THE IMPACT OF INTANGIBLE ASSETS ON FINANCIAL PERFORMANCE: THE MODERATING ROLE OF AUDIT STATUS IN LISTED SPORTS CLUBS WORLDWIDE

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ABSTRACT

This research investigates the impact of intangible assets within the context of the financial performance of the sports clubs quoted on the stock market worldwide, focusing on the moderating effect of the audit status. Concerning financial performance, this study uses Tobin's Q. It assesses whether or not intangible assets that include brand equity, fan bases, control over players, and ownership of media rights are relevant for increasing the value of the market and the stability of the club. Reviewing a sample of 310 data of sports clubs covering a period of 2014 to 2023, the study introduces the audit status as a moderating variable, postulating that it is likely that high audit status will increase the validity of firm financial report information. The research results show a significant positive impact between intangible assets and firm financial performance. Besides, audit status moderated this relationship, whereby clubs with higher audit status achieved better financial performance due to raised audit integrity and investor prerequisite greater transparency. These findings emphasize the importance of intangible assets and audit status in improving the financial performance of the sports clubs and provide a better understanding of the management, the investors, and the auditors in the sports industry.

Keywords: Intangible Assets; Financial Performance; Tobin's Q; Audit Status; Sports Clubs; Listed Companies

ABSTRAK

Penelitian ini meneliti pengaruh aset tak berwujud terhadap kinerja keuangan klub olahraga yang terdaftar di bursa saham global, dengan status audit sebagai variabel moderasi. Menggunakan Tobin's Q sebagai ukuran kinerja, penelitian ini mengkaji apakah aset tak berwujud seperti ekuitas merek, basis penggemar, kontrol atas pemain, dan kepemilikan hak media dapat meningkatkan nilai pasar dan stabilitas klub. Dari analisis data 310 klub selama periode 2014-2023, hasil menunjukkan bahwa aset tak berwujud berdampak positif signifikan terhadap kinerja keuangan klub. Selain itu, status audit memperkuat hubungan ini, di mana klub dengan status audit lebih tinggi menunjukkan kinerja yang lebih baik berkat transparansi yang lebih tinggi. Temuan ini menekankan pentingnya aset tak berwujud dan status audit dalam meningkatkan kinerja keuangan klub olahraga.

Kata kunci: Aset Tak Berwujud; Kinerja Keuangan; Tobin's Q; Status Audit; Klub Olah raga

INTRODUCTION

Sports clubs integrate into the global business environment exceptionally, combining the spheres of entertainment, rivalry, and social activism (Kapoor, 2023; Kaser & Oelkers, 2008; Winfree, Rosentraub, Mills, & Zondlak, 2019) . These associations differ from traditional companies in that they have many followers who are highly committed to the cause worldwide and make significant income from different sources such as ticket sales, broadcasting rights, sales of paraphernalia, and sponsorships(Winfree et al., 2019). Because of this unique positioning for the existence of sports clubs, there is an invention of brand love that grows the worth of the club and secures its business in the long run, thus portraying it as both a commercial and cultural institution (Faccia, Mataruna-Dos-santos, Helù, & Range, 2020) . Inferring this, sports clubs have a high level of convergence towards intangible assets compared to the rest of industries (L'Abate, Raimo, Rubino, & Vitolla, 2024; Puspitasari, Budisusetyo, & Zakiah, 2019) . For instance, rather than placing value on physical structures like factories found in manufacturing companies, sports clubs' evaluation is primarily based on the value of intangible elements such as brand, fans, player's contracts, media rights, and so on. Such assets are significant in creating and maintaining the financial performance of the clubs as they are generally of greater worth than the tangible assets of the club (Almendra et al., 2020; L'Abate et al., 2024) . Fans' dedication to clubs increases demand for tangibles and intangibles, such as merchandise and sponsorships. Thus, sports clubs over depend on intangibles, raising the sensitivity of brand image and reputation in sports clubs relative to other sectors or industries (Deheshti, Azimzadeh, Mirzazadeh, & Alimohammadi, 2019; Puspitasari et al., 2019).

