

## **Study on the perception of accounting professionals concerning intangible assets and intangible capital**

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“The most serious mistakes are not being made as a result of wrong answers. The truly dangerous thing is asking the wrong question!”  
(Peter F. Drucker)

**Abstract.** *The purpose of the research is to obtain an overall image on the accounting professionals' opinions concerning intangible assets and capital. Out of the 111 accounting professionals who participated in the study, 55.86% consider that the traditional financial statements cannot capture the value of intangible assets, which leads to an increase in the information asymmetry, the solution being to focus, in the annual reports, on non-financial information. Over 80% of the respondents consider that, internally, the evaluation of intangible capital plays a very important role in strategy development and in creating innovation.*

**Keywords:** intangible assets; intangible capital; accounting professionals; survey; financial reporting.

**JEL Code:** M41.

**REL Code:** 14I.

## 1. Literature review

In the new society based on knowledge and innovation, the success of companies depends to some extent on the way in which intangible assets and intangible capital are acknowledged, evaluated, and capitalized upon.

Competitiveness relies more on meeting the customers' needs than on achieving what one knows best. And competitiveness – in the conditions in which competition is in continuous change – imperatively needs the willingness and ability to learn new things, rather than devotion to the sources of past victories (Christensen, Raynor, 2003, pp.142-143). Only a pro-active, adaptable and intelligent company, well supported by resources of all kinds, can have a chance to survive and the necessary potential to dominate the market in the future (Andone et. al., 2010, p.74).

According to the National Institute of Statistics, innovative companies are the ones that launched new or significantly improved products or that introduced new or significantly improved processes. Innovations are based on the results of technical developments, on the new contributions of existing technologies, or on the use of other knowledge required by the company. In 2010, these companies represented 30.8% of the total Romanian companies (2.5% less than in 2008), while the weight of the research & development expenses in the organizational sector in the GDP was 0.18%.

Arvidsson (2011) shows the ever higher importance of non-financial information related to intangible assets, of the focus of the managers' efforts in the direction of identifying and explaining the role of intangible assets in the process of added value creation and in the company's strategy, as well as the need for voluntary reports on the immaterial assets in order to reduce the information asymmetry in the traditional financial statements.

Other recent studies prove that between the reporting of human capital, respectively intellectual capital, and the performance of a company there is a positive connection (Lin et al., 2012, Phusavat et al., 2011).

Although specialized literature abounds in studies and research on the managers' perception of the role of intangible assets and/or intangible capital (or components of it) in insuring company performance, we have not been able to identify any such study for Romanian companies.

Starting from these premises, we aimed to initiate a research based on a survey, through which we wished to grasp the perception on intangible assets and capital from the perspective of those who draw the financial statements. The results obtained for certain questions, for Romania, have been compared to those obtained by the Ministry of Science, Technology, and Innovation of Denmark, since the Danish Guide, together with the Meritum project, are the main references in the field of reporting the intangible capital.

Through the participation of the accounting professionals to making this study, we consider that we will have the premises for identifying the financial and non-financial information available at the management level but that, for various reasons, are not published /made available for the users.

## **2. Research methodology and sample structure**

The purpose of the research is to obtain an overall image on the accounting professionals' opinions concerning intangible assets and capital. The research is descriptive, and the data collection technique used was the survey. Like any technique, the survey has its advantages: it can be applied to a large number of subjects, in different geographical areas, as well as its disadvantages: the information obtained is only the anticipated one, no additional information can be obtained, and there is the possibility for some subjects not to answer all the questions. This last disadvantage has been removed by certain settings applied in the application where the survey was created: in case the subject does not answer all the questions, the survey is not saved.

The target population is made up of accounting professionals in the regions of Iași, Bacău, Vaslui, Botoșani, Suceava and Neamț – accounting experts, accountants, and auditors – listed in the member table of the two professional organizations: the Chamber of Accounting Experts and Authorized Accountants in Romania (CECCAR) and the Chamber of Financial Auditors of Romania (CAFR), and of accounting professionals who perform their activity in companies quoted in the Bucharest Stock Exchange, BSE section. On 11.15.2012, out of 106 companies listed in the BSE section, 25 were not quoted, and 13 were banks and financial investment companies, so that the final population subject to the study includes 68 companies.

Sampling always allows certain error margins, because there is a certain probability for the group of units observed and analyzed, thus selected, not to reproduce the basic population and/or its characteristics perfectly (Zaiț, Spalanzani, 2006, p.156).

In order to reduce these errors, we sent the survey to all the 68 companies quoted in the Bucharest Stock Exchange, BSE section, to all the auditors and CAFR interns for whom we found valid e-mail addresses, and to CECCAR interns. In what concerns the population made up of the members of CECCAR Iași, we resorted to random selection.

The table below presents the structure of the sample to which we applied the survey:

Table 1

Structure of the sample to which we applied the survey			
Category	Population	Sample	Percentage
Members of CAFR Iași	100	98	98.00
Members of CAFR Suceava	33	30	90.91
Members of CAFR Neamț	46	44	95.65
Members of CAFR Botoșani	8	8	100.00
Members of CAFR Bacău	68	67	98.53
Members of CAFR Vaslui	14	13	92.86
CAFR interns	112	108	96.43
Other accounting professionals (CECCAR interns, accountants)	118	118	100.00
BSE accounting professionals	68	68	100
Members of CECCAR Iași	590	234	39.66
Total population	1,157	788	68.11

**Note:** According to the data published on the official pages of CECCAR and CAFR in the months of August-September 2012, <http://www.cafr.ro/sectiune.php?id=26>, [http://ceccar.ro/ro/?page\\_id=97](http://ceccar.ro/ro/?page_id=97).

The survey includes three sections:

- *Section A* includes general information concerning the respondent and the company, such as: position, the activity field of the company from whose perspective the answer is provided, the company size, structure of its social capital, whether or not the company applies IAS/IFRS in drawing the individual financial statements and, if applicable, the consolidated financial statements, whether or not the company is innovative, according to the definition given by the National Statistics Institute.

