the official website of the two clubs. Because of these factors, the authors selected Arsenal and Manchester United as the sample in this study.

Data used in this study is secondary data. The data is from the annual financial statements of Arsenal and Manchester United. The report was published on the official website of Arsenal (www.arsenal.com) and Manchester United (ir.manutd.com). In both these clubs, an annual report released also use different names i.e. Statement of Accounts and Annual report (Arsenal) and Annual Report on Form 20-F (Manchester United). Moreover, the authors use secondary data in another form of literature regarding the financial statements such as Deloitte Football Money League and financial references of articles on other football clubs.

The author will begin by looking at the general discussion of Arsenal and Manchester United in operating and reporting financial transactions in a financial statement. The analysis will be performed on the club's financial statements based on UEFA Club Licensing that has been applied by UEFA since 2010. Furthermore, the author will analyze the effect of the application of the financial reporting UEFA FFP Arsenal and Manchester United. It includes a discussion of the determination of the relevant revenues and expenses by UEFA in calculating the break-even on the financial statements of Arsenal and Manchester United. The calculation will be made to the financial statements in 2010-2012 and projections at both clubs for 2013 as projected to breakeven by UEFA FFP application that will be applied first time in 2014. Then the club's assessment of financial performance ratios for the year 2010-2012 will be conducted along with its effect on the application of the UEFA FFP. In the end of discussion, there will be the conclusion regarding the qualifications of Arsenal and Manchester United to the UEFA FFP and influence the club's financial performance in the application of the UEFA FFP .

RESULT AND DISCUSSION

Comparative Financial Statement

Table 1 Comparative Financial Statement

Football Club	Arsenal	Manchester United
Date of Financial Statement	May 31	June 30
Reporting Period	1 June - 31 May	1 July - 30 June
Financial Statements	<ul style="list-style-type: none"> • <i>Consolidated Profit and Loss Account</i> • <i>Balance Sheet</i> • <i>Consolidated Cash Flow Statement</i> • <i>Notes to the Accounts</i> 	<ul style="list-style-type: none"> • <i>Consolidated Income Statement</i> • <i>Consolidated Statement of Comprehensive Income</i> • <i>Consolidated Balance Sheet</i> • <i>Consolidated Statement of Change in equity</i> • <i>Consolidated Statement of Cash Flow</i> • <i>Notes to the Consolidated Financial Statements</i>
Currency Used	<i>Poundsterling £</i> presented in £000's	<i>Poundsterling £</i> presented in £000's
Guidance in Preparing the Financial Statements	UK GAAP	IFRS

From Table 1, we can see the general presentation of the financial statements made by both clubs. Arsenal still uses UK GAAP as guidance in the preparation of financial statements while Manchester United already using IFRS since 2011. In addition there are also differences in the components presented by Arsenal that does not have a statement of change in equity as presented by Manchester United. The difference is Manchester United is listed on the New York Stock Exchange that is required to perform the presentation of financial statements in accordance with applicable regulations.

Table 2 Comparison of Components of Financial Statements (IAS)

IAS 1	Arsenal	Manchester United
<i>Statement of Financial Position</i>	<i>Balance Sheet</i>	<i>Consolidated Balance Sheet</i>
<i>Statement of Comprehensive Income</i>	<i>Consolidated Profit and Loss Account</i>	<i>Consolidated Income statement dan Consolidated Statement of Comprehensive Income</i>
<i>Statement of Change in Equity</i>	-	<i>Consolidated Statement of Change in Equity</i>
<i>Statement of Cash Flow</i>	<i>Consolidated Cash Flow Statement</i>	<i>Consolidated Statement of Cash Flow</i>
<i>Notes to the Financial Statement</i>	<i>Notes to the Accounts</i>	<i>Notes to the Consolidated Financial Statements</i>

Based on Table 2, it can be seen that Manchester United showed the most complete report on the presentation of the financial statements of components to present all financial components in accordance with the rules written in IAS. While the financial statements of Arsenal, they do not present the Statement of Comprehensive Income and Statement of Change in Equity. This is because the status of Manchester United is listed on the NYSE that required to perform a complete presentation of financial statements in accordance with IFRS 1.