Although it has recently become a mainstream concept, there is no escape from the entirely obvious truth that sports clubs must present a reliable and trustworthy financial report, and therein lies its purpose. The status of audit in this regard is thus emphasized. Auditing firms can reassure shareholders and other investors concerning the reasonableness of the financial figures, especially those pertaining to the value of intangibles, such as the value of players and brand rights (Visvanathan, 2017). Audited financial records have aided the fundamental right of transparency, which is the backbone of sound corporate governance and investor confidence (Jawad, 2019; Mohammadzadeh, 2020) . In the absence of audit verification, other interested parties are likely to ask questions such as the actual value of the mentioned intangible assets and why they should trust the profits of the declared financial results of the club (Gazzola, Amelio, Papagiannis, & Vatamanescu, 2020; Lozano & Carrasco Gallego, 2011).

Over the last few years, sports clubs have had to cope with several troubles, which made it clear how critical the role of intangible assets and precise financial reporting is. COVID-19, for instance, ruined the typical ways of getting revenues, like the sale of tickets and live events, making it necessary for the clubs to depend even more on the income streams associated with the brand, including digital presence, brand merchandise, and broadcasting rights (Hammerschmidt, Durst, Kraus, & Puumalainen, 2021). Besides just a few instances of FC Barcelona, Juventus, and Manchester City, financial cases have raised many concerns about the credibility of financials in sports. This has emphasized the increased risk of performing thorough audits and preparing proper valuations of acquired intangible assets, particularly when clubs attempt to obtain new investors or stabilize their financial position, which has been affected by volatile economies (Mohammadzadeh, 2020).

Previous studies on sports clubs' financial performance have focused on traditional performance metrics, such as revenue and profit margins, or the role of individual player transfers in club valuation (Galariotis, Germain, & Zopounidis, 2018; Rochmah Ika, Udin, Nugroho, & Koenti, 2020). However, few studies have thoroughly explored the role of intangible assets in driving financial success, particularly in the context of publicly listed sports clubs. While research has acknowledged the growing importance of brand value and fan engagement, there remains a gap in understanding how these intangible factors translate into measurable financial outcomes (Pınar Gürel & Ekmekci, 2013; Tahat, Ahmed, & Alhadab, 2018). Furthermore, the moderating role of audit status in this relationship has been largely overlooked despite its potential to influence investor confidence and financial transparency.

This research is significant for several reasons. First, it is designed to fill the literature gap by emphasizing the specific perspective of the operational efficiency of intangible assets and their contribution to sports clubs' financial results. This issue has not been exhaustively analyzed in the literature on this topic. Second, by introducing audit status as a moderating variable, this study attempts to answer new questions concerning how governance and transparency affect integrating intangible assets and returns. Finally, considering the focus on sports commercialization and enhanced concern towards finances, this study has become timely and relevant for sports club managers, investors, and auditors. The concept of the essence of the financial valuation of intangible assets and the part related to audit practice can contribute significantly towards helping clubs in the present-day sports business and look forward to enhanced shareholder confidence.

