

The Measurement and Recognition of Intellectual Capital in the Process of Accounting Convergence Trends and Patterns

M**Ionica Oncioiu***Titu Maiorescu University, Romania*

INTRODUCTION

The value of intangible assets has been the main focus in the debates between international professionals and business world for many decades. Today, this concept interferes with the international process of assessment, but also with the convergence of accounting. The need to determine the value of these assets lies in the more virulent criticism brought to the traditional accounting system, placed face to face with an increasing vision of financial assets of a company. In an uncertain world with imperfect and incomplete markets (financial crisis), no particular measurement objective should be regarded as having a monopoly, and different measurements should be regarded as complementing one another.

The problem is how to choose the best of them in the context of satisfying accounting information users' requirements, on the one hand and complying with accounting principles and fundamentals, on the other hand.

Basically, because of different research directions, so confusion can arise regarding the use of terms: intellectual capital, intangible assets, knowledge assets (knowledge assets). Thus, the term intangible assets is used especially in financial accounting, the term is used in active knowledge economy and the term intellectual capital / human capital management is used in particular.

Sometimes the term "intellectual capital" is considered synonymous with the term "intangible assets". OECD definition of the distinction made

however, by locating intellectual capital as a subset of intangible assets rather than intangible assets of the company. As a result, there are intangible elements of nature intangible assets are not logically part of intellectual capital. For example, reputation may be the result of judicious use of intellectual capital but is not part of it.

It is an intellectual potential, consisting of knowledge in different forms, which has the ability to make technological and management processes in a number of operational items, assets, creating value, to be integrated the final products both material and immaterial of a company.

Since historically, the distinction between intangible assets and intellectual capital was initially very vague. Producers and users of financial statements consider that in the measurement and presentation of accounting information, the most widely used is the historical cost, although it has some weaknesses. This is usually combined with other bases of evaluation. Moreover, the tendency is to use current cost accounting in response to failure based on historical cost model to solve problems connected with non-cash effect of changes in asset prices.

Accountants, in their turn, reflect accounting estimates only in registers and certainly not the value generated by the presentation of materials. It is a clear dichotomy between the historical cost accounting and fair value in accounting measurement, which creates a productive tension in discussions related to economy based on knowledge. However, it is more likely for a certain period of

time to develop both paradigms in parallel and then become convergent, thus solving the paradox of intangible asset valuation.

BACKGROUND

In recent decades there was an idea almost unanimous on the growing importance of intellectual capital. It is said more often today „intellectual capital is the engine of the new economy” or „knowledge and information” is the most valuable commodity. The new economy is recognized as an economy in which companies value lies in the knowledge and skills of managers / employees rather than tangible assets value.

Also, many economists have stressed the importance of intellectual capital as a production factor in comparison with traditional assets. There are two theories on economic growth: the theory of neo-classical growth theory exogenous and endogenous growth. Intangibles reflect different endogenous model.

According to endogenous growth model of production is defined as a function dependent accumulation of immaterial (intangible). Over time, permanent growth is possible only if the intangible capital stock changes virtually forever.

Management problem that intangible asset is not new, and the problem of „intellectual capital” is the last line developed in knowledge management.

The Norwegian Government has funded a research project to develop a model of skill capital of the company, he was later involved in an ISO-type certification process that included intellectual capital.

In all these experimental projects prevailing spirit of participation rather than a theoretical development, but current area of interest in intellectual capital research includes: the creation and management of intellectual capital, understanding how best to measure intellectual capital.

Scientists Pierre and Martory (2000) are indicating that “the scientific literature and official texts do not have clear definitions for the notion

of intangible asset. Most authors prefer to make a simple list of all the main components while accounting official texts define this vague notion. In fact, the general definitions quickly become useless due to their very little analytical and more precise definitions prove to be too limited to particular cases”.

Regarding the practical need of these measurements it can be supported by an international study on measuring the importance of intellectual capital in the businesses, led by Arthur Andersen in 1998 and held within the 368 companies in Europe, North America and Asia. The results of this study can be summarized as follows:

- The majority of respondents are convinced that reports on intellectual capital will increase quantitatively;
- Almost three quarters of respondents have already tried the organizations they lead, at least two non-financial measurement models;
- The majority believes that the assessment firm’s intellectual capital can be increased based on organizational performance;

Similar studies have been done so in 1998 a study conducted by Watherhouse and Svendsen (Measuring What People Know) and conducted on a sample of 114 top managers of the largest Canadian companies found that measuring intellectual capital is considered as a basic strategic condition and the company’s management should constantly reported, as often as other non-financial measurements such as innovation, product quality, customer relationships with investors and business partners, community relations, the effects company activities on the environment. Of all these non-financial measurements, the respondents were considered the least satisfied in terms of indicators that capture the firm’s intellectual capital.

However, in the ‘90s, new methodologies for measuring expression and intellectual capital have been developed and applied, such as “Value Platform” – developed by Dow Chemical – “Intangible

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