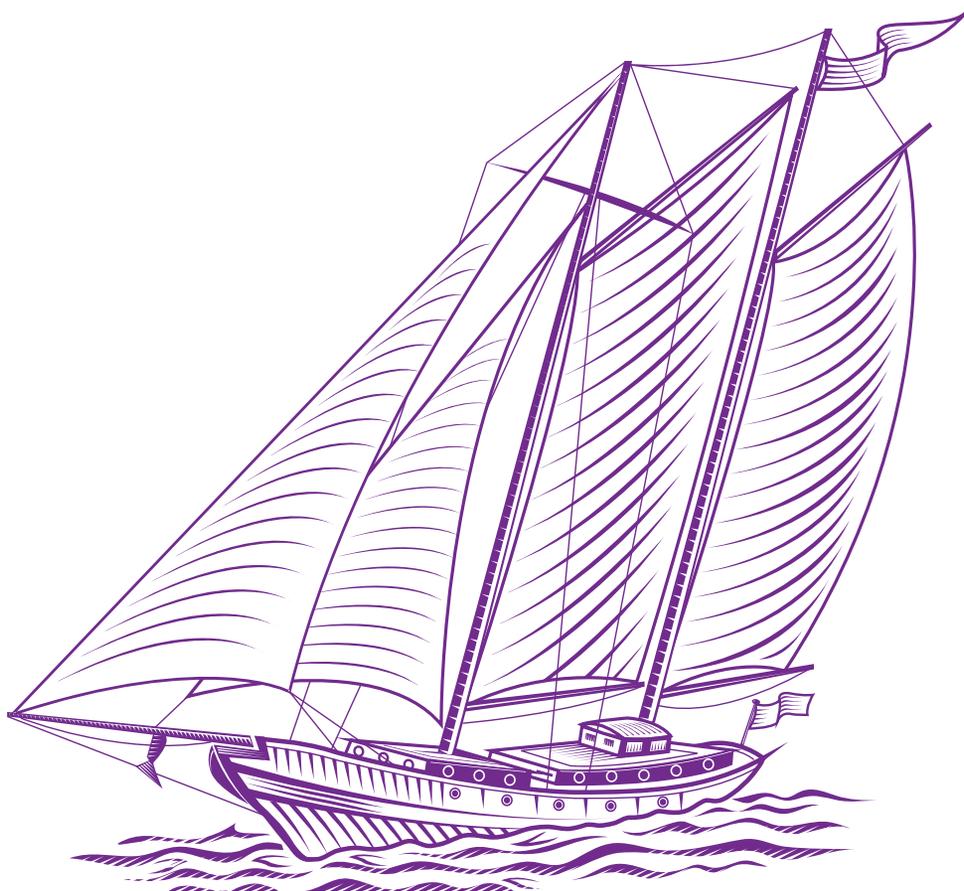




UNIVERSITATEA BABEȘ-BOLYAI
BABEȘ-BOLYAI TUDOMÁNYEGYETEM
BABEȘ-BOLYAI UNIVERSITÄT
BABEȘ-BOLYAI UNIVERSITY
TRADITIO ET EXCELLENTIA



STUDIA UNIVERSITATIS
BABEȘ-BOLYAI



NEGOTIA

1/2026

STUDIA
UNIVERSITATIS BABEŞ-BOLYAI
NEGOTIA

1/2026



ISSN (online): 2065-9636; ISSN-L: 1224-8738

© STUDIA UBB NEGOTIA

Published by Babeş-Bolyai University

EDITORIAL BOARD OF STUDIA UNIVERSITATIS BABEŞ-BOLYAI NEGOTIA

EDITOR-IN-CHIEF:

Assoc. Prof. dr. VALENTIN TOADER, Babeş-Bolyai University, Cluj-Napoca, Romania

EXECUTIVE EDITOR:

Prof. dr. CORNELIA POP, Babeş-Bolyai University, Cluj-Napoca, Romania

CO-EXECUTIVE EDITOR:

Prof. dr. SVEN M. LAUDIEN, Macromedia University of Applied Sciences, Business School Stuttgart, Germany

EDITORIAL BOARD:

Prof. dr. PARTENIE DUMBRAVA, Babeş-Bolyai University, Cluj-Napoca, Romania

Prof. dr. MASAHIKO YOSHII, Kobe University, Japan

Prof. dr. JÁNOS SZÁZ, Corvinus University, Budapest, Hungary

Prof. dr. PHILIPPE BURNY, Université de Liège, Liège, Belgium

Prof. dr. MARILEN PIRTEA, West University, Timişoara, Romania

Prof. dr. SEDEF AKGÜNGÖR, Dokuz Eylül University, Izmir, Turkey

Prof. dr. STANISLAVA ACIN SIGULINSKI, Subotica University of Novi Sad, Serbia

Prof. dr. DJULA BOROZAN, J.J. Strossmayer University of Osijek, Osijek, Croatia

Prof. dr. CORNELIA POP, Babeş-Bolyai University, Cluj-Napoca, Romania

Prof. dr. IOAN CRISTIAN CHIFU, Babeş-Bolyai University, Cluj-Napoca, Romania

Prof. dr. SMARANDA COSMA, Babeş-Bolyai University, Cluj-Napoca, Romania

Prof. Ing. MIROSLAV SVATOŠ, CSc., Czech University of Life Science, Prague, Czech Republic

Prof. dr. SIMEON KARAFOLAS, Technological Educational Institute (TEI) of Western Macedonia, Greece

Prof. UEK Dr. hab. MAREK ĆWIKLICKI, Cracow University of Economics, Poland

Prof. UEK Dr. hab. KRZYSZTOF WACH, Cracow University of Economics, Poland

Assoc. Prof. dr. IVANA KRAFTOVA, University of Pardubice, Czech Republic

Assoc. Prof. dr. KAREL TOMŠÍK, Czech University of Life Sciences, Prague, Czech Republic

Assoc. Prof. dr. BERNA KIRKULAK-ULUDAG, Dokuz Eylül University, Izmir, Turkey

Assoc. Prof. dr. PHAPRUKE USSAHAWANITCHAKIT, Mahasarakham University, Maha Sarakham, Thailand

Assoc. Prof. dr. OVIDIU IOAN MOISESCU, Babeş-Bolyai University, Cluj-Napoca, Romania

Assoc. Prof. dr. ELENA DANA BAKO, Babeş-Bolyai University, Cluj-Napoca, Romania

Assoc. Prof. dr. MARIA-ANDRADA GEORGESCU, National University of Political Studies and Public Administration, Romania

Assist. Prof. dr. GURHAN AKTAS, Dokuz Eylül University, Izmir, Turkey

Senior Lect. PETER JOHN RAS, Tshwane University of Technology, South Africa

Senior Lect. dr. SUSANNA LEVINA MIDDELBERG, North-West University, Potchefstroom, South Africa

Lect. dr. GAMON SAVATSOMBOON, Mahasarakham University, Maha Sarakham, Thailand

Assoc. Prof. dr. OANA GICĂ, Babeş-Bolyai University, Cluj-Napoca, Romania

Assoc. Prof. dr. MARIA MONICA COROŞ, Babeş-Bolyai University, Cluj-Napoca, Romania

Independent financial analyst ELISA RINASTITI MURESAN, Seattle, USA

SECRETARIES OF THE EDITORIAL BOARD:

Lect. dr. ANDREEA-ANGELA SEULEAN, Babeş-Bolyai University, Cluj-Napoca, Romania

**The current issue contains a collection of papers
on the following topics:**

Human Resources in Economy

Marketing / Advertising

Business Economy / Management

Accounting - Business Administration

YEAR
MONTH
ISSUE

Volume 71 (LXXI) 2026
MARCH
1

ISSN (online): 2065-9636
PUBLISHED ONLINE: 2026-03-24
ISSUE DOI: 10.24193/subbnegotia.2026.1

CONTENTS

Nicoleta Dorina RACOLȚA-PAINA, Aura Liana RUS, Managing a Remote Workforce: Perspectives of Human Resource Specialists. A Qualitative Study	7
Erika KULCSÁR, Zsuzsánna SIMON, Hunor TÖRÖK, Seniors in Advertising.....	21
Queen MPOFU, The Role of Corporate Governance on the Informativeness of the Developing Countries Financial Statements.....	39
Iustin Atanasiu POP, Paul Sorin LAZAR, Traian Ionut LUCA, Ioana Madalina RITI, Raul Vegas VIMAN, From Investment Logic to Accounting Constraints: A Conceptual Framework and Operational Matrix for Risks, Impairment and Financial Governance in Sport.....	55

MANAGING A REMOTE WORKFORCE: PERSPECTIVES OF HUMAN RESOURCE SPECIALISTS. A QUALITATIVE STUDY

Nicoleta Dorina RACOLȚA-PAINA¹ , Aura Liana RUS²

Article History: Received: December 22, 2025; Reviewed: February 24, 2026;

Accepted: March 17, 2026; Available online: March 24, 2026.

©2026 Studia UBB Negotia. Published by Babeş-Bolyai University.



This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License

ABSTRACT. In the context of the substantial share of employees currently working remotely, human resource (HR) specialists are increasingly concerned with the implications of this work arrangement for HR management practices. Accordingly, the primary aim of this paper is to investigate the specific characteristics of human resource management within remote work systems, from the perspective of HR specialists in Romania. The research objectives are: (1) to determine the specific features of managing employees in a remote work environment, with particular emphasis on maintaining work motivation, ensuring effective team functioning, and monitoring and assessing work performance; and (2) to identify the principal benefits and challenges that the implementation of a remote work system entails for organizations. To achieve these objectives, an empirical qualitative study was conducted. Primary data were collected between March and April 2024 through four semi-structured interviews with HR specialists employed in organizations in which a significant proportion of staff work remotely. The main findings of this qualitative empirical study indicate that, within the organizations represented by the interviewed specialists, specific techniques and practices have been implemented to sustain the motivation of employees working remotely, to support the effective functioning of their teams, and to improve processes related to monitoring and assessing employee performance.

Keywords: remote work, teleworking, human resources management, Romania

JEL classification: J24, J81

¹ Associate Professor, PhD, Department of European Studies and Governance, Faculty of European Studies, Babeş-Bolyai University of Cluj-Napoca, nicoleta.paina@ubbcluj.ro.

² MA graduate, Faculty of European Studies, Babeş-Bolyai University of Cluj-Napoca, e-mail: auralianarus@gmail.com

Recommended citation: Racolta-Paina, N.D., Rus, A.L., Managing a remote workforce: perspectives of human resource specialists. A qualitative study, *Studia UBB Negotia*, vol. 71, issue 1 (March) 2026, pp. 7-20, <https://doi.org/10.24193/subbnegotia.2026.1.01>

Introduction and literature review

Hybrid and remote work models have become the defining characteristics of the contemporary business environment, becoming "the norm" much more rapidly than expected prior to the COVID-19 pandemic. In March 2020, with the introduction of lockdown measures in most countries worldwide, teleworking (or remote work) was widely adopted, rapidly, and in a largely unplanned manner (PwC, 2020). Currently, companies employ a variety of business practices to enhance their attractiveness in the labor market (World Economic Forum, 2025). One of these practices is the provision of remote and hybrid work opportunities within countries, acknowledging that the possibility of working from home for part of the time has become an important criterion for job choice among labor market candidates (Tatel *et al.*, 2025). This criterion is particularly salient for members of Generation Z when selecting an employer (Deloitte, 2025). Generation Z (born between January 1995 and December 2006), together with Generation Y (born between January 1983 and December 1994), is expected to account for 74% of the global workforce by 2030 (Forrester, 2021).

The body of literature that addresses human resource management in the context of remote work is already well developed. A systematic review conducted by Almeida *et al.* (2024), covering the period 2016–2023 and including 136 articles, synthesizes the findings along three main analytical dimensions of telework: (1) antecedents (at the individual, organizational, technological and cultural levels, among others); (2) decisions (with respect to the adoption and implementation of telework); and (3) results (at the level of work processes, organizations, employees, etc.).

With specific regard to the Romanian organizational context, existing studies primarily focus on: the situation of remote work in Romania during the COVID-19 pandemic (Turkeş *et al.*, 2021; Ionescu *et al.*, 2022; Suciuc *et al.*, 2022); the experiences of employees and middle managers related to the transition from office-based to home-based work during the pandemic (Săvescu *et al.*, 2022); the impact of remote work on organizational performance (Andrei & Militaru, 2022); managers' perceptions of the effects of remote work on company productivity (Khan *et al.*, 2021); employees' perceptions in the business services sector about remote work, with an emphasis on factors that positively or negatively influence the achievement of career objectives, the dimensions of

organizational performance, and key elements of organizational culture (Caraiani *et al.*, 2022); the advantages of remote work for employees in managerial and executive positions (Gavril (Moldovan) *et al.*, 2022); and the perceptions of employees and employers about the advantages and disadvantages of remote work (Stanciu *et al.*, 2023).

In this context, the main aim of this paper is to find the specific characteristics of human resource management in remote work systems, from the perspective of human resource specialists. The decision to focus on the viewpoint of HR professionals is grounded in their central role in defining, operationalizing, and overseeing the implementation of remote work arrangements within organizations (Couto *et al.*, 2024).

This study contributes to the existing body of knowledge through empirical qualitative research along two main dimensions. First, it analyzes the perceptions of human resource specialists about the distinctive features of managing employees who work remotely—an angle largely underexplored in prior research. Second, it offers an up-to-date empirical account based on data collected in 2024, while the studies cited above rely on data gathered in earlier periods.

Given that the field of human resources is very broad, it is necessary, at an early stage of the research process, to delineate the relevant aspects that must be considered, thereby setting up a proper context for an exploratory approach (Schmalz *et al.*, 2021). Keeping in mind that “qualitative research is a means of exploring and understanding the meaning individuals or groups ascribe to a social or human problem” (Creswell, 2009), the methodology employed in this research comprises both a theoretical component and empirical, qualitative, exploratory research, using the interview as the primary method of data collection.

Primary data were collected through four semi-structured interviews with specialists working in human resource departments in four Romanian companies. The specific objectives of this research are: (1) to identify the specific characteristics of employee management in a remote work environment, with a focus on maintaining work motivation, ensuring team functioning, and monitoring and evaluating work performance; and (2) to identify the main benefits and challenges associated with implementing a remote work system at the company level.

The methodology thus combines theoretical analysis with empirical investigation. The empirical part is based on primary qualitative research, using semi-structured interviews. The interviews were conducted with four HR specialists from four companies in Romania by one of the authors of this study, and the resulting data was subsequently analyzed and interpreted.

This article is structured as follows: the first section presents a review of the literature on human resource management in the context of remote work. The second section outlines the research methodology. The third section presents and discusses the empirical findings derived from the semi-structured interviews with HR specialists. The final section sets out a series of conclusions regarding the ways in which human resource specialists manage remote employees.

The human resources department, regardless of its specific designation, fulfills a strategic function, namely integrating human resource strategies with organizational strategies to ensure that human resources support the achievement of organizational objectives (Armstrong & Taylor, 2023). These authors emphasize that a strategic approach to human resources provides a broad and long-term vision of the direction in which organizations must develop their HR policies and practices.

In a dynamic and constantly evolving environment, HR specialists face a multitude of factors that significantly influence their activities. These factors include the effects of globalization, legislative changes, technological advances and digitalization, changes in the economic environment, and the COVID-19 crisis (Armstrong & Taylor, 2023). In the face of these challenges, it is essential for HR specialists to prove flexibility and maintain up-to-date skills and knowledge, to respond effectively to the needs of both organizations and employees.

Remote work represented an essential solution to ensure business continuity during the pandemic period. However, organizational management encountered difficulties in supervising and training employees, leading to the need for innovative solutions, such as the development and deployment of more advanced virtual communication and collaboration tools (Popa, 2022).

Teleworking or remote work can be defined as a work arrangement in which the employee, on a full-time or part-time basis, performs job tasks from home, while hybrid work refers to an arrangement in which the employee works part of the week from home and the remaining part on the employer's premises (Armstrong & Taylor, 2023). During the lockdown period associated with the COVID-19 pandemic, working from home was the primary solution to ensure the continuation of work activities. Subsequently, following the gradual lifting of restrictions, remote work was increasingly replaced by hybrid models that require physical presence of employees in the workplace only on a limited number of days a week (Radu *et al.*, 2023).

The implementation of remote work at the organizational level involves a series of challenges and changes, particularly in relation to communication, employee well-being, and work-life balance (Couto *et al.*, 2024). At the level of HR practices, major changes have occurred in recruitment and selection, internal communication, as well as training and development, largely as a direct consequence of the increased use of digital technologies (Gonçalves *et al.*, 2021).

The trend towards hybrid work is continually expanding, as it offers employees increased flexibility. Work schedules that require physical presence at the company's headquarters on certain days, while allowing employees to work remotely with others, constitute a form of flexibility that employees are increasingly seeking.

To effectively manage human resources and maximize employee performance, managers and HR specialists need to understand and influence work-related behaviors. The achievement of optimal employee results depends on how teams are managed, with HR specialists playing a supporting role by creating an enabling work environment and implementing appropriate motivational policies. As remote work becomes more widespread, shifting employee expectations have emerged as one of the main drivers shaping the future of work. In this context and in a volatile labor market, human resource management has increasingly adopted a sustainability-oriented strategy that integrates organizational performance with social, human, environmental, and financial development, promoting regeneration and sustainable use of resources (Davidescu et al., 2020).

HR sustainability is linked to employee flexibility by fostering a work environment that supports work-life balance, thus facilitating adaptability and job satisfaction (Davidescu et al., 2020). According to the aforementioned authors, the forms of work flexibility perceived as most important by Romanian employees are team autonomy and flexibility in managing work time. These findings underscore the importance of work flexibility for employee satisfaction in Romania.

In the current Romanian context, where professionals have access to a wide array of employment opportunities, employers must adapt and offer benefits that go beyond financial compensation, with a particular emphasis on organizational flexibility. Consequently, remote work and flexible arrangements are essential elements for employee motivation and productivity, influencing both the length and quality of employee engagement with the organization (Davidescu et al., 2020).

Research methodology

The primary aim of this paper is to identify the specific characteristics of human resource management in remote work systems from the perspective of human resource specialists. The research objectives are: (1) to determine the particular features of employee management in a remote work environment, with a special emphasis on maintaining work motivation, team functioning, and monitoring and evaluation of work performance; and (2) to identify the main benefits and challenges that the implementation of a remote work system entails for organizations.

To achieve these objectives, we conducted a primary qualitative study based on semi-structured interviews as a data collection method (Ghauri *et al.*, 2020). Primary data were obtained through four semi-structured interviews - conducted by one of the authors of the present study. The research design followed several stages. Based on the formulated research question, we developed a structured interview guide. This instrument includes ten questions aimed at eliciting in - detailed information on human resource management in remote work environments within the organizations to which interview participants belong.

We defined a profile for the interviewees as follows: (a) they had to be human resource specialists; (b) they had to work in companies operating in Romania; and (c) they had to have occupied a human resources position prior to the COVID-19 pandemic (before March 2020), in order to be able to describe the challenges and changes that occurred during this period in relation to the management of human resources in remote work systems. Based on this profile, we contacted HR specialists to obtain their consent to participate in the interviews. Ultimately, we received positive responses from four human resource specialists who met the defined criteria (see Table 1).

We then scheduled and conducted semi-structured interviews online between April and May 2024. The interviewees work in organizations located in Cluj-Napoca and Bucharest, in companies that have implemented remote work systems; consequently, their professional experience is relevant to address research questions. The final stage of the study consisted of analyzing the information collected from the four semi-structured interviews - and formulating a set of conclusions to respond to the research questions previously stated.

Table 1. Profile of the companies from which the interviewees come

Name initial of the interviewee	Company code	The company's field of work	Number of employees of the company	% of work time performed in a remote work environment
L.P.	A	Marketing for the construction industry	30	80%
C.N.	B	Training & development services	65	30%
L.I	C	Marketing and market research	43	100%
V.M.	D	Design consulting & construction consulting	300	50%

Source: Authors' compilation

Results and discussions

In the following section, data obtained from four semi-structured interviews conducted with human resources specialists are analyzed. The organizations in which these four HR professionals are employed were forced to implement remote work arrangements during the restrictions imposed by the COVID-19 pandemic, and, at the time of data collection (2024), these arrangements were still in effect (see Table 1).

When asked to describe their experience in managing remote workers by three concepts or expressions, the four human resources specialists most frequently referred to the following themes: communication; building and maintaining trust; and people, their development, and their performance. Furthermore, these aspects converge with several current research themes related to remote work, as outlined by Gifford (2022), specifically communication, employee performance, and trust as a key component of the organizational social climate.

In relation to sustaining the motivation of employees engaged in remote work, L.I. highlights the provision of continuous training programs and courses, alongside the delivery of frequent, predominantly positive feedback. V.M. underscores the role of transparent and honest communication, operationalized through a high degree of autonomy granted to employees and a strong level of mutual trust, while explicitly avoiding excessive monitoring practices. C.N. points to the need for more frequent one-to-one meetings compared to on-site work, as well as heightened attention to the onboarding and integration of new employees who begin their activity directly in a remote work arrangement, where insufficient integration is associated with diminished motivation.

C.N. further argues that motivational strategies should be tailored to the individual needs of employees, particularly with respect to status, recognition, autonomy, and interpersonal relationships. The same specialist also stresses the relevance of mentor–mentee pairings as a motivation mechanism, especially for employees who need support for professional development. Additionally, C.N. describes an organizational practice implemented in their company, namely a Friday morning connection meeting, referred to as “morning coffee,” during which discussions are informal and work-related topics are deliberately excluded.

Concerning the functioning of teams whose members work remotely, C.N. identifies a major risk of decreased team-level cohesion, which in turn needs additional efforts to preserve team spirit. L.P., C.N., and L.I. collectively note a tendency among remote employees to experience a diminished sense of belonging to the team. The level of team cohesion in remote work contexts has a direct impact on team performance, which underlines its critical importance (Maurer *et al.*, 2022).

To counteract and potentially eliminate this tendency, L.P. reports on the organization of in-person meetings, team-building activities, and the use of gamification applications—such as Mission Teams—for micro-trainings, challenges, and quizzes, while L.I. also emphasizes team-building events and online games. According to C.N., the maintenance of team spirit in remote settings is further supported by assigning employees to joint projects.

According to the human resources specialists interviewed, key performance indicators (KPIs) and SMART objectives continue to be used in evaluating the performance of remote employees. As specific aspects, C.N. notes that effective monitoring of employee performance requires multiple follow-up meetings to assess the degree of objective attainment, while L.I. highlights the importance of continuous communication regarding work activities, as well as the provision of ongoing feedback rather than limiting feedback to the end of the month.

Furthermore, C.N. emphasizes that performance levels tend to be higher when employees prove self-discipline; in their absence, more intensive monitoring and feedback from the organization become necessary. L.I. also claims that the level of concentration among remote employees may increase due to the elimination of office-related distractions, such as noisy colleagues and frequent breaks.

The use of digital platforms in the performance monitoring and evaluation process is an element mentioned by two of the four HR specialists interviewed. L.P. points out that the use of such platforms contributes to transparency with respect to employee activities, while V.M. specifies the parameters that can be measured with these tools, such as the duration of the login and the nature and volume of the activities carried out.

Regarding the digital platforms and tools used to manage employees in remote work arrangements, the responses obtained from the four HR specialists are presented below. In the context of remote work, the specialists interviewed indicated that their organizations have integrated a range of digital platforms and instruments to ensure efficient management and communication with employees.

Project management platforms such as Basecamp and Zoho, together with video conferencing solutions such as Zoom, Microsoft Teams, and Google Meet, are used at the team level for task coordination and the facilitation of online meetings. Customer Relationship Management (CRM) systems, such as Hubspot and Zoho CRM, are used to centralize and structure customer data, while enterprise systems such as SAP are used for human resource management processes.

Written communication through text-based channels—particularly applications such as WhatsApp and e-mail—has become predominant. This development reflects a broader cultural transformation that is observable at both the individual and the organizational levels. The specialist identified as L.I. reported that, while telephone calls were previously regarded as the standard

communication medium, contemporary practice now favors the transmission of information through text messages. As a result, the dominant interaction modality has shifted from synchronous voice calls to asynchronous written exchanges, underscoring a salient trend in the evolution of social and professional communication practices.

