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## **Unlocking Transparency and Performance: The Role of Accounting Innovation in Moroccan Football Clubs**

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### **ABSTRACT:**

This article aims to examine the significance of accounting innovation for sports corporations and its role in improving their financial management. As the transformation of sports associations into joint-stock companies has become a common practice in the global sports industry, understanding the specificities of accounting in this context is essential. The article is based on an exploratory study, including a review of the relevant literature and an analysis of pertinent data. Initially, we explore the legislative and regulatory framework of, with a particular focus on Morocco. This allows us to understand the legal requirements and accounting obligations these entities must adhere to. We then address the specific challenges that face in financial management. Finally, we explore the opportunities that accounting innovation offers for these sports corporations.

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### **Introduction**

The transformation of sports associations into joint-stock companies has become a global trend in the sports industry. This shift is driven by several factors, including the need to improve the financial management of clubs, professionalize them, and make them more attractive to investors. However, this transformation remains incomplete without an adapted accounting and financial system. Accounting and finance are critical areas for businesses, and accounting standards have been established to ensure the transparency and comparability of financial information across entities.

Sports joint-stock companies, in particular, have unique characteristics that distinguish them from other businesses. The transition from sports associations to has presented new challenges for the financial management of these entities. According to a 2021 PwC study, the 20 richest football clubs in the world generated a combined revenue of 8.2 billion \$ in 2019<sup>1</sup>, while the market for North American sports franchises reached a value of 80\$ billion in 2020<sup>2</sup>, according to Forbes. However, the accounting of sports corporations on an international scale presents specificities that require a tailored approach. Accounting regulations vary from country to country, and sports corporations must also comply with the specific rules of their respective leagues and federations.

In this context, Morocco has witnessed a recent transformation of sports associations into sports joint-stock companies, resulting in significant changes in the financial management of these clubs. This transformation has made accounting transparency and rigor essential to ensure the long-term viability of clubs and to meet the specific requirements linked to this change. Accounting innovation can play a crucial role in improving the financial transparency of and assisting stakeholders in making informed decisions.

This study will analyze the opportunities and challenges of accounting innovation for. A key question arises: To what extent can accounting innovation address the specific challenges faced by sports joint-stock companies, while offering opportunities for greater transparency and more informed decision-making?

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### **Methodology**

To address the research question, we conducted a qualitative study using an exploratory approach. Initially, we performed a literature review to understand the specifics of sports joint-stock companies and the challenges they face in financial management. Subsequently, we will gather relevant data from identified sources to analyze trends in the topic and offer recommendations at the end of the article.

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<sup>1</sup> Forbes (2020). "The Business of Sports: How the North American Sports Franchise Market Reached \$80 Billion."

<sup>2</sup> PwC (2021). "Football Money League 2021." PricewaterhouseCoopers.

We begin with an in-depth literature review, starting with a synthesis of previous works that laid the foundation for our study. This review is followed by a detailed theoretical framework. Within this framework, we define and explore two fundamental concepts: the sports joint-stock company and accounting innovation. Following this theoretical foundation, the article examines the legal and regulatory framework governing sports joint-stock companies, highlighting the specificities and requirements related to this form of organization. We then discuss the main challenges associated with accounting innovation for sports joint-stock companies in Morocco, while acknowledging the constraints and particularities of the Moroccan context. Finally, we identify and discuss the opportunities that accounting innovation can offer to sports joint-stock companies in Morocco, suggesting ways to leverage these innovations to strengthen their financial and strategic position.

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## 1. Literature Review

### 1.1 Synthesis of Previous Studies

The accounting of sports clubs has attracted significant attention from researchers due to the uniqueness and complexity of the sports sector. Several studies have explored various aspects, ranging from financial structures and governance to financial performance.

Andreff (2007) examined the financial crisis in French football, focusing on weak governance as an underlying cause. He highlighted failures in accounting structures and suggested improved regulation to ensure the financial sustainability of clubs. Dobson and Goddard (2011) studied the economic nuances of football in their work *The Economics of Football*. They discussed the financial structures of clubs, how revenue is generated, and solvency issues that have affected certain European clubs. This study provides a comprehensive overview of the accounting mechanisms at play. Morrow (2003), in *The People's Game? Football, Finance, and Society*, offered a thorough analysis of the relationship between financial aspects of football and their societal impact. He also examined how accounting is used to reflect club performance and how it can sometimes be manipulated to present a more favorable image.