Table 3 Comparison of Components of Financial Statements (UEFA)

UEFA Club Licensing	Arsenal	Manchester United
<i>Balance Sheet</i>	<i>Balance Sheet</i>	<i>Consolidated Balance Sheet</i>
<i>Profit and Loss Account</i>	<i>Consolidated Profit and Loss Account</i>	<i>Consolidated Income statement dan Consolidated Statement of Comprehensive Income</i>
<i>Cash Flow Statement</i>	<i>Consolidated Cash Flow Statement</i>	<i>Consolidated Statement of Cash Flow</i>
<i>Notes</i>	<i>Notes to the Accounts</i>	<i>Notes to the Consolidated Financial Statements</i>
<i>Financial Review by Management</i>	<i>Financial Review</i>	<i>Operating and Financial Review</i>

From Table 3, it can be seen that all components required by UEFA in preparing the financial statements have been fulfilled by both clubs, Arsenal and Manchester United. Each report is presented in full and has been audited by independent auditors. The 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. When we compared Table 2 and Table 3, there are differences in the components of financial statements that are required by the IAS with the UEFA Club Licensing regulations. UEFA European football clubs are not required to present the Statement of Changes to Equity as required by IAS in preparing the financial statements. However, UEFA required each club to present a financial review to provide the information regarding the financial condition of the club during this period. Based on Table 4.3, it can also be concluded that the Arsenal and Manchester United meet the financial criteria required by UEFA as one of the conditions of the license of UEFA's financial statement presentation.

The Implementation of UEFA Financial Fair Play (Arsenal)

Table 4 Arsenal Income (£ million)

Arsenal Income	2010	2011	2012
Matchday	93,9	93,1	95,2
Broadcasting	84,6	85,2	84,7
Commercial	44,0	46,3	52,5
Player Trading	0,5	0,7	2,9
Football Turnover	222,9	225,4	235,3
Other operating income	156,9	30,3	7,7
Total Turnover	379,8	255,7	243,0
Profit on player sales	38,1	6,3	65,5
Profit on disposal of fixed assets	-	-	-
Finance income	0,7	0,6	0,9
Share of profit in joint venture	0,5	0,8	1,0
Gross Income	419,1	263,4	310,4
Exclusion			
Non-monetary credits	-	-	-
Income transaction with related party above fair value	-	-	-
Income from non-football operations	156,9	30,3	7,7
Relevant Income	262,2	233,1	302,7

From Table 4, it can be seen that Arsenal earned income for the last three years. All revenues are included in the calculation of relevant income required by UEFA. However, revenue earned from the Arsenal property business enterprise group were excluded from the relevant revenue.

There were some fluctuations of relevant income earned by Arsenal during the last three years. But overall Arsenal relevant income grew from 2010-2012. Profit from the sale of the player becomes the main factor affecting the increase in revenue compared to other income sectors.

Table 5 Arsenal Expenses (£ million)

Arsenal Expenses	2010	2011	2012
Cost of property sales	141,6	17,7	5,5
Wages expenses	110,7	124,4	143,4
Other operating expenses	54,9	57,5	56,7
Depreciation	11,9	12,5	11,4
Player Amortisation	25,0	21,7	36,8
Player Impairment	-	-	5,5
Finance costs	18,8	14,8	14,5
Gross Expenses	362,9	248,6	273,8
Exclusion			
Expenditure on youth development activities	10,0	10,0	10,0
Expenditure on community development activities	2,0	2,0	2,0
Exceptional items	-	3,0	-
Non-monetary debits/charges	-	-	-
Finance costs attributable to the construction of fixed assets	14,6	14,2	13,5
Expenses of non-football operations not related to the club	141,6	17,7	5,5
Depreciation/Impairment of tangible fixed assets	11,9	12,5	11,4
Amortisation/Impairment of intangible fixed assets	-	-	-
Tax expense	-	-	-
Relevant Expenses	182,8	189,2	231,4