According to the four human resources specialists interviewed, the implementation of remote work arrangements and the digitalization of work processes have generated multiple opportunities for organizations. The L.P. Specialist highlighted the geographical expansion of the recruitment pool, the possibility of hiring personnel irrespective of their place of residence, and the realization of substantial cost savings through comparatively lower salary levels for employees located outside major urban centers. Specialist L.I. emphasized that “recruitment and collaboration are much more flexible, allowing access to international talent without geographical barriers.” In addition, L.P. noted that job interviews and the training of new employees can be conducted efficiently through online platforms and digital resources, thereby facilitating their access to and integration within organizational teams.

In examining the challenges faced by organizations in implementing remote work systems, several critical dimensions emerge, notably the centrality of communication, the need for mutual trust among employees, and the imperative to keep a proper balance between work and home. These are complemented by the need for sustained investments in technology and the continuous adaptation of digital tools to evolving organizational and operational requirements.

V.M. highlights the requirement for ongoing, transparent communication and a high level of trust between employers and employees as foundational conditions for the effective functioning of remote work arrangements. L.I. underscores that the disappearance of both formal and informal face-to-face interactions has contributed to a weakening of interpersonal ties among employees, a factor considered essential for the optimal functioning and cohesion of work teams. A similar perspective is expressed by C.N., who notes that direct and spontaneous interactions are significantly reduced in remote work contexts, a circumstance that can negatively affect the performance of certain employees.

Furthermore, C.N. stresses the importance of “maintaining trust to avoid micromanagement, which can demotivate employees and affect their autonomy.” L.I. draws attention to the specific need for “monitoring and mentoring new employees, as ‘hot’ feedback and support are difficult to achieve through virtual means, thus pointing to the limitations of technology-mediated communication in onboarding and professional development in the early-stage. The same specialist emphasizes the promotion of work–life balance for employees engaged in remote work as a prerequisite to keep their well-being and productivity.

V.M. additionally refers to the necessity for organizations to invest in proper equipment and broader digital transformation. L.P. finds the need to “prepare and register all work procedures and tools to facilitate the access and integration of new employees, regardless of their location,” highlighting the importance of accessible standardized documentation for distributed teams. C.N. notes that the adoption of remote work systems by companies entails not only technological adjustments but also a profound transformation in the cognitive and attitudinal frameworks of employees. In this regard, C.N. recommends keeping a positive mindset towards the transition to remote work, viewing “challenges as opportunities for personal and professional growth,” and emphasizes the importance of remaining open and receptive to ongoing organizational and technological change.

Conclusions

Human resource specialists are increasingly concerned with the management of remote workers, both due to the relative novelty of this form of organization of work and the specific challenges it entails. The added value of this paper lies in the empirical and qualitative primary research conducted on the current state of remote work and on the perspectives of human resource specialists about the management of employees working within remote work systems.

To achieve the main aim of this study—namely, to identify the specific characteristics of human resource management in remote work systems—primary data were collected through four semi-structured interviews with human resource specialists from Romanian companies that have implemented remote work arrangements. With respect to the first research objective, which focuses on determining the specific characteristics of employee management in a remote work environment, with particular emphasis on the maintenance of work motivation and the functioning of teams, as perceived by human resource specialists, the conclusions of our research are as follows.

1. With respect to organizational efforts to keep the motivation of employees engaged in remote work, a wide range of practices is used. These include transparent and candid communication, the provision of a high degree of autonomy, and the cultivation of trust-based relationships without resorting to excessive monitoring. In addition, organizations report increasing the frequency of one-to-one meetings compared to on-site work arrangements and devoting increased attention to the onboarding and integration of new employees.

2. Concerning the functioning of teams whose members work remotely, organizations undertake more initiatives to preserve team cohesion and a sense of belonging. The measures implemented in this regard include the organization of in-person meetings, the conduct of team-building activities, and the deployment of gamification applications.
3. Regarding the performance evaluation of employees working remotely, organizations continue to rely on key performance indicators (KPIs) and SMART objectives, while also incorporating additional specific practices. These include more frequent follow-up meetings to monitor progress toward objectives and continuous communication about ongoing activities, accompanied by regular, formative feedback rather than feedback provided solely at the end of the month. The use of digital platforms in the monitoring and evaluation of performance provides a major advantage to the organization by ensuring a high degree of transparency with respect to the activities of the employees.

Regarding the second research objective - namely, identifying the principal benefits and challenges associated with the implementation of a remote work system for the company, as perceived by human resources specialists - the findings of this study can be summarized as follows.

On the benefit side, remote work eases a recruitment process characterized by several specific advantages. These include the expansion of the candidate pool beyond geographical constraints, as well as access to qualified human resources whose benefit expectations may be lower than those that prevail in the labor market of the company's headquarters, particularly when candidates live in smaller cities. Furthermore, the use of online platforms and digital resources enables the efficient organization of interviews and the training of new employees, thereby enhancing their accessibility and integration into the organizational team.

However, the management of work within a remote system also generates a series of challenges for companies. Among these are the need to set up clear and transparent communication channels, maintain trust between employees and employers, and support employees in preserving a healthy balance between work and personal life. In addition, remote work frequently requires substantial investments in technological infrastructure, as well as the continuous adaptation and updating of digital tools to align with evolving organizational and operational needs.

The limitations of this research derive primarily from the constraints inherent in qualitative primary research based on semi-structured interviews as the principal data collection method. These constraints include the dependence on

the methodological competence and interpersonal skills of the interviewer, as well as the relatively long duration of data collection, which generally exceeds the time needed to administer standardized structured questionnaires (Ghauri *et al.*, 2020). Consequently, a relevant direction for future research would be the implementation of quantitative primary studies on a nationally representative sample to extend, corroborate, and generalize the findings of the present investigation.

REFERENCES

- Almeida, F., Rodrigues, H. & Freitas, P. (2024). “No Need to Dress to Impress” Evidence on Teleworking during and after the Pandemic: A Systematic Review. *Administrative Sciences* 14, 76. <https://doi.org/10.3390/admsci14040076>
- Andrei, G. & Militaru, G. (2022). The influence of telework on organizational performance: Evidence from Romania. *Proceedings of the International Conference on Business Excellence 2022*, 16(1), Bucharest: Bucharest University of Economic Studies, eISSN:2558-9652, 887–893. <https://doi.org/10.2478/picbe-2022-0083>
- Armstrong, M. & Taylor, S. (2023). *Armstrong's Handbook of Human Resource Management Practice: A Guide to the Theory and Practice of People Management*. 16th Edition, London: Kogan Page.
- Caraiani, C., Lungu, C.I., Dascalu, C. & Stoian, C.-A. (2022). The impact of telework on organisational performance, behaviour, and culture: evidence from business services industry based on employees' perceptions. *Economic Research-Ekonomska Istraživanja*, 36(2), 1–20. <https://doi.org/10.1080/1331677x.2022.2142815>
- Couto, A.I., Rodrigues, A.C., Lousã, E.P. & Martins, D. (2024). Home-office implementation: Challenges and changes in people management. *International Journal of Workplace Health Management*, 17(3), 241–267. <https://doi.org/10.1108/IJWHM-11-2022-0184>
- Creswell, J.W. (2009). *Research Design. Qualitative, Quantitative and Mixed Methods Approaches*, 3rd Edition, SAGE Publications Inc.
- Davidescu, A.A., Apostu, S.A., Paul, A. & Casuneanu, I. (2020). Work flexibility, job satisfaction, and job performance among Romanian employees—Implications for sustainable human resource management, *Sustainability*, 12(15), 6086. <https://doi.org/10.3390/su12156086>
- Deloitte (2025). *Gen Z and Millennial Survey*. [Online], Available at: <https://www.deloitte.com/content/dam/assets-shared/docs/campaigns/2025/2025-genz-millennial-survey.pdf>

- Forrester (2021). *The Next-Gen Workforce: Five Key Tech Areas Separate Younger Workers from Older Generation*. [Online], Available at: <https://www.forrester.com/press-newsroom/the-next-gen-workforce-five-key-tech-areas-separate-younger-workers-from-older-generations/>
- Gavril (Moldovan), I.A, Frățilă (Adam), A., Iacob S.E. & Lădaru, G.-R. (2022). Teleworking in Romania during Covid-19 crisis: From conjunctional adaptation to change of economic paradigm. *Front. Environ. Sci.* 10:1033060. <https://doi.org/10.3389/fenvs.2022.1033060>
- Ghuri, P., Gronhaug, K. & Strange, R. (2020). *Research Methods in Business Studies*, New York: Cambridge University Press.
- Gifford, J., (2022). Remote working: unprecedented increase and a developing research agenda. *Human Resource Development International*, 25(2), 2022,105–113. <https://doi.org/10.1080/13678868.2022.2049108>
- Gonçalves, S.P., dos Santos, J.V., Silva, I.S., Veloso A., Brandão. C. & Moura, R. (2021). COVID-19 and People Management: The View of Human Resource Managers. *Administrative Sciences*. 11(3):69. <https://doi.org/10.3390/admsci11030069>
- Ionescu, C.A., Fülöp, M.T., Topor, D.I., Duică, M.C., Stănescu, S.G., Florea, N.V., Zamfir, M. & Coman, M.D. (2022). Sustainability Analysis, Implications, and Effects of the Teleworking System in Romania. *Sustainability*, 14, 5273. <https://doi.org/10.3390/su14095273>
- Khan, S.A.R., Godil, D.I., Bibi, M., Yu, Z. & Rizvi, S.M.A. (2021). The Economic and Social Impact of Teleworking in Romania: Present Practices and Post Pandemic Developments. *Amfiteatru Economic*, 23(58), 787-804. <https://doi.org/10.24818/EA/2021/58/787>
- Maurer, M., Bach, N. & Oertel, S. (2022). Forced to go virtual. Working-from-home arrangements and their effect on team communication during COVID-19 lockdown. *German Journal of Human Resource Management: Zeitschrift Für Personalforschung*, 36(3), 238-269. <https://doi.org/10.1177/23970022221083698>
- Popa, I. (2022). Impactul noului coronavirus COVID-19 (SARS- COV-2) asupra managementului organizațiilor și pregătirii manageriale universitare. In Nicolescu, O., Popa, I. & Dumitrașcu, D. *Abordări și studii de caz relevante privind managementul organizațiilor din România în contextul pandemiei COVID-19*. București: Pro Universitaria, 27-29. Available online: <https://samro.ro/wp-content/uploads/2022/11/Nicolescu-Abordari-si-studii-de-caz-2022.pdf>
- PwC (2020). *100% Remote: Managing Teams Working From Home*, [online]. Available at: <https://www.pwc.com/jg/en/issues/covid-19/hundred-percent-remote.pdf>
- Radu, C., Deaconu, A., Kis, I.A., Jansen, A. & Mișu, S.I. (2023). New ways to perform: Employees' perspective on remote work and psychological security in the post-pandemic era. *Sustainability*, 15(7), 5952. <https://doi.org/10.3390/su15075952>
- Săvescu, R., Kifor, Ș., Dănuț, R. & Rusu, R. (2022). Transition from Office to Home Office: Lessons from Romania during COVID-19 Pandemic. *Sustainability*, 14, 5758. <https://doi.org/10.3390/su14105758>

- Schmalz, U., Paul, A. & Gissibl, V. (2021). An explorative study of corporate travellers' perception at a German airport. *Journal of Air Transport Management*, 92, 102040. <https://doi.org/10.1016/j.jairtraman.2021.102040>
- Stanciu, P., Neamțu, D.M., Condratov, I.A., Hapenciuc, C.-V. & Bejinaru, R. (2023). Dynamics of Teleworking and Impact on Stakeholders in the Current Pandemic Context. *Sustainability*, 15, 7257. <https://doi.org/10.3390/su15097257>
- Suciu, M.C. & Petre, A. (2022). Telework in Romania. Current State and Sustainable Socio-Economic Effects of Its Development. *Management Dynamics in the Knowledge Economy*, 10(1), 53-68. DOI 10.2478/mdke-2022- 0004 [online] Available at: <https://reference-global.com/download/article/10.2478/mdke-2022-0004.pdf>
- Tatel, C., Wigert, B. & Agrawal, S. (2025). *The Top Four Reasons for Taking a New Job*. [Online], available at: <https://www.gallup.com/workplace/656906/top-four-reasons-taking-new-job.aspx>
- Turkeș, M.C., Stăncioiu, A.F. & Băltescu, C.A. (2021). Telework During the COVID-19 Pandemic - An Approach from the Perspective of Romanian Enterprises. *Amfiteatru Economic*, 23(58), 700-717. <https://doi.org/10.24818/EA/2021/58/700>
- World Economic Forum (2025). *Future of Jobs Report 2025*, [online]. Available at: <https://www.weforum.org/publications/the-future-of-jobs-report-2025/>

SENIORS IN ADVERTISING

Erika KULCSÁR¹, Zsuzsánna SIMON², Hunor TÖRÖK³

Article History: Received: September 3, 2025; Reviewed: February 17, 2026;
Accepted: March 17, 2026; Available online: March 24, 2026.

©2026 Studia UBB Negotia. Published by Babeş-Bolyai University.



This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License

ABSTRACT. The complexity of human life has contributed not only to the development of the service sector but also to the more nuanced and refined delineation of the stages of human life. For example, the definition of seniors is determined not only by age, biological, or sociological criteria, but also by psychological aspects and life cycle stage. At the same time, it remains a fact that the discussion, approach, and representation of ageing raises numerous questions, thereby making communication with seniors a real challenge for marketers. The present study examines the role of seniors in advertising in order to gain a better understanding of how such commercials are received and evaluated from the perspective of those who express their opinions.

Keywords: advertising, seniors, message, challenges

JEL classification: M31, M37

Recommended citation: Kulcsar, E., Simon, Z., Torok, H., Seniors in advertising, *Studia UBB Negotia*, vol. 71, issue 1 (March) 2026, pp. 21-38, <https://doi.org/10.24193/subbnegotia.2026.1.02>

Introduction and Review of Literature

According to the literature, most brands target young people as their main segment, since if they succeed in persuading them, the likelihood is greater that they will remain loyal consumers of the brand in later stages of life

¹ Lecturer dr., Faculty of Economics and Business Administration, Babeş-Bolyai University of Cluj-Napoca, Romania, e-mail: erika.kulcsar@ubbcluj.ro

² Masters in Economics, Faculty of Economics and Business Administration, Babeş-Bolyai University of Cluj-Napoca, Romania, e-mail: sizsuzsa13@gmail.com

³ Bachelor of Economics, Faculty of Economics and Business Administration, Babeş-Bolyai University of Cluj-Napoca, Romania, e-mail: torokhunor98@gmail.com

as well. Furthermore, there exists the concept of brand inheritance (Törőcsik, 2006): a phenomenon that likewise represents added value for brands. However, the struggle to win over young consumers can cause brands to overlook other life stages that may also prove profitable (Kotler & Keller, 2006), meaning they could be value-creating segments if addressed with appropriate communication. At the same time, communicating with this age group is difficult, because:

- (1) some seniors have difficulty identifying with their own age and therefore expect models in commercials to be younger than their real age (Duduciuc, 2016a), while
- (2) some senior women want to see models in commercials that represent their actual age (Phillips, 2022), and
- (3) seniors define themselves as “not too old but no longer young” (Rosenthal *et al.*, 2021, 569).

Although some studies argue that:

- the representation of seniors in advertising is underrepresented (Hiemstra *et al.*, 1983; Swayne & Greco, 1987; Prieler *et al.*, 2011; Hofmeister-Tóth & Neulinger, 2021; Eisend, 2022; Prieler, 2024; Ocokoljić, 2024), and even more so with gender: older women appear even less frequently in advertising than men (Lee *et al.*, 2007; Prieler *et al.*, 2017; Simcock & Lynn, 2006),
- seniors often appear only as secondary characters in commercials, usually in domestic settings alongside other generations (Swayne & Greco, 1987; Prieler, 2024),
- television advertising is often not adequately tailored to the perspectives of the “silver age” (Csizmadia *et al.*, 2015),
- perceptions of older people “depend on whether the images in the commercials are positive or negative” (Robinson & Umphrey, 2006, 159),
- it is up to marketers to ensure that the representation of seniors in advertising is not stereotypical (Carrigan & Szmigin, 2000).

The literature also notes significant shifts in the portrayal of seniors in advertising:

- seniors, both women and men, are appearing more frequently in ads, and moreover they are being depicted as happy, active, and physically strong (Sudbury-Riley & Idris, 2016),
- nearly one-third of Super Bowl commercials feature seniors, and these representations are positive (Brooks *et al.*, 2016), and
- a 2016 study (Duduciuc, 2016b) showed that most young people associate the senior stage of life with positive notions such as happiness and health.

Considering the above and the fact that the size and purchasing power of the senior population is becoming increasingly significant (Eisend, 2022), it is necessary to reinterpret advertising communication aimed at elderly consumers (Meiners, 2025). However, the effectiveness of advertising targeting senior citizens depends on whether old age is presented from the perspective of senior citizens (Bourcier-Béquaert *et al.*, 2025), and therefore it is highly justified to involve seniors in every stage of advertising design (Butson & Wright, 2025). Research on the subject has also shown that the frequency of advertisements, the social perception of celebrities appearing in advertisements, and their civic responsibility can be defined as determining factors in the success of advertisements (Chan & Fan, 2022).

Despite the fact that the gradual aging of developed countries (Colombo *et al.*, 2023) would justify more in-depth research on the elderly generation, the number of studies conducted in this area suggests that advertising scholars have lost interest in this topic (Eisend, 2022). At the same time, the Revista Internacional de Comunicación Audiovisual (Castelló-Martínez *et al.*, 2024) and the International Journal of Advertising (Cheah & Ferguson, 2025) have issued calls to researchers that would somewhat compensate for the lack of literature (the current research gap).

Material and Method(s)

The analysis included commercials that met the following criteria: (1) seniors played the main role, (2) the ads demonstrated national diversity: thus the pillars of the research were represented by one commercial each from Romania, Hungary, and Germany, (2) they represented both the secondary (automotive industry) and various branches of the tertiary sector (trade, communication), (3) they included available viewer comments, (4) either a male or female senior was cast as the main protagonist, (5) no more than 15 months passed between their publication dates.

1. Analyzed Commercials

Profi: Noua aplicație Profi e aici! [The new Profi app is here!]

- ü The content analysis was based on the Profi commercial *Noua aplicație Profi e aici!* [The new Profi app is here!]:
<https://www.youtube.com/watch?v=5hs5qFfMDgo>
- ü Viewer comments were collected via YouTube as well:
<https://www.youtube.com/watch?v=JFKAFdnjz8&t=422s>, *Am apărut la TV cu bunica. Cum a fost la filmări?* [I was on TV with Grandmother. How filming has been like?]

- ü The behind-the-scenes video about the making of the commercial - where viewer opinions were structured - was uploaded on April 17, 2022.
- ü The analyzed commercial had: 320,833 views on March 29, 2025, 321,136 views on May 12, 2025, and 321,422 views on July 5, 2025.⁴
- ü A total of 907 comments were written about this ad.

Telekom HU: *Minden törődéssel többek leszünk!* [With all the care, we'll be more!] - 2021

- ü The information necessary for content analysis and viewer opinion analysis was also provided by the promotional video on the YouTube video sharing website: <https://www.youtube.com/watch?v=hwbil00Fj1sc>
- ü This commercial was published on November 22, 2021, on the YouTube video sharing platform.
- ü The commercial had 1,353,797 views on March 29, 2025, 1,353,926 views on May 12, 2025, and 1,354,148 views on July 5, 2025.
- ü There were 127 comments written about the commercial.

Volkswagen: *Bring back the energy* - 2022

- ü Both content analysis and audience opinion analysis are based on commercials and comments found on the YouTube video sharing site: <https://www.youtube.com/watch?v=oyJvd876Uic&list=LL&index=5>
- ü The commercial appeared on the YouTube video sharing platform on December 21, 2022.
- ü The given commercial had 820,906 views on April 1, 2025. However, by May 12, 2025, the number of views had already reached 837,947, and by July 5, 2025, it had jumped to 860,597.
- ü A total of 522 opinions were expressed regarding this commercial.

2. *The data collection was characterized by the following workflow*

- ü As a first step, viewers' opinions were arranged in chronological order, then archived with the help of screenshots in an Excel file – in order to ensure transparency of the opinions.
- ü As a second step, the comments were read through to identify the variables along which the opinions would be structured and analyzed.

⁴ We considered it important to record the number of views at different times in order to illustrate the topicality of the analyzed videos, i.e., that the passage of time cannot be identified as a determining variable in the case of commercials found in the online space.

3. The structuring of viewers' opinions was carried out according to the following variables

- (a) positive aspects of the commercials,
- (b) negative aspects of the commercials,

The parts of the comments referring to either the positive or negative elements of the ad were assigned to the first and second categories. These could relate to the characters featured in the commercial, the way communication took place between them, the ad's credibility, its legitimacy, the background music, the message of the commercial, etc.

- (c) viewers' attitudes.

In order to ensure good transparency, it was necessary to create a structured system with regard to viewer attitudes. Consequently, the terms used by those expressing their opinions were systematized according to the five attitude groups⁵ found in the literature (Appendix, Table 1 - 3).

Based on the points noted in this subsection, the following three research questions form the foundation of the present study:

Q₁: Which positive aspects determine those commercials in which seniors play the main role?

Q₂: Which negative aspects characterize those commercials in which seniors play the main role?

Q₃: Which attitude groups can be distinguished in commercials that focus on seniors?

4. To avoid distortion of data:

- (a) Comments that could be interpreted from multiple perspectives (e.g., in the case of the Volkswagen commercial: remarks such as "the decline of old values" or "it would be good to return to old values" were not clearly attributable to the content of the ad, the model featured in the ad, or the brand itself); likewise, in both the Profi and Volkswagen commercials, the term "funny" and its synonyms were not considered in the analysis of attitudes, since it was not evident to which attitude group they could be assigned. Moreover, in our opinion, the categorization of this descriptor may also vary depending on the product/service being advertised.

⁵ Enthusiastic, positive, neutral, negative, hostile.

Comments of this type, as well as those whose content was irrelevant to the research, or those that contained no written text (only emojis), were excluded from the analysis.

- (b) Comments appearing during Replay were not included in the analysis, as they were characterized by the exchange of personal information.
- (c) If the commercial was defined using multiple terms to express an opinion, only one term was selected in order to avoid overrepresentation. For example, (1) if the commenter used two adjectives to describe the commercial, which could be classified into the same attitude group, then the first adjective was taken into account, and (2) if the commenter used more than one concept to comment on the commercial: the most positive concept was included in the attitude mapping.

Results and Discussions

Content analysis of Profi's advertising and evaluation of viewers' opinions

The Profi company's television commercial is only 30 seconds long, focusing on the AIDA model, which is presented as follows (Figure1):

- The character of Grandmother attracts *Attention*, as her appearance and style of communication are unusual.
- The *Interest* comes from the grandson (Mircea Bravo) and not the other way around, even though, overall, young people are more tech-savvy. In fact, it is the grandmother who draws her grandson's attention to the 'list of offers' provided by the Profi app.
- When he reaches the checkout, the grandson (Mircea Bravo⁶) develops a *Desire* to add products to his shopping cart that he would receive for free (chocolate, shopping bag) through the app. However, the app is on Grandma's phone, so the ad also arouses a desire for the app. At the same time, it is important to note that Grandma's character draws attention to conscious shopping and the substitutability of products.
- The commercial ends with a Call to action, which encourages *Action*. Furthermore, it refers to the name of the grandchild's character, BRAVO, but also features an encouraging, motivational slogan: *Bravo că ești profi la cumpărături!* [Well done for being a pro at shopping!]

⁶ Mircea Popa's stage name, who also works in advertising film production.



Attention



Interest



Desire



Action

Figure 1. Content analysis of the Profi commercial
Source: <https://www.youtube.com/watch?v=5hs5qFfMDgo>

The message of the commercial is short and clear: the new Profi application is so easy to use that it requires no expertise, as anyone can learn how to use it, regardless of age. The communication between the grandchild and the grandmother is characterized by constant misunderstanding. The grandmother determines and limits the purchasing process, as she is the one who decides what can and cannot be purchased. Consequently, the message of the commercial places the relationship between the grandchild and the grandmother in a different dimension, as it is well known that in most cases it is the grandmother who fulfills the wishes of her grandchildren (even when they are already adults), and not the other way around.

