The Potential Role of Intellectual Capital in the Process of Accounting Convergence

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 (Chen, Qu & Sun, 2017). Today, this concept interferes with the international process of assessment, but also with the convergence of accounting (Englund & Gerdin, 2018). 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 the financial assets of a company (Anson, 2008). 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 (Florou & Pope, 2012).

The problem is how to choose the best of them in the context of satisfying the requirements of the accounting information users, on the one hand, and complying with accounting principles and fundamentals, on the other (Vladu, Amat & Cuzdriorean, 2016).

Basically, because of different research directions, confusion can arise regarding the use of the following terms: intellectual capital, intangible assets, and knowledge assets. Thus, the term "intangible assets" is used especially in financial accounting, in the active knowledge economy and also the term "intellectual capital / human capital management" is being used particularly (Guthrie & Dumay, 2015).

Recently a number of classifications have refined the distinction between intangible and intellectual capital, separating the latter into several components (Matricano, 2016; Abeysekera, 2006): customer-related capital (external) structural human capital (internal).

It has been shown that various components of intangible values do not only have different significance, but they also have a complex interdependence and influence each other constantly. This makes it extremely difficult to evaluate each component separately. The view that each component of intangible values can be managed separately, without taking into account synergies, is both theoretically and practically wrong, while being legally and practically not feasible (Andreou, Green & Stankosky, 2007).

Meanwhile, the home values' intangible image shows very clearly why it is less profitable as a company to worry about capital intensive innovation and capital investment, as long as there are significant deficiencies in the management of subordinate components. In this respect, the individual components are difficult, exclusive, and do not adequately reflect the overall context of the components and their cause-effect relationships (Abernethy, Bianchi, Labory, Lev, Wyatt & Zambon, 2003).

Accounting estimates of intangible assets being made by the management entity are a risk in the sense that they may not be correct, so we have to analyze and better understand the assumptions used for this purpose, to pursue compliance with the accounting standards and the concrete conditions of their application (Ball, Li & Shivakumar, 2015). Equally it is necessary to identify the real purpose of these accounting estimates, so that they ensure the credibility of the beneficiary's recognition, measurement and disclosure of intangible value.

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Accountants, in their turn, reflect accounting estimates only in registers and certainly not at the value generated by the presentation of materials. There 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, in Europe and the United States, each intangible accounting entity leads under national laws and regulations for each country in which that entity operates (legal personality, subsidiaries and branches). In situations where time was written in a book on the situation of an entity, the assets of a European state established after that state's laws and regulations operate outside the legislation of other European countries or even overseas (Li, Qi, Tian & Zhang, 2017).

To overcome such problems, we should recognize internationally intangible assets at the end of each accounting year, their transparency, as well as prevent fraud and the violations of accounting principles, to help business people (investors) contribute to the Council of Europe (CoE), which brought changes in the accounting rules (national, European, and international) and contributed to the adoption of certain international accounting standards. These include accounting regulations which facilitate the investors' desire to expand business in other countries since before the adoption of IFRS; there were situations in which a U.S. investor wanted to open a business in a country in Europe or Asia and did not fail because of the existing accounting legislation in that country (Ahmed, Neel & Wang, 2013). These standards have been accepted by the European Parliament and the Council of Europe, thus creating the IFRS (International Financial Reporting Standards). By developing IFRS, the Council's objective was to find appropriate solutions to any entity anywhere in the world.

Also, many economists have stressed the importance of intellectual capital as a production factor in comparison with traditional assets (Cerbioni & Parbonetti, 2007; Alstete & Beutell, 2018). There are two theories on economic growth: the theory of neo-classical growth and the theory of exogenous and endogenous growth. Intangibles reflect different endogenous models (Braam & Nijssen, 2001).

According to the endogenous growth model, production is defined as a function dependent on the accumulation of immaterial (intangible). Over time, permanent growth is possible only if the intangible capital stock changes virtually forever. As a management problem, the intangible asset is not new, but the problem of "intellectual capital" is the last line developed in the 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 the spirit of participation rather than a theoretical development, the current area of interest in intellectual capital research includes: the creation and management of intellectual capital, understanding how to best measure intellectual capital (Anson, 2008).

Cravera, Maglione and Ruggieri (2001) indicate 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 in order to 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