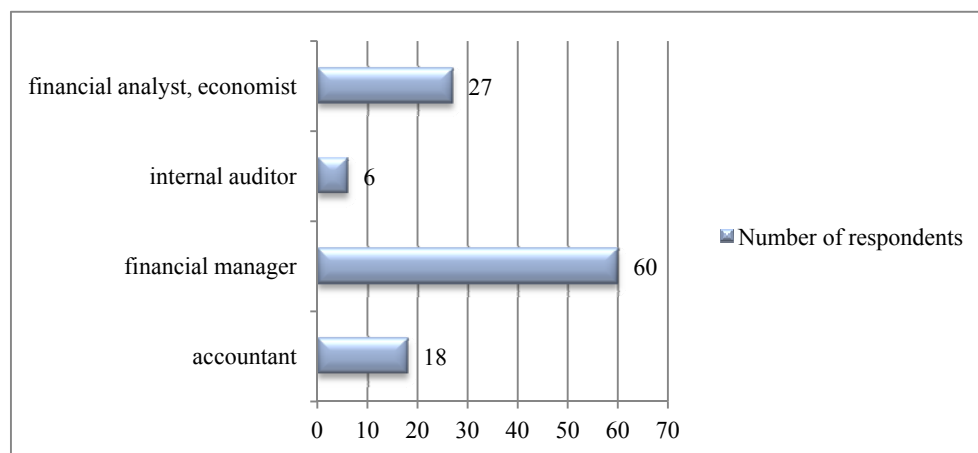
- *Section B*, called “Perception of intangible assets”, focuses on information concerning the intangible assets that the companies present in the explanatory notes and on the need to complete them with a series of indicators: *Profitability/customer, the customer satisfaction index, the loyal customers index, frequency/repetitiveness of the orders, investments in IT, ratio of the customer support staff in the total number of employees, seniority of the employees, expenses for training the employees from total expenses, value added by the employees, number of patents.*

- *Section C*, named “Perception of intangible capital”, includes questions referring to intangible capital which are opportune to be presented in the annual reports and/or on the companies' websites, the external and internal purposes that determine a company to evaluate its intangible capital, as well as the costs/impediments related to such a decision.

In drawing the survey, we used score sum closed questions (Likert), for which the interviewed subject checks the answer that best fits their opinion,

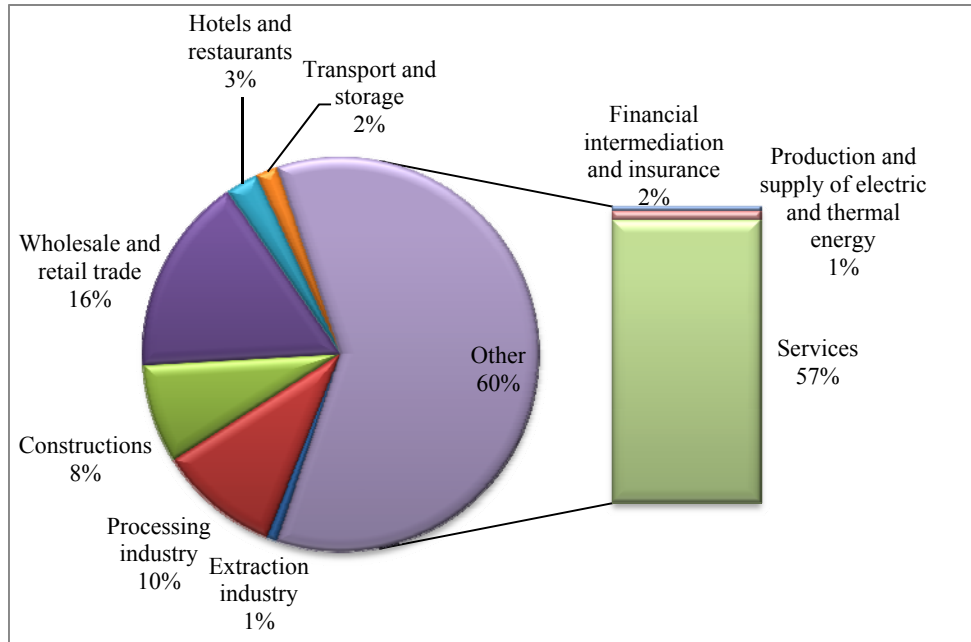
based on the intensity of their agreement/disagreement, dichotomous closed questions, and nominal closed questions.

In order to eliminate ambiguous or useless elements from the questions, the errors/misunderstandings related to the software used in receiving the answers, as well as in order to insure the appropriate training of the interviewed subjects, we decided to go through an experimental stage, in which we directly applied the survey to 10 accounting professionals in the city of Iași. After this experimental stage, between October 25, 2012 - January 25, 2013, we applied the survey into three different stages, and obtained in the end 10 answers from the companies quoted in the Stock Exchange (respectively a response rate of 14.71%) and 101 answers from the companies in the region of Moldova, respectively a response rate of 14.03%. Therefore, out of 788 accounting professionals we approached, only 111 persons answered the survey, whose structure according to their position is given in the graphic below:



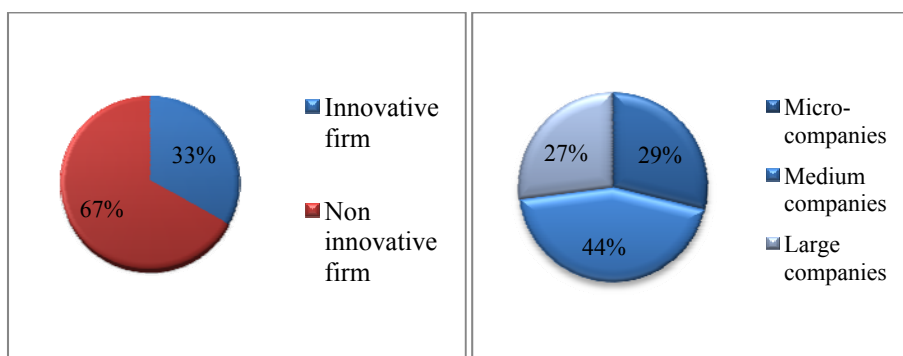
**Figure 1.** Structure of the respondents according to their position