The lighting and lights in the commercial are powerful. The colors of the commercial are mainly red, green, and natural colors. The color red appears in the Profi logo, and in the phone application. The basic elements of the Profi brand image are clearly visible in the commercial. The logo and the color red appear in almost every mosaic of the commercial. The characters' clothing resonates well with Profi's interior design. Both the grandson and the grandmother wear pale green, cream, and earth-colored clothing. The grandson's minimalist clothing suggests his urban lifestyle, while the grandmother's traditional clothing suggests a rural lifestyle.

Overall, the commercial clearly conveys the message that customers can make significant savings by shopping at Profi and using the new app. Grandma uses the Profi app on her smartphone to take advantage of promotions she has earned from her purchases in the future. The commercial also has an educational aspect, as Grandma only allows the purchase of products that are absolutely necessary. Consequently, the commercial highlights the opportunity for intergenerational learning. In addition, the commercial provides an excellent illustration of the typology of purchasing decisions at the level of the two generations. While Grandma only wants to buy essential items, her grandson would make impulsive purchases. Grandma contradicts stereotypes about seniors, as she is open to learning about modern technologies: it is a fact that they must have real benefits and realistic returns, such as the possibility of saving money. Saving money is one of the characteristic traits of seniors. What's more, senior shoppers have special needs when it comes to the shopping process. These needs may include, for example, comfort, rejection of unnecessary things, ease of use, trust, and simple decision-making (Törőcsik & Szűcs, 2021). At the same time, the analyzed commercial also features a very unique form of humor.

Positive opinions expressed about the commercial:

- The character of the Grandmother won the majority of the audience's approval, as she is very distinctive and powerful: the Grandmother's professionalism, acting skills, talent, distinctive humor, kindness, authenticity, energy, and charisma can be defined as added value. The main character's outfit also contributed to the positive reception of the commercial, as it was unusual and unconventional, and was intended to promote tradition.
- Although the success of the commercial is primarily due to the character of the grandmother, viewers also mention the supporting character of the grandchild, who proves to be crucial, as they can only function well together. Viewer opinions also highlight the importance of spending time together, based on their own experiences. In the same context, it should be noted that the grandmother-grandchild relationship is very unique, which evokes nostalgic feelings in most viewers: nostalgia has a well-defined role in consumer behavior.
- The commercial features ordinary people in real-life situations, performing their tasks with heart and soul, which also contributes to the strength of the commercial.

The negligible negative opinions of viewers (7 people):

- the physical appearance (inappropriate makeup), loudness, and
- 'comments' of the Grandmother character were criticized.

Viewers' opinions about the commercial can be grouped into four attitudes:

- 83 people had an enthusiastic attitude,
- 56 had a positive attitude that shaped their opinion, while
- 2 people had a neutral attitude and 3 commenters had a negative attitude toward the analyzed commercial (Appendix 1, Table 1).

Most of the comments examined were enthusiastic and positive, with only a few commentators expressing a negative attitude towards the commercial. This result suggests that the character of the senior lady appearing in Profi's commercial was overwhelmingly well received by viewers.

Content analysis of Telekom's advertising and evaluation of viewers' opinions

Telekom's (HU) *Minden törődéssel többek leszünk!* [With all the care, we'll be more!] commercial is 1 minute and 30 seconds long and focuses on emotionality. The message of the commercial is complex. Although the primary message of the commercial is not new (the greatest gift at Christmas is being able to celebrate with your family), the commercial also has a secondary message: expressing an opinion should not be premature, but should only be done when the picture is complete. In other words, it is only justified to take a position if the background to the story is fully known (the grandchild asks for a bigger gift so that he can stand on it and hug his grandfather, not because he is insatiable in terms of the size of the gift).

The colors are used in a restrained manner. Various shades of brown, green, cream, blue, gray and white form the basic color scheme of the commercial, with a more subdued shade of pink also appearing, which harmonizes well with the mood of the commercial and is also an element of Telekom's brand image. The outfits of the characters in the commercial are defined by comfort and restraint, further emphasizing the true message of Christmas. The atmosphere of the commercial is fundamentally determined by the background music, the character of Grandpa, performed by one of Hungary's popular actors, as well as the calmness and balanced quietness of the early evening (Figure 2).

The communication between the grandchild and the grandfather is one-sided, as only the grandchild verbally expresses his dissatisfaction with the size/greatness of the gift. The grandfather accepts the criticism and takes action. At the end of the commercial, the following brand elements appear: the brand logo, the brand's characteristic pink color, and its slogan: *Együtt. Veled* [Together. With you].

The commercial clearly aims to illustrate the relationship between the grandchild and the grandfather, drawing attention to the orientation family (the family into which we are born), but also to the observant and supportive role of our own family.



Figure 2. Content analysis of Telekom commercials
Source: <https://www.youtube.com/watch?v=hwbil00Fj1sc>

Positive aspects:

- the human-centeredness of the commercial,
- the history of the commercial, that is, its message,
- the commercial conveys emotions, i.e., it can evoke emotions,
- based on most viewers' opinions: choosing the actor Róbert Koltai was a good decision, since the role of grandfather suits him well, he has a good sense of humor, he is aging gracefully, and it feels good to see him,
- the commercial evokes nostalgia,
- the background music of the commercial.

At the same time, there were also opinions expressing dissatisfaction with the actor's participation, arguing that his appearance in the analyzed commercial deprives the art he represents of its value, and that his participation in the commercial is motivated by financial gain. Furthermore, the execution of the commercial's message, the staging of the commercial, and the lack of attention to detail also contribute to the negative aspects of the commercial.

Based on viewer opinions, enthusiastic (16) and positive (7) attitudes outnumbered neutral (1), negative (1), and hostile (3) attitudes overall (Appendix, Table 2).

Content analysis of Volkswagen's advertising and evaluation of viewers' opinions

Volkswagen's *Bring back the energy* commercial is 1 minute and 28 seconds long and focuses on emotionality. Although attachment to objects is characteristic of the older generation, the commercial draws attention to the fact that letting go is necessary even for seniors. For the elderly lady (who is also the main character), letting go is a complex process that is symbolized by a colorful tattoo with the word 'forever'. Shades of white, gray, red, and brown give the ad its contours (Figure 3).

The background music perfectly matches the atmosphere of the commercial and the dynamics of the events. At the beginning, the commercial has a melancholic tone and slow tempo, but as events unfold, it becomes increasingly energetic and cheerful. In the first half of the commercial, the main character engages in activities that are generally characteristic of senior women (baking cakes, drinking tea with friends). The elderly lady's outfit and the design of her home (exterior and interior) can also be considered typical, but her nonverbal communication, metacommunication, and the final frames of the commercial suggest that she is not a passive, dull old woman. Consequently, in this commercial, the senior female protagonist can be classified, according to psychological categorization (Törőcsik, 2006), as belonging to the feel-age group (how old she feels), who is an active, flexible, young-at-heart retiree.

The commercial logo appears in the opening and closing frames of the commercial. However, the brand name also appears in the closing frames.

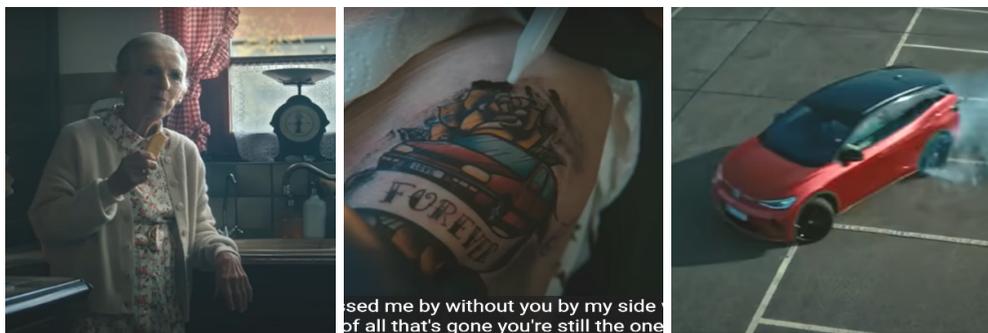


Figure 3. Content analysis of Volkswagen advertising
Source: <https://www.youtube.com/watch?v=oyJvd876UIc>

The following positive aspects can be mentioned:

- the message of the commercial: affirmation of life,
- the senior lady featured in the commercial: confident and balanced, beautiful, a hero, a legend, ideal, influential,
- the storyline of the commercial is better than that of some Netflix series,
- the commercial evokes nostalgia,
- the nature/character of the commercial,
- the brand's emotional sensitivity/awareness, since it recognized that nowadays seniors form a viable segment, as they have remarkable income. In addition, they possess new skills (driving style), their age does not limit their activities (grandparents can also do silly things, they can have fun),
- the background music of the commercial.

The aspects that can be interpreted as negative are as follows:

- there is disharmony between the brand, the type/model of the vehicle, and the targeted segment (considering the characteristics of seniors, the old model suits them better: too much time is required for charging the vehicle, a grandmother would not buy an electric car as she can be defined as a representative of the 'old school', and there should even be an age limit for driving SUV models); moreover, targeting retirees shows desperation,
- the commercial is not authentic: questions arise regarding the feasibility of the stunts shown in the ad, since they (1) have a stunt-like nature, (2) are not achievable with an electric vehicle, and (3) there is disharmony between safe driving and the stunts presented,
- the video was generated by AI,
- the commercial deceives the consumer: it is not honest, as it cannot deliver on its promises (quality issues),
- the original was much better, there is still room for improvement,
- the message of the commercial is (1) irresponsible, as it promotes dangerous driving, (2) not valid: one cannot compensate for past losses with a car,
- the story is very sad.

Based on the structured viewers' opinions:

- a total of 61 people displayed an enthusiastic attitude,
- 15 people expressed a positive attitude,
- 6 people expressed a negative attitude, and
- 3 people displayed a hostile attitude.

Overall, the reception of the commercial was more than positive (Appendix, Table 3).

Conclusions

In Profi's commercial, the Grandmother accepts her age, does not try to appear younger than she is, and does not sugarcoat reality. At the same time, she preserves traditional values, yet does not distance herself from the achievements of the present age, on the contrary, she takes advantage of the opportunities they offer. She embodies the image of a Grandmother living in the imagination of the viewers who shared their opinions: someone to learn from, someone who shapes her grandchild's (consumer) behavior. In Telekom's commercial, the Grandfather is the typical grandpa who fulfills his grandchild's requests, who does not lecture but quietly, from the background, observes and meets the expectations of his grandchild. In Volkswagen's commercial, the senior lady displays characteristics typical of the classic senior, yet her character is also defined by several traits belonging to the modern senior.

The results obtained suggest that featuring seniors in commercials was received with enthusiasm and evaluated positively. The common and, at the same time, most beautiful outcome of the analyzed commercials - based on viewers' opinions - is none other than the nostalgia and remembrance of Grandmothers and Grandfathers.

It must be noted, however, that representing seniors in commercials continues to pose challenges, since (1) it matters in which industry the brand is present, (2) which values define the receiving audience, that is, which characteristics play an important role in expectations regarding seniors, and (3) the depiction of seniors in commercials should not be perceived by members of society as a form of social pressure.

REFERENCES

- Bourcier-Béquaert, B., Chevalier, C., Moal, G. & Valette-Florence, P. (2025). Gerotranscendence: an explanatory variable for the boomer generation's perception of senior models in advertising. *International Journal of Advertising*, 44(2), 263-285. <https://doi.org/10.1080/02650487.2024.2374634>
- Butson, M. & Wright, R. (2025). Stereotypes: Older adult representation in Australian newspaper advertising. *Media International Australia*, 0(0). <https://doi.org/10.1177/1329878X251375141>
- Carrigan, M. & Szmigin, I. (2000). Advertising in an ageing society. *Ageing & Society*, 20(2), 217-233. <https://doi.org/10.1017/S0144686X99007709>
- Castelló-Martínez, A., del Rocío Blay-Arráez, M. & Antón-Carrillo, M.E. (2024). Call for Papers. Aging in Advertising. Reflections on the representation of the elderly in campaigns and on age in the advertising industry. *Revista Internacional de Comunicación Audiovisual, Publicidad y Estudios Culturales*. Available at: <https://call-for-papers.sas.upenn.edu/cfp/2024/07/16/call-for-papers-aging-in-advertising-reflections-on-the-representation-of-the-elderly>

- Chan, K. & Fan, F. (2022). Perception of advertisements with celebrity endorsement among mature consumers. *Journal of Marketing Communications*, 28(2), 115–131. <https://doi.org/10.1080/13527266.2020.1843063>
- Cheah, I. & Ferguson, G. (2025). Guest editorial to a special section on generational advertising research in the modern age. *International Journal of Advertising*, 44(2), 209–212. <https://doi.org/10.1080/02650487.2024.2409519>
- Colombo, F., Carmen, L.B. & Leopoldo, A.A. (2023). Communication for seniors' inclusion in today's society: The effects of digitisation on active ageing. *Media and Communication*, 11(03), 1-5. <https://doi.org/10.17645/mac.v11i3.7039>
- Csizmadia, S., Szabó, R. & Kovács, N. (2015). Az idős fogyasztók és a tévéreklámok Magyarországon [Older consumers and the TV commercials in Hungary]. *Marketing & Menedzsment*, 49(3), 50-67. <https://journals.lib.pte.hu/index.php/mm/article/view/924>
- Duduciuc, A. (2016a). Publicitatea adresată seniorilor: portretizarea femeilor și bărbaților vârstnici în advertising [Advertising aimed at seniors: the portrayal of older women and men in advertising] in *Comunicare și percepție socială [Communication, and the social perception]*. Comunicare.ro Publisher, București, 27-45. Available at: https://ccdph.ro/wp/wp-content/uploads/2020/04/Comunicare_perceptie_sociala.pdf#page=27
- Duduciuc, A. (2016b). Students' stereotypes on ageing and the use of elderly people in advertising. *Euromentor Journal - Studies about education*, 7(3), 59-71. Available at: https://www.researchgate.net/publication/312496720_STUDENTS'_STEREOTYPES_ON_AGEING_AND_THE_USE_OF_ELDERLY_PEOPLE_IN_ADVERTISING
- Eisend, M. (2022). Older people in advertising. *Journal of Advertising*, 51(3), 308-322. <https://doi.org/10.1080/00913367.2022.2027300>
- Hiemstra, R., Goodman, M., Middlemiss, M.A., Vosco, R. & Ziegler, N. (1983). How older persons are portrayed in television advertising: Implications for educators. *Educational Gerontology: An International Quarterly*, 9(2-3), 111-122. <https://doi.org/10.1080/0380127830090202>
- Hofmeister-Tóth, Á. & Neulinger, Á. (2021). Az idősek iránti attitűd és az idős fogyasztók ábrázolása a TV reklámokban Magyarországon [Attitudes towards older people and the portrayal of older consumers in TV commercials in Hungary]. *Jel-Kép: Kommunikáció Közvélemény Média*, 2(2), 65-80. <https://doi.org/10.20520/JEL-KEP.2021.2.65>
- Kotler, P. & Keller, K.L. (2006). *Marketingmenedzsment [Marketing Management]*. Akadémiai Publisher, Budapest.
- Lee, M.M., Carpenter, B. & Meyers, L.S. (2007). Representations of older adults in television advertisements. *Journal of Aging Studies*, 21(1), 23-30. <https://doi.org/10.1016/j.jaging.2006.04.001>
- Meiners, N. (2025). Between Demographic Reality and Advertising Perception: Age-Appropriate Advertising in the Context of Socially Sustainable Corporate Responsibility. *International Journal of Sustainability in Business and Economics*, 1(1). <https://doi.org/10.51137/wrp.ijbsbe.2025.nmbd.45819>
- Phillips, B.J. (2022). Exploring how older women want to be portrayed in advertisements. *International Journal of Advertising*, 41(7), 1235-1262. <https://doi.org/10.1080/02650487.2022.2061758>

- Prieler, M. (2024). Representations of Older People in Advertising: A Review. *Advertising & Society Quarterly*, 25(1).
<https://doi.org/10.1353/asr.2024.a924348>.
- Prieler, M., Ivanov, A. & Hagiwara, S. (2017). The representation of older people in East Asian television advertisements. *The International Journal of Aging and Human Development*, 85(1), 67-89. <https://doi.org/10.1177/0091415016677972>
- Prieler, M., Kohlbacher, F., Hagiwara, S. & Arima, A. (2011). Gender representation of older people in Japanese television advertisements. *Sex Roles*, 64, 405-415. <https://doi.org/10.1007/s11199-010-9923-y>
- Robinson, T. & Umphrey, D. (2006). First-and third-person perceptions of images of older people in advertising: An inter-generational evaluation. *The International Journal of Aging and Human Development*, 62(2), 159-173.
<https://doi.org/10.2190/2CXV-OLTm-2MJJ-NPEU>
- Rosenthal, B., Cardoso, F. & Abdalla, C. (2021). (Mis) Representations of older consumers in advertising: stigma and inadequacy in ageing societies. *Journal of Marketing Management*, 37(5-6), 569-593.
<https://doi.org/10.1080/0267257X.2020.1850511>
- Ocokoljić, M. (2024). Advertising minority report: The (in) visibility of minorities and sensitive groups in advertising. *Economy & Market Communication Review/Casopis za Ekonomiju i Trzisne Komunikacije*, 14(2), 529-540.
<https://doi.org/10.7251/EMC24025290>
- Simcock, P. & Lynn, S. (2006). The invisible majority? Older models in UK television advertising. *International Journal of Advertising*, 25(1), 87-106.
<https://doi.org/10.1080/02650487.2006.11072953>
- Sudbury-Riley, L. & Idris, I. (2016). The representation of older adults in Malaysian advertising. *The International Journal of Aging and Society*, The University of Liverpool Repository, Available at:
<https://livrepository.liverpool.ac.uk/id/eprint/3050765>
- Swayne, L.E. & Greco, A.J. (1987). The portrayal of older Americans in television commercials. *Journal of Advertising*, 16(1), 47-54.
<https://doi.org/10.1080/00913367.1987.10673060>
- Törőcsik, M. (2006). *Fogyasztói magatartástrendek* [Consumer Behavior Trends]. Akadémiai Publisher, Budapest.
- Törőcsik, M. & Szűcs K. (2021). *Fogyasztói magatartás* [Consumer Behavior]. Akadémiai Publisher, Budapest.

Accessed time interval: March 29, 2025 – July 5, 2025

*** <https://www.youtube.com/watch?v=5hs5qFfMDgo>

*** <https://www.youtube.com/watch?v=JFKAFdnjpz8&t=422s>

*** <https://www.youtube.com/watch?v=hwbil00Fj1sc>

*** <https://www.youtube.com/watch?v=oyJvd876Uic&list=LL&index=5>

Appendix

Table 1. Classification of viewer attitudes based on the terms used by those stating their opinions - *Am apărut la TV cu bunica. Cum a fost la filmări?* [I was on TV with Grandmother. How filming has been like?] – 2022

Enthusiastic attitude	Positive attitude	Neutral attitude
Very nice (12), too nice (1),	Congrats (16)	OK commercial (2)
Very good (4), too good (1), so good (1), really good (1)	Appreciated (3)	Negative attitude
Super (17)	Good commercial (6)	Not liked (2)
Wonderful (5)	Better advert than TV commercials (1)	Not so interesting (1)
Cool (8), very cool (9), the coolest (2)	Paying tribute (3)	
Perfect (1)	Interesting (1)	
Genius (1)	Enjoyable (2)	
Likes very much (2)	Good wish (1)	
Sensational (1)	Can be watched joyfully (2), can be watched with pleasure (2), not nerve-wrecking (1), good to be watched (1), does not skip (2), watchable till the end (4), not boring (6)	
The best (7)	Joyful (1)	
Beautiful commercial (1), most beautiful (2)	Like (1)	
10* (1)	Sympathetic (1)	
Very successful (1)	Charming (2)	
Very sympathetic (1), Most sympathetic (1)		
Exemplary (1)		
Phenomenal (1)		
Favorite (1)		

Source: own <https://www.youtube.com/watch?v=JFKAFdnjz8&t=422s>

Table 2. Classification of viewer attitudes based on the terms used by those stating their opinions - *Telekom HU: Minden törődéssel többek leszünk!* [With all the care, we'll be more!] – 2021

Enthusiastic attitude	Positive attitude	Neutral attitude
World's best commercial (1)	More pleasant than Coca-Cola (1)	Not impressed (1)
5* (1)	Good commercial (1)	
Have not seen such a good commercial (1)	Happy with this commercial (1)	Negative attitude
Professional (2)	Congrats (1)	Clichéd (1)
It evokes the most beautiful emotions (1)	Original (1)	Hostile attitude
Wonderful (1)	Liked the commercial (1)	Disgusting (2)
The best (1)	The improvement is visible (1)	Outrageous because it is manipulative (1)
Adores (3)		
Genius (1)		
Beautiful (3)		
Bravo (1)		

Source: own <https://www.youtube.com/watch?v=hwbil00Fj1sc>

Table 3. Classification of viewer attitudes based on the terms used by those stating their opinions - *Volkswagen: Bring back the energy* – 2022

Enthusiastic attitude	Positive attitude	Negative attitude
Perfect (1)	Good (5)	Lame (1)
Very good (1), really good commercial (3)	Liked (1)	Old fashioned (1)
Cool (1), cooled (1), very cool (2)	Well done (1)	Stupid (1)
Fantastic (3)	Thanks (1)	Badly reviewed (1)
Great (7), how great (1)	Nice (4)	False (1)
Super (3)	Kind (1)	Ruined video (1)
Beautiful (4), very beautiful (1)	Interesting (2)	Hostile attitude
Wonderful (3)		Very bad (1)
Top (1)		Scary (1)
Best (2), best commercial ever (5)		Terrible (1)
Excellent (4)		
Amazing (1)		
Favorite (1)		
Epic (2)		

Enthusiastic attitude	Positive attitude	Negative attitude
Awesome (4), totally awesome (1)		
Magnificent (1)		
Mad respect (1)		
Very nice (1)		
Loved (6)		

Source: own <https://www.youtube.com/watch?v=oyJvd876UIc&list=LL&index=5>

THE ROLE OF CORPORATE GOVERNANCE ON THE INFORMATIVENESS OF THE DEVELOPING COUNTRIES FINANCIAL STATEMENTS

Queen MPOFU¹ 

Article History: Received: October 8, 2025; Reviewed: February 26, 2026;

Accepted: March 17, 2026; Available online: March 24, 2026.

©2026 Studia UBB Negotia. Published by Babeş-Bolyai University.



This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License

ABSTRACT. Corporate governance analysis is vital for understanding corporate dynamics and boosting investor confidence. Its disclosure in financial statements enhances transparency, reduces information asymmetry, and lowers agency costs, thereby increasing firm value and profitability. In Zimbabwe, poor adherence to governance principles affects the informativeness of financial statements. This study explores firm-level governance indicators: board effectiveness, director liability, shareholder rights, transparency, and minority protection and their impact on financial reporting. Using interviews with top management, thematic analysis revealed that effective governance improves financial statement quality. The study recommends mandatory disclosure of governance aspects to foster investor trust, accountability, and company growth despite political and economic challenges.

Keywords: Corporate Governance, Financial statements, Informativeness, firm's level, Zimbabwe

JEL classification: G34; M41

Recommended citation: Mpofo, Q., The role of corporate governance on the informativeness of the developing countries financial statements, *Studia UBB Negotia*, vol. 71, issue 1 (March) 2026, pp. 39-54, <https://doi.org/10.24193/subbnegotia.2026.1.03>

¹ Department of Financial Intelligence, UNISA, Pretoria, e-mail: queen.mpofo5@gmail.com

Introduction

Recently, analysing corporate governance has become crucial for understanding corporate dynamics and gauging investor confidence in management and board decisions. Consequently, corporate governance disclosure is gaining increasing attention from both professionals and academics. Hence, financial reporting now extends beyond financial disclosures to include non-financial information, such as governance practices, in annual reports. Corporate governance disclosure details a company's governance characteristics and activities, providing crucial information to the capital market for evaluating the effectiveness of each firm's governance system. This transparency reduces information asymmetry between internal and external stakeholders, thereby lowering agency costs and enhancing firm value (Durnev & Kim, 2005). Aren *et al.* (2014) revealed that companies with that practise corporate governance benefit from lower costs of capital as a result of lower risk score. As a result of lower risk, the company's profitability increases. There is a dearth of studies that have focused on the role of corporate governance on the informativeness of financial statements in developing countries such as Zimbabwe. It follows therefore, that this study investigates the role of corporate governance in enhancing the financial statements. According to Mappingire (2016), some Zimbabwean companies do not uphold corporate governance principles, and as such, the informativeness of their financial statements provided to stakeholders remains a bone of contention.