### 1.2.1 Concept of the Sports Public Limited Company

The concept of the sports public limited company has its origins in mid-19th century England, with the creation of the first sports company in 1857, followed by the establishment of the first sports public limited company in 1862. This model, which emerged in the context of a rapidly evolving sport, aimed to structure sports activities in a more professional and commercial manner in response to the growing complexity and economic demands of sports. In Morocco, the introduction of Law 30-09 in 2010 formalized the creation of sports public limited companies, requiring football clubs that meet certain criteria to adopt this legal form. This law is part of a broader process of transforming Moroccan sports clubs into corporate entities, while maintaining their sporting mission.

A sports public limited company is, according to the law, a commercial company constituted in the form of a public limited company, with its main activity being the exploitation of professional sports activities. This means that sports clubs operating under this legal form must meet specific requirements, both in terms of governance and financial management.

The creation of SAS, particularly in professional sports, is explained by the need to adapt clubs to the growing demands of modern sports. As André and Szymanski (2006) emphasize in their *Handbook on the Economics of Sport*, the professionalization of sport, especially in Europe, led to the transformation of sports clubs into formal commercial entities. These structures must not only aim for sports performance but also adapt to the increasingly complex financial imperatives of the sector. Thus, SAS become indispensable models for addressing the economic challenges of sports, requiring careful financial management and a strategic balance between sporting performance and economic profitability.

In addition, Dietl, Franck, Lang, and Rathke (2009), in their study *Revenue Sharing and Competitive Balance: Does the Invariance Proposition Hold?*, highlighted that the financial mechanisms of professional clubs, such as those operating as SAS, are far more complex than those of amateur clubs. This complexity is particularly evident in the management of revenue sharing, especially regarding broadcasting rights and the redistribution of income among clubs, which directly impacts their competitiveness in the market. Revenue sharing becomes a key pillar of the economic strategy of professional clubs, ensuring the long-term sustainability of these structures while also fostering competition on the field.

Finally, Szymanski (2010), in *The Comparative Economics of Sport*, suggests that the introduction of structures like SAS has significant implications for the economic balance within sports leagues. According to him, these structures can affect not only the competitiveness among clubs but also the structure of the leagues themselves. Depending on the distribution of financial resources, some clubs may enjoy a more significant competitive advantage than others, leading to imbalances within domestic and international competitions. Therefore, understanding the economic impact of transitioning to the SAS model is crucial to comprehending the power dynamics and performance levels in professional sports.

In summary, the sports public limited company represents a key legal and economic model in the management of professional sports clubs, aiming to balance sporting performance with economic imperatives. This model fits into the broader context of increased professionalization of sports and the increasingly complex management of financial resources and revenues, significantly influencing the competitiveness of clubs and leagues alike.

Each of these works has contributed to the understanding of sports accounting, helping practitioners navigate the complex financial landscape of the sports world.

### ***1.2.2 Concept of Accounting Innovation***

Accounting innovation refers to the introduction and adoption of new methodologies, techniques, tools, and practices in the field of accounting to improve the accuracy, efficiency, and relevance of financial information. As noted by Hopwood (1987) and Miller (1991), the constant evolution of businesses, markets, and regulatory environments requires accounting practices to adapt and innovate. This is particularly true in an increasingly globalized and fast-paced economy, where organizations need to stay competitive and meet the growing demands for transparency and accountability.

Accounting innovation can be driven by various factors, including technological advancements. One of the most significant changes in recent years has been the growing adoption of information technology, which facilitates automation and more sophisticated data analysis. Technologies such as enterprise resource planning (ERP) systems, artificial intelligence, and blockchain are reshaping how accounting functions are performed, enabling real-time reporting, reducing human error, and enhancing decision-making processes (Chenhall & Moers, 2015).

Chenhall and Moers (2015) emphasized that accounting innovation is not solely technical; it can also be conceptual. This means that new ways of thinking about accounting, new theoretical approaches, and even new conceptual frameworks can all be considered forms of innovation. For example, the shift from traditional cost-based accounting systems to activity-based costing (ABC) represents a conceptual innovation that offers more detailed insights into cost drivers and operational efficiency (Kaplan & Cooper, 1998).