The majority of the accounting professionals (57%) who answered the questions in the survey perform their activity in accounting, audit, and consultancy companies, 10% in the processing industry, and 8% in constructions:



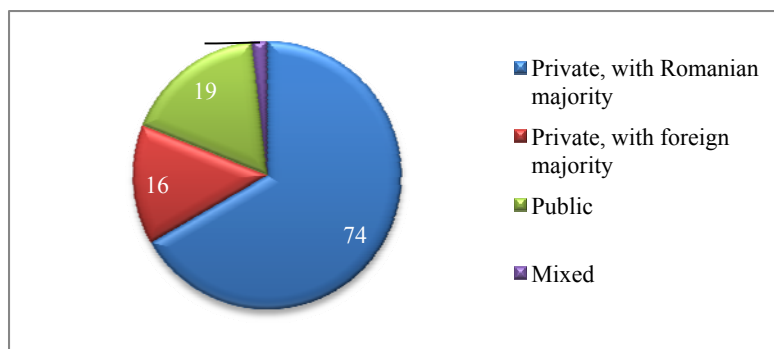
**Figure 2.** Structure of the companies from whose perspective some of the answers were given, according to the activity field

In what concerns the size of the companies from whose perspective the answers have been provided, 29% are micro-companies, 44% are medium companies, and 27% are large companies. Out of 111 companies in the sample, only 37 launched new or significantly improved products or introduced new or significantly improved processes.



**Figure 3.** Structure of the companies according to the innovation and size criterion

Another criterion used to classify the companies was the structure of their social capital:



**Figure 4.** *Structure of the companies according to the source of their social capital*

Of the 111 analyzed companies, only 23 companies apply IAS/IFRS in drawing their annual financial statements, and 16 companies draw consolidated financial statements in compliance with the international accounting standards.

The last criteria: company size, structure of the social capital, and accounting provisions based on which the financial statements are drawn allow us to know some of the subjective factors that may influence the answers provided by the Romanian accounting professionals.

### 3. Perception on intangible assets

The intangible assets developed very much in the last decades, for the entire spectrum of companies. Some companies live at present almost exclusively from their intangible assets (Cohen, 2005, p. 58).

Previously performed studies allowed us to notice that, in general, Romanian companies publish in the explanatory notes little information on intangible assets (Fădur et al., 2012, Fădur, Rusu, 2012). Therefore, besides monitoring the respondent's expressing an agreement or a disagreement concerning some statements on the role of intangible assets in determining performance on the long term, we also analyzed the answers given by accounting professionals concerning the information they include in the explanatory notes for intangible assets, answers that confirm, for the most part, the results from previous research (Fădur et al., 2013): the information frequently presented in the explanatory notes refers to movement, increases, and drops in the intangible assets for the analyzed period, to the gross accounting value, and to cumulated amortizations (aggregated with the losses

from cumulated depreciations) and the start and at the end of the fiscal year and to the useful life durations or to the amortization rates used, as well as to the amortization method used for intangible assets with a determined life. Most respondents do not present the description of the factors that played a significant role in establishing the fact that the useful life duration of an intangible asset is non-determined, the aggregated value of the research and development costs known as expenses for the period, and no information concerning the intangible assets that have been completely amortized, but still used or controlled by the entity, but not acknowledged as assets.

Table 2

**Information presented in the explanatory notes concerning the intangible assets**

		YES	NO
1	Does the entity make the distinction between internally generated and purchased intangible assets?	58	28
2	Is there any mention of the life durations are undetermined or determined? In the case of the determined life duration, is there any mention of the useful life duration or of the used amortization rates, as well as of the amortization method used for intangible assets?	63	23
3	Do the explanatory notes describe the factors that have played a significant role in determining the fact that the useful life duration of an intangible asset is undetermined?	29	57
4	Does the company present the movements, increases, and drops for the period, providing some details that explain the dynamics of intangible assets?	67	19
5	Is the gross accounting value presented, as well as any cumulated amortizations (aggregated with the losses from cumulated depreciation) at the start and at the end of the period?	79	7
6	Does the entity present the adjustments for depreciation, accompanied by a short explanation of the corresponding causes?	56	30
7	Is there a presentation of the aggregated value of the research and development costs acknowledged as expenses for the period?	36	50
8	Is there a description of any intangible asset, completely amortized, which is still used, and a short description of the significant intangible assets that are controlled by the entity, but not acknowledged as assets?	25	61

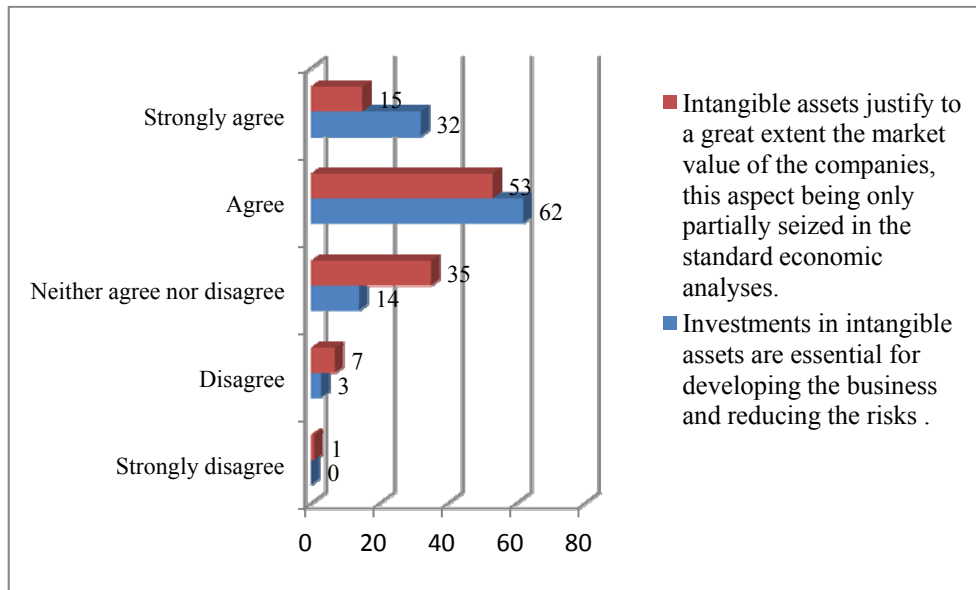
**Note:** This question was answered only if the balance structure of the company included intangible assets; the total number of answers was 86.