According to World Economic Forum (2015), the firm level, good governance, legal systems and financial development are the four determinants of corporate governance. These determinants are key indicators of effective corporate governance systems in individual companies (Matashu, 2016; World Economic Forum, 2015). This paper concentrates on the firm level determinant of effective corporate governance and its role on the informativeness of the financial statements. These determinants include the Board responsibilities and effectiveness of the board, Director liability, shareholders' rights, disclosure and transparency and protection of minority shareholders. An effective corporate governance mechanism ensures the maximisation of shareholders' wealth. Hence, the financial statement's informativeness positively correlates with the stakeholders' wealth maximisation (Nwaobia & Ajayi, 2021). The effective corporate governance mechanisms are expected to play a major role in enhancing the informativeness of financial statements. This study is important because it can influence policymakers, practitioners, and future studies interested in developing countries' corporate governance indicators and the informativeness of their financial statements.

Corporate governance in Zimbabwe

Maune (2017) reiterates that the notion of governance has been known for several years. In addition, the existence of the governance concept is equated to any form of human organisation. Corporate governance focuses on how companies are controlled and directed by those charged with governance. In recent years, corporate governance has become a matter of great concern in the corporation. This is because of scandals and the folding of various companies (Maune, 2017). For instance, corporate governance has attracted much attention in Zimbabwe since the 2008 financial crisis. Zimbabwean companies that have been part of high-profile scandals due to weak and poor corporate governance mechanisms include Air Zimbabwe, Premier Service Medical Aid Society (PSMAS), Zimbabwe Revenue Authority (ZIMRA), National Railways of Zimbabwe (NRZ), National Oil Company of Zimbabwe (NOCZIM), African Renaissance Bank (AFRE), United Merchant Bank (UMB), ENG Capital and Barbican Bank and so on. In 2015, Zimbabwe launched a national code of corporate governance as a measure to curb corruption and fraud. The Companies Act (2006), Amended Zimbabwe Stock Exchange Act (1996), Public Finance Management Act (2009), Public Entities Corporate Governance Act (2018), National Code on Corporate Governance Zimbabwe (NCCGZ) and rules from some professional bodies such as the Institute of Directors of Zimbabwe (IoDZ) have formed part in regulating corporate governance in Zimbabwe. The adoption of the code is voluntary to all entities, and its enforcement is on an 'apply or explain' basis. The code gives companies an opportunity to exercise transparency and accountability to its stake holders (Oxley, 2015).

In order to address corporate failures and operational difficulties comprehensively, the Zimbabwe Leadership Forum (Zimleaf), and the Institute of Directors, Zimbabwe (IoDZ) took the initiative (NCCGZ, 2014). The IoDZ trains Zimbabwean managers and company directors on prestigious competence and professionalism. A special purpose committee established by IoDZ is responsible for creating and distributing corporate governance rules. ZimLeaf oversees, among other things, advocating for policies, evaluating research, and conducting training to ensure adherence to good governance standards. These entities took the lead in developing and implementing a national corporate governance code that applies to all areas of the economy. IoDZ and Zimleaf, however, are only able to promote compliance; they are unable to compel any organisation to adhere to good corporate governance practices. Zimbabwe has high standards of corporate governance from a business perspective, despite concerns that political governance norms may permeate the sector. On the other hand, the Government of Zimbabwe, also established a corporate governance

unit (CGU) that governs how the state-owned entities and parastatals operate through the Public Entities Corporate Governance Act of 2018. The act was established to mitigate the misappropriation of assets and fraudulent activities.

Literature review

Defining corporate governance

According to IoDSA (2016), corporate governance is defined as an exercise of ethical and effective leadership. It is used to govern and manage institutions to achieve exceptional outcomes. Corporate governance shapes the organisation's ethical culture, its performance, effectiveness on controls and legitimacy (IoDSA, 2016). Similarly, Crowther & Seifi (2011) revealed that corporate governance is about creating moral values, trust, ethics and confidence to stakeholders. Thus, good corporate governance requires a multi-faceted approach where internal and external stakeholders are recognised.

In the context of Zimbabwe institutions, according to Hamadziripi & Osode (2021) corporate governance includes processes and structure that help to direct and manage companies. This is influenced by management desire to ensure that companies are in a sound state and are able to attract investors and enhance profitability. Corporate governance is about the division of power to manage the companies. The stakeholders, board of directors and management devise system that ensure transparency and accountability to protect the interest of all stakeholder groups (Maune, 2015). Corporate governance can also be understood as a system that public and private institutions or non-governmental organisations (NGOs) use to direct, control and ensure accountability to its stakeholders (Public Entities Corporate Governance Act, 2018). IoDSA (2016) suggest that corporate governance is about systems, policies and direction. It also ensures that the organisation conform to relevant laws and regulations that govern the industry.

In conclusion, despite extensive discussions among policymakers and scholars, there is still no clear agreement on a single definition of corporate governance or institutional quality. Numerous authors and organisations have proposed a variety of definitions. It can be deduced that the definitions given above are context-dependent and grounded on schools of thought. The following section unpacks the key indicators of effective corporate governance. These include Board responsibilities and effectiveness of the board, Directors' liability, Shareholders' rights, Disclosure and transparency and protection of minority shareholders.

Conceptual framework

This section of the paper analyses effective corporate governance concepts and seeks to establish how these concepts affect the informativeness of the financial statements. The conceptual framework builds on the earlier discussions from the introduction and background sections.

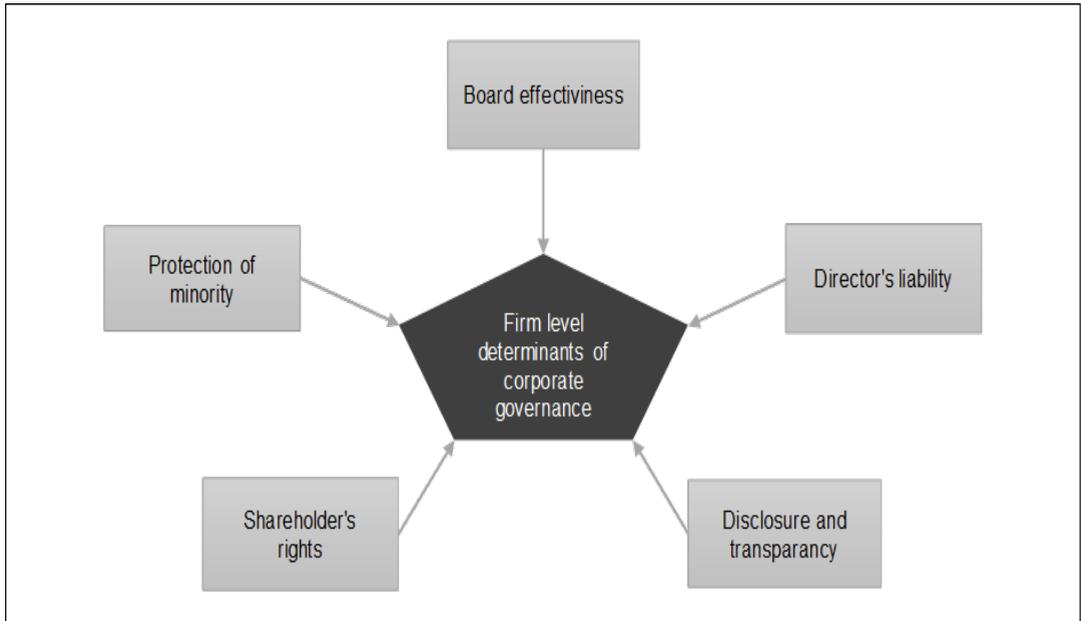


Figure 1: Determinants of effective corporate Governance
Source: Author's compilation

Board effectiveness

The desire to maximise the board effectiveness have been constant and somewhat indefinite in corporate governance objectives in public and private sector (Jafeel *et al.*, 2024). This implies that the board effectiveness is a goal that organisations envy to achieve throughout their existence. Salehi & Hassanzadeh (2024) revealed that an effective board sets out a clear business strategy and vision, it inculcates a culture of accountability and transparency in the organisation. Goyal *et al.* (2024) assert that an effective board provides support to the organisation CEO, communicates inclusively, resolve conflicts amicable

and exercise influence rather than power in the execution of its duties. It can be deduced from the scholarly views that board effectiveness has to do with the performances of board members either individually or collectively when taking up their responsibilities and duties. The effectiveness of the board is measured using the performance indicators such as clear roles and responsibilities defined for each member in the organisation, effective measures to manage risk, the board composition and diversity, availability of processes of learning and improvement, availability of systems to ensure compliance with the laws and regulations and presents committee structures.

However, some scholars are of the view that the board effectiveness can be determined using the organisation's profitability. The perception is that the profitable organisations have effective boards, this view lacks objective as they are many underlining factors that can influence profitability outside the board. Goyal *et al.* (2024) suggest that the board members provide a healthy tone across the organisation by providing expert and independent input when executing their duties. Hence, it is imperative to establish if the effectiveness of the board has a significant implication on the informativeness of the financial statements.

Directors' liability

The term directors' liability refers to the legal responsibility that the directors have on the organisation they are serving. The IoDSA (2016) suggest that directors' duties are set out in the common law and in the Companies Act. The Act stipulates that directors should act in the best interest of the organisation, exercise due care, proficiency and thoroughness when carrying out their organisation duties. The IoDSA (2009) report assert that the directors should provide ethical and effective leadership in which the IoDSA (2016) further revealed that the directors should execute their duties in line with the Companies Act to avoid being subjected to criminality punishment such as fines and disqualification from serving as directors in the future. The directors are liable for recklessly trading where their conduct is deemed to have intentions of defrauding creditors. In addition, the directors of a company may be liable for the loss, or damages caused by the direct or indirect conduct in carrying their duties (Stevens & De Beer, 2016). According to Wandrag (2018) the civil law the directors do not incur personal liability if they are acting on behalf of the company. This implies that the commitment they enter a bind the company. However, they are liable when there in mismanagement. It can be concluded that it is imperative to establish the directors' liability role on the informativeness of the financial statements.

Shareholder Rights

Matashu (2016) avows that shareholders have a right to receive a dividend and also a right to control management through voting. The author further describes these rights as procedural entitlements for shareholders. La Porta *et al.* (1997) established an anti-director rights index, the index measures legal protections for investors. The index has several rights such as the simplicity of polling for the directors, cumulative voting, trading shares during meetings, pre-emptive rights for new securities, minority board representation, grievance mechanisms, and the percentage of votes needed for extraordinary meetings. These shareholder ownership rights and meeting procedures indicates the level of shareholder protection. Standard & Poor (2008) note that shareholder rights are frailer in countries with poor legal systems. Agency theory and property rights theory both affirm shareholders' rights over their investments. Dallas (2004) distinguishes cash flow rights (dividends and sale proceeds) from control rights (voting and meeting participation).

Disclosure and Transparency

Standard & Poor (2008) revealed that disclosure and transparency cover appropriate distribution of information about a company's operations, governance and financial performance. Disclosure and transparency refer to the process of publishing annual financial statements (statement of financial position, and statement of cash flows) and directors' reports (Dallas, 2004). Additionally, Dallas (2004), assert that disclosure and transparency permit the stakeholders to monitor company performance. The stakeholders require reliable information to make informed economic decisions (Standard & Poor, 2008). The failure to adhere to corporate governance principles such as disclosure and transparency in African countries has negatively affected the economic growth (Waweru, 2014). Okeahalam & Akinboade (2003), Okeahalam (2004), and Waweru (2014) argue that improved corporate governance can enhance the market value of African firms, attracting foreign investment and boosting economic growth. Studies by Kaunda & Pelsler (2023) and Leung & Cheng (2013) show a significant relationship between disclosure, transparency, and value of the company, as measured by Tobin's Q and ROA. Standard & Poor (2008) also highlight that inadequate disclosure, and transparency can deter investment, cause share undervaluation, and increase costs. The efficiency market hypothesis (EMH) by Fama (1980) supports the idea that transparency lowers the cost of capital by reflecting available information in share prices. Lack of disclosure and transparency can lead to low economic growth due to perceived investment risks. It is imperative to ascertain the role of the disclosure and transparency determinant on the informativeness of the financial statements.

Protection of minority shareholders' rights

Minority shareholders require protection due to their limited influence on organizational decisions. Matashu (2016) notes that without legal safeguards, minority shareholders risk having their investments expropriated by controlling shareholders. Different ownership structures, such as family, shareholder, or institutional ownership, necessitate this protection (Matashu, 2016). Solomon (2011) highlights that in companies with major shareholders, minority shareholders are often dominated by larger controlling shareholders. To ensure equitable treatment, measures like equal voting rights and meeting attendance for shares of the same class are essential (Wandrag, 2018). Djankov *et al.* (2006) developed an anti-self-dealing index to assess minority shareholder protection. Wandrag (2018), vows that the enforcement of laws against self-dealing in the public and private sectors is vital for defending minority shareholders. The legal system in developing countries is weak and it often fails to protect the rights of the minority groups (Solomon, 2011). Consequently, corporate governance in African economies is hindered by the lack of minority shareholder protection and weak legal frameworks. In light of the above discussions on the protection of minority shareholders' rights, it is imperative to establish the function of corporate governance on the informativeness of the financial statements.

Research Methodology

The study adopted an interpretivist research philosophy, which resulted in a deeper understandings and interpretations of the study phenomenon (Saunders *et al.*, 2012). This approach allowed the study to explore various perspectives on effective corporate governance indicators from different organisational stakeholders. The study's population consisted of 24 top management members, including accountants, financial controllers, human resources managers, audit managers, finance directors, general managers, and corporate affairs executives. These participants were chosen for their knowledge, competence, and relevance to this research topic. Participants from finance and administration departments, responsible for preparing and presenting financial statements, were included due to their expertise. The study used both face-to-face and telephone interviews, reaching a saturation point after 12 interviews with six of the largest Zimbabwean companies, as guided by Snyder (2019). The results were analysed and interpreted using a thematic analysis. According to Clarke & Braun (2013) thematic analysis involves the identification of key themes which are critical in understanding the views, opinions, values and lived experiences of the participants. Through the thematic analysis, the researchers were able to identify themes and patterns from the data collected through conducting interviews. Six steps were followed during

the process and this allowed rigour to enhance credibility and trustworthiness of this paper. The first step involved familiarising with the data collected through interviews and deciding on how to group the codes. Secondly, the initial codes were generated based on the interview results. After establishing the codes based on their similarities, the researchers had to find the themes and group them on three categories, that is, basic, organising and global themes. The fourth step, involved the reviewing the identified themes to ensure they are grouped accordingly and the fifth step, defining and naming of the themes was done and lastly, a comprehensive report was produced. The following section provides the findings of this paper based on the interviews' results.

Discussion of the results

Effective corporate governance has an important role in enhancing the informativeness of financial statements. The paper established that to improve the quality of the financial statements, the following aspects of effective corporate governance should be considered, and these are Board responsibilities and effectiveness of the Board, Directors' liability, Shareholders' rights, disclosure and transparency and protection of minority shareholders. The researcher outlined the disclosure criteria of the firm level determinants of corporate governance as a strategy to enrich the informativeness of the financial statements, benefiting investors and other stakeholders. The table below outlines the firm level determinants of corporate governance and the narratives on what companies should disclose to enhance the informativeness of financial statements.

Table 1: Reporting on corporate governance aspects

Factor	Disclosure Requirements
Board Effectiveness	There is a need to disclose the meetings held per year, board size, board independence, committees, CEO duality and women experiences.
Directors' liability	The companies should disclose how their directors are regulated on self-dealings and any fines they have been ordered to pay by the courts as a result of restitution.
Protection of Minority Shareholders' rights	Companies should disclose the rights of the minority shareholders such as the right to a fair distribution of resources, right of inspection and weighted voting rights.

Factor	Disclosure Requirements
Disclosure and Transparency	Companies should disclose clear and accurate reporting of a company’s policies, structures, and financial status to stakeholders, regulators, and the public. This practice enhances trust and credibility, as it provides a glimpse into how the company operates and its value creation and financial performance.
Shareholders’ rights	Companies should disclose how they are protecting investor investments and the costs they incur to safeguard the rights of the investors.

Source: Author’s Compilation

Discussion of the corporate governance aspects disclosure requirements

This study makes a deduction centred on the findings that effective corporate governance system should report on the aspects tabulated in table 4.1 in its financial statements. The disclosure of the aspects helps stakeholders to have a broader understanding of the significance of corporate governance. The stakeholder gets to appreciate the importance of corporate governance in value creation and its contribution to the overall performance of the organisation, leading to the informativeness of the financial statements. A few frameworks were utilised to identify the most important aspects that companies should report on. Some of the frameworks include the World Economic Forum report (2013; 2015; 2020) and the IoDSA (2016). These frameworks provided the key aspects that companies should include in their corporate annual reports. Furthermore, the study established that the aspects such as board effectiveness, directors’ liability, protection of minority shareholders’ rights, shareholders’ rights and disclosure and transparency enhances the informativeness of the financial statements. The study revealed that the established corporate governance disclosure aspect is relevant to Zimbabwean companies. Thus, Zimbabwean companies are encouraged to adopt them to enhance the informativeness of their financial statements. The following sections discuss the identified aspects in detail.

Disclosure requirements of Board effectiveness

According to Garcia-Torea *et al.* (2016) companies should disclose the following information in relation to the board effectiveness: CEO duality, size and experience of the Board, women experience, board committees, board independence

and meetings held per annum. In Zimbabwe, some companies' financial statements lack the disclosures mentioned by Garcia-Torea *et al.* (2016). It is therefore crucial that these board effectiveness disclosures be reported as they increase investor confidence among other stakeholders. If the board effectiveness disclosure is followed, they will also play a role in the informativeness of financial statements and contribution to the maximisation of shareholders equity.

Directors' liability disclosure requirements

Directors' liabilities can be measured using the costs that the company incurred addressing the breaches of fiduciary and statutory duties (World Bank's Corporate Governance Indicators report, 2015). Thus, the director's liability affects the effectiveness of corporate governance. The research established that directors' liability has a significant role in enhancing the financial statements. Hence, the requirement that it be measured and included in the financial statements. Consequently, this study recommends that companies should disclose all losses or damages linked to the directors' liability because of any breaches. Such disclosures guarantee that the integrity, transparency and accountability principles are upheld in the company thereby enhancing the informativeness of the financial statements.

Disclosure requirements for the protection of minority shareholders' rights

Corporate governance stalwarts advocate that minority shareholders rights must be respected. Companies should report on availability of contractual protection under the shareholders' agreement and the present of a clause which ensures that minority shareholders have weighted voting rights on matters. Moreover, companies should report whether minority shareholders have a right to the sharing of resources and the right of inspection, among others. Thus, these disclosure requirements are in line with the study by Reese & Weisbach (2002).

Protection of shareholders' rights disclosures

It is paramount that companies protect the rights of the shareholders. Thus, this study suggests that the rules and regulations that protect the rights of shareholders should be disclosed in the financial statements. According to Kaufmann *et al.* (2011), the disclosure of shareholders right enhances the investors' confidence. Henceforth, the companies should assess their rules and regulations if they effectively support the rights of shareholders by making an evaluation of the movement in their paper stock market liquidity movement. Weak legal systems and poor corporate governance reduce investor confidence

hence companies should ensure that they build robust systems that protect the shareholders rights. When shareholders are protected from expropriation, the market becomes attractive to investors and they are prepared to pay extra for financial assets (La Porta *et al.*, 1997). Conversely, when companies fail to protect the shareholders the stock market suffer from poor liquidity (Chung *et al.*, 2012). This study recommends that the investors be protected, and their protection be quantified by the total costs suffered to defend the property of investors. This signifies an independent position in decision-making to their stakeholders to entice and retain investors.

Disclosure requirements of the disclosure and transparency determinant

There is a need that companies indicate in their financial statements that disclosure and transparency are important factors in the organisation in line with the corporate governance principles. Companies should report in their financial statements that they practise stakeholder engagement in economic decision-making. The disclosure requirements suggested by this study are based on the studies carried out by the World Bank (2010). The study established that disclosure and transparency can be measured using the compliance indicators such as the stakeholder engagement, audit reports, accessibility of information, third part ratings, sustainability reporting, corporate governance disclosure, and quality and timeliness of financial reporting. These indicators together deliver a broad understanding of how transparent a company runs and communicates with its stakeholders.

The study also revealed that the corporate governance aspects complement each other to facilitate an environment that is conducive for company stability, competitiveness and sustainability. These are the ingredients for enhanced company performance, and it help increase the shareholders' wealth. Measurement and disclosure of human capital have been also identified as effective tool of enhancing corporate governance. Thus, companies should disclose these aspects to promote good corporate governance and boost the confidence of investors and shareholders. The study settles that corporate governance, and functional legal systems can positively contribute to the financial performance of a company.

Conclusion and recommendations

In conclusion, the study settles that the board responsibility and effectiveness, shareholders' rights and minority shareholders' rights protection, disclosure and transparency and directors' liability form the key aspects of corporate governance. This study recommends the abovementioned corporate governance aspects be disclosed in the financial statements of the companies to

enhance the informativeness of financial statements. Ultimately, the study calls for stakeholder (accounting professions and policymakers) engagement to increase the chances of inclusion of the corporate governance aspects in financial statements. In the final analysis, the study established that Zimbabwe has a voluntary code of corporate governance, and some entities feel not indebted follow the code disclosure requirements. This study recommends that the corporate governance aspects be disclosed by companies on their financial statements as a starting point. The benefit of this recommendation is that the companies will recognise company growth through the increased investor confidence, transparency, accountability and legitimacy through stakeholder engagement. Conversely, dares such as political intrusion, economic volatility, and inadequate regulatory enforcement hamper the effectiveness of these governance practices.

Conflict of interest: The author declares no conflict of interest

Informed consent statement: Informed consent was obtained from all subjects involved in the study.

Data availability: The data used to support the research findings are available from the corresponding author upon request.