Table 5 shows the overall expenses owned by Arsenal over the last three years and is calculated according to the relevant provisions of the expense according to UEFA regulation. Exceptions made on depreciation, finance costs allocated to the construction of the stadium, expenses associated with property business enterprise group activity, and expenses on the infrastructure development of coaching young players and the club community. The authors conducted an assumption for the amount of expense generated for the development of infrastructure and community coaching youth players each for £ 10 million and £ 2 million per year because the authors could not found the amount of the value of the investment made by the club in the financial statements.

Relevant expense of Arsenal increased during the three years. The highest growth occurred in the year 2012. That was affected by the highest salaries expense and the amortization of the value of the player's contract. Relevant income and expense calculations can then be obtained the breakeven generated by Arsenal during the last 3 years as follows:

Table 6 Arsenal Break Even (£ million)

Arsenal Break even Result	2010	2011	2012
Relevant Income	262,2	233,1	302,7
Relevant Expenses	182,8	189,2	231,4
Break even	79,4	43,9	71,3

Acceptable deviations set by UEFA is € 45 million. The value when converted into poundsterling currency used in the financial statements of the club in the UK is around £ 38 Million (€ 1 = £ 0.8455). So when we compared to break-even earned by Arsenal during the years 2010-2012, it can be seen that Arsenal can meet the qualifications set by UEFA for obtaining high surplus during the

last three years. Fluctuations of breakeven obtained by Arsenal was influenced by an increase in relevant expense the for three years. But Arsenal did not have a significant difficulty to pass a rule that made the UEFA and to obtain a license in order to follow the European competition organized by UEFA.

In practice, the assessment conducted by UEFA in 2013/2014 is for the club's financial statements ended in year 2012 and 2013. Then, the financial statements of Arsenal in the year 2013 were being used as a basis to project the preparation for the assessment conducted by UEFA in 2014. Projections were made based on the club's performance in the competition conducted during the year. Acquisition of the club is very influential on the amount of income earned by the club, especially from match day and broadcasting sectors that depend on the number of home games. Achievements of the clubs can also increase revenues which derived from broadcasting rights and the gift of participation in competitions such as the UEFA Champions League as well as of the domestic league and cup competitions. From competition in 2013, we obtained the projection (forecast) as follows:

Table 7 Arsenal Profit Forecast (£ million)

Arsenal Profit Forecast		
Football	2012	2013
Match Day	95,2	95,9
Broadcasting	84,7	84,8
Commercial	52,5	57,4
Player Trading	2,9	4,0
Turnover	235,3	242,1
Wages & Salaries	(143,4)	(157,7)
Other Expenses	(56,7)	(57,6)
Expenses	(200,1)	(215,3)
EBITDA	35,2	26,8
Depreciation	(11,4)	(11,2)
Player Amortisation	(36,8)	(47,2)
Player Impairment	(5,5)	-
Operating Profit	(18,5)	(31,6)
Share of Joint Venture	1,0	1,4
Profit on Player Sales	65,5	47,0
Net Finance Charges	(13,5)	(13,0)
Profit Before Tax	34,5	3,8

From the projection above, we simulation the calculation of relevant income and expenses for the year 2013 as part of the assessment conducted by UEFA for the year 2014. The results of these calculations are as follows:

Table 8 Arsenal Relevant Income and Expenses (Forecast)

Arsenal Income (£ million)	2013
Matchday	95,9
Broadcasting	84,8
Commercial	57,4
Player Trading	4,0
Profit on player sales	47,0
Share of profit in joint venture	1,4
Relevant Income	290,5
Arsenal Expenses	
Wages expenses	157,7