Most accounting professionals subscribe to the statements that investments in intangible assets are essential for the development of the business and for reducing risks (84.68% of the respondents) and that intangible assets justify to a great extent the market value of the companies, this aspect being only partially grasped in the standard economic analyses (61.26%).

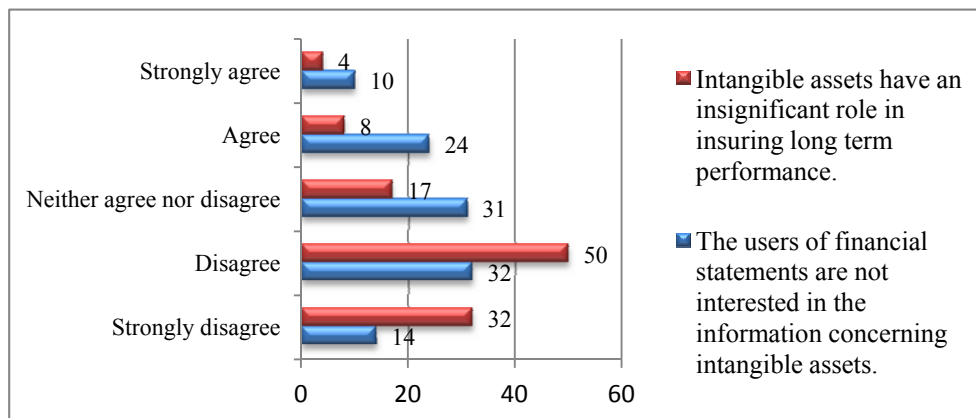
At the same time, 73.87% of the respondents show disagreement or complete disagreement with the fact that intangible assets play an insignificant



role in insuring the performance on the long-term of a company, and 41.44% of the survey respondents do not agree with the statement that the users of the financial statements are not interested in information concerning the intangible assets.

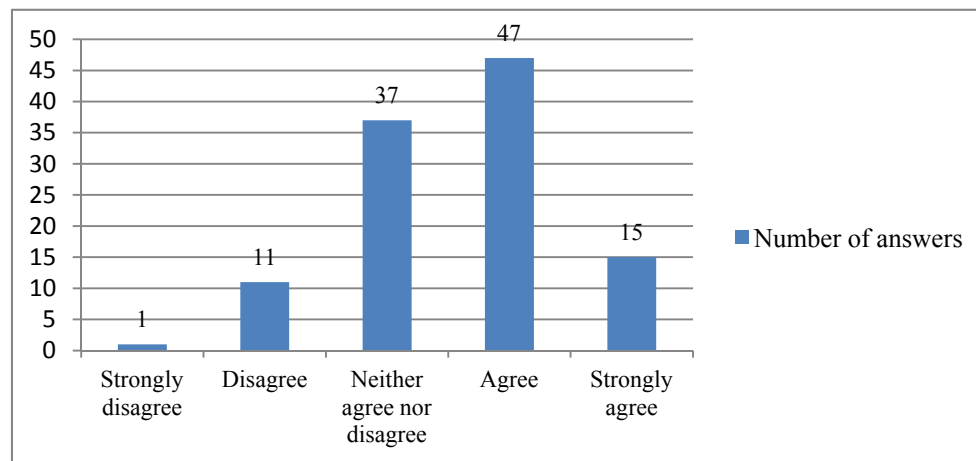


**Figure 5.** *The respondents' opinion concerning the connection between intangible assets and the market value of a company, and investments in intangible assets and business development*



**Figure 6.** *The respondents' opinion concerning the role of intangible assets in insuring performance on the long-term and the interest shown by the users of the financial statements concerning intangible assets*

Out of 111 accounting professionals who participated in the study, 62 consider that the traditional financial statements cannot capture the value of intangible assets, which determines an increase in the information asymmetry, the solution being to focus, in the annual statements, on non-financial information.



**Figure 7.** *The respondents' opinion concerning the need to present non-financial information in the annual statements*

In tight connection with the above opinions concerning the role and importance of intangible assets, most accounting professionals consider that it is necessary to complete the explanatory notes with the following indicators: profitability/customer, the customer satisfaction index, the loyal customers index, frequency/repetitiveness of the orders, investments in IT, ratio of the customer support staff in the total number of employees, seniority of the employees, expenses for training the employees from total expenses, value added by the employees, number of patents. The respondents did not show full agreement only in relation to one of the suggested indicators, that is, the seniority of the employees, for which only 43% of the accounting professionals considered as relevant to be presented in the explanatory notes.