REFERENCES

- Aren, S. Kayagil, S.O. & Aydemir, S.D. (2014). The determinants and effects of corporate governance level: Evidence from Istanbul Stock Exchange, *Procedia - Social and Behavioral Sciences*, 150, 1061-1070.
<https://doi.org/10.1016/j.sbspro.2014.09.118>.
- Chung, R., Ho, S.S. & Kim, J.B. (2012). Ownership structure, corporate governance, and the cost of equity capital: Evidence from Asia's emerging markets. *Journal of Applied Corporate Finance*, 24(3), 47–60,
<https://doi.org/10.1016/j.jbankfin.2012.04.015>
- Clarke, V. & Braun, V. (2013). Teaching thematic analysis: Overcoming challenges and developing strategies for effective learning. *The Psychologist*, 26(2), 120–123. Available at: <https://uwe-repository.worktribe.com/output/937596>
- Crowther, D. & S. Seifi, 2011. Corporate governance and international business. Ventus Publishing Aps.
- Dallas, G.S. (2004). Governance and risk: An analytical handbook for investor, managers, directors and stakeholder. New York: McGraw-Hill
- Djankov, S., McLiesh, C. & Ramalho, R.M. (2006). Regulation and growth. *Economics Letters*, 92(3), 395-401. <https://doi.org/10.1016/j.econlet.2006.03.021>

- Durnev, A. & Kim, E.H. (2005) To Steal or Not to Steal: Firm Attributes, Legal Environment, and Valuation. *The Journal of Finance*, 60(3), 1461-1493. <https://doi.org/10.1111/j.1540-6261.2005.00767.x>
- Fama, E.F. (1980). Agency problems and the theory of the firm, *Journal of Political Economy*, 88(2), 288-307. <https://doi.org/10.1086/260866>
- Garcia-Torea, N., Fernandez-Feijoo, B., & De La Cuesta, M. (2016). Board of director's effectiveness and the stakeholder perspective of corporate governance: Do effective boards promote the interests of shareholders and stakeholders? *BRQ Business Research Quarterly*, 19(4), 246-260. <https://doi.org/10.1016/j.brq.2016.06.001>
- Goyal, R., Kakabadse, N., Kakabadse, A. & Talbo, D. (2024). Seven mantras for board chair effectiveness - an enlightened approach for the 21st Century. *Journal of Management Inquiry*, 34(1), 57-77. <https://doi.org/10.1177/10564926231224213>
- Hamadziripi, F. & Osode, P.C. (2021). A critical analysis of Zimbabwe's codified business judgment rule and its place in the corporate governance landscape. *Law, Democracy and Development*, 25, 575-603. <https://doi.org/10.17159/2077-4907/2021/ldd.v25.20>
- Institute of Directors in Southern Africa (IoDSA) (2016). *King IV Report on Corporate Governance for South Africa 2016*. Johannesburg: IoDSA. Available at: <https://www.iodsa.co.za/page/kingIV>
- Institute of Directors in Southern Africa (IoDSA). (2009). *King Report on Governance for South Africa 2009*. Johannesburg: IoDSA. <https://doi.org/10.22495/cocv7i3p11>
- Jafeel, A.Y., Chu, E.Y. & Abdalla, Y.A. (2024). Board effectiveness and corporate investment in emerging markets: evidence from the gulf cooperation council countries, *Journal of Accounting in Emerging Economies*, 14(5), 1041-1060 <https://doi.org/10.1108/JAEE-04-2023-0111>
- Kaufmann, D., Kraay, A. & Mastruzzi, M. (2011). The worldwide governance indicators: methodology and analytical issues. *Hague Journal on the Rule of Law*, 3, 220-246. <https://doi.org/10.1017/S1876404511200046>
- Kaunda, E. & Pelsler, T. (2023). Corporate governance and performance of state-owned enterprises in a least developed economy. *South African Journal of Business Management*, 54(1), a3827. <https://doi.org/10.4102/sajbm.v54i1.3827>
- La Porta, R., Lopez-de-Silanes, F., Shleifer, A. & Vishny, R. W. (1997). Legal determinants of external finance. *Journal of Finance*, 52(3), 1131-1150. <https://doi.org/10.1111/j.1540-6261.1997.tb02727.x>
- Leung, N.W. & Cheng, M.A. (2013). Corporate governance and firm value: Evidence from Chinese state-controlled listed firms. *China Journal of Accounting Research*, 6(2), 89-112. <https://doi.org/10.1016/j.cjar.2013.03.002>
- Mapingire, J. (2016). An investigation into the importance of corporate governance in Zimbabwean small and medium scale enterprises, *University of Zimbabwe, Masters'-Dissertation*. Available at: <https://ir.uz.ac.zw/handle/10646/3948>

THE ROLE OF CORPORATE GOVERNANCE ON THE INFORMATIVENESS
OF THE DEVELOPING COUNTRIES FINANCIAL STATEMENTS

- Matashu, M. (2016). An integrated corporate governance framework for enhancing economic growth: Evidence from Sub Saharan Africa countries. *North-West University. PhD-Thesis*. Available at:
<https://repository.nwu.ac.za/server/api/core/bitstreams/d1240417-4471-4792-85dd-5ab91698c55e/content>
- Maune, A. (2015). Corporate governance in Zimbabwe: an overview of its current state. *Asian Economic and Financial Review*, 5(1), 167-178.
<https://doi.org/10.18488/journal.aefr/2015.5.1/102.1.167.178>
- Maune, A. (2017). The Strength of sound corporate governance on economic growth in an emerging market context. *International Journal of Economics and Financial Issues*, 7(5), 6-13. Available at:
<https://www.econjournals.com/index.php/ijefi/article/view/5042>
- National Code on Corporate Governance Zimbabwe (NCCGZ) (2014) (introduced April 2015). Available at:
https://www.ecgi.global/sites/default/files/codes/documents/final_national_cg_code.pdf
- Nwaobia, A.N., & Ajayi, A. (2021). Financial Reporting Quality and Shareholders' Wealth Maximization: Evidence from listed Companies in Nigeria, *European Journal of Accounting, Auditing and Finance Research*, 8(6), 1-13,
<https://d1wqtxts1xzle7.cloudfront.net/78761774/>
- Okeahalam, C.C. & Akinboade, O. (2003). A review of corporate governance in Africa: Literature, issues and challenges, *Global Corporate Governance Forum*, 15, 1-34. Available at:
<https://www.scirp.org/reference/referencespapers?referenceid=3953634>
- Okeahalam, C.C. (2004). Corporate governance and disclosure in Africa: Issues and challenges, *Journal of Financial Regulation and Compliance*, 12 (4), 359-370.
<https://doi.org/10.1108/13581980410810902>
- Oxley, M. (2015). The Director's Handbook of Corporate Governance in Zimbabwe. Harare: *The Institute of Directors Zimbabwe*. Available at: <https://iodz.co.zw/>
- Public Entities Corporate Governance Act (2018) Chapter 10:31, No.4 (Zim.). Available at: https://www.veritaszim.net/sites/veritas_d/files/PUBLIC%20ENTITIES%20CORPORATE%20GOVERNANCE%20ACT_0.pdf
- Reese, W. Jr. & Weisbach, M.S. (2002). Protection of minority shareholder interests, cross-listings in the United States, and subsequent equity offerings, *Journal of Financial Economics*, 66(1), 65-104. [https://doi.org/10.1016/S0304-405x\(02\)00151-4](https://doi.org/10.1016/S0304-405x(02)00151-4)
- Salehi, M. & Hassanzadeh, A. (2024). The effect of board effectiveness on the long-term company success and comparability of financial information. *Management Research Review*, 47(7), 1005-1028. <https://doi.org/10.1108/MRR-11-2022-0829>
- Saunders, P.L. & Thornhill, A. (2012). *Research Methods for Business Students*. 4th Ed, Financial Times Prentice Hall, Edinbrough Gate, Harlow.
- Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research*, 104, 333-339.
<https://doi.org/10.1016/j.jbusres.2019.07.039>

- Solomon, J. (2011). *Corporate governance and Accountability* 3rd Edition. West Sussex. John Wiley & Sons.
- Standard & Poor, (2008). Corporate ratings criteria. Available at (www.standardandpoors.com)
- Stevens, R. & De Beer, P. (2016). The duty of care and skill, and reckless trading: Remedies in flux? *South African Mercantile Law Journal*, 28(2), 250–284. <https://journals.co.za/doi/pdf/10.10520/EJC-615cfc672>
- Wandrag, R. (2018). *Legal framework for SOE boards: Eskom, Prasa and the SABC*. Dullah Omar Institute, University of the Western Cape. Available at: https://dullahomarinstitute.org.za/women-and-democracy/board-members-of-state-owned-enterprises-towards-transparent-appointments/reports/wandrag_legal_framework
- Waweru, N.M. (2014). Determinants of quality corporate governance in Sub-Saharan Africa: Evidence from Kenya and South Africa, *Managerial Auditing Journal*, 29(5), 455-485, <https://doi.org/10.1108/MAJ-07-2013-0897>
- World Bank (2010). Corporate governance report on the observance of standards and codes (ROSC), Indonesia (Report No. 69157), Available at: <https://documents.worldbank.org/curated/en/514561468039867553/pdf/691570ESW0ROSC0overnance0April02010.pdf>
- World Bank. (2015). Worldwide Governance Indicators, 2015 Update. World Bank Group. <https://info.worldbank.org/governance/wgi/>
- World Economic Forum. (2013). The Global Competitiveness Report 2013–2014 Available at www.worldeconomicforum.org
- World Economic Forum. (2015). The Global Competitiveness Report 2015–2016 Available at www.worldeconomicforum.org
- World Economic Forum. (2020). The Global Competitiveness Report 2019–2020 Available at www.worldeconomicforum.org

FROM INVESTMENT LOGIC TO ACCOUNTING CONSTRAINTS: A CONCEPTUAL FRAMEWORK AND OPERATIONAL MATRIX FOR RISKS, IMPAIRMENT AND FINANCIAL GOVERNANCE IN SPORT

Iustin Atanasiu POP¹, Paul Sorin LAZAR², Traian Ionut LUCA³,
Ioana Madalina RITI⁴, Raul Vegas VIMAN⁵

Article History: Received: December 4, 2025; Reviewed: February 9, 2026;

Accepted: March 17, 2026; Available online: March 24, 2026.

©2026 Studia UBB Negotia. Published by Babeş-Bolyai University.



This work is licensed under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International License

ABSTRACT. The article examines the accounting reflection of sports investments within multi-entity and multi-sport portfolios, in which the investment logic (value creation through brand, sports performance and media exposure) interacts with the constraints of financial reporting (recognition, valuation, depreciation, depreciation and consolidation). The approach is predominantly theoretically applied, based on conceptual and documentary analysis, without claiming to investigate a singular “particular case”. Methodologically, the study uses the triangulation between (i) the academic literature on financial reporting in sport, with a focus on specific intangibles (rights to athletes), impairment and quality of disclosures; (ii) records from audit practice, through recurring topics in Key Audit Matters (KAM) reported for listed European clubs; and (iii) the compliance frameworks of sports regulators, in particular UEFA’s licensing and

¹ Lecturer dr., Faculty of Business, Babeş-Bolyai University, Cluj-Napoca, Romania. E-mail: iustin.pop@ubbcluj.ro

² Assoc. prof. dr., Faculty of Business, Babeş-Bolyai University, Cluj-Napoca, Romania. E-mail: paul.lazar@ubbcluj.ro

³ Lecturer dr., Faculty of Business, Babeş-Bolyai University, Cluj-Napoca, Romania. E-mail: traian.luca@ubbcluj.ro

⁴ Master student, Faculty of Economics and Business Administration, Babeş-Bolyai University, Cluj-Napoca, Romania. E-mail: ioana.riti@stud.ubbcluj.ro

⁵ Bachelor student, Faculty of Business, Babeş-Bolyai University, Cluj-Napoca, Romania. E-mail: raul.viman@stud.ubbcluj.ro

financial sustainability requirements. On this basis, the paper proposes (a) an investment classification scheme (equity / M&A, intangibles, infrastructure, sponsorship / marketing, technological capabilities and talent development), (b) an IFRS / IAS mapping of the relevant accounting treatments and (c) an operational matrix of misstatement risks. The main contribution is an integrated tool for the interpretation and governance of sports investment reporting, extendable to multi-jurisdiction portfolios and useful to investors, creditors and internal audit/control functions.

Keywords: sports accounting; investments in sport; intangible assets; impairment; consolidation; financial regulation in sport

JEL classification: M41, G32, G34, L83, M42, G38

Recommended citation: Pop, I.A., Lazar, P.S., Luca, T.I., Riti, I.M., Viman, R.V., From investment logic to accounting constraints: A conceptual framework and operational matrix for risks, impairment and financial governance in sport, *Studia UBB Negotia*, vol. 71, issue 1 (March) 2026, pp. 55-96, <https://doi.org/10.24193/subbnegotia.2026.1.04>

Introduction

The present work has a theoretical-applied character and aims to build a conceptual framework and an operational tool for interpreting the accounting reflection of investments in sport. Consequently, the paper does not claim to investigate a singular “particular case”, but operationalizes the literature, IAS/IFRS standards and institutional benchmarks (including compliance requirements) into an investment classification scheme and a misstatement risk matrix (Probability × Materiality), extensible for multi-entity portfolios⁶. A multi-sport portfolio (football, motorsport, winter sports and extreme sports) raises relevant accounting questions for investors, creditors, regulators and stakeholders, in particular regarding: (i) the consolidation and allocation of the purchase price, (ii) the recognition and valuation of intangible assets, (iii) the treatment of sponsorship/marketing expenses, (iv) impairment tests and (v) the comparability between jurisdictions and reporting regimes.

⁶ In this paper, multi-entity refers to a portfolio comprising multiple legal entities (subsidiaries, associates or jointly controlled arrangements) linked through ownership/control or significant influence; multi-sport denotes exposure to different disciplines with distinct monetization logics (media rights, sponsorship, ticketing, merchandising, prize money); multi-jurisdiction captures cross-country heterogeneity in currency, taxation, legal form and local reporting constraints that may affect comparability and consolidation.



Figure 1. Key topics of concern to investors, creditors, regulators and stakeholders
Source: (authors' compilation)

Synthesis of literature and conceptual foundations

The literature on sports accounting has developed rapidly amid the commercialization of competitions, the globalization of media rights markets, and the emergence of increasingly sophisticated ownership and control structures. In professional sport, investments are not only aimed at tangible assets (infrastructure, equipment), but also intangible assets with sectoral specificity: athlete rights, brand, fan relations, analytical capabilities, as well as organizational networks (affiliated clubs, academies, partnerships). This reality creates a structural tension between the economic logic of investment - focused on monetizing the audience, exposure and sports performance - and the logic of financial reporting, which imposes strictly defined recognition and evaluation criteria for assets, income and expenses.

The literature review highlights two recurring challenges. The first is the issue of "accounting visibility" of value: a significant part of the value created in sport remains off-balance sheet (e.g. internal brand generated or relational capital), while recognized assets (especially intangibles associated with athletes and

goodwill from acquisitions) are sensitive to assumptions, performance volatility and impairment requirements (Morrow, 1996; Martin Lozano & Carrasco Gallego, 2011; Morrow, 2013). The second is the issue of comparability and consistency of reported results: differences between jurisdictions, between depreciation policies and between sectoral regulations can lead to situations where financial indicators are difficult to compare between clubs and leagues (Amir & Livne, 2005; Forker, 2005).

Next, the literature is summarized on thematic axes relevant to the reflection of investments in sport: (1) athletes/contracts as intangible assets and implications on accounting performance; (2) valuation models and relevance of accounting information; (3) intellectual capital, brand and “invisible value”; (4) financial governance, accountability and regulation; (5) restructuring, insolvency and institutional complexity; (6) public investments and mega-projects; (7) predictive analytics and the convergence between evaluation, control and reporting. Finally, gaps and research directions are identified, with a focus on multi-sport portfolios and the integration of non-financial information into investment analysis.

Athletes and contracts as intangible assets: recognition, measurement and limits

A founding theme in sports accounting is the treatment of athletes as ‘assets’ and, in particular, the capitalization of the costs of player registrations or contracts. In his classical analysis, the recognition of athletes as assets is conditioned by the possibility of credible measurement, and measurement is presented as the critical factor in relation to the recognition criteria. The case study discussed by the author shows that although clubs can control future economic benefits through contracts and federative rights, performance volatility, injury risk and market value uncertainty make the assessment problematic. Therefore, accounting tends to capture historical cost rather than economic value, creating a potential gap between “book value” and “sport-economic value” (Morrow, 1996).

In the same vein, it highlights accounting deficits in the evaluation of rights to exploit players’ performance, arguing that the balance sheet may omit a significant part of the intangible value generated by the club’s human capital and intellectual capital. This argument is important for investors: a high market value or a high revenue-generating capacity does not necessarily translate into a high book value of the assets, especially when the brand and the relationship with the fans cannot be recognized as internally generated assets (Martin Lozano & Carrasco Gallego, 2011).

From an accounting policy perspective, it summarizes the capitalization versus expense dilemma, showing that the option to capitalize the costs associated with players (where it is allowed and practiced) significantly modifies the performance indicators: profit, total assets and debt indicators can be materially affected. Therefore, comparability between clubs depends on the consistency of accounting policies and the transparency of the explanatory notes, particularly with respect to depreciation, renewals, and impairment testing (Oprean & Oprisor, 2014).

In this sub-field, two conclusions are constantly drawn. First: sports accounting is dependent on measurement conventions and contracts, and the assets associated with athletes are recognized in a form that reflects the cost and duration of the contract, not necessarily the market value. Second: as the transfer and contract market evolves, the pressure for reporting models that improve the consistency of results and the usefulness of information for investors and creditors is increasing (Morrow, 1996; Morrow, 2013; Oprean & Oprisor, 2014; Ganji, 2025).

Beyond recognition, literature deals intensely with the issue of time allocation. The practice of amortizing player rights over the duration of the contract turns an investment decision (acquisition/transfer) into a recurring expense profile. As a result, accounting performance becomes sensitive to contracting strategies: clubs that extend contracts can redistribute depreciation and alter the trajectory of reported profit. While these mechanisms may be consistent with the principles of cost-to-revenue matching, they may reduce transparency for users when explanatory notes do not explicitly describe the treatment of rollovers, conditional bonuses or performance clauses (Amir & Livne, 2005; Forker, 2005).

Another dimension is impairment and the identification of depreciation triggers. In sport, the triggers are often operational (injuries, drop in performance, loss of tenure) and market (decrease in demand for certain player profiles, regulatory changes). This specificity makes impairment testing inherently dependent on managerial judgment and scenarios of future economic benefits. The literature points out that in the absence of sound disclosure practices, the risk of accounting arbitrage increases and comparability deteriorates (Morrow, 1996; Martin Lozano & Carrasco Gallego, 2011).

Finally, a cross-cutting theme is the distinction between “cost” and “value”. Even when an asset is recognized at cost, users tend to interpret the book balance as an approximation of economic value. In sports, this interpretation is problematic: an athlete’s market value can rise or fall rapidly, while book value evolves linearly through depreciation. This results in a need for sectoral financial education and reporting frameworks that explicitly explain this asymmetry, so that

investment analysis is based on consistency of results over time and on appropriate indicators, not on analogies with industries with predominant tangible assets (Oprean & Oprisor, 2014; Andon & Free, 2019).

Relevance of accounting information and models for evaluating athletes

A central contribution to the relationship between accounting and valuation is his study, which investigates the link between accounting information on football contracts and the market valuation of clubs, with an explicit focus on the duration of contracts. The essential idea is that depreciation and contract duration can influence both the reported profit and the signaling of value to the market. The authors' results suggest that accounting information may be relevant to valuation, but this relevance is mediated by the design of accounting policies, the transparency of disclosures, and the way users interpret depreciation and capitalization (Amir & Livne, 2005).

Forker (2005) develops a critical discussion of valuation approaches and comparability issues, highlighting that apparently technical differences – e.g. contract durations, the treatment of renewals or differences in cost recognition – can alter the interpretation of performance and value. The literature is therefore becoming sensitive to the fact that the analysis of investment in sport cannot depend exclusively on balance sheet figures; triangulation with contractual and operational information is required.

A complementary vein is oriented towards alternative financial models for evaluating athletes. I propose to apply an option pricing model for player evaluation, explicitly integrating performance uncertainty and adverse events. This approach is relevant because it shows how financial instruments can formalize sports risk and produce robust estimates of changes in assumptions, providing a common language for management, investors and advisors (Coluccia *et al.*, 2018).

In recent years, literature has increasingly integrated predictive analytics. It proposes an approach based on predictive analytics for estimating the value of players in the transfer market. The key implication for accounting and investing is that valuation becomes a hybrid organizational practice: sporting data (performance, potential) is combined with financial data (revenue, costs) and contractual constraints. Even if these models do not directly translate into book value, they influence acquisition decisions and, implicitly, cash flows and the structure of recognized intangible assets (Li, 2025).

In conclusion, the literature on the evaluation of athletes converges towards the idea that there is a distance between market valuation and accounting recognition, but this distance can be managed through better disclosures and

the use of analytical tools in managerial control. At the same time, the need for consistency of results is emphasized when accounting indicators are used for inter-club or inter-league comparisons (Amir & Livne, 2005; Forker, 2005; Coluccia *et al.*, 2018; Li, 2025).

An important aspect in the discussion about relevance is the role of sport-specific revenues in “validating” investments in athletes. Unlike industries where revenue is generated primarily through sales of goods, sports combine revenue from the day of the event (matchday revenue), media rights, and commercial revenue. Investments in athletes are thus valued not only by their direct contribution to sporting results, but also by indirect effects on audiences, the value of media rights and the attractiveness of sponsors. The literature suggests that valuation models that integrate these channels (e.g., through scenarios or options-inspired approaches) can provide a more coherent interpretation of risk and return, reducing reliance on a single indicator (Coluccia *et al.*, 2018; Li, 2025).

At the same time, studies warn of the risk of overconfidence in models. When management and investors rely on predictive scores and value estimates, pro-cyclical effects can occur: optimistic valuations can fuel salary expenditure and investments that exceed the structural capacity to generate revenue, and subsequent corrections can trigger depreciation adjustments and deterioration of solvency indicators. In this key, the literature on valuation connects with that on financial regulation and disciplines the conclusion that models should be integrated into governance and managerial control, not used as a substitute for economic judgment (Evans *et al.*, 2019; Nappert *et al.*, 2025).

In addition, the relevance of accounting information must also be read through the eyes of users. For lenders, for example, the main question may be the ability to repay, not the theoretical value of the athletes’ portfolio. For strategic investors in a multi-sport portfolio, the interest may be aimed at brand synergies and stability of commercial revenues. It follows that a single evaluation metric is insufficient; The literature indicates the usefulness of a “toolkit” that combines accounting indicators (depreciation, salaries/income) with market and operational indicators (audiences, performance), in order to achieve relevance and consistency of results in decisions (Amir & Livne, 2005; Andon & Free, 2019; France *et al.*, 2024).

Intellectual Capital, Brand and Non-Balance Sheet Value

A structural feature of the sports industry is the high share of intangibles that, while generating value, are not recognized as assets in traditional reporting. Hence the literature’s interest in intellectual capital and complementary measurement tools propose the FOrNeX (Football Organization Nexus Index) index as a composite tool

for club intangible resources, including brand dimensions, relational capital and human capital. The methodological contribution of the index is twofold: (i) it produces a standardized metric for comparison between clubs and (ii) it allows to connect investments (e.g. in academies or marketing) with non-financial outcomes that precede financial performance (Andrikopoulos & Kaimenakis, 2009).

Dimitropoulos & Koimanakos (2015) investigates the relationship between intellectual capital and profitability in European clubs, suggesting that intangible resources are associated with economic performance. Although the exact design of the measurement may vary, the message is consistent: investments that increase intellectual capital (organizational know-how, scouting processes, reputation) can have positive effects on revenue-generating capacity and cost efficiency.

Occhipinti (2022) uses sports organizations as a conceptual laboratory to re-think intellectual capital accounting, arguing that accounting standards for intangibles may under-represent the ability to create value. The proposal is to move towards complementary indicators and integrated reporting, which connect intangible resources with strategy and performance. This direction is relevant for the reflection of investments in sports because part of the expenses (marketing, academies, digital) is treated as OPEX, although they can represent long-term strategic investments.

In the area of business models and profitability, he shows that profitability in football can vary depending on the economic model (income structure, dependence on transfers, salary control). The link to intellectual capital is implicit: clubs that manage to monetize the brand and the relationship with fans can reduce their dependence on volatile revenue. From an accounting perspective, it reinforces the argument that investment analysis must include recurring revenue sources and stability indicators, not just annual profit (Regoliosi, 2018).

Therefore, the literature on intellectual capital and brand reinforces the idea of “invisible value” and suggests two complementary directions: (i) the development of standardized indicators (composite indices, scorecards) and (ii) the improvement of disclosures in financial reporting to increase the usefulness of information in the evaluation of investments (Andrikopoulos & Kaimenakis, 2009; Dimitropoulos & Koimanakos, 2015; Regoliosi, 2018; Occhipinti, 2022).

Financial reporting in sports: towards more user-friendly models

Morrow (2013) explicitly asks whether the financial reporting of football clubs needs a new model. The argument starts with the specifics of sport: multiple objectives (sports and economic), performance volatility, stakeholder pressures and sectoral regulation. Under these circumstances, investor-only

reporting may be insufficient; users include fans, sports authorities, local communities, and funders, each with different expectations.

An important element in the reporting literature is the link between regulation and reporting discusses reporting standards and specificities for clubs and leagues, stressing the need for harmonization and improved transparency. Even though general accounting standards (IFRS) provide a framework, sport often operates with additional rules (licensing, sustainability requirements) that influence behavior and, indirectly, reporting (Ganji, 2025).

Andon & Free (2019) provides a synthesis of the field, arguing that accounting is not only a technical mechanism, but also a mechanism that shapes the business of sports: through classification, measurement and control, accounting influences investment decisions, legitimacy and governance. The authors propose a research agenda that includes transparency, accountability and digitalization, confirming that the evolution of the sports industry requires analytical frameworks that go beyond the balance sheet.

A higher-level conclusion emerges: the reporting literature suggests that the accounting “model” applied in sport should be interpreted in the institutional context and in relation to the set of users. In practice, investments in sport should be analyzed through a combination of information: financial statements, explanatory notes, operational indicators and non-financial metrics, in order to achieve consistency and relevance in interpretation (Morrow, 2013; Andon & Free, 2019; Ganji, 2025).