Other operating expenses	57,6
Depreciation	11,2
Player Amortisation	47,2
Net Finance Charges	13,0
Exclusion	
Expenditure on youth development activities	10,0
Expenditure on community development activities	2,0
Finance costs attributable to the construction of fixed assets	13,0
Depreciation/Impairment of tangible fixed assets	11,2
Relevant Expenses	250,5

Table 8 shows the projected revenues and expenses relevant to Arsenal in 2013. Exceptions to the relevant expense of the depreciation and we give assumptions on the amount of investment expenses for the development of young players, clubs and community finance development costs for installment Emirates Stadium. From the relevant income and expenses of the obtained Arsenal break even for the year 2013 as follows:

Table 9 Arsenal Break Even Forecast

Arsenal Break even Result (£ million)	2012	2013
Relevant Income	302,7	290,5
Relevant Expenses	231,4	250,5
Break even	71,3	40,0

Table 9 shows the breakeven earned by Arsenal in 2012 (from table 8) and projections for the year 2013. Results from the breakeven simulation show that Arsenal can pass the assessment conducted by UEFA for the year 2014 due to surplus / profit in 2012 and 2013.

Implementation of UEFA Financial Fair Play (Manchester United)

Table 10 Manchester United Income (£ million)

Manchester United Income	2010	2011	2012
Matchday	105,8	110,8	98,7
Broadcasting	103,3	117,2	104,0
Commercial	77,3	103,4	117,6
Football Turnover	286,4	331,4	320,3
Other operating income	-	-	-
Total Turnover	286,4	331,4	320,3
Profit on player sales	13,4	4,5	9,7
Profit on disposal of fixed assets	-	-	-
Finance income	1,7	1,7	0,8
Gross Income	301,5	337,6	330,8
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

From Table 10, it can be seen the overall revenue earned by Manchester United over the last three years. None of Manchester United's revenue that goes into the UEFA exceptions of the relevant income for FFP calculations, because the company's activities focus on the activities of the football club itself.

Table 11 Manchester United Expenses (£ million)

Manchester United Expenses	2010	2011	2012
Cost of property sales	-	-	-
Wages expenses	131,7	153,0	161,7
Other operating expenses	52,3	68,8	67,0
Exceptional Items	2,8	4,7	10,7
Depreciation	8,6	7,0	7,5
Player Amortisation	40,1	39,2	38,3
Finance costs	110,3	52,9	50,3
Gross Expenses	345,8	325,6	335,5
Exclusion			
Expenditure on youth development activities	10,0	10,0	10,0
Expenditure on community development activities	2,0	2,0	2,0
Exceptional items	2,8	4,7	10,7
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
Amortisation/Impairment of intangible fixed assets	-	-	-
Tax expense	-	-	-
Relevant Expenses	322,4	301,9	305,3

Table 11 shows the overall expenses, which is owned by Manchester United over the last three years and is calculated based on UEFA's standard of relevant expense. Exceptions were made on depreciation, exceptional items, as well as the expense generated for infrastructure development, coaching young players and the club community. The assumption was also made to the amount of expense for the development of infrastructure and community coaching youth club, because there is no expense of investments in this sector in the financial statements of the club. The assumptions expense used are £ 10 million and £ 2 million per year.

Relevant expense owned by Manchester United was declined over the last three years. The highest amount of expense was happened in 2010, when finance costs (predominantly interest payable) reached a £ 110.3 million and continued to decline to £ 50.3 million in 2012. Same as experienced by Arsenal, salary expenses in Manchester United also continued to increase for three years and reached £ 161.7 million in 2012. We can see that, salaries expense is the biggest expense and the focus that need to be considered for European clubs in implementing the UEFA FFP. From the relevant income and expense calculations, we can then be obtained breakeven produced by Manchester United over the last 3 years as follows:

Table 12 Manchester United Break Even (£ million)

Manchester United Break even Result	2010	2011	2012
Relevant Income	301,5	337,6	330,8
Relevant Expenses	322,4	301,9	305,3
Break even	(20,9)	35,7	25,5

Acceptable deviation according to UEFA is € 45 million. The amount when converted into poundsterling currency used in the financial statements of the club in the UK is £ 38 million (€1 = £ 0.8455). When we compared with the simulation results of breakeven calculation of Manchester United during the years 2010-2012, it can be seen when Manchester United still meet 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 they are under the acceptable deviation of £ 38 million.