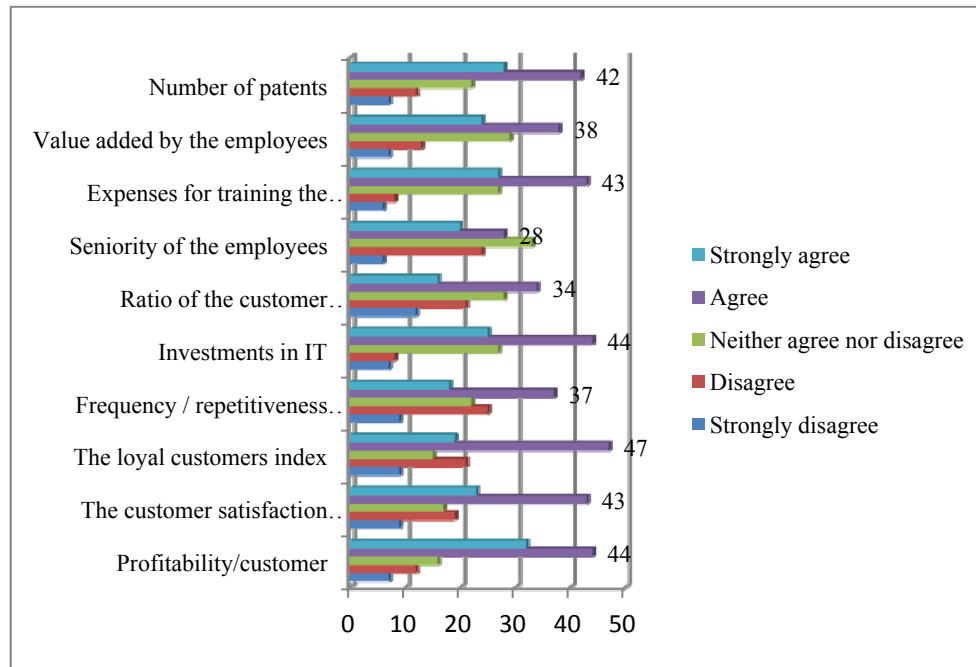


Figure 8. The respondents' opinion concerning the need to fill in the explanatory note referring to financial indicators

#### 4. Perception on intangible capital

New and very complex theoretical problems that a good manager must master can be expressed through several key words: the market value of the shareholders' equity and of the invested capital, the intellectual capital/intangible assets of the company and their value, intangible investments, profitability of the capital invested in tangible and intangible assets, the cost of invested capital (Stan et al., 2006, p.1).

According to the German economist Horst Siebert, in the present circumstances, knowledge is the decisive production factor, and the production functions in the traditional economic theory do not correspond to reality: "the paradigm of the traditional theory of economic growth was that work, capital, and technology determine economic growth. This approach, relevant for the industrial society and also for the service based economy, is no longer valid in the society based on information and knowledge, where human capital becomes the major trigger of economic growth" (Arsene, 2010, p.127).

Ever since 2000, Richard Thoman, executive director of the Xerox Corporation, guessed the need for strategies based on innovation, stating that: "my objective is intellectual property. I am convinced that the management of

intellectual property is the way through which added value will be created at Xerox and not only in this company, but in any other. Extending this idea, companies with a good management of their intellectual property will win. The others will lose” (Rivette, Kline, 2000).

The motivations that lie at the basis of measuring intangible capital have been the topic of numerous research, of which we mention:

Table 3

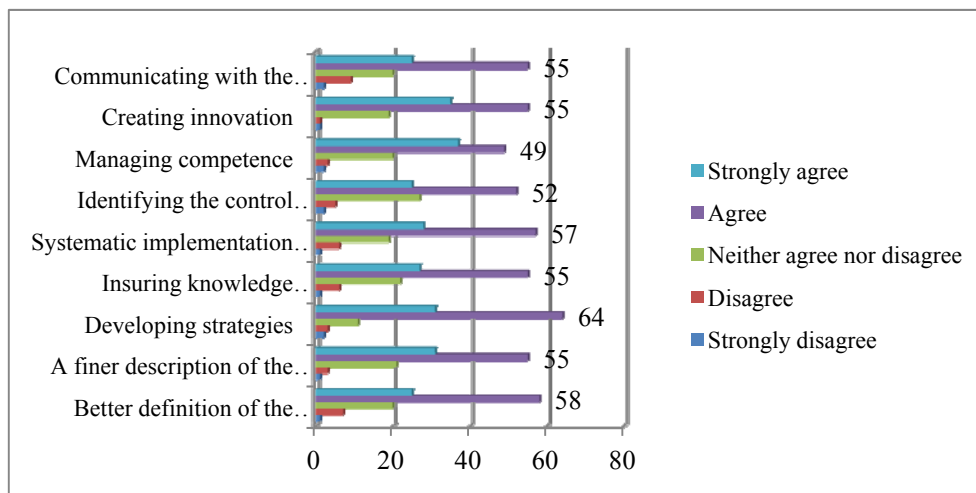
**Motivations that lie at the basis of measuring intangible capital**

Internal purposes for evaluating intangible capital	External purposes for evaluating intangible capital
<p><i>It is possible to manage only what is evaluated, measured</i></p> <p>Daroch, Guthrie and Van der Meer-Kooistra showed in their studies that managers consider that failure to measure intangible capital will determine sub-optimal decisions, but do not develop the connections through which optimal decisions would be facilitated by the evaluation of intangible capital. A study of 30 Danish companies, performed by the Ministry of Sciences, Technology, and Innovation, shows the following internal motivations of the companies, which lie at the basis of the decisions to evaluate intangible capital:</p> <ul style="list-style-type: none"> <li>▪ Strategy development (90%);</li> <li>▪ Insuring knowledge distribution and update (90%);</li> <li>▪ Systematic implementation of knowledge management (85%);</li> <li>▪ Identifying the control indicators (80%);</li> <li>▪ Competence management (80%);</li> <li>▪ Creating innovation (80%).</li> </ul> <p>Marr identified, after analyzing over 700 articles on the measurement of intangible capital, five internal innovations:</p> <ul style="list-style-type: none"> <li>▪ Support in formulating the strategies of the organization;</li> <li>▪ Evaluating the application of the strategies;</li> <li>▪ Assistance in diversifying and extending the company's decisions;</li> <li>▪ Usage as a basis in rewarding the managers;</li> <li>▪ Communication with the shareholders.</li> </ul>	<p><i>An instrument to attract investors</i></p> <p>The study of 30 Danish companies, performed by the Ministry of Sciences, Technology, and Innovation identifies the following external motivations of the companies, which lie at the basis of the decisions to evaluate intangible capital:</p> <ul style="list-style-type: none"> <li>▪ To show that the human resources are the most important asset (90%);</li> <li>▪ To show that the organization is innovative (85%);</li> <li>▪ To attract new employees (80%);</li> <li>▪ To show that the most important asset is knowledge (80%);</li> <li>▪ To prove that the organization is flexible (75%);</li> <li>▪ For the company's products and services to be better understood (70%);</li> <li>▪ To fill in the financial statements (70%);</li> <li>▪ To position in relation to the competitors (65%);</li> <li>▪ To attract and gain the loyalty of the customers (65%).</li> </ul> <p>Other studies claim that the evaluation and presentation of intangible capital lead to diminishing the cost of capital.</p>