One area where literature emphasizes the need for clarification is the recognition of income and its classification. Revenues from media rights, sponsorships, and partnerships can have complex contractual structures with variable components and performance obligations. Even though general standards provide principles, their application in sport involves significant judgments, and the consistency of results can be affected by how entities identify obligations and allocate the price of the transaction. Hence the call for more informative explanatory notes and reporting practices that allow users to distinguish between recurring and volatile revenue (Morrow, 2013; Ganji, 2025).

In addition, reporting in sports is closely related to cost management, especially salary costs. The literature on business models and regulation suggests that reporting should facilitate sustainability analysis, for example through indicators such as wage-to-revenue and disclosures about contract structure. These elements are essential to assess whether investments are calibrated to revenue-generating capacity or whether the organization is pursuing a risky strategy to maximize sports performance at the expense of financial stability (Regoliosi, 2018; Evans *et al.*, 2019).

Finally, the literature argues that sports reporting is an area where segmentation is crucial. In portfolios and groups, consolidated results can hide divergent dynamics between sports or between entities. Segmented reporting, even if it is not always required in detail for private entities, increases the usefulness of the information for users and reduces the risk of misinterpretation of performance. This is all the more important when investments include both competitive activities (clubs/teams) and commercial activities (media, marketing), where the mechanisms for creating value are different (Morrow, 2013; Andon & Free, 2019).

Accountability, governance and financial regulation in sport

A major pillar of the literature is the analysis of accountability, i.e. the way in which sports organizations justify their use of resources and performance in front of stakeholders. I introduce the concept of “Vulgate Accountability”, showing that public accountability in football is built and publicized through narratives, not just through financial statements. This perspective expands investment analysis: capitalization decisions, salary expenses or investments in transfers are also evaluated in terms of reputation, fan expectations and media pressures (Cooper & Johnston, 2012).

At the institutional level, it analyzes the effectiveness of financial regulation in a professional league, highlighting the tension between sports competition (which stimulates performance spending) and financial discipline. The results suggest that rule design, enforceability, and transparency are critical. The implication for investment is that regulation can alter the reaction function of clubs: it can reduce over-investment in the short term and increase attention to sustainability (Evans *et al.*, 2019).

The work of Agostino & Thomasson (2024) discusses hybrid forms of governance in football clubs, in which logics of the type co-exist **Non-Profit Organization** (NPO) and private logics. Such a hybrid model generates different accountability requirements and can influence the prioritization of investments (e.g., investments with social value versus investments with financial returns). Similarly, it shows that sports organizations can respond to multiple logics (“for love and money”) by developing innovative control and reporting arrangements to reconcile goals (Skirstad & Chelladurai, 2011).

Adams (2024) addresses the paradox of success in supporter-owned hybrid clubs: sporting success can amplify investment pressures and financial risks. The study highlights the importance of internal governance mechanisms, budgetary transparency and decision discipline. It completes this direction by

analyzing the institutional complexity in football organizations and the way in which management navigates competing requirements (sports, commercial, regulatory) (Jacobsen, 2023).

At the synthesis level, it provides a scoping review on accountability in sports organizations, identifying measurement gaps and the need for comparative studies and linking with financial performance. For investments, this review indicates that accountability should be conceptualized as a system: it includes financial reporting, non-financial reporting, governance, and stakeholder relations (France *et al.*, 2024).

In the area of grassroots organizations, it shows that accounting mechanisms support the professionalization of voluntary sports organizations, but there is a risk that the excessive focus on financial metrics will erode community objectives. This tension is relevant in multi-sport portfolios, where entities with different missions (elites vs grassroots) may coexist and require distinct reporting and control approaches (Melnick *et al.*, 2025).

Overall, the literature on accountability and governance highlights that investments in sport are evaluated simultaneously on financial and symbolic dimensions, and regulation can act as a disciplinary mechanism. An investment analysis framework must include both financial indicators and governance and transparency mechanisms in order to achieve consistency of results and comparability between entities (Cooper & Johnston, 2012; Evans *et al.*, 2019; France *et al.*, 2024; Agostino & Thomasson, 2024; Adams, 2024; Jacobsen, 2023).

A distinct contribution of literature is the understanding of accountability as a multi-channel phenomenon. In addition to financial statements, sports organizations communicate through sustainability reports, public statements, pricing policies and commitments to the community. In football, these channels are often amplified by the media and digital platforms, which changes the balance of power between management and stakeholders. The concept of “vulgate accountability” suggests that legitimacy is not only obtained through accounting compliance, but also through narratives that explain “why” investments were made and “how” they are justified in relation to the identity of the club (Cooper & Johnston, 2012; Baumeister, 2025).

From an investment perspective, this framework implies that brand-driven investments may require a different set of monitoring indicators than strict sports investments. For example, sponsorships and brand activations can be evaluated through exposure and perception metrics, while investments in athletes and infrastructure can be evaluated through combinations of performance and cash-flow. The literature on hybrid forms of governance shows that the mix of objectives (social, identity, commercial) affects the way in which success

criteria are defined and, implicitly, the way in which accounting and control systems are designed (Agostino & Thomasson, 2024; Adams, 2024; Skirstad & Chelladurai, 2011).

Finally, financial regulation appears as a mechanism for alleviating incentives. When rules sanction excessive losses or impose transparency requirements, management is forced to improve planning and reporting. However, the literature suggests that effectiveness depends on the quality of implementation: poorly enforced rules can induce avoidance behaviors, while well-designed rules can increase the consistency of results and reduce the risk of insolvency. This nuance is important for investors, who need to assess not only the formal framework of the rules, but also institutional practices (Evans et al., 2019; France et al., 2024; Ganji, 2025).

Insolvency, restructuring and financial fragility

Financial fragility is a persistent theme in sport, especially in football, where competitive pressures can encourage overspending and risk-taking. analyzes the practice of insolvency in football, showing that procedures are influenced by sporting rules and multiple interests, which can produce different results than insolvency in other industries. This observation has accounting implications: classic solvency indicators must be interpreted in context, and early signs of difficulty (e.g. dependence on volatile income, rapid growth of the wage bill) can be decisive (Cooper & Johnston, 2012).

Theiri (2012) discusses the effects of changing the status of sports clubs, highlighting that the legal form and institutional regime can influence governance, budgeting and reporting. Although the paper has a more general orientation, it suggests an important mechanism: organizational transformations can be used to facilitate investments, but they can also introduce agency and opacity risks. In multi-sport portfolios, these transformations are relevant when investors use hybrid vehicles, partnerships, or structures to control entities from different jurisdictions.

From the point of view of the literature, these works reinforce the idea that the analysis of investments in sport must include the dimension of continuity risk and the effects of regulation on insolvency. Furthermore, they suggest that financial reporting should provide disclosures that increase the relevance for users on risk exposure, debt structure and dependence on sources of uncertain income (Cooper & Joyce, 2013; Theiri, 2012).

Public investments, infrastructure and mega-events: accounting, risk and externalities

In addition to private investments in clubs and teams, the literature dedicated to infrastructure and mega events provides essential lessons for sports investment accounting shows that mega-projects, including the Olympics, have systematic tendencies to exceed costs and underperform benefits, with “fat-tailed” distributions. For accounting and budgetary control, the message is that risk estimation and reporting must be prudent, and governance mechanisms must be designed to reduce strategic optimism (Flyvbjerg, 2021).

Burton & O’Reilly (2009) argue that, in the evaluation of Olympic candidacies, the intangibles (image, urban brand, social capital) must be considered, because the analysis strictly on costs/revenues can be incomplete. Although this literature is not strictly accounting, it is relevant for investment: it shows that sports projects produce reputational effects and externalities, and reporting should include broader evaluation frameworks.

McLeod & Holden (2017) discuss the public financing of stadiums from a green economy perspective and highlights the risk of under-reporting of costs and externalities. The implication for public accounting and auditing is the need for transparency, scenarios and systematic evaluation of benefits. In the context of private investment, this literature can be used to assess public-private partnerships and to understand the distribution of risks and benefits among the actors involved.

Overall, the literature on infrastructure and mega-events completes the picture of sports investing with its focus on risk, externalities and governance. It suggests that when investments include infrastructure or events, the analysis should include indicators of sustainability, social impact and cost overruns, and financial reporting should be complemented by non-financial reporting and audit of benefits (Flyvbjerg, 2021; Burton & O’Reilly, 2009); McLeod & Holden, 2017).

Assetization, organizational evaluation and the role of professional accountants

A major conceptual contribution in recent literature is the introduction of the concept of “assetization” in sport, i.e. the transformation of athletes and their promise of performance into assessable and tradable objects. analyzes the process in baseball, highlighting the role of signing bonuses and contracts as mechanisms for instrumentalizing promises and allocating risk. This perspective is valuable for accounting because it shows that valuation is not a neutral act, but

a socio-technical practice in which contracts, data, and institutional norms build assets (Nappert & Plante, 2023).

Nappert *et al.* (2025) delve into the role of accountants and valuation practices in player decisions, indicating that performance valuation (analytics) is combined with monetary valuation and reporting and control responsibilities. For investments, the implication is that data governance and standardization of metrics are essential to increase the consistency of results and reduce the risk of overconfidence in models.

This literature connects directly with developments in football (predictive models, market valuation) and complements the argument that investment in sport is mediated by data infrastructures and accounting expertise. In a multi-sport portfolio, where entities from different disciplines use different sets of metrics, the challenge is to integrate these practices into a common framework of managerial control and reporting (Nappert & Plante, 2023); Nappert *et al.*, 2025, L, 2025).

Integrated implications for multi-sport portfolios and conglomerate investments

Although many studies are focused on football or a specific sport, the literature reviewed allows the formulation of implications for multi-sport portfolios. In such portfolios, investments are distributed between holdings (M&A), specific intangible assets (athletes), commercial expenses (sponsorship/marketing) and capabilities (analytics, academies). Accounting reporting treats these investments differently: shareholdings influence consolidation and goodwill; athletes can generate depreciable intangibles; marketing remains predominantly expense; In-house capabilities tend to be recognized to a limited extent as intangible assets. The result is a balance sheet structure in which economic value is unevenly distributed between what is recognized and what remains “invisible” (Morrow, 2013; Occhipinti, 2022; Ganji, 2025).

The literature on governance and accountability suggests that multi-sport portfolios must be managed as systems of multiple logics: sports, commercial, community and regulatory. Hybrid models (Maglio & Rey, 2017; Gazzola *et al.*, 2019) indicate that a single reporting framework may be insufficient; there is a need for segmentation, differentiated indicators and transparency mechanisms adapted to each entity. Additionally, specific regulations may vary between leagues and sports, affecting investment behavior and performance interpretation (Agostino & Thomasson, 2024; Evans *et al.*, 2019; Skirstad & Chelladurai, 2011).

On the financial front, studies on profitability and business models show that reliance on volatile sources (e.g., transfers) increases risk and reduces consistency of results. For multi-sport portfolios, diversification can reduce aggregate risk, but it can introduce valuation difficulties: the motorsport or extreme sports segment can generate brand value that does not appear on the balance sheet, while football can feature large intangible assets and significant depreciation. Thus, investors should use cash-flow and income stability indicators, supplementing the accounting profit (Regoliosi, 2018).

Methodologically, the literature suggests the usefulness of composite tools and the integration of analytical data for investment evaluation. A promising agenda is the development of an integrated framework that connects: (i) accounting indicators (depreciation, depreciation, wage-to-revenue), (ii) operational indicators (performance, audience), and (iii) governance indicators (transparency, quality of disclosures), in order to obtain a coherent assessment of investments in sport (Andrikopoulos & Kaimenakis, 2009; Li, 2025; Nappert et al., 2025).

In multi-sport portfolios, a methodological problem is the separation of sports performance effects from marketing and media exposure effects. For example, a poor sports season can coexist with increases in viewership and commercial revenue, if the brand strategy is effective. The literature on intellectual capital and accountability suggests that the analysis should include both sports performance indicators (rankings, results) and market indicators (audiences, engagement) and financial indicators (margins, cash-flow). The integration of these sets is necessary to achieve a coherent assessment of investments, especially when the portfolio pursues synergies between sports (Andrikopoulos & Kaimenakis, 2009; Occhipinti, 2022; Cooper & Johnston, 2012).

Another challenge is intra-group governance: how resources are allocated between entities and how to avoid permanent subsidization of unprofitable segments. The literature on financial regulation and insolvency suggests that, without institutional disciplines, competitive pressure can lead to resource transfers that erode sustainability. Hence, the importance of segment budgeting, risk limits and internal reporting mechanisms that make investment decisions and their consequences visible. In accounting terms, this translates into the need for segmented reporting and rigorous impairment testing, including goodwill associated with acquisitions (Cooper & Joyce, 2013; Evans et al., 2019; Morrow, 2013).

Finally, multi-sport portfolios amplify the problem of comparability because different sports have different monetization models. Motorsports, for example, can generate major value through global exposure and commercial partnerships, while football is heavily influenced by the transfer market and media rights. In the absence of a common framework, investors risk comparing “apples to pears”. The literature suggests that a common framework should be built on several cross-cutting dimensions: (i) income stability, (ii) cost volatility

(especially wages), (iii) intensity of intangibles and sensitivity to impairment, and (iv) quality of governance and disclosures. Thus, a basis for comparison can be obtained that maintains the relevance and consistency of results between sports (Regoliosi, 2018; Ganji, 2025; France et al., 2024).

Gaps, future directions and conclusions of the review

The literature review highlights some recurring shortcomings. First, there is a convergence deficit between the market valuation of resources (athletes, brand, audiences) and accounting recognition, which limits the balance sheet's ability to fully reflect sports investments. Although the literature proposes alternative indicators and models, they are often used fragmented and without standardization (Andrikopoulos & Kaimenakis, 2009; Occhipinti, 2022; France et al., 2024; Gazzola et al., 2019).

Secondly, comparing them remains a major issue. Differences in accounting policies, financial regulation and contractual structures reduce the consistency of results in inter-club analysis. Studies in football have been pointing to this problem for a long time, and recent literature on standards suggests that harmonization and improvement of disclosures is still needed (Amir & Livne, 2005; Forker, 2005; Ganji, 2025).

Third, the literature on accountability shows that performance and investments are evaluated in a multi-dimensional way, and research needs models that connect financial reporting with governance practices and stakeholder pressures. This is all the more important in a multi-sport context, where reputation and exposure can be strategic objectives, and commercial expenses can have an investment role without recognition as an asset (Cooper & Johnston, 2012; Evans et al., 2019; France et al., 2024).

Finally, the literature on infrastructure and mega-events reminds us that investments in sports can generate systemic risks, externalities and cost overruns. Integrating these risks into reporting and investment analysis remains a challenge, and studies suggest prudent and transparency-oriented approaches (Flyvbjerg, 2021; McLeod & Holden, 2017).

Based on these conclusions, future research directions may include: (i) multi-jurisdictional comparative studies on depreciation and depreciation policies of intangibles associated with athletes; (ii) integrated models combining accounting and non-financial data for investment valuation; (iii) analyses of multi-sport portfolios and brand synergies, including how they can be communicated through reporting; (iv) research on the role of professional accountants and data infrastructures in standardizing valuation; and (v) assessing the effects of financial regulation on investment discipline and the quality of disclosures (Andon & Free, 2019; Ganji, 2025; Nappert et al., 2025).

In conclusion, the literature confirms that sport is a privileged field for studying the limits of traditional accounting in the reporting of intangibles and for the development of accountability frameworks oriented to multiple stakeholders. For the analysis of investments, the major recommendation is to use an integrated lens, in which the financial statements are interpreted together with non-financial indicators and the institutional context, to ensure the relevance and consistency of the results.

Research questions

The analysis of the specialized literature leads us to the formulation and analysis of four questions:

- Q1:** How do sports investments rank in a multi-entity portfolio and what accounting treatments are relevant (IAS/IFRS and/or local regulations)?
- Q2:** To what extent does accounting capture the economic value of sport-specific intangible assets (e.g., player rights, brand, fan relationship)?
- Q3:** How do consolidation, purchase price allocation, goodwill, and impairment tests affect the interpretation of financial performance?
- Q4:** What role do governance and financial sustainability rules in sport play in investment discipline and reporting quality?

Research methodology

The study follows a theoretical–applied design grounded in documentary analysis and structured triangulation. The unit of analysis is the mechanism through which sports investments may affect financial reporting quality (recognition, measurement, disclosure and consolidation), operationalized as risks of material misstatement mapped to Balance Sheet / P&L / Cash-flow. The outputs of the design are: (i) the risk matrix with P×M prioritization, (ii) the RQ-level synthesis table (cross-walk between questions, standards and financial-statement channels), and (iii) an IFRS/IAS mapping of alternative treatments relevant to sports investments. Also, the followings are taken into consideration: sport-specific misstatement mechanisms (intangibles, revenue recognition, consolidation/PPA, impairment, related parties, FX/multi-country, compliance constraints).

Through this research, the paper provides an operational framework that can be calibrated *ex post* on entity-level historical data.

General information and analytical scope

The study is built as a conceptual and documentary analysis applied to sports investments in a multi-entity and multi-sport portfolio (e.g.: football

clubs, motorsport teams, hockey and extreme sports). In this logic, “investment” is treated as a set of decisions that are reflected in: (i) acquisition and control structuring transactions (shareholdings, consolidation), (ii) recognition and valuation of sport-specific intangible assets (in particular rights to athletes, but also commercial and technological intangible assets), (iii) recognition of revenues (sponsorship, media, tickets, merchandising) and their correct classification, (iv) valuations and impairment tests (intangibles and goodwill), as well as (v) relationships with related parties and intra-group financing arrangements.

The methodological objective is to assess the quality of the accounting information and the risk of distortion that may affect the interpretation of financial performance. Therefore, the analysis does not follow the “real value” of the investment but identifies accounting and organizational mechanisms that can alter the interpretation of financial statements (Balance Sheet / Profit and Loss / Cash-flow) and reduce the consistency and relevance of results between entities, sports and periods.

Data and sources

The data used are structural and come from the following categories of sources used in the approach:

(a) academic literature on financial reporting in sport, with a focus on specific intangible assets (rights to athletes). For each risk, the following are documented: the area (e.g. intangibles, consolidation, revenues, related parties), the typical mechanism of occurrence, the likely direction of the distortion, the anticipated impact on Balance Sheet/P&L/Cash-flow, red flags and control/mitigation measures, as well as the Probability (1–5) and Materiality (1–5) scores.

(b) The regulatory and accounting framework (IAS/IFRS) used as a reference for delineations and treatments: **Operating Expenditures / Capital Expenditures** (OPEX/CAPEX), recognition of intangibles, consolidation, purchase price allocation (PPA), impairment testing, provisions and foreign currency transactions.

(c) The sport-specific institutional framework (financial sustainability rules, licensing and reporting requirements), used to understand reporting incentives and areas where reclassification behaviors may occur to meet indicators or thresholds.

The approach is not based on a single numerical panel of financial statements; instead, it operates literature, accounting standards and sectoral rules into a risk assessment tool, which can be used for both performance interpretation and group-level financial governance.

Construction of the risk matrix

The construction of the matrix followed a four-step logic: (1) identification of areas with a high impact on the quality of reporting in sports (intangibles, revenues, consolidation, transactions with related parties, impairment, provisions, continuity, FX/multi-country, projects with public component/PPP, segmentation); (2) the formulation of risks as operational statements ('major danger'), each associated with a typical mechanism; (3) mapping each risk to the informative impact on the financial statements (Balance Sheet / P&L / Cash-flow); (4) definition of warning signals and control/mitigation measures.

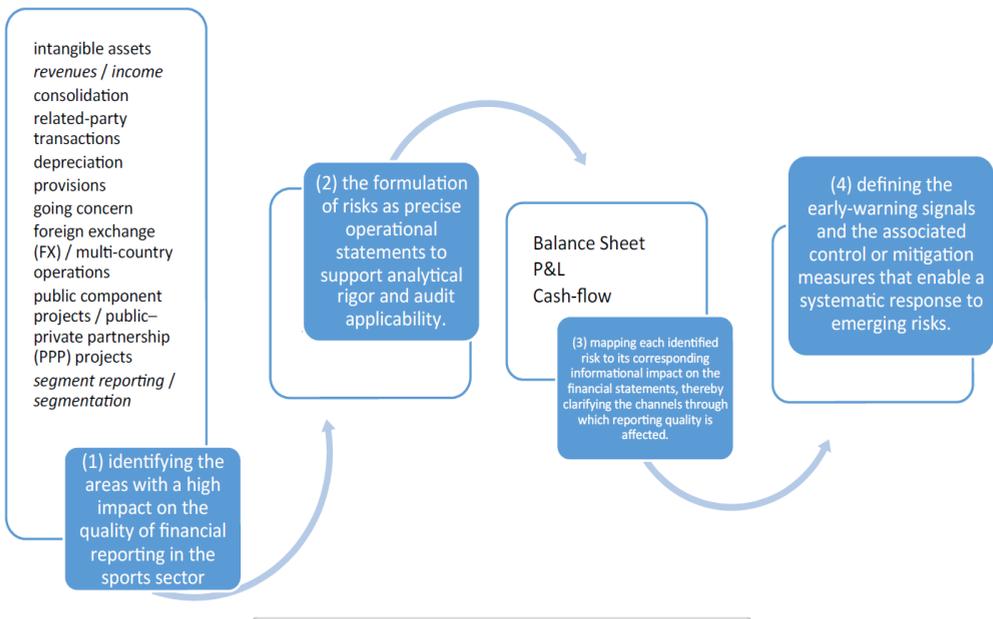


Figure 2. Construction of the risk matrix
Source: Authors' projection

The resulting matrix functions as a sport-specific financial-accounting risk register: it explains the mechanisms of distortion, supports the interpretation of reported performance and facilitates the prioritization of interventions (controls, disclosures, review procedures) in sports organizations and multi-entity groups.

The methodological details underlying the construction of the matrix are presented in *Appendix 1. Risk matrix (Probability × Materiality) and financial statement mapping*, where each step of the procedure is documented to ensure transparency and replicability.

The matrix presented below represents the final output of the analytical process, synthesizing the criteria and indicators derived from the conceptual framework.

Matrix – Major dangers of distortion of accounting information in sports investments⁷

Note: Risk score = Probability (1–5) × Materiality (1–5).

ID	Aria	Major danger	Impact (balance sheet / P&L / CF)	P	M	Score	Red flags	Controls
1	Intangible – athletes	Aggressive cost capitalization (players/academies/scouting) can overvalue assets and profit.	Balance: Intangibles ↑; Total assets ↑; Equity ↑P&L: Current expenses ↓; Future depreciation ↑CF: CFO (Chief Financial Officer) ↑ (by OPEX reduction); CFI (Cash Flow from Investing Activities) ↓ (capex ↑)	4	5	20	Abrupt growth of intangibles; vague politicians; large differences between comparable clubs.	Strict IAS 38 policies; approvals by cost type; audit trail; Portfolio Reconciliation.
2	Intangible – athletes	“Optimized” depreciation / uneven contract durations distort profit and comparability.	Balance sheet: Net intangibles ↑ (temporary) P&L: Amortization ↓ short-term; profit ↑CF: Neutral on total CF; reclassifications may affect CFO/CFI	4	4	16	Decrease in depreciation/income without explanation; average contract durations increase sharply.	Consistent renewal policies; disclosure of durations; controls on changes in estimates.
3	IAS 36 / impairment	Deferred impairment (intangibles/goodwill) produces overstated profit until sudden adjustments.	Balance sheet: Goodwill/ Overvalued Intangibles P&L: Deferred impairment expenses; subsequent major loss CF: Non-cash (generally), but can affect covenants and funding	3	5	15	Lack of sensitivities; growth rates > the market; No impairment in poor sports periods.	Hypothesis Committee; mandatory sensitivities; back-testing; involvement of an independent evaluator.

⁷ **How to read the risk matrix (P×M):** The matrix should be read as a prioritization and interpretation tool: the P×M score ranks risks by expected severity, while the BS/P&L/CF columns indicate where misstatements are likely to appear and how they may distort performance interpretation. Scores in the mid-range (e.g., 12–15) are treated as ‘judgement-sensitive’: small changes in assumptions (±1 in P or M) may alter ranking, therefore these risks are reviewed through peer checks and sensitivity testing. High scores (e.g., ≥16) trigger enhanced disclosure focus and control recommendations, given the likelihood of discrete adjustments (reclassifications, impairments, or covenant/compliance effects).