As in the Arsenal's financial statements, the projection of profit and loss of the club (consolidated income statement) will also be carried out for Manchester United. Projection is to estimate the preparation of the assessment conducted by the club in the UEFA 2014 for the financial statements of European football clubs ended in 2012 and 2013. Projections are made to Manchester United's income is based on performance achieved at the club in the competition during the year. Projection (forecast) for Manchester United in 2013 is as follows:

Table 13 Manchester United Profit Forecast (£ million)

Manchester United Profit Forecast		
Football	2012	2013
Match Day	98,7	103,9
Broadcasting	104,0	107,6
Commercial	117,6	147,3
Revenue	320,3	358,8
Wages & Salaries	(161,7)	(174,7)
Other Expenses	(67,0)	(70,3)
Expenses	(228,7)	(245,0)
EBITDA	91,6	113,8
Exceptional Items	(10,7)	(15,4)
Depreciation	(7,5)	(7,1)
Player Amortisation	(38,3)	(37,4)
Operating Profit	35,1	53,9
Profit on Player Sales	9,7	11,0
Net Finance cost	(49,5)	(44,5)
Profit/(Loss) Before Tax	(4,7)	20,4

From the projection, we then do the simulation calculation of relevant income and expenses of Manchester United in 2013. The simulation results are as follows:

Table 14 Manchester United Relevant Income and Expenses (forecast)

Manchester United Income (£ million)	2013
Matchday	103,9
Broadcasting	107,6
Commercial	147,3
Profit on player sales	11,0
Relevant Income	369,8
Manchester United Expenses	
Wages expenses	174,7
Other operating expenses	70,3
Exceptional Items	15,4
Depreciation	7,1
Player Amortisation	37,4
Net Finance Cost	44,5

Exclusion	
Exceptional Items	15,4
Expenditure on youth development activities	10,0
Expenditure on community development activities	2,0
Depreciation/Impairment of tangible fixed assets	7,1
Relevant Expenses	314,9

Table 14 shows the projections on relevant revenues and expenses by Manchester United for the year 2013. Exceptions to the relevant expense is made to the cost of depreciation and exceptional items as well as the assumptions on costs incurred for investing their young players (youth development) and community clubs.

From the calculation of relevant income and expenses, the results of breakeven are obtained by the application of the UEFA FFP for 2013 as follows:

Table 15 Manchester United Break even (forecast)

Manchester United Break even Result (£ million)	2012	2013
Relevant Income	330,8	369,8
Relevant Expenses	305,3	314,9
Break even	25,5	54,9

From the simulation results, we obtained projected break-even Manchester United for £ 54.9 million for the year 2013. The amount is increased twice compared with the previous year. From these results, it can be concluded that the achievements of Manchester United are good enough in 2013 to make them able to fulfill the break even standard set by the UEFA for assessment conducted in 2014.

The Effect of Financial Performance Ratio to the Implementation of UEFA FFP

Financial ratios are calculated based on the data available and related in calculating financial ratios. Based on the data provided in the financial statements, the club's financial performance ratios as presented in the following table:

Table 16 Liquidity Ratio of Arsenal dan Manchester United

Liquidity	Arsenal			Manchester United		
	2010	2011	2012	2010	2011	2012
Current Ratio	1,55	1,71	1,73	-	0,82	0,65
Quick Test Ratio	1,25	1,45	1,45	-	0,82	0,64
Operating Cash Flow Ratio	1,14	0,41	0,19	-	0,50	0,35

Based on Table 16, it can be seen that Arsenal has a level of liquidity that is better than Manchester United. Arsenal has a better ability than Manchester United in meeting short-term liabilities (current liabilities). Although the amount of assets owned by the two clubs do not differ much, the difference is the debt of Manchester United Manchester United's higher than Arsenal.

