Chapter 13

Intellectual Capital Reporting and Disclosure Practices in Sri Lanka

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ABSTRACT

This chapter examines disclosure practices of intellectual capital in the Sri Lankan context. The chapter provides an empirical analysis to showcase the relationship between intellectual capital reporting and the management perception. The three capital components identified in the intellectual capital are human capital, organizational capital, and social capital. Those capitals give a considerable contribution on the wealth of the organization and the main problem is the subjectivity and complexity of the disclosure practices of the listed companies in Colombo Stock Exchange from 2013 – 2016. This study is based on the intellectual capital disclosure practices published in annual reports for the period of 3 years. The managerial perception and company characteristics were linked with the intellectual capital disclosure practices. The study found no common procedure for disclosure among the annual reports while the details of intellectual capital disclosures vary considerably from one annual report to another.

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INRODUCTION

In modern day, due to the lack of resources, global economic behavior is dynamic. Therefore, the economist try to find out the optimum methods to get best use of resources. Generally, all the physical resources are always deprecating while the human abilities and capacities are always appreciating. The value of the physical resources are not changed from one company to another. But the human capacity and the outcomes of the human works are different from man to man even if they have same qualifications.

The main point of this chapter is that the companies are really facing the barriers of enjoying the benefits of intellectual capital due the high complexity of that. The main reasons for the complexity are the changing behavior and too sensitiveness of intellectual capital. Therefore there is no any common method to disclose the intellectual capital. The researcher is aimed to examine the disclosure practices of intellectual capital in Sri Lankan context. Also there is no any proper method to disclose the intellectual capital even in the intentional businesses. Basically there are three capital components that can be identified in the Intellectual Capital as Human Capital, Organizational Capital and Social Capital. Those capitals give a considerable contribution on the wealth of the organization and the main problem is the subjectivity and complexity of the disclosure. According to the argument of Dzinkowski (2000) clear identification of the Intellectual Capital is a real issue in the business organizations. Due to the subjectivity of the disclosure of intellectual capital, it is hard to compare and get a clear idea about the intellectual capital of the organizations.

In Sri Lankan companies there are no any proper practices of intellectual capital. There are nearly 250 listed companies in Sri Lanka and some of the best companies have mentioned about some of their disclosure practices of intellectual capital under the intangible assets and in various sections of annual reports. But in Sri Lankan context there is no any proper attraction on the intellectual capital as an asset. The main problem is the complexity and the subjectivity of disclosing part of the intellectual capital. If there is a proper standard for the intellectual capital, it is easy to disclosure it in a proper manner. In relation to the intellectual capital in Sri Lankan context;

- To find out the relationships between managerial perception and intellectual capital discourses and value practices.
- To study the existing intellectual capital disclosure practices from 2013 – 2016, practiced by listed companies in Colombo Stock Exchange.
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