Furthermore, the advent of new financial reporting standards, such as IFRS (International Financial Reporting Standards), can be seen as a form of accounting innovation that reflects the need for more standardized and transparent financial reporting across different jurisdictions. The introduction of these standards requires significant adjustments in both the technical and conceptual approaches to accounting.

The dynamic nature of accounting innovation also reflects broader trends in the business environment, where firms are increasingly seeking ways to enhance financial transparency, integrate sustainability metrics, and leverage big data analytics for strategic decision-making (Koch & Schwaiger, 2016). Therefore, accounting innovation is crucial for addressing the changing demands of stakeholders, including investors, regulators, and the public.

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## **2. The Legal and Regulatory Framework of Sports Public Limited Companies (SAS)**

Before delving into the specifics of the legal and regulatory framework of sports public limited companies (SAS), it is important to trace their historical development. The first sports company was established in England in 1857, followed by the creation of the first sports public limited company in 1862. These early models laid the foundation for the modern conception of SASs, which combine the needs of professional sports with the demands of corporate governance.

In Morocco, sports public limited companies are governed by Law 30-09, which was promulgated in 2010. This law mandates that football clubs meeting certain criteria must undergo a transformation into an SAS. According to the law, a sports public limited company is defined as a commercial company formed as a public limited company, with its primary activity being the operation of a professional sports activity. This transformation aims to improve the management, financial transparency, and operational efficiency of sports clubs, aligning them with global practices in the sports industry.

The legal framework for sports public limited companies in Morocco is designed to regulate their creation, structure, functioning, and legal obligations. The transformation into an SAS is a significant step towards professionalizing sports clubs, ensuring that they operate under rigorous governance standards and comply with applicable corporate laws. This legal structure facilitates greater accountability, access to capital markets, and long-term sustainability, allowing clubs to compete more effectively in national and international competitions.

For sports public limited companies to function optimally, they must adhere to a range of legal requirements, including financial reporting standards, corporate governance practices, and labor laws. These companies are also subject to specific regulations concerning the distribution of revenue, broadcasting rights, and other financial arrangements that influence their competitiveness in the marketplace (Dietl, Franck, Lang, & Rathke, 2009). As a result, the legal and regulatory framework surrounding SASs is not only a tool for ensuring compliance but also an instrument for fostering fair competition and financial sustainability within the sports sector.

Additionally, the regulation of SASs is crucial for maintaining the integrity of the sport, ensuring that clubs are held accountable to their stakeholders, including investors, players, fans, and regulatory bodies. By adopting a clear legal structure, the SAS model helps mitigate the risks associated with the financial mismanagement or insolvency that can otherwise threaten the stability of sports clubs.

The Law on Public Limited Companies enacted by Dahir n° 1-96-124 of August 30, 1996, serves as the fundamental legal basis for the creation and management of sports public limited companies (Sociétés Anonymes Sportives, SAS) in Morocco. This law sets out the general principles and regulations governing all public limited companies in Morocco, whether they are engaged in commercial activities or in sports. The law outlines the procedures for the establishment of a public limited company, the rights and obligations of shareholders, the operation of governance bodies, and the rules for convening general assemblies.

### ***2.1 Key Provisions of the Law for Sports Public Limited Companies***

The creation of a sports public limited company in Morocco requires compliance with the steps and procedures laid out in the Law on Public Limited Companies. Among the primary requirements is the drafting of the company's articles of incorporation (statuts), which must include provisions specific

to both the commercial and sports activities of the company. These provisions ensure that the company operates within a legal and commercial framework suitable for the professional sports sector. Specifically, the statutes must include details regarding:

#### **2.1.1 Capital Structure:**

The statutes must specify the composition of the company's capital, detailing the number of shares, the value of each share, and the rights of shareholders. This ensures that the financial foundation of the company is clearly defined from the outset and provides transparency regarding ownership and financial stakes.

#### **2.1.2 Rights of Shareholders:**

The law establishes the rights of shareholders, including the right to vote on key decisions, such as the appointment of directors, approval of financial statements, and any changes to the company's structure. Shareholders in sports public limited companies are also entitled to a proportion of profits generated by the company's activities, such as revenues from ticket sales, sponsorships, broadcasting rights, and merchandising.

#### **2.1.3 Nomination of Directors:**

The statutes must outline the procedures for nominating and appointing directors to the board. This includes specifying the number of board members, the qualifications required, and the method of their selection. The governance structure ensures that key decisions are made by qualified individuals who possess the necessary expertise in both the sports and commercial sectors.

