

Disclosure Practices of Intellectual Capital in Sri Lankan Context

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Abstract

In the today's Knowledge-Based Economy (KBE), Intellectual Capital (IC) is considered as a strategic asset which determines the value of the company. Different practices of disclosing the IC information in annual reports do not result in the real value of the financial position of the company, is the main problem in Sri Lankan companies. The objectives of this study are to examine the nature of disclosing the IC information based on the content analysis of annual reports and to reveal the significant findings of past Sri Lankan Intellectual Capital Disclosure (ICD) research studies. Most of the Sri Lankan listed companies are now being disclosed ICD in the text, sentences, pictures, tables and graphs with the core discipline of Global Reporting Initiative [GRI] guidelines in their annual reports. The study offers an insight into the corporate and business level managers, policy makers and potential investors.

Keywords:

global reporting initiative [GRI] guidelines, intellectual capital (IC), intellectual capital disclosure (ICD) and knowledge-based Economy (KBE)

Introduction

At present, the world economy is transiting from an industrial economy to a Knowledge-Based Economy (KBE) in order to enhance the wealth creation (Abhayawansa 2013). As per this transition, to be sustaining the competitive advantage, the economy has to depend on the knowledge-based capital so called the Intellectual Capital (IC), such as knowledge workers, employee-related measurements, patents, trademarks, organizational systems and business strategies (Rashid 2010).

As far as stakeholders of the companies are concerned, the annual report is one of the primary methods used to communicate the companies' response