LITERATURE REVIEW

The Resource-Based View (RBV) of the firm explains how firm intangible assets fuel performance, and this theory encompasses the critical assumptions of the entire firm. According to RBV, a firm can attain competitive dominance and better financial performance by collecting unique, valuable resources that cannot be copied or replaceable (Barney, 1991 and Barney, 1995). Intangible assets, such as brand value, intellectual property, and human capital, are considered critical resources that provide sustainable competitive advantages when adequately managed (Grant, 1991; Lin & Wu, 2014) . Intangible assets in sports clubs—such as substantial brand equity, fan engagement, player contracts, and broadcasting rights—are critical drivers of financial performance, measured through Tobin's Q. Prior research indicates that firms with higher intangible asset concentrations tend to have higher Tobin's Q values, as these assets signal future growth potential and differentiation in the market (Tahat et al., 2018; Thoma, 2021; Villalonga, 2004). Unlike physical resources, intangible assets are more complex to replicate, providing sports clubs with a unique and sustainable source of competitive advantage. For publicly listed sports clubs, whose intangible assets often outweigh their physical holdings, RBV explains how leveraging these assets can enhance financial performance and market value. Intangible assets play a particularly critical role in the valuation and success of sports clubs. Unlike traditional firms, where physical assets such as buildings or equipment dominate financial statements, sports clubs derive much of their value from non-tangible elements such as brand equity, fan loyalty, intellectual property (e.g., trademarks), and broadcasting rights. Brand equity, in particular, drives revenue through merchandise sales, sponsorships, and media deals. Studies have shown that intangible assets contribute significantly to the market valuation of sports clubs, often more so than tangible assets (Andrikopoulos & Kaimenakis, 2009).

Intangible assets are expected to significantly enhance the financial performance of listed sports clubs worldwide. Critical intangible assets such as brand value, player contracts, intellectual property, media rights, and goodwill are central to the financial success of these clubs. A strong brand image can offer fan and sponsorship appeal, player contracts enhance performance and further fan enjoyment, and the brand itself provides a competitive advantage. Furthermore, media rights provide another substantial source of income, and goodwill also adds value to community and stakeholder relations. Earlier studies (Andrikopoulos & Kaimenakis, 2009; Pınar Gürel & Ekmekci, 2013; Tahat et al., 2018) also prove that intangible assets are a bolstering factor for the financial returns of sports organizations. Therefore, this study proposes:

H1: There is a positive relationship between the value of intangible assets and financial performance in listed sports clubs worldwide.

Auditing is an area of concern that has gained the utmost prominence in the context of sports clubs in which revenue and evaluation are often embedded in sentiments such as loyalty to the club. It has been ascertained in the literature that companies that tend to have a vital audit status boost investor confidence as well as the market value of the company (Badlaoui, Cherqaoui, & Er-Rami, 2023; Elliott, Fanning, & Peecher, 2020; Handoko & Michaela, 2021; Zhang, Ge, & Su, 2018) . Higher audit variables mean more assurance around the financial statements, including the amount earned for goodwill impairment, hence increasing the reliability of the reported figures. This is particularly important for intangible assets that comprise numerous subjective opinions and are relatively more challenging to measure than tangible assets. Investors' perception generally improves if the clubs boast high audit statuses; hence, higher returns and market valuations are witnessed (Akther & Xu, 2021; Elliott et al., 2020; Moroney, Phang, & Xiao, 2021; Tarmidi, Fitria, & Ahmad, 2019) . Audit status is a most convincing factor since it reassures the stakeholders to a large extent of the reliability of accounting statements, especially when dealing with intangible assets; hence, within the paradigm of the information asymmetry theory, audit loss is minimized, and investor confidence is invigorated.

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In addition, audits significantly influence compliance with accounting standards, considering the scope directed at the evaluation of such intangible items as brand equity and media rights, which have a degree of measurement value (Datta, Jha, & Kulchania, 2020) . Proper audits assist in embedding negative risk controls in the organization, assessing the possible intangible asset risks, and elaborating possible response strategies (Prabhawa & Nasih, 2021). This may help ensure financial performance over the period, which is particularly important in the industry where intangible assets dominate. Furthermore, audits diminish information asymmetry and help shareholders and the involved parties make rational and rightful decisions based on realistic reports.