Table 17 Solvability Ratio of Arsenal dan Manchester United

Solvability	Arsenal			Manchester United		
	2010	2011	2012	2010	2011	2012
Debt Ratio	0,65	0,62	0,61	1,04	0,78	0,75
Debt to Equity Ratio	1,89	1,66	1,57	-26,93	3,61	3,03

In terms of solvency, Manchester United also does not have a better solvency ratio than Arsenal. It can be seen when Manchester United have debt levels that are very high and not proportional to the amount of its equity. The year of 2010 is the worst year for Manchester United. Negative values on the debt to equity ratio indicates that the assets owned by Manchester United does not cover the amount of liabilities held by the club resulting in a negative equity value in the financial statements.

Table 18 Profitability Ratio of Arsenal dan Manchester United

Profitability	Arsenal			Manchester United		
	2010	2011	2012	2010	2011	2012
Return on Assets Ratio	0,08	0,02	0,04	-0,05	0,01	0,02
Return on Equity Ratio	0,27	0,05	0,10	2,76	0,14	0,10
Return on Sales Ratio	0,16	0,05	0,12	-0,17	0,04	0,07

In terms of profitability, Arsenal and Manchester United have a similar profit rate even if Arsenal gets the level of profit ratio is slightly better over Manchester United. It is influenced comes from the Arsenal's net income that has been decreased since 2010.

While for the rate of profit, Manchester United showed an improving trend since 2010. The worst levels of profitability for Manchester United occurred in 2010, when the club suffered a net loss, so that the ratio of profitability in 2010 gets a negative value. Special note, the rate of return on equity in 2010 for Manchester United was 2.76. This figure was obtained from a net loss and equity that were in a negative position. Besides suggesting a loss, the club was also in a position that was not well in fulfilling the obligations of the assets held in that year. In addition the amount of debt that was owned by Manchester United (fee interest expense) are very high in 2010 reached £ 108.6 million compared to Arsenal that just being in the range of £ 13 - £ 14 million. It was also one of the factors that achieved profit of Arsenal is bigger than Manchester United.

In addition to interest expense (finance cost) which became one of the expenses that affecting the profit calculation of Arsenal and Manchester United, there are fixed costs that continue to grow every year, staff and player salaries (wages and salaries expense). Like most of football clubs, they rely on the contributions of players on the field in order to obtain the best results in every game. Salaries owned by Arsenal and Manchester United when compared with both clubs earned income is presented in the following table:

Table 19 Comparison on the Salaries Expense and Income of the Club

£ juta	Arsenal			Manchester United		
	2010	2011	2012	2010	2011	2012
Wages and Salaries	110,7	124,4	143,4	131,7	153,0	161,7
Revenue (Football)	222,9	225,4	235,3	286,4	331,4	320,3
Wages to Revenue	49,7%	55,2%	60,9%	46,0%	46,2%	50,5%

From Table 19, it presented the amount of salaries and income and the percentage of salary expense to revenue ratio for the last three years of the club. Through this table, it can be seen that the growth of salaries expense are higher than the revenue for both clubs. This can be seen from the percentage of salary expense to income ratio continues to increase over three years.

However, we examined salaries to revenue growth owned by Arsenal was higher than Manchester United. Although Manchester United have bigger salaries expense but it is offset by revenue growth in the club. Manchester United has a better performance in achieving the champ title in the last three years compared to Arsenal. It is also an impact on the commercial side of the club. Manchester United makes their income revenues also continue to grow as a result of globalization and the value of the contract with Sponsorships.