#### **2.1.4 Governance Structure:**

Sports public limited companies are required to establish a governance structure that is clearly defined and in accordance with corporate law. This structure typically includes a board of directors, executive management, and various committees tasked with overseeing different aspects of the company, such as finance, sports performance, and compliance. Governance is key to ensuring that the company operates efficiently and in the best interests of its shareholders, players, and other stakeholders.

The governance structure of a sports SAS should also ensure transparency, accountability, and professional management of both the sporting and financial aspects of the club. A robust governance framework is critical for ensuring the long-term viability and success of the sports public limited company, especially in a highly competitive environment like professional sports (Dietl, Franck, Lang, & Rathke, 2009).

The general assembly of shareholders, which must meet at least once a year, plays a central role in the governance of the company. Shareholders exercise their rights during these assemblies, making decisions on matters such as the approval of financial statements, the election of directors, and the distribution of profits. This governance mechanism ensures that the company operates in a way that is responsive to the needs and expectations of its investors while also adhering to legal and ethical standards.

### **2.2 Legal Compliance and Operational Framework**

The legal compliance framework for sports SASs is comprehensive and ensures that the company adheres to all relevant laws, including those related to corporate governance, taxation, and labor. Additionally, the financial reporting obligations of sports public limited companies are designed to ensure transparency and accountability, especially considering the substantial revenues generated by sports clubs through media rights, sponsorships, and ticket sales (Dietl, Franck, Lang, & Rathke, 2009).

For example, a sports SAS is required to submit annual financial reports that include balance sheets, income statements, and cash flow statements, providing an overview of the company's financial performance. These reports are reviewed and approved by shareholders during general assemblies. The company is also required to maintain proper accounting records, which should be audited by external auditors to verify their accuracy and compliance with Moroccan financial regulations.

In summary, the legal and regulatory framework for sports public limited companies in Morocco aims to create a well-structured, transparent, and accountable environment for the operation of sports clubs. By following the procedures outlined in the Law on Public Limited Companies, these clubs can ensure their financial sustainability, good governance, and legal compliance, contributing to the overall professionalization of sports in Morocco.

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## **3. Challenges of Accounting Innovation in Sports Public Limited Companies in Morocco**

The sports industry in Morocco, particularly football, has experienced significant growth in recent years, driven by increasing investments, professionalization, and the rising popularity of the sport. However, this growth has also brought to light the complexities and challenges associated with financial management and accounting practices within sports public limited companies. Accounting innovation is crucial for addressing these challenges, as it enables clubs to enhance transparency, improve financial performance, and comply with evolving regulatory requirements. Yet, the adoption of innovative accounting practices in this sector faces several obstacles, including the complexity of financial transactions, the unique nature of sports-

related assets, and the need for alignment with both local and international accounting standards. This section explores the key challenges of accounting innovation in Moroccan sports public limited companies, highlighting the barriers to effective implementation and the potential solutions to overcome them. By addressing these challenges, clubs can not only improve their financial governance but also strengthen their competitiveness and sustainability in an increasingly dynamic and globalized sports industry.

### ***3.1 The Complexity of Accounting Transactions in Sports Public Limited Companies in Morocco***

The sports industry in Morocco exhibits unique characteristics that give rise to complex financial transactions, posing a significant challenge to accounting innovation in sports public limited companies. These transactions are often diverse and multifaceted, ranging from player transfers—according to the *Global Transfer Report* published by FIFA in January 2021, 54,739 international transfers were conducted in 2021, involving 19,372 professionals and 35,367 amateurs, both men and women—to revenues from broadcasting rights and ticket sales. This complexity stems from several factors specific to the sports sector.

#### ***3.1.1 Player Transfers***

Player transfers in the sports industry involve significant financial amounts and complex contracts. These transactions may include transfer fees—according to the *Global Transfer Report* published by FIFA in January 2021, 54,739 international transfers were conducted in 2021, involving 19,372 professionals and 35,367 amateurs. According to FIFA's TMS (Transfer Matching System), Moroccan clubs sold player contracts worth \$9.4 million, encompassing both men and women. As a result, sports public limited companies must manage these transactions with precision to ensure proper accounting of costs and revenues related to player transfers.