**Source:** Hunter L., Webster E., Wyatt A. (2005). "Forum: Intellectual Capital. Measuring Intangible Capital: a review of current practices". Australian Accounting Review; July 2005; 15, 2; ProQuest Central, p. 8.

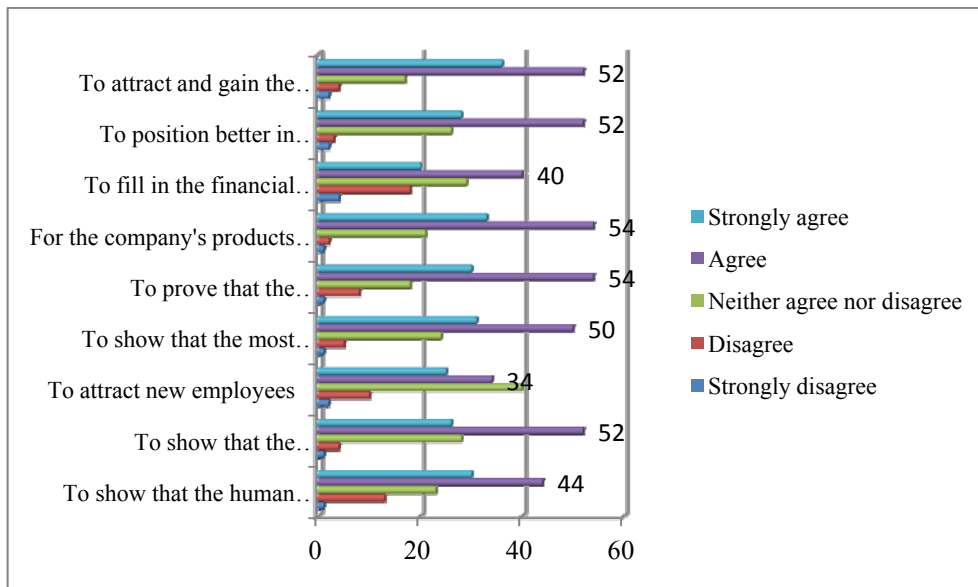
Starting from the motivations identified in specialized literature, we suggested the accounting professionals in Romania to estimate what would be the internal and external purposes that would determine Romanian managers to decide to evaluate intangible capital. Therefore, the internal purposes subject to analysis are: better definition of the company's vision, a finer description of the resources owned by the company and stressing those that need to be capitalized upon, developing strategies, insuring knowledge distribution and update, systematic implementation of the knowledge management, identifying the control indicators, managing competence, creating innovation and communicating with the shareholders. The decision to evaluate intangible capital could be related to one of the following external purposes: to show that the human resources are the most important asset, to show that the organization is innovative, to attract new employees, to show that the most important asset is knowledge, to prove that the organization is flexible, for the company's products and services to be better understood, to fill in the financial statements, to position better in relation with the competitors, and to attract and gain the loyalty of the customers.

As we can notice from Figure 8, most respondents considered that all the nine internal purposes suggested as a basis for the decision to evaluate the intangible capital may be strong motivations for managers.



**Figure 9.** *The respondents' opinion concerning the internal purposes that lie at the basis of the decision to evaluate intangible capital*

In what concerns the external purposes, the accounting professionals were more reluctant, considering that the desire to attract new employees is not essential in supporting the decision to evaluate intangible capital.



**Figure 10.** The respondents' opinion concerning the external purposes that lie at the basis of the decision to evaluate intangible capital

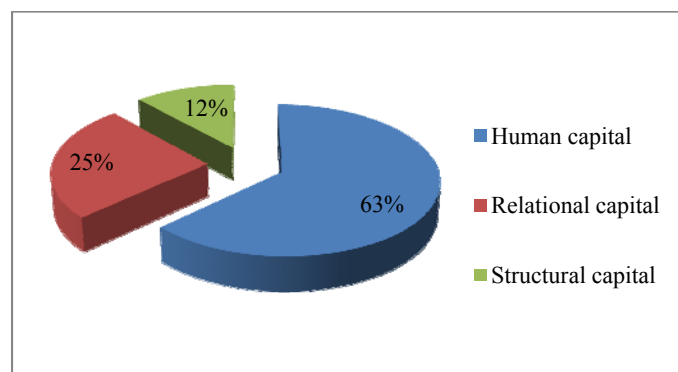
Table 4

**Perception of the Romanian accounting professionals concerning the internal and external purposes in evaluating intangible capital**

	Purposes	% respondents that show agreement or total agreement
INTERNAL	Better definition of the company's vision	74.77
	Finer description of the resources owned by the company and stressing those that have to be capitalized upon	77.48
	Developing strategies	85.59
	Insuring knowledge distribution and update	73.87
	Systematic implementation of knowledge management	76.58
	Identifying the control indicators	69.37
	Competence management	77.48
	Creating innovation	81.08
	Communicating with the shareholders	72.07
EXTERNAL	To show that the human resources are the most important asset	66.67
	To show that the organization is innovative	70.27
	To attract new employees	53.15
	To show that the most important asset is knowledge	72.97
	To prove that the organization is flexible	75.68
	For the company's products and services to be better understood	78.38
	To fill in financial statements	54.05
	To position in relation with the competitors	72.07
	To attract and gain the loyalty of the customers	79.28

The conclusions of our study are similar to the results obtained for the Danish companies: developing strategies and creating innovation are the strongest internal motivations that lie at the basis of the decision to evaluate intangible capital, while the desire to attract and gain the loyalty of the customers and to make the company's products and services better understood by the customers are the most important external purposes. It is important to notice that the external motivations are mainly related to the customer relations (to attract and gain the loyalty of the customers, for the company's products and services to be better understood, to show that the organization is innovative) and competitors (to position in relation with the competitors) and, second, the relationships with the employees (to attract new employees, to show that the human resources are the most important asset) and with the users of the annual financial statements (to fill in financial statements).