Table 20 Activity Ratio of Arsenal dan Manchester United

Activity Ratio	Arsenal			Manchester United		
	2010	2011	2012	2010	2011	2012
Total Assets Turnover Ratio	0,48	0,35	0,33	0,29	0,33	0,33
Receivables Turnover Ratio	6,29	5,39	5,57	-	5,07	4,49

In terms of the ratio of the activity of the club, Arsenal has a better ratio than Manchester United. However, the total asset turnover ratio can be seen that the ratio of the two clubs is not very good. It shows the use of assets that are not very effective in gaining revenue. Then the receivable turnover ratio is high enough to be seen if the two clubs have a low level of accounts receivable as well as the collection of accounts receivable that can be controlled efficiently. Accounts receivable consist of receivables from the transfer of players to other clubs and the club advanced earnings received from other companies such parties Sponsorships.

When the ratio of the overall club's meets financial performance of the UEFA FFP, both clubs do not have a significant problem as long as the club can still make a profit or at least can fulfill the breakeven standard set by UEFA. Special note should be considered on the condition of net debt, because both clubs solvency ratio are not good. One standard set by UEFA is the net value of the debt should not exceed 100% of total revenue. When you do a comparison of the net debt to revenue both clubs can be seen as follows:

Table 21 Comparison of Net Debt and Revenue

Financing	Arsenal			Manchester United		
	2010	2011	2012	2010	2011	2012
Cash	127,6	160,2	153,6	163,8	150,6	70,6
Debt	(263,2)	(258,0)	(252,5)	(773,3)	(458,9)	(436,9)
Net debt	(135,6)	(97,8)	(98,9)	(609,5)	(308,3)	(366,3)
Revenue						
Football	222,9	225,4	235,3	286,4	331,4	320,3
Property	156,9	30,3	7,7	-	-	-
Group	379,8	255,7	243,0	286,4	331,4	320,3
Net Debt to Revenue	36%	38%	41%	213%	93%	114%

Comparison between net debt and income of both clubs are not good. Both clubs have a fairly high level of debt. However for Arsenal, the amount of net debt is still below the overall presentation of the income obtained. Although it has a high level of debt, Arsenal considered more productive than Manchester United. Arsenal used the debt for repayments Arsenal Emirates Stadium construction that started in 2006. While Manchester United used the debt for Malcolm Glazer acquired the club since 2005.

CONCLUSION

From the discussion of the implementation of UEFA's Financial Fair Play (FFP) on the financial statements of Arsenal and Manchester United in this paper, it could be concluded as follows: (1) Arsenal and Manchester United meet the requirements specified in the UEFA to prepare the financial statements based on UEFA Club Licensing and application of breakeven on the relevant income and expenses according to UEFA's Financial Fair Play. (2) Based on the assessment of financial performance aspect of liquidity, solvency, profitability and activity ratios, Arsenal has a better financial performance ratio compare to Manchester United. When the club's financial performance ratios were associated with the implementation of UEFA's FFP, the two clubs have the same solvency problems related aspects and poor profitability due to the amount of salary expenses and finance costs due to high levels of debt.

REFERENCE

- Arsenal Official Site (2012). *Financial Report*. Diakses 20 Desember 2012 dari <http://www.arsenal.com>.
- Hamil, S., Chadwick, S. (2010). *Managing Football: An International Perspective*. Burlington: Elsevier Ltd.
- Kieso, Donald E., Weygandt, Jerry J., Warfield, Terry D. (2008). Intermediate Accounting 12th Edition. International Student Version. John Wiley & Sons. Norwalk. Connecticut.
- Manchester United Official Site (2012). *Manchester United Investor Relations*. Diakses Desember 2012 dari <http://ir.manutd.com>
- UEFA Communications Divisions. (2012). *Financial Fair Play*. Media Information. Switzerland.
- UEFA. (2012). *UEFA Club Licensing And Financial Fair Play Regulations*. Switzerland.
- Vöpel, H. (2011). *Do We Really Need Financial Fair Play in European Club Football? An Economic Analysis*. Research Reports.