FROM INVESTMENT LOGIC TO ACCOUNTING CONSTRAINTS: A CONCEPTUAL FRAMEWORK AND OPERATIONAL MATRIX FOR RISKS, IMPAIRMENT AND FINANCIAL GOVERNANCE IN SPORT

ID	Aria	Major danger	Impact (balance sheet / P&L / CF)	P	M	Score	Red flags	Controls
4	IFRS 3 / PPA	Opportunistic purchase price allocation (PPA) distorts depreciation and impairment risk.	Balance sheet: Intangibles/goodwill ↑; ↑P&L assets: PPACF-dependent amortization and impairment: Non-cash; Indirect impact on funding/covenants	3	4	12	ASF difficult to replicate; disproportionately “new” intangibles; weak justifications.	Independent appraiser; PPA documentaries; audit review; Reconciliation of assumptions.
5	Consolidation (IFRS 10/12)	Unconsolidated entities, although there is (de facto) control, hide debts and losses.	Balance sheet: Off-balance assets/liabilities; hidden exposure P&L: Unconsolidated expenses/loss CF: Hidden future CF obligations	2	5	10	Recurring transactions with affiliates; guaranteed financing; common management.	IFRS 10 control analysis; IFRS 12 disclosures; group mapping; legal confirmations.
6	Reporting / segmentation	Excessive aggregation without segmentation masks the actual performance by sport/country.	Balance sheet: N/A (presentation) but hides financial position risks by segments P&L: Profit apparently stable, although segments are volatile CF: Aggregate CF masks cash consumption in segments	4	3	12	Stable profit but volatile CFO; Lack of explanations by segments.	Internal reporting by segments; standardized KPIs; Consolidated segment → consolidation.
7	Revenue (IFRS 15)	Premature recognition of sponsorship/media revenue overestimates performance.	Balance sheet: Distorted receivables/advance income P&L: Revenue ↑; ↑CF profit: CFO ↓ relative (cashless income) / or CFO ↑ if advances not classified correctly	3	5	15	Cashless income increases; complex contracts; subsequent adjustments.	Revision of IFRS 15; contractual break-downs; Cash-to-cash reconciliation; contract approvals.
8	Revenue (presentation)	Misclassification net vs gross distorts revenue size and margins.	Balance sheet: N/A (presentation), possibly trade receivables/liabilities P&L: Revenue and costs simultaneously CF: Generally neutral	3	3	9	Unusual margins; high commissions; intermediation contracts.	Principal/agent analysis; consistent policies; Explanatory note.
9	Transfers / Transactions	“Creative” accounting for transfers (swaps, conditional clauses) distorts the results.	Balance sheet: Intangibles/receivables ↑; hidden contingent liabilities P&L: Transfer gains ↑; Deferred expenses CF: CF can be weak, although high profit	3	4	12	Many trades closed at the end of the period; many variable clauses.	Variable clause policies; external confirmations; Reconciliation of profit transfer vs cash.
10	Brand/market ing	Ineligible brand/marketing capitalization creates artificial assets.	Balance sheet: Intangibles ↑ artificial P&L: Marketing expenses ↓; future depreciation ↑CF: CFO ↑; CFI ↓	2	4	8	The emergence of “brand” assets without acquisitions; policies are not aligned with IAS 38.	Explicit prohibitions; audit review; accounting training; IAS 38 checklist.
11	Related parties	Transactions with related parties at non-market prices move	Balance sheet: Distorted intra-group receivables/liabilities P&L:	3	4	12	Dominant intra-group contracts; unexplained margins.	Transfer pricing policies; benchmarking; disclosures to

IUSTIN ATANASIU POP, PAUL SORIN LAZAR, TRAIAN IONUT LUCA,
IOANA MADALINA RITI, RAUL VEGAS VIMAN

ID	Aria	Major danger	Impact (balance sheet / P&L / CF)	P	M	Score	Red flags	Controls
		profit between entities.	Distorted margins CF: CF can be transferred intra-group					related parties; independent approvals.
12	Salary costs	The camouflage of remuneration (bonuses, image rights, third parties) underestimates costs and obligations.	Balance sheet: Liabilities/provisions ↓ artificial P&L: Salary expenses ↓; disputes may arise CF: CFO distorted (timing); Hidden future payments	3	4	12	Increase in "other expenses"; tax disputes; complex contracts.	Disclosures of remuneration structure; tax compliance; Contract review.
13	Provisions (IAS 37)	Underestimating provisions (disputes, penalties, clauses) overstates profit.	Balance: Provisions ↓; contingent liabilities ↑P&L: Provisional expenses ↓CF: Unexpected negative future CF	3	4	12	Informally referred to disputes; few provisions; repeated changes in estimates.	Letters to lawyers; risk committee; scenarios; periodic review.
14	Going concern	Optimistic assumptions of continuity hide the real risk and can affect the classification of debts.	Balance sheet: Current liabilities may be under-reported; insufficient disclosures P&L: Profit n/ a direct but insufficient ratings CF: Liquidity crisis risk not disclosed	2	5	10	High due debts; chronic negative CFO; dependence on funding.	Liquidity tests; documented financing plans; robust disclosures; stress tests.
15	Quality of earnings	Profit vs cash dissonance (low earnings quality) induces misinterpretations of performance.	Balance sheet: Assets (receivables/intangibles) ↑P&L: Accounting profit ↑ no cash CF: CFO ↓; Distorted CFI/CFF	4	4	16	Profit ↑, dar CFO ↓; increase in receivables; many adjustments.	Earnings quality analysis; Cash Reconciliation; conservative policies.
16	FX / multi-Country	Under-reported currency risk can distort results and financial position.	Balance sheet: Distorted foreign exchange assets/liabilities P&L: Under/over-reported exchange rate differences CF: CF futures exposed to exchange rate	3	3	9	Large exchange rate differences; lack of hedging policies; undisclosed exposures.	FX Policies; disclosures; stress test; accounting for financial instruments correctly.
17	Infrastructure	Underestimated project costs or incorrect capitalization distort assets and depreciation.	Balance: Distorted EPP; hidden project debts P&L: Wrong amortization; potential losses CF: CFI ↑; Budget overruns consume cash	3	4	12	Budget overruns; renegotiations; changes of scope.	Project control; project audit; capitalization by components; cost-to-complete monitoring.
18	/ Obligations	Ignored externalities and contingent obligations hide material risks.	Balance sheet: Underreported contingent provisions/liabilities P&L: Unreflected future expenses CF: Unexpected negative future CF	2	4	8	Public contracts with complex clauses; lack of inventory obligations.	Inventory of obligations; IAS 37; disclosures; legal review.

FROM INVESTMENT LOGIC TO ACCOUNTING CONSTRAINTS: A CONCEPTUAL FRAMEWORK AND OPERATIONAL MATRIX FOR RISKS, IMPAIRMENT AND FINANCIAL GOVERNANCE IN SPORT

ID	Aria	Major danger	Impact (balance sheet / P&L / CF)	P	M	Score	Red flags	Controls
19	Sports Rules / Compliance	The “gaming” of sustainability rules (form vs substance) distorts comparability.	Balance: Off-balance positions; reclassifications P&L: Profit/expense moved between periods CF: Actual CF may remain weak	3	3	9	Frequent accounting adjustments; atypical contracts; complex structuring.	Governance; internal audit; economic vs accounting reconciliation; transparency on adjustments.
20	Non-financial reporting	Selective KPIs (Key Performance Indicator) and methodological changes can “cosmeticize” performance and mislead.	Balance: N/AP&L: N/A direct; but influences the interpretation of the result CF: N/A	4	2	8	KPIs without definition; frequent changes; lack of reconciliation with the financial.	KPI standardization; metrics governance; KPI-revenue-cash correlation; limited insurance.

Source: Authors' compilation

Quality assurance: consistency/relevance, results and sensitivity

In order to increase the consistency of the results and the replicability of the score, the methodology involves: (i) applying the same heading 1–5 for all risks; (ii) checking the consistency between the score and the description of the Balance Sheet/P&L/Cash-flow impact; (iii) peer review of high-scoring (e.g. ≥ 16) and borderline (low/medium/high) risks, with documented justifications; and (iv) sensitivity tests, by adjusting scores to the limit (± 1 point) to verify the stability of prioritization and to identify risks for which conclusions are judgment-sensitive.

Limitations and refining paths

Probability \times Materiality scoring has an inevitable judging component, especially in the absence of a uniform quantitative database for all entities and sports. In addition, some risks are interdependent (e.g. aggressive capitalization may subsequently amplify the risk of depreciation), and separate scoring may underestimate knock-on effects. The method can be improved by: (i) calibration on historical data (audit observations, subsequent adjustments, restatements, sanctions/regulatory findings); (ii) industry benchmark (comparison of accounting policies and indicators with similar entities); (iii) structural interviews with auditors, controllers and reporting officers; and (iv) the formalization of indicative quantitative thresholds (e.g. EBITDA impact ranges, total assets or operating cash flow) that anchor the materiality score in verifiable quantities, without losing the qualitative dimension (comparability, compliance and continuity)

Results and discussions

This section presents the answers to the research questions (RQ1–RQ4) linking them to the proposed risk matrix and its Balance Sheet / P&L / Cash-flow mapping.

RQ1: Classification of sports investments in a multi-entity portfolio and relevant accounting treatments (IAS/IFRS and/or local regulations)

The literature highlights that investments in sports, when viewed at the level of a multi-entity portfolio, cannot be reduced to “buying a team”. The investment includes (a) equity investments in sports entities, (b) rights acquisitions and contracts that generate economic benefits, (c) investments in infrastructure and technology, as well as (d) sponsorship and marketing commercial investments that build audience and brand. Consequently, a useful classification starts from the nature of the acquired right (ownership, control, contract law) and the way in which it is monetized, in order to be able to map the applicable IAS/IFRS standards and comparability risks.

1. **Equity investments and M&A transactions.** For club/team holdings, the accounting treatment depends on control and influence. If the investor gains control, full consolidation (IFRS 10) becomes relevant, and IFRS 3 applies to the acquisition: assets and liabilities are identified at fair value, identifiable intangibles (e.g. trademarks, contractual relationships, licenses, commercial rights) are recognized, goodwill is recognized, and non-controlling interests are established. If there is significant influence, the equity method (IAS 28) applies, and for passive holdings without material influence, IFRS 9 (classification and measurement as a financial instrument) applies. At the portfolio level, this distinction determines whether the entity’s results enter “line by line” in consolidated statements or appear as a single row (result from associates) and affects comparability between investors with control strategies versus minority shareholding strategies.
2. **Investments in sport-specific intangible assets: rights to athletes and contracts.** In football, player registration rights are a frequently recognized asset, but recognition is conditional on credible measurement; argues that the critical factor is measurement, not the mere existence of contractual control. IAS 38 is the framework standard: acquisition/transfer costs are typically capitalized as intangibles, amortized over the term of the contract, and impairment is measured in accordance with IAS 36.

The literature shows that the policy of capitalization versus spending can materially change profitability and leverage indicators, which makes explanatory notes essential. In portfolios, these intangibles are a “core” of recognized accounting value, but also a major source of volatility (depreciation, impairment) and differences between jurisdictions and leagues (Morrow, 1996; Oprean & Oprisor, 2014).

3. **Investments in tangible assets and infrastructure.** Stadiums, training bases, technical centers and equipment are usually covered by IAS 16 (capitalization, depreciation; optional, reassessment if the policy is allowed and chosen). Where there are indications of impairment, IAS 36 applies, and IAS 37 and its interpretations may be relevant for dismantling/rehabilitation obligations. The literature on public investment, infrastructure and sports mega-projects warns of systematic risks of cost overruns and uncertainty about the benefits, which reinforces the need for prudent budgeting and project governance. For investors, these investments have a different risk profile: they are less volatile than “talent” but can lead to liquidity bottlenecks and high fixed costs (Flyvbjerg, 2021; McLeod & Holden, 2017).
4. **Commercial investments: sponsorship, marketing, brand activation and media content.** In multi-sport portfolios, a significant part of the investment is for exposure and reputation. The intellectual capital literature shows that these expenses create value but are rarely capitalizable because IAS 38 imposes strict criteria for internally generated intangibles, and the internally generated brand is not typically recognized. For associated revenues (sponsorships, media rights, partnerships), IFRS 15 is central to recognition and classification, and the way performance obligations are defined and variability influences the consistency of results (Andrikopoulos & Kaimenakis, 2009; Occhipinti, 2022).
5. **Investments in organizational capabilities and data infrastructures (analytics, scouting, academies).** Recent literature on association shows that data infrastructures and evaluation practices are becoming decisive for athlete investment decisions and managerial control (; ;), and predictive analytics influence athlete evaluation and transactions. Accounting, capitalization is limited: only components that meet the criteria of IAS 38 (e.g. identifiable software) can be recognized, so a large part of the “investment in capabilities” remains in expenses, although it has investment logic (Nappert & Plante, 2023; Nappert *et al.*, 2025; Li, 2025).

In addition to IAS/IFRS, local and sectoral regulations (licensing, league financial sustainability rules) influence both classification and reporting, through format, indicators, and disclosure requirements. Studies on regulation

show that these rules can discipline investment decisions and increase the importance of transparency, and recent work calls for harmonization and standardization of reporting in sport. Basically, in a multi-entity portfolio, investment analysis must combine accounting classification (applicable standards) with mapping of sectoral rules, in order to correctly interpret indicators and assess sustainability by segments (Evans *et al.*, 2019; Ganji, 2025).

Traceability to the matrix: the main misstatement risks underpinning RQ1 are operationalized in the risk matrix (see risk categories/IDs such as intangibles capitalization, revenue classification, consolidation boundary) and are summarized in Table 1, below.

RQ2: Extent to which accounting captures the economic value of sport-specific intangible assets (players' rights, brand, fan relationship)

The literature review converges on the idea that financial reporting only partially captures the economic value of intangibles in sport, and the “gap” is structural, not accidental. On the one hand, there are intangibles that are recognized relatively consistently (especially athletes' rights) because they are traded, identifiable, and measurable by cost. On the other hand, there are intangibles whose economic value is central to the business model (internal brand generated, relational capital with fans, media ecosystem), but which are largely “invisible” on the balance sheet, due to the recognition criteria and measurement constraints of IAS 38.

1. **Athletes' rights: accounting visibility, but imperfect approximation of value.** Classical literature argues that the recognition of athletes as “active” is critically dependent on measurement; shows that, although there are contractual control and plausible future economic benefits, the uncertainty of performance and the volatility of value make the issue of measurement decisive. In practice, the balance sheet captures the historical cost (transfer fee and directly attributable costs), amortized over the duration of the contract. This produces an asymmetrical: the economic value can increase rapidly (performance, market demand), while the book value decreases linearly through depreciation. They argue that this approach generates deficits in reflecting the exploit value of sports performance and shows that the policy of capitalization versus expenditure materially influences profit and financial position. The conclusion is that, for athletes' rights, accounting provides a “minimum framework” of the cost invested and its recovery over time, but not a measure of the current economic value (Morrow, 1996; Martin Lozano & Carrasco Gallego, 2011; Oprean & Oprisor, 2014).

2. **Market relevance: Accounting information can matter, but it depends on disclosures.** The paper of Amir & Livne (2005) suggests that accounting information related to contracts and durations may be relevant for valuation, but this relevance is mediated by the design of accounting policies and the transparency of the notes. Forker (2005) insists that apparently technical differences (contract durations, treatment of renewals, capitalization of costs) can produce large variations in results, which means that users have to ‘reconcile’ the reported profit with the economic reality of the athletes’ portfolio. In practical terms, the economic value is indirectly captured: by the ability of accounting information to signal investment discipline (how it is amortized, how aggressively it is capitalized, how depreciation is tested), rather than by the level of the accounting asset itself (Forker, 2005).
3. **Brand, intellectual capital and the relationship with fans: high economic value, low accounting visibility.** The literature on intellectual capital shows that a major part of the value of clubs derives from non-traded intangible resources: reputation, fan community, scouting processes, know-how, media ecosystem. I propose a composite index (FOrNeX) to measure the intangible resources of clubs, precisely because the balance sheet does not reflect them. Occhipinti (2022) and Dimitropoulos & Koimanakos (2015) find associations between intellectual capital and profitability and argue that sport is a “laboratory” that shows the limits of traditional accounting for intangibles, supporting the need for complementary indicators and, sometimes, integrated reporting. Specifically, the relationship with fans is an economic asset (audiences, engagement, monetization), but it is not typically recognized as an asset if it is generated internally; it becomes accountable only in acquisition scenarios (PPA) or through recurring revenues (media rights, merchandising) (Andrikopoulos & Kaimenakis, 2009; Dimitropoulos & Koimanakos, 2015; Occhipinti, 2022).
4. **Consequences for investment interpretation: need for complementary indicators and user-oriented reporting.** Morrow (2013) argues that financial reporting in football is strained between multiple objectives and multiple stakeholders, and a strict financial model may be insufficient. In practice, investment analysis must combine the accounting lens (recognized intangibles, depreciation, depreciation) with the economic lens (audiences, engagement, value of commercial contracts, income stability). The literature on business models suggests that profitability is highly dependent on revenue structure and wage discipline, implying that the “economic value” of the brand and fanbase is better seen in the stability of commercial revenues than in the balance sheet (Regoliosi, 2018).

Traceability to the matrix: the main misstatement risks underpinning RQ2 are operationalized in the risk matrix (see risk categories/IDs such as player registrations/intangibles (IAS 38), impairment triggers (IAS 36), disclosure quality) and are summarized Table 1.

The literature on accountability completes the discussion: investors, fans and authorities do not evaluate clubs only by profit, but also by narratives about resource use and strategic coherence. Even though IAS 38 limits the recognition on the balance sheet of brand and internally generated relational capital, disclosures can reduce information asymmetry: depreciation policies, athlete portfolio reconciliation, depreciation triggers, and indicators linking sports performance to audiences and commercial revenues (Cooper & Johnston, 2012; Morrow, 2013; France *et al.*, 2024).

RQ3: Effects of consolidation, purchase price allocation, goodwill and impairment tests on performance interpretation

In multi-entity portfolios, the literature shows that the interpretation of financial performance is deeply influenced by the “mechanics” of consolidation and the accounting treatment of acquisitions. Two organizations with similar economic flows may report very different indicators depending on (i) whether the entities are fully consolidated or reflected by equivalence, (ii) how much of the price paid is allocated to identifiable intangibles versus goodwill, and (iii) how impairment tests are designed for UGC (cash-generating units) in sports, where sports and commercial performance are strongly interdependent.

1. **Strengthening and “masking” performance by segments.** Full consolidation aggregates revenues and expenses, which can hide divergent dynamics between sports or between entities. The literature emphasizes the usefulness of segmented reporting to avoid misinterpretations, especially when the portfolio includes disciplines with different monetization models (e.g., football with transfer market versus motorsport with global exposure and commercial partnerships). Without segmentation, consolidated results can “net out” volatility: losses in one entity can be covered by gains in another, and users can underestimate the specific risk of segments. In addition, the equivalence method (IAS 28) may produce limited visibility into the asset structure and accounting policies of the associate, which complicates investment analysis when part of the portfolio is ‘outside’ the consolidated balance sheet (Morrow, 2013; Regoliosi, 2018).

2. **Purchase price allocation (PPA) and recognition of identifiable intangibles.** Under IFRS 3, the allocation of the price paid between identifiable assets and goodwill is a critical step, as it subsequently defines the depreciation profile (for intangibles with a finite duration) and the exposure to impairment (for goodwill and intangibles with an indefinite duration). In sports, PPA may include brands, contractual relationships (sponsors, media rights), licenses, and in certain configurations, customer relationships (fans) as identifiable assets if they are separable/contractual. The literature on “invisible value” suggests that many components of brand and relational capital occur accounted for only through acquisitions, not through organic growth. The consequence is low comparability: a group that grows through acquisitions will have a balance sheet “loaded” with intangibles and goodwill, while a group that grows organically may have similar economic value, but a “thinner” balance sheet (Morrow, 2013; Occhipinti, 2022).
3. **Goodwill: economic significance, but accounting volatility through depreciation tests.** Goodwill is the premium paid for synergies and value creation that cannot be identified separately. In sports, this premium may reflect expectations of marketing synergies, media exposure and increased commercial value at group level. However, since goodwill does not amortize, the reported performance may be relatively favorable in the short term (without depreciation expense), and the adjustment will occur in the form of an impairment loss when the assumptions are no longer supported. Given the volatility of sport (results, qualifications, injuries, regulatory changes), this mechanism makes profit sometimes lumpy: periods of profits followed by significant impairment.
4. **Impairment tests (IAS 36) as an area of managerial judgment and arbitrage risk.** IAS 36 requires that assets be tested for impairment based on recoverable amount, defined as the maximum of fair value, less costs of sale and value in use. In sports, the estimation of future flows involves scenarios regarding sports performance, qualifications in competitions, audiences and commercial contracts. The literature on valuation and intangibles in sport suggests that in the absence of robust disclosures, there is a risk of arbitrage: management may delay the recognition of deterioration through optimistic performance assumptions, which reduces the consistency of results for users. Hence the importance of explanatory notes on discount rates, growth rates and sensitivities (Morrow, 2013; Martin Lozano & Carrasco Gallego, 2011).

A practical effect is on the indicators used by lenders and leagues that monitor sustainability: through PPA, total assets increase and the depreciation of intangibles reduces operating profit in the following years, while goodwill can keep profit higher until the moment of impairment. Thus, comparability between groups that grew organically and groups that grew through acquisitions is low, and the analysis needs to be based more on cash-flow and revenue stability indicators. Also, in sports, depreciation triggers can be linked to institutional events: relegation, sanctions, loss of license or changes in regulations. The literature on insolvency in football shows that such institutional constraints alter the dynamics of risk and must be integrated into the interpretation of consolidated situations (Regoliosi, 2018, Ganji, 2025; Copper & Joyce, 2013).

Traceability to the matrix: the main misstatement risks underpinning RQ3 are operationalized in the risk matrix (see risk categories/IDs such as PPA/goodwill (IFRS 3), consolidation/disclosures (IFRS 10/12), impairment (IAS 36) and are summarized in Table 1.

Practical implications: For CFO/controlling functions, the matrix supports policy setting (OPEX/CAPEX boundaries, intangibles recognition, consolidation rules), control design and disclosure planning across entities and sports. For auditors and audit committees, it offers a structured lens aligned with judgement-intensive areas (impairment, revenue recognition, PPA, related parties) and improves the consistency/relevance of risk prioritization and audit focus. For investors and creditors, the BS/P&L/CF mapping enhances the interpretation of earnings quality and comparability, particularly when intangible value creation (brand, fan relationship, performance) is only partially captured by accounting.

RQ4: Role of governance and financial sustainability rules in investment discipline and reporting quality

The literature indicates that governance and financial sustainability rules are institutional variables that can change both investment behavior and the quality of reporting. In sport, performance pressure creates incentives for short-term over-investment (salaries, transfers), and governance and regulatory mechanisms try to “discipline” these incentives through transparency, budget constraints and sanctions. Studies suggest that financial reporting and sustainability rules are complementary: rules need credible and comparable data, and reporting becomes more relevant when it is geared towards financial discipline and accountability goals.

1. **Governance as a system of alignment of multiple logics.** Sports organizations often operate under multiple logics: sports performance, economic profitability, community mission, and regulatory requirements.

Adams (2024) shows that organizations can adopt innovative arrangements to reconcile “love and money” and discusses hybrid models (NPO and private governance) that generate differentiated accountability requirements. In partially supporter-owned clubs, the paradox of success can amplify investment pressures and financial risk, which increases the importance of internal governance and budget transparency mechanisms. Jacobsen (2023) complements this perspective by showing that “institutional complexity” (competing requirements) forces organizations to develop control and reporting capabilities to navigate between objectives (Skirstad & Chelladurai, 2011; Agostino & Thomasson, 2024; Adams, 2024; Jacobsen, 2023).