#### ***3.1.2 Valuation of intangible assets***

The valuation of intangible assets represents a major challenge for sports clubs, as these assets—such as intellectual property rights, player contracts, sponsorship agreements, and broadcasting rights—play a central role in the financial valuation of sports organizations. However, their subjective nature and dependence on sporting performance make their evaluation particularly complex. For instance, the value of a player's sporting rights can fluctuate based on their on-field performance, popularity, or resale potential, while sponsorship and broadcasting contracts are often contingent on specific sporting results or audience metrics. Accounting standards, such as the International Financial Reporting Standards (IFRS), must therefore provide clear guidelines for the valuation and accounting of these assets, taking into account their volatility and their close ties to the sports ecosystem. Accurate and transparent valuation of these intangible assets is essential to faithfully reflect the financial health of clubs and to strengthen the confidence of investors, commercial partners, and regulatory bodies.

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## **4. Recommendation**

The financial landscape of professional sports organizations presents unique challenges due to the complex nature of transactions, the significance of intangible assets, and the increasing scrutiny of financial transparency. In Morocco, the ongoing professionalization of sports clubs necessitates a robust and standardized approach to financial management and reporting. This requires not only adherence to international accounting standards but also the development of industry-specific best practices. The following recommendations address key areas for improvement in financial management within Moroccan sports organizations, focusing on enhanced accounting practices, capacity building, and standardization. These measures aim to promote greater financial transparency, improve decision-making, and ultimately contribute to the sustainable growth and professionalization of the Moroccan sports sector.

### ***4.1 Adoption of Advanced Accounting Technologies***

To enhance financial management and reporting, sports organizations should prioritize investing in modern accounting software and tools capable of handling the unique complexities of the sports industry. These systems must effectively manage intricate transactions such as player transfers, multifaceted sponsorship agreements, and the often-complex revenue streams associated with broadcasting rights. Implementing specialized software solutions, including enterprise-level systems like SAP or Oracle, or industry-specific platforms designed for sports organizations, can automate and streamline critical accounting processes. The resulting benefits include improved accuracy in financial reporting, increased efficiency in managing financial data, and greater transparency in all financial operations.

### ***4.2 Training and Capacity Building***

To ensure accurate and compliant financial practices, sports organizations must invest in continuous training and capacity building for their accounting and financial management teams. This includes ongoing education on the latest accounting standards, such as IFRS, and specialized instruction on the unique financial landscape of the sports industry. Collaboration with professional accounting bodies and universities is recommended to develop tailored training programs specifically addressing the complexities of sports finance. The resulting benefit will be enhanced expertise within finance teams,

enabling them to effectively handle complex transactions, including the valuation of intangible assets, a critical component of sports organizations' financial health.

#### 4.3 Standardization of Accounting Practices

To foster transparency and comparability within the Moroccan sports industry's financial landscape, the development and implementation of standardized accounting practices are crucial. These practices should be specifically tailored to the unique financial characteristics

of sports organizations and aligned with internationally recognized standards, such as IFRS. This initiative requires collaboration between regulatory authorities and key industry stakeholders to establish clear guidelines for the valuation and reporting of key financial elements. These elements include intangible assets, which often constitute a significant portion of a sports organization's value, player contracts, with their complex structures and performance-based incentives, and sponsorship agreements, which represent a substantial revenue stream. The ultimate benefit of standardized practices will be greater consistency and comparability in financial statements across the industry, thereby increasing investor confidence and facilitating more informed decision-making.

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## 5. Conclusion

In conclusion, the professionalization and sustainable growth of the Moroccan sports sector hinge on the implementation of robust financial management practices. As highlighted, this requires a multi-faceted approach encompassing several key recommendations. Investing in modern accounting software and tools is crucial for effectively managing the complex transactions inherent in the sports industry, from player transfers to broadcasting rights. Complementing this technological investment, continuous training and capacity building for financial professionals within sports organizations are essential to ensure expertise in handling complex transactions and intangible asset valuation. Furthermore, the standardization of accounting practices specific to the Moroccan sports industry, aligned with international standards like IFRS, will promote greater consistency and comparability in financial reporting, boosting investor confidence and facilitating informed decision-making. By embracing these recommendations, Moroccan sports organizations can enhance their financial transparency, strengthen their governance structures, and pave the way for a more sustainable and professional future. These improvements will not only benefit individual clubs but also contribute significantly to the overall development and competitiveness of the Moroccan sports ecosystem.

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