Earlier studies (Akther & Xu, 2021; Datta et al., 2020; Elliott et al., 2020; Moroney et al., 2021; Prabhawa & Nasih, 2021; Tarmidi et al., 2019) have pointed to the beneficial impact of being under audit status with regards to building up stakeholder confidence in the figures in the annual financial statements and also in financial disclosure, hence reducing the information gap and suggesting that clubs having higher status are better placed regarding the relationship between intangible assets and the financial performance of the organizations. Hence, we suggest the following hypothesis:

H2: The audit status of listed sports clubs moderates the relationship between intangible assets and financial performance, with the positive relationship being more vital for clubs with higher audit status.

RESEARCH METHODE

This study investigates the relationship between intangible assets and firm financial performance, specifically focusing on sports clubs listed worldwide on stock exchanges. The financial performance data will be collected from 2014 to 2023, while the dependent variable (intangible assets), control variables (company ages and number of employees), and moderating variable (audit status) will be measured for the year preceding the financial performance data, allowing us to test the lagged effects of these variables.

The sample consists of 310 years data of sports clubs such as soccer, basketball, rugby, Ice sport, and other clubs, as identified from public listings and financial disclosures. The sample includes firms from various countries and stock exchanges. Data is gathered from publicly listed sports clubs across 10 years (2014-2023), providing insight into how intangible assets, audit status, and other firm characteristics affect financial performance. Table 1 shows descriptive statistics and a correlation matrix of variables; Figure 1 shows research models.

Research equation:

$FFP_t = \beta_1 IA_{t-1} + \beta_2 AGE_{t-1} + \beta_3 EMP_{t-1} + \varepsilon_1$

$FFP_t = \beta_4 IA_{t-1} + \beta_5 AS_{t-1} + \beta_6 AGE_{t-1} + \beta_7 EMP_{t-1} + \varepsilon_2$

$FFP_t = \beta_8 IA_{t-1} + \beta_9 AS_{t-1} + \beta_{10} IA_{t-1} * AS_{t-1} + \beta_{11} AGE_{t-1} + \beta_{12} EMP_{t-1} + \varepsilon_3$

Description:

FFP = Firm Financial Performance

IA = Intangibles Assets

AS = Audit Status

AGE = Company Age

EMP = Employee

t = Year 2014-2023

β = Regression coefficients

ε = Error Terms

RESULTS AND DISCUSSION

Table 2 shows that the average firm financial performance (FFP) is 3.75, while intangible assets (IA) have a mean value of 211,076 (in thousands). The correlation analysis reveals a significant positive relationship between IA and FFP ($r = 0.291$, $p < 0.001$), as well as between firm Age (AGE) and employee count (EMP) with FFP. However, the relationship between IA and audit status (AS) is weak and insignificant. The correlations among the variables indicate no multicollinearity issues, as there is no extremely high correlation between the independent variables.

In Model 1 (Table 3), intangible assets (IA) have a highly significant positive effect on firm financial performance (FFP), with a coefficient of 2,531 at the 1% significance level. This indicates that higher levels of intangible assets are associated with improved financial performance, supporting H1 (there is a positive relationship between intangible assets and financial performance). Other control variables such as firm Age (AGE) and employee count (EMP) also show positive relationships with FFP, both significant at the 10% level, suggesting that older firms and those with more employees tend to perform better financially. Audit status (AS) is not yet included in model 1.

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The findings support H1, which posits that intangible assets (IA) positively influence financial performance (FFP) in listed sports clubs worldwide. In all models, the coefficient for IA is highly significant ($p < 0.01$), confirming intangible assets' critical role in driving financial outcomes. This result is consistent with prior studies (Andrikopoulos & Kaimenakis, 2009; Pınar Gürel & Ekmekci, 2013; Tahat et al., 2018) which highlight that intangible assets — such as brand value, intellectual property, player contracts, and fan loyalty —are key drivers of long-term financial success, particularly in industries that rely on non- tangible elements like sports. In the context of sports clubs, intangible assets are more valuable than physical assets because these clubs derive much of their income from emotional connections with fans, which translates into revenue streams like sponsorships, merchandise sales, and broadcasting rights (Deheshti et al., 2019; Puspitawati, 2016). These findings further reinforce the Resource-Based View (RBV) theory, which posits that firms achieve competitive advantages and superior financial performance by leveraging unique, valuable, and difficult-to-imitate resources —in this case, intangible assets. Therefore, the positive and significant relationship between IA and FFP is justified, aligning with theory and empirical evidence from past research.