Nevertheless, 63.06% of the respondents consider that the most important component of intangible capital is human capital:



**Figure 11.** *Importance of the components of intangible capital in the vision of the Romanian financial accountants*

Practical reality shows that most Romanian companies do not publish social responsibility reports, nor information on the intangible capital on their official websites (Fădur et al., 2013). This is also confirmed after processing the answers given to the questionnaire: 63.96% of the 111 companies from whose perspective the answers have been provided do not draw social responsibility reports, while 27.93% draw such reports, but these are not accessible for the public. Only nine companies of the 111 analyzed have social responsibility reports published on their own websites.

In this context, we wished to identify, on the one hand, the information concerning intangible capital that the Romanian accounting professionals

consider as opportune to be made available for the users, and, on the other hand, the impediments or costs associated to the collection and presentation of such information.

In the respondents' opinion, the most useful and opportune information to be presented is that referring to national and international certifications obtained in the field of product quality (81.98% of the professionals), the concern with the environment (72.07%), the customer satisfaction index (71.17%), as well as those referring to innovation, research and development activities (72.97%), at the opposite pole being information concerning the motivations and benefits granted for the employees (9.64%) and that related to the number and age of the employees (38.74%).

Table 5

**Perception of the accounting professional on the information concerning intangible capital, which is opportune to be presented**

Opportune information	disagreement	partial agreement	agreement (%)
Number and age of the employees	29.73	31.53	38.74
Motivations/benefits granted for the employees	30.63	29.73	9.64
Time allocated to train the employees	17.12	21.62	61.26
National and international certifications obtained in the field of product quality	6.31	11.71	81.98
Concern with the environment	7.21	20.72	72.07
The customer satisfaction index	11.71	17.12	71.17
Social programs, donations	18.02	26.13	55.86
Innovation, research and development activities	6.31	20.72	72.97
Systems (information, management, accounting, etc.)	15.32	26.13	58.56
Number of patents	11.71	23.42	64.86

Of the impediments of the decision to evaluate intangible capital and, implicitly, to report it, most accounting professionals invoked the large amount of time allocated for the collection, synthesis, and systematization of the non-financial information regarding intangible capital, followed by the value of the expenses necessary for training and specializing the persons in charge with presenting the information related to intangible capital. Also, 66.67% of the respondents consider that there is still not enough known about the deep meanings of intangible capital, how it is managed and reported, and it is extremely difficult to move from understanding the importance of knowledge to applying some actions through which it is capitalized upon. At the same time, 59.46% the respondents do not agree with the statement that intangible capital is not a key factor in increasing performance on the long-term, and in the



opinion of 63.96 % of the accounting professionals who participated in the study, intangible capital is not only a “trendy” subject, with no practical implications/valences.

Table 6

**Perception of the accounting professional on the impediments to reporting intangible capital**

Impediments	(%)		
	disagreement	partial agreement	agreement
Expenses for training and specializing some persons in charge with presenting the information on intangible capital.	16.22	31.53	52.25
Large amount of time allocated for the collection, synthesis, and systematization of the non-financial information concerning intangible capital.	11.71	25.23	63.06
There is still not enough knowledge on the deep meanings of intangible capital, how it is managed and reported. It is extremely difficult to move from understanding the importance of knowledge to applying actions through which it is capitalized upon.	8.11	25.23	66.67
What cannot be measured, cannot be managed.	32.43	29.73	37.84
There are no legal requirements for reporting intangible capital.	14.41	31.53	54.05
Intangible capital is not a key factor in increasing performance on the long term.	59.46	22.52	18.02
Intangible capital is a “trendy” subject, with no practical implications/valences.	63.96	20.72	15.32

In order to obtain a complete image on the perception of the accounting professionals on intangible capital, we included in the survey the 10 principles formulated by Stewart, referring to the management of intellectual capital (Stewart, 1997, apud. Myles, Jackson, 2004):

P1: The organization has no property rights over human capital, nor over relational capital, but it can manage them and obtain added value by using them.

P2: In order to create human capital, the organization must encourage team work, collective learning, and socialization.

P3: The wealth of the organization is based on the employees' skills and abilities. In order to manage and develop human capital, the company must identify the talented staff and invest in them, while it must not make investment expenses for the other employees.

P4: Structural capital is the easiest to manage, but it is important to monitor if its component elements are of interest to the customers.

P5: Transforming the vision from “we accumulate knowledge just in case” to “we must have information that our customers need, and provide it in due time”.