2. **Financial sustainability rules and investment discipline.** Evans *et al.* (2019) show that financial regulation can reduce over-investment and encourage planning, but effectiveness depends on design and implementation. To the extent that the rules include quantifiable indicators (e.g. wage-to-income ratio), reporting and audit requirements, they can alter the reaction function of clubs: investments become more correlated with revenue-generating capacity and continuity risk. From this perspective, the rules function as an “external governance framework”, which disciplines competition for performance through financial constraints.
3. **Quality of reporting: transparency, disclosures and reduction of arbitration.** Regulation does not only improve the quality of reporting through constraints, but also through disclosure requirements. The literature underlines that, in sports, the areas of managerial judgment are wide (intangibles, depreciation, recognition of income), and without transparency there is a risk of arbitration and comparability decreases. Ganji (2025) synthesizes the research on accountability and shows that there is a need for tools and indicators that connect financial reporting with accountability to stakeholders. He points out that accountability is often mediated by vulgate accountability, which means that, in sports, the quality of reporting also includes the quality of explanations of investment decisions, not just technical compliance (Morrow, 2013; Ganji, 2025; Cooper & Johnston, 2012; France *et al.*, 2024).
4. **Effects on investment decisions in a multi-sport portfolio.** In portfolios, governance must manage both the intra-group allocation of resources and reputational risk. Effective governance defines budgets by segments, risk limits, rules for internal resource allocation and internal

reporting requirements, so that brand synergies do not mask the chronic subsidization of some segments. In this direction, the literature suggests that segmented reporting and sustainability indicators (e.g., wage-to-revenue) are essential to assess whether the portfolio consistently creates value or merely redistributes resources to fund competition.

However, the literature warns that strict rules can lead to avoidance behaviors if monitoring is poor: reframing expenses, optimizing contracts, or shifting costs to associated vehicles can maintain the appearance of compliance without reducing economic risk, which reiterates the importance of governance and auditing. In organizations with high institutional complexity, management must negotiate sports, commercial and regulatory requirements simultaneously; show that this complexity affects decision-making processes and may impose additional control mechanisms. In addition, the professionalization of sports organizations (including grassroots level) depends on accounting and accountability capabilities, and the focus solely on financial metrics can erode community goals. In multi-sport portfolios, these results suggest a governance 'design' in which financial indicators are complemented by social and reputational indicators, so that investment discipline is compatible with the identity and legitimacy of organizations (Ganji, 2025; Cooper & Johnston, 2012; Jacobsen, 2023; Melnick et al., 2025; Baumeister, 2025).

Conclusions

Although the literature provides relevant methodological landmarks, they usually materialize in different forms from the instrument proposed in this study. Some contributions function as a mapping of high-risk areas from an audit perspective, through Key Audit Matters (KAM) reporting, while others punctually delve into critical topics for sport, such as the recognition and valuation of intangible assets, impairment tests or related party transactions (TORs). In parallel, UEFA's institutional framework provides a set of compliance and financial monitoring criteria, useful for disciplining reporting, but geared predominantly towards licensing and sustainability, not a comprehensive tool for assessing the risk of misstatement.

However, no paper has been identified that publishes an identical matrix, in the sense of an integrated configuration with the same dimensions, the same granularity (rows/columns) and an explicit prioritization mechanism through Probability \times Materiality scoring. In this context, the proposed matrix

constitutes an instrumental contribution: an applied synthesis that integrates audit records, IAS/IFRS requirements and particularities of the sports industry into an operational framework, extensible for multi-entity and multi-sport portfolios.

Table 1 summarizes the synthesized answers to the research questions addressed in this study, together with the relevant IAS/IFRS and sectoral rules, the corresponding financial statement implications, and the associated key risks.

Table 1. Synthesis of findings by research question (RQ1–RQ4)

RQ	Synthesis answer (condensed)	IAS/IFRS / sector rules	Financial statement impact	Key risks (Appendix 1 IDs)
RQ1	Investments are classified by type (equity / M&A, intangibles, infrastructure, marketing, capabilities), with different IAS / IFRS treatments and sensitivity to sectoral rules.	IFRS 3, IFRS 10, IAS 28, IFRS 9; IAS 16; IAS 38; IFRS 15; Licensing / Sustainability Rules	Balance sheet, P&L, CF (especially CFI vs profit)	1–5, 8, 14
RQ2	Accounting partially captures the intangibles: the rights to the athletes are visible (cost), the internal brand/fanbase is mostly invisible; relevance increases through disclosure and complementary KPIs.	IAS 38, IAS 36; (PPA in IFRS 3); KPI / integrated reporting	Balance sheet (intangibles), P&L (amortization / impairment), performance interpretation	1–4, 10, 12
RQ3	Consolidation, PPAs, and goodwill affect comparability: aggregation can mask segments; goodwill creates volatility through impairment; IAS 36 assumptions are areas of judgment.	IFRS 10, IFRS 3 (PPA), IAS 36, IAS 28, IFRS 12	Balance sheet (active / goodwill), P&L (Amortization/impairment), note	3, 4, 6, 11
RQ4	Governance and sustainability rules discipline investments but can induce reclassifications; The quality of reporting depends on transparency, TOR and controls.	IAS 24; IFRS 15; reguli UEFA/league (cost control, overdue payables etc.)	P&L (revenue/expenses), CF (intra-group), reputational/compliance	7, 9, 11, 15

Source: Authors' compilation

The sources analyzed (KAM, thematic studies on impairment/disclosure/TPR and the UEFA (Union of European Football Associations) framework provide either inventories of sensitive areas, in-depth analyses on specific topics, or compliance requirements. Our matrix transforms these elements into a single, consistently usable operational tool for financial reporting interpretation and group-wide governance. Furthermore, the matrix brings the following “plus” elements:

1. Multi-area integration (full coverage of distortion mechanisms)

Instead of being limited to a single area (e.g. impairment or TOR) or a set of topics reported by the auditors, the matrix covers simultaneously: intangibles (IAS 38), impairment and goodwill (IAS 36), consolidation and reporting scope (IFRS 10/IFRS 12), purchase price allocation (IFRS 3), revenue recognition (IFRS 15), provisions (IAS 37), going concern, FX/multi-country, PPP/public projects, segmentation and related party transactions (IAS 24).

2. Explicit prioritization: Probability (1–5) × Materiality (1–5) scoring

Sources indicate the importance of homework, but do not provide a standardized prioritization mechanism. The matrix introduces a comparable scoring scheme between risks and sports, which allows the ordering and focus of resources (internal audit, due diligence, group controls) on high-scoring risks.

3. Complete accounting interpretation: impact mapped to Balance Sheet / P&L / Cash-flow

Distinctly, each risk is translated into the informative impact on the three financial statements. This mapping reduces the ambiguity of interpretation and helps to assess the quality of earnings (profit-cash), financial position (assets/liabilities) and sustainability of funding.

4. Probable direction of distortion and typical mechanism (how it breaks)

The matrix not only lists risks but explicitly explains the mechanism by which the distortion occurs and the likely direction (overvalued vs. undervalued profit/assets). This is essential for interpreting variations between periods and for quickly diagnosing the causes.

5. Red flags and controls/mitigations (direct link to governance)

Each risk is accompanied by observable red flags and control/ mitigation measures. Thus, the matrix becomes a risk management tool, not just a descriptive

framework, facilitating the implementation of accounting policies, review procedures, benchmark and disclosure requirements.

6. Scalability for multi-sport and multi-jurisdiction portfolios

Unlike sources focused on football or a regulatory perimeter (UEFA), the matrix is built for multi-entity (multiple clubs/teams) and multi-sport (football, motorsport, extreme sports) portfolios, including multi-country and multi-currency exposures. This increases relevance for sports conglomerates and global investors.

7. Compatibility: treat existing sources as a ‘subset’ and operationalize them

The matrix does not contradict the sources but integrates them: the KAM themes become operationalized rows; conclusions about impairment/disclosure/TPR are mapped to risks and controls; UEFA requirements are treated as a subset of compliance within the broader reporting quality framework. This avoids fragmentation and achieves a coherent vision.

Practical and scientific value

From a practical perspective, the matrix functions as a financial-accounting risk register for sports investments, useful in due diligence, internal audit, group control and communication with auditors/regulators. From an academic perspective, the contribution consists of the applied and replicable synthesis of literature and standards in a tool that increases the consistency and relevance of interpretative results and allows for systematic comparison of sources of distortion between entities and sports.

REFERENCES

- Adams, A. (2024). Governing the paradox of success in a hybrid supporter-owned football club. *Soccer & Society*, <https://doi.org/10.1080/16184742.2024.2406871>
- Agostino, D. & Thomasson, A. (2024). NPOs and private governance forms for football clubs: Towards a blended model. *Journal of Accounting, Auditing, and Accountability*, 37(2), 672–681. <https://doi.org/10.1108/AAAJ-06-2022-5873>
- Amir, E. & Livne, G. (2005). Accounting, valuation and duration of football player contracts. *Journal of Business Finance & Accounting*, 32(3–4), 549–586. <https://doi.org/10.1111/j.0306-686X.2005.00604.x>

- Andon, P. & Free, C. (2019). Accounting and the business of sport: Past, present and future. *Accounting, Auditing & Accountability Journal*, 32(7), 1861–1875. <https://doi.org/10.1108/AAAJ-08-2019-4126>
- Andrikopoulos, A. & Kaimenakis, N. (2009). Introducing FOrNeX: A composite index for the intangible resources of the football club. *International Journal of Sport Management and Marketing*, 5(3), 251–266. <https://doi.org/10.1504/IJSM.2009.023236>
- Baumeister, J. (2025). Between cultural heritage, business and good governance. *Managing Sport and Leisure*, 1-20. <https://doi.org/10.1080/23750472.2025.2595026>
- Burton, R. & O'Reilly, N. (2009). Consider intangibles when weighing Olympic host city benefits. *Sports Business Journal*, 12(19), 33. Available at: <https://surface.syr.edu/cgi/viewcontent.cgi?article=1005&context=sportmanagement>
- Cincimino, S. (2014). Revenues from related parties transactions and UEFA Financial Fair Play: The search for an alternative solution to fair value measurement for the break-even result assessment. *Athens Journal of Sports*, 1(2), 103–118. <https://www.atiner.gr/journals/sports/2014-1-2-3-Cincimino.pdf>
- Coluccia, D., Fontana, S. & Solimene, S. (2018). An application of the option-pricing model to the valuation of a football player in the “Serie A League”. *International Journal of Sport Management and Marketing*, 18(1–2), 155–168. <https://doi.org/10.1504/IJSM.2018.091345>
- Cooper, C. & Johnston, J. (2012). Vulgate accountability: Insights from the world of football. *Journal of Accounting, Auditing, and Accountability*, 25(4), 602–634. <https://doi.org/10.1108/09513571211225065>
- Cooper, C. & Joyce, Y. (2013). Insolvency practice in the field of football. *Accounting, Organizations and Society*, 38(2), 108–129. <https://doi.org/10.1016/j.aos.2012.12.001>
- Dimitropoulos, P. E. & Koumanakos, E. (2015). Intellectual capital and profitability in European football clubs. *International Journal of Accounting, Auditing and Performance Evaluation.*, <https://doi.org/10.1504/IJAAPE.2015.068862>
- Evans, A. B., Walters, G. & Tacon, R. (2019). Assessing the effectiveness of financial regulation in the English Football League. *Accounting, Auditing & Accountability Journal*, 32(7), 1876–1897. <https://doi.org/10.1108/AAAJ-12-2017-3288>
- Flyvbjerg, B. (2021). Regression to the tail: Why the Olympics blow up. *Environment and Planning A: Economy and Space*, 53(2), 233–260. <https://doi.org/10.1177/0308518X20958724>
- Forker, J. (2005). Discussion of Accounting, valuation and duration of football player contracts. *Journal of Business Finance & Accounting*, 32(3–4), 587–598. <https://doi.org/10.1111/j.0306-686X.2005.00605.x>
- France, A., Dickson, G., McDonald-Kerr, L. & Ozdil, E. (2024). A scoping review of sport organisations' accountability. *Managing Sport and Leisure*, 1–36. <https://doi.org/10.1080/23750472.2024.2365208>

- Ganji, A. (2025). Financial reporting standards of sports clubs and leagues. *European Journal of Law and Economics*, <https://doi.org/10.1007/s10602-025-09424-5>
- Gazzola, P., Amelio, S., Papagiannis, F., & Vătămănescu, E.-M. (2019). Financial reporting in European football teams: A disclosure analysis of player registrations. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(4), 182–206. <https://doi.org/10.6007/IJARAFMS/v9-i4/6829>
- Jacobsen, Å. (2023). Managing institutional complexity in a football organization. *Managing Sport and Leisure*, 31(2), 245–264. <https://doi.org/10.1080/23750472.2023.2248133>
- Li, Y. (2025). A predictive analytics approach to soccer player valuation in the transfer market. *Sport, Business and Management: An International Journal*, <https://doi.org/10.1108/SBM-05-2025-0108>
- Maglio, R. & Rey, A. (2017). The impairment test for football players: The missing link between sports and financial performance?. *Palgrave Communications*, 3, 17055. <https://doi.org/10.1057/palcomms.2017.55>
- Martín Lozano, F.J. & Carrasco Gallego, A. (2011). Deficits of accounting in the valuation of rights to exploit the performance of professional players in football clubs: A case study. *Journal of Management Control*, 22, 335–357. <https://doi.org/10.100>
- McLeod, C.M. & Holden, J.T. (2017). Ecological economics and sport stadium public financing. *William and Mary Environmental Law and Policy Review*, 41(3). Available at: <https://scholarship.law.wm.edu/wmelpr/vol41/iss3/3/>
- Melnick, L., Baker, R., O'Reilly, N. & Paras, C. (2025). The role of accounting and accountability in the professionalization of grassroots voluntary sports organizations. *Sport, Business and Management: An International Journal*, 15(3), 303–326. <https://doi.org/10.1108/SBM-11-2024-0177>
- Morrow, S. (1996). Football players as human assets: Measurement as the critical factor in asset recognition: A case study investigation. *Journal of Human Resource Costing & Accounting*, 1(1), 75–97. <https://doi.org/10.1108/eb029024>
- Morrow, S. (2013). Football club financial reporting: Time for a new model? . *Sport, Business and Management: An International Journal*, 3(4), 297–311. <https://doi.org/10.1108/SBM-06-2013-0014>
- Nappert, P.-L. & Plante, M. (2023). The assetization of baseball players: Instrumentalizing promise with signing bonuses and human capital contracts. *Accounting, Organizations and Society*, 105, 101402. <https://doi.org/10.1016/j.aos.2022.101402>
- Nappert, P.-L., Plante, M. & Bamber, M. (2025). Playing ball: Evaluation, valuation, and accountants in Major League Baseball. *Qualitative Research in Accounting & Management*, 1–28. <https://doi.org/10.1108/QRAM-11-2024-0240>
- Occhipinti, Z. (2022). Rethinking intellectual capital accounting through professional sport organizations. *Journal of Modern Accounting and Auditing*, 18(6), 264–277. <https://doi.org/10.17265/1548-6583/2022.06.002>
- Oprean, V.-B. & Opreșor, T. (2014). Accounting for soccer players: Capitalization paradigm vs expenditure. *Proceedings of Economics and Finance*, 15, 1647–1654. [https://doi.org/10.1016/S2212-5671\(14\)00636-4](https://doi.org/10.1016/S2212-5671(14)00636-4)

- Regoliosi, C. (2018). Shedding light on the profitability of Italian professional football clubs where a different business model is performing. *International Journal of Sport Management and Marketing*, 18(1–2), 130–154.
<https://doi.org/10.1504/IJSM.2018>
- Skirstad, B. & Chelladurai, P. (2011). For 'Love' and Money: A sports club's innovative response to multiple logics. *Journal of Sport Management*, 25(4), 339–353.
<https://doi.org/10.1123/jsm.25.4.339>
- Theiri, S. (2012). The effect of changing the status of sports clubs. *Journal of Finance and Investment Analysis*, 1(1). Available at:
https://www.sciencpress.com/Upload/JFIA/Vol%201_1_6.pdf
- IAS 16 – *Property, Plant and Equipment*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ias-16-property-plant-and-equipment/?utm_source=chatgpt.com
- IAS 24 – *Related Party Disclosures*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ias-24-related-party-disclosures/?utm_source
- IAS 28 – *Investments in Associates and Joint Ventures*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ias-28-investments-in-associates-and-joint-ventures/?utm_source
- IAS 36 – *Impairment of Assets*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ias-36-impairment-of-assets/?utm_source
- IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ias-37-provisions-contingent-liabilities-and-contingent-assets/?utm_source
- IAS 38 – *Intangible Assets*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ias-38-intangible-assets/?utm_source
- IFRS 10 – *Consolidated Financial Statements*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ifrs-10-consolidated-financial-statements/?utm_source
- IFRS 12 – *Disclosure of Interests in Other Entities*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ifrs-12-disclosure-of-interests-in-other-entities/?utm_source
- IFRS 15 – *Revenue from Contracts with Customers*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/?utm_source
- IFRS 3 – *Business Combinations*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ifrs-3-business-combinations/?utm_source
- IFRS 9 – *Financial Instruments*. (2026, 1 13). Taken from <https://www.ifrs.org>:
https://www.ifrs.org/issued-standards/list-of-standards/ifrs-9-financial-instruments/?utm_source

Appendix 1. Risk matrix (Probability × Materiality) and financial statement mapping

This Appendix documents the scoring rubric and parameter construction (probability, materiality, decision rules, quality checks and sensitivity), enabling replication of the prioritization logic used in the matrix.

The matrix of risks of misrepresentation of accounting information was constructed through a triangular approach, combining three complementary sources: (i) academic literature on financial reporting in sport, with a focus on specific intangible assets (rights to athletes), impairment tests and quality of disclosures (e.g.; (ii) audit practice records, through the use of recurring Key Audit Matters (KAM) themes reported for listed European clubs (Auvinen, 2025), which function as an operational proxy of significant estimation and high-risk areas; and (iii) compliance and monitoring requirements of sports regulators, in particular the UEFA Licensing and Financial Sustainability Framework (UEFA, 2025), which imposes criteria and verifications for reporting scope, related party transactions, relevant revenues and costs, as well as financial discipline indicators. In addition, the matrix explicitly includes risks associated with related party transactions and fair value issues in the context of break-even rules, according to the dedicated literature. Based on these sources, each risk was described by the typical mechanism of occurrence, the likely direction of the distortion and the anticipated impact on the balance sheet, profit and loss account and cash flows, and prioritization was achieved through a simplified Probability (1–5) × Materiality (1–5) scoring (Maglio & Rey, 2017; Gazzola et al., 2019; Cincimino, 2014).

Scoring methodology: Probability (1–5)

Probability (P) estimates how likely it is that the mechanism described will generate a significant distortion in practice, in the absence of additional controls. For each risk (row in the matrix) the P score was established through a cumulative assessment of the following criteria: (i) frequency of transactions/associated conditions in sport; (ii) contractual and accounting complexity; (iii) the degree of judgment/estimation (including assumptions and models); (iv) vulnerability to managerial bias (performance incentives, reputational pressure, licensing/sustainability constraints); and (v) the difficulty of ex-post verification (auditability) of assumptions and allocations made. The same criteria have been applied consistently to all risks, and the justification of the score is supported by the descriptive fields in the matrix (typical mechanism, red flags, controls).

The scale used for Probability (1–5) is:

ü **1 – Very low:** Rare/atypical mechanism; simple transactions; limited managerial judgment; strong controls; low pressure for reclassifications.

ü **2 – Reduced:** May occur occasionally, under specific conditions; moderate complexity; distortion would require multiple failures of internal control.

ü **3 – Average:** Appears periodically in practice; significant judgment (estimates, classifications); moderate vulnerability to bias and documentation gaps.

ü **4 – High:** Occurs frequently in sports; complex contracts/transactions; large room for judgment; relevant managerial pressure; typical recurring errors in the industry.

ü **5 – Very high:** Structural risk of the model; critical estimates difficult to verify; multiple reclassification levers; high probability without strict governance.

Scoring methodology: Materiality (1–5)

Materiality (M) reflects the potential magnitude and extent of distortion and its impact on the interpretation of the financial statements. For each risk, the M was determined by combining the following criteria: (i) impact area (one account/segment versus multi-account chain effects); (ii) the sensitivity of the indicators used in the decision (profitability, leverage, cost control, continuity); (iii) the likelihood of materialization through discrete adjustments (depreciation, provisions, reclassifications) that may produce “shocks” in the result; and (iv) the effect on comparability and on the interpretation of performance at group level (e.g., the possibility of masking losses through consolidation/aggregation or of “moving” profit between entities through intra-group transactions). M is thus interpreted as an economic-informational materiality (impact on the decision), not just as a strictly numerical materiality.

The scale used for Materiality (1–5) is:

ü **1 – Very low:** Small and localized impact; does not significantly alter indicators; limited effect on interpretation.

ü **2 – Low:** Limited impact; may occasionally affect an indicator, without threshold effects (covenants/licensing).

ü **3 – Average:** Material impact at the level of accounts/segments; may alter comparability and trends; influences performance interpretation.

ü **4 – High:** Significant impact on profit, assets or liabilities; may affect key indicators or compliance; possible effect on continuity.

ü **5 – Very high:** Potentially pervasive impact; may change the conclusions about solvency/continuity; risk of major adjustments (impairment/restatement).

Decision rules (heuristics) for multi-entity/multi-sport portfolios

To ensure consistency and relevance of the results in scoring between risks and between sports, decision rules (heuristics) were used applied consistently at the level of each row in the matrix:

√ “Judgement + complexity” increases the probability: risks based on estimates (impairment, PPA, recognition of variable income) receive, on average, higher P-scores than risks based on standardized transactions.

√ “Effect on three situations” increases Materiality: if a risk can simultaneously distort Balance Sheet, P&L and Cash-flow (e.g. aggressive capitalization, premature recognition of income), M is valued higher.

∨ “Pervasiveness and comparability” increase Materiality: Risks that affect interpretation between entities/segments (consolidation, segmentation, ROT) are treated as having a high M even though the impact on a single accounting line may be difficult to isolate.

∨ “Institutional constraints” increase the probability: where there is compliance pressure (licensing, sustainability indicators), the probability of reclassification and outcome management is treated as higher.

∨ “Ex-post verification difficulty” increases Probability: where auditability is low (fair value in RPT, impairment assumptions, variable components in contracts), P is adjusted upwards.

These rules are appropriate for multi-entity/multi-sport portfolios because they allow for the comparison of risks between disciplines with different monetization models, while maintaining a common unit of analysis: financial reporting mechanisms and their effect on the interpretation of consolidated and segmented financial statements.

Illustrative examples (application of P×M headings)

For transparency, we present three examples from the matrix (aggressive capitalization, deferred impairment, related party transactions), explaining the P&M scoring reasoning based on the above headings. The final values are those written in the matrix.

Example 1 – Aggressive cost capitalization (players/academies/scouting) can overvalue assets and profit. (P=4, M=5).

Probability Reasoning (P=4): (i) common mechanism in sport because intangible investments are prevalent and there is pressure for results; (ii) high complexity of the OPEX/CAPEX delineation and cost eligibility under IAS 38; (iii) significant discretion in the allocation of directly attributable costs; (iv) vulnerability to managerial bias (improvement of the current result by postponing the recognition of expenses).

Materiality Reasoning (M=5): Misstatement can simultaneously affect the Balance Sheet (overvalued intangible assets), P&L (undervalued current expenses, overvalued profit, future depreciation), and Cash-flow (profit-cash dissonance). In addition, it can distort financial discipline indicators and lead to subsequent significant adjustments (reclassifications/impairment).

Example 2 – Deferred impairment (intangibles/goodwill) produces overestimated profit until sudden adjustments. (P=3, M=5).

Probability Reasoning (P=3): mechanism dependent on assumptions (value in use, discount rates, sports and commercial performance scenarios), therefore exposed to judgment; However, its occurrence as a material misstatement is conditional on the existence of triggers and can be mitigated through governance (mandatory sensitivities, independent review of assumptions).

Materiality Reasoning (M=5): impairment can lead to discrete and substantial adjustments, with a major impact on the result (P&L), on the value of assets (Balance Sheet) and on solvency indicators. The effect is pervasive in interpretation, as it can change conclusions on the sustainability of the model and increase the volatility of reporting.

Example 3 – Transactions with related parties at non-market prices move profit between entities. (P=3, M=4).

Probability Reasoning (P=3): transactions with affiliated parties regularly occur in groups and portfolios (intra-group sponsorships, licenses, services), but not all of them are non-market. Risk increases when there is compliance pressure or when fair value measurement is difficult, and the lack of proper benchmarking and disclosure can amplify the likelihood of misrepresentation.

Materiality Reasoning (M=4): TOR can significantly distort revenues and margins (P&L) and affect comparability between entities/segments; In certain configurations, it can transfer intra-group cash-flow. While the impact may be concentrated in a few contracts, compliance and reputational effects amplify materiality.