Model 2 (Table 3) introduces audit status (AS) as an independent variable alongside IA, AGE, and EMP. The coefficient for IA Remains highly significant at a 1% level, indicating that intangible assets impact financial performance positively. However, audit status does not statistic FFP, with a statistical coefficient 1.26. The control variables AGE and EMP remain significant at the 10% level, demonstrating that firm Age and employee size still positively influence financial performance. In Model 3 (Table 3), the interaction between intangible assets and audit status (IA*AS) is highly significant at the 1% level, with a coefficient of 2.802. This finding supports H2, indicating that audit status strengthens the positive effect of intangible assets (IA) on financial performance (FFP) without directly impacting FFP, a type of pure moderation. AGE and EMP also maintain a positive effect on FFP at the 10% significance level, consistent with prior models.

The significance of H2 is grounded in information asymmetry and signaling theory. Intangible assets, such as brand value, player contracts, and fan loyalty, are more challenging to quantify than tangible assets and, in the sports industry, are more prone to misreporting. A high audit status is a credible signal, ensuring stakeholders the reliability and accuracy of financial reports, especially those concerning intangible assets, thereby reducing information asymmetry and increasing investor confidence (Akther & Xu, 2021; Datta et al., 2020; Elliott et al., 2020; Moroney et al., 2021; Prabhawa & Nasih, 2021; Tarmidi et al., 2019) . For sports clubs where intangible factors like reputation and fan engagement are paramount, reliable audits validate fundamental asset values (e.g., player contracts and broadcasting rights). The significant IA*AS interaction highlights the value of credible audits in transparent valuations, reinforcing the importance of intangible assets for financial success. This pure moderation effect aligns with governance literature, which shows that high audit status reduces financial misrepresentation and boosts market confidence (Akther & Xu, 2021; Prabhawa & Nasih, 2021) . Audits increase the monetary returns attributable to the intangible assets in well-established, emotion-fueled areas like sports markets. Therefore, H2 is confirmed, signifying the substantive role that audit status plays in enhancing the utilization of intangible assets in generating income. Also, adhering to the accounting regulations has a pronounced effect on having the reach pitched on measurement of certain intangible items such as brand and media rights, which are measurable in value. Also, effective audits can effectively incorporate adverse risk controls within the organization.

This study highlights the importance of intangible assets in the financial performance of listed world sports clubs. A strong positive relation between intangible assets and financial performance brings out how things like brand equity, intellectual property, and even the fans of some sports clubs are necessary for such clubs to succeed in business. Additionally, the moderating effect of audit status on this impact indicates that the audit results are essential in increasing the legitimacy and the effect of valuations of intangible assets. Lastly, with the consensus that intangible assets influence financial performance, audit status reinforces this effect which should ordinarily be neutral, indicating the importance of transparency and governance in sports, an industry dominated by intangibles. These findings are helpful to managers of sports clubs, investors, and auditors, stressing how relevant it is for good governance and good audit results to be achieved for the financial potential of intangibles to be fully achieved. Since the commercialization of sports provides the most significant opportunity for growth and with the increased importance of intangible assets to the club's market value, appropriate reporting will continue to be a crucial aspect for restoring investor confidence and sustaining financial returns over the long term.

CONCLUSION

This study has explained the impact of intangible assets on financial performance in listed sports clubs worldwide. The results suggest that intangible assets can enhance sports clubs' financial performance. The sports industry relies almost exclusively on intangible assets to create value. In addition, the contribution of the Company's audit status as a moderator variable broadens the effect of intangible assets on financial performance, as the value of audit status is related to the trust in the value of assets measured in the financial statements.