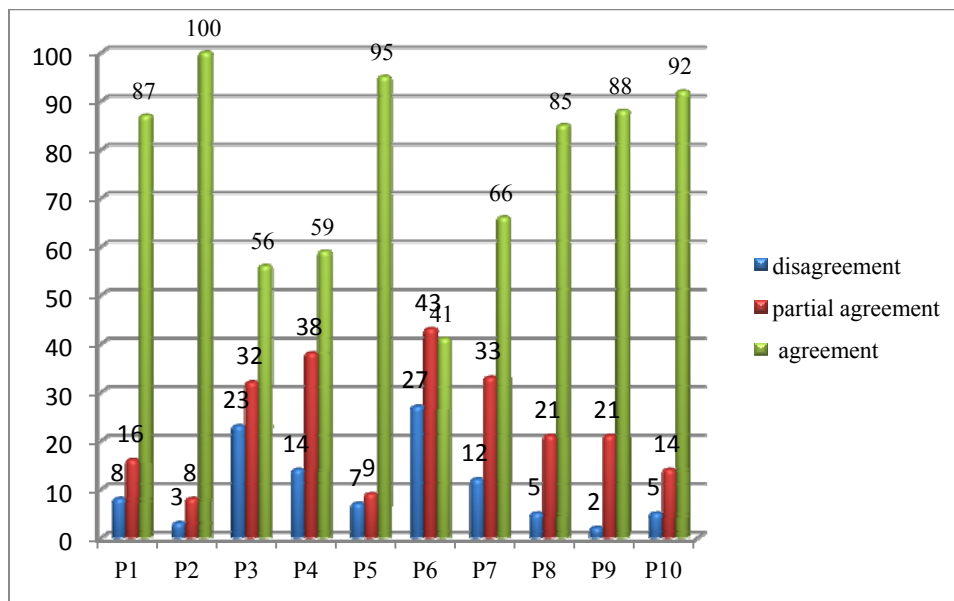
P6: Information and knowledge should replace expensive physical and financial assets.

P7: Knowledge generates innovating solutions; in the fields where template solutions have been provided, it is impossible to generate high profit performance.

P8: Every company has to re-analyze the activity field where it performs in order to identify crucial information.

P9: Managers must focus on the information flow within the company.

P10: Human, structural, and relational capital create value only together. Separate investments in people, systems, or customers are not enough.



**Figure 12.** Stewart's principles in the vision of the Romanian accounting professionals

Processing the answers received to the survey show that most Romanian accounting professionals manifested their agreement or total agreement concerning the following principles: P1: *The organization has no property rights over human capital, nor over relational capital, but it can manage them and obtain added value by using them*; P2: *In order to create human capital, the organization must encourage team work, collective learning, and socialization*; P5: *Transforming the vision from “we accumulate knowledge just*

*in case” to “we must have information that our customers need, and provide it in due time”;* P8: *Every company has to re-analyze the activity field where it performs in order to identify crucial information;* P9: *Managers must focus on the information flow within the company and* P10: *Human, structural, and relational capital create value only together. Separate investments in people, systems, or customers are not enough.*

It seems that the following principles: P3: *The wealth of the organization is based on the employees' skills and abilities. In order to manage and develop human capital, the company must identify the talented staff and invest in them, while it must not make investment expenses for the other employees* and P6: *Information and knowledge should replace expensive physical and financial assets* correspond to a lesser extent to the reality of the Romanian accounting environment, while in the case of principles 4 and 7, the pros and cons have an approximately equal number of representatives.

## **5. Conclusions and discussion**

Of the 111 accounting professionals who participated in the study, 55.86% consider that the traditional financial statements cannot capture the value of intangible assets, which leads to an increase in the information asymmetry, the solution being to focus, in the annual reports, on non-financial information. Most companies from whose perspective the answers to some questions in the survey have been given, apply, in drawing their annual financial statements, the provisions of OMFP No. 3055/2009 *for the approval of the Accounting Regulations compliant with the European directives*, updated, which justifies the answers provided to the question on the information presented in the explanatory notes. Generally, the explanatory notes include information that refers to gross value, amortization, and adjustments of intangible assets, their dynamics, the amortization rates, and the amortization methods used. At the same time, only nine companies publish social responsibility reports or other reports that grasp elements of intangible capital. As a result, although accounting professionals consider that the traditional financial statements determine an increase in the information asymmetry, practical reality in financial reporting proves that very few efforts are made in this direction.

In what concerns the completion of the explanatory notes with a series of new indicators, 68.47% of the respondents consider it useful to provide information referring to the profitability/customer ratio, 63.06 % to the number of patents and weight of the expenses for training the employees from the total expenses, and 62.16% to investments in IT. However, in the opinion of 30.63%

of the respondents, the users of financial statements are not interested in the information on intangible assets.

Only 10.81% of the accounting professionals who participated in the study consider that intangible assets play an insignificant role in insuring the performance on the long term, while 84.69% believe that investments in intangible assets are essential for business development and for reducing risks.

In what concerns the perception of the Romanian accounting professionals on intangible capital, for 63.06% of them, human capital is the most important component of immaterial capital. Nevertheless, only 39.64% of the subjects who participated in the study consider as opportune to present information concerning the motivations and benefits granted to the employees, while 81.98% state that the information on national and international certifications obtained in the field of product quality should be published on the companies' websites or in annual reports. Also, over 70% of the respondents consider that the environmental policy of the company, its research and development activities, and the customer satisfaction index represent information that should be provided to the users.

The most important impediment in drawing annual reports that contain relevant information on the intangible capital of the organization is, in the opinion of accounting professionals, misunderstanding the deep meanings of intangible capital, how it is managed and reported, and the difficulty in moving from understanding the importance of knowledge to applying actions through which it is capitalized upon. Practically, this impediment translates into the lack of recommendations or practical guides that direct accounting professionals in the process of identification, evaluation, and reporting intangible capital.

Over 80% of the respondents consider that, internally, the evaluation of intangible capital plays a very important role in strategy development and in creating innovation, while in the opinion of over 78% of the subjects the evaluation of intangible capital contributes, externally, to increasing the degree of understanding of the products and services provided by the company, as well as to attracting and gaining the loyalty of the customers.

Considering the results obtained after analyzing the answers received, we conclude that voluntary reporting on the information concerning intangible capital is necessary, as well as completing the explanatory notes with more extended information on intangible assets. In the absence of recommendation guides, Romanian accounting professionals may resort to drawing descriptive and narrative reports, which provide information related to relationships with the customers, with the employees, and with the community with which the company interacts, data on the research and development activities it performs, the systems owned, the recorded patents, etc. An important role in this approach

could be played by internal auditors. Drawing reports on intangible capital within the *internal audit* activity would lead to a reduction of the expenses for training and specialization, as well as of the time necessary for the collection, synthesis, and systematization of non-financial information referring to intangible capital.

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