This study has several weaknesses. One of the main weaknesses is that the scope of the study is limited to a small number of publicly listed sports clubs. Most significant sports clubs worldwide are privately or community-owned and, therefore, do not meet the requirements for inclusion in the study. Therefore, the implications of the insights gained from this study may not be fully applicable to privately owned clubs that operate under other governance structures and present different financial statements. Furthermore, the sample mainly examines the audience of a few sports enthusiasts, such as football and basketball, which further limits the analysis. This study does not include famous sports clubs such as Real Madrid, Barcelona FC, and others.

These limitations thus point to the possibility for further research. The scope could include looking at even privately owned locked clubs and other sports to shed light on the impact of intangible assets and audit status, for example, on the financial performance of the sports industry in general. This would increase the relevance of the results and provide a broader view of the impact of intangible assets and audit status on the financial performance of different sports.

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FIGURES AND TABLES

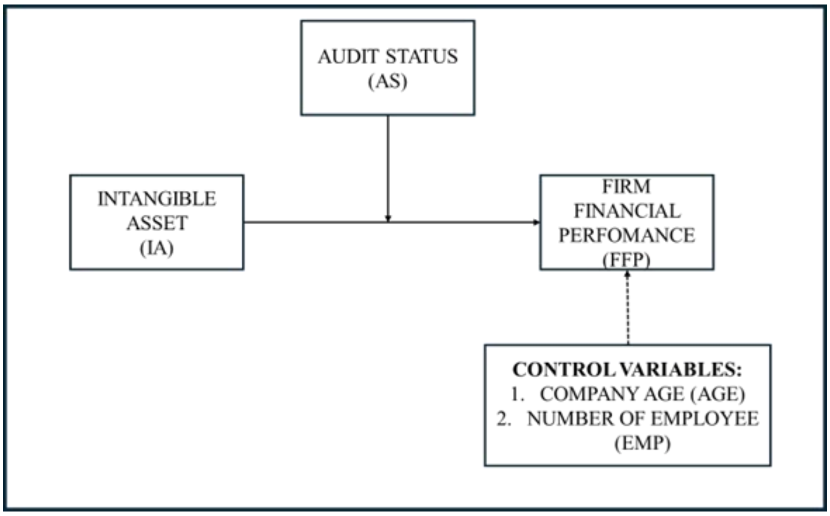

Figure 1. Research Framework

Table 1 Variable Definitions And Measurement

Variables	Notation	Measurement	Data Source
Firm Financial Performance	FFP	Tobin's Q	Annual report
Intangibles Assets	IA	Log N Total company intangible assets	Financial Report
Audit Status	AS	4: Unqualified Opinion 3: Qualified Opinion 2: Adverse Opinion 1: Disclaimer 0: No Opinion	Financial Report
Company Age	AGE	Log N Length of company establishment in years	Company website
Employee	EMP	Log N Number of employee	Financial Report

Table 2 Descriptive Statistics And Correlation Matrix of Variables

	Mean	StDev	FFP	IA	AS	AGE	EMP
FFP	3.75	1.16	1				
IA	211,076	42036	0.291***	1			
AS	3.88	0.0348	0.024	0.066	1		
AGE	63.99	2.53	0.190***	0.320***	0.044	1	
EMP	742	111	0.126**	0.675***	0.039	0.130**	1

Significance Levels: *p < 0.1, **p < 0.05, ***p < 0.01

Table 3. Regression Coefficients For Research Models

	Model 1	Model 2	Model 3
IA	2.53*	2.56**	2.56***
US		1.26	1.26
IA*AS			2.802***
AGE	1.89*	1.84*	1.84*
EMP	2.00*	2.04*	2.04*

Significance Levels: *p < 0.1, **p < 0.05, ***p < 0.01

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