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Accounting for intellectual capital: a comparative analysis

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Abstract

Purpose – The aim of this paper is to understand how many and what intangible assets firms from two different contexts disclose in order to comprehend whether an accounting harmonization is actually reached in practice and what are the eventual hurdles to surmount in order to reach it.

Design/methodology/approach – A qualitative and quantitative analysis of the purchase analyses disclosed by the Swedish and Italian listed companies in their financial statements refering to the first year of application of the IFRS3 is conducted.

Findings – The main findings are the following. First, firms do not disclose intangible assets in the same way. Second, contracts become a useful tool to make it possible to account for IC. Third, the disclosure of labels shows a variety. Fourth, differences in behavior are seen.

Research limitations/implications – The main limitation is that only a sample of firms (the listed ones in the SSE and MTA/MTAX) that apply IFRS3 is investigated. The main implication is that the disclosing of IC in financial statements is problematic and makes harmonization difficult to achieve. The empirical deepening of these two conclusions represents opportunities for future researchers.

Originality/value – The research is an investigation of the first year of application of a new accounting principle from an inter-country comparison considering it as an opportunity to disclose more IC and consequently to contribute to the debate about how and what IC should be disclosed.

Keywords Intellectual capital, Goodwill accounting, Intangible assets

Paper type Research paper

1. The problem of IC disclosure and accounting harmonization

Accounting and accounts of the firms' value creation have changed over the last decades. Some argue that these changes in accounting are a response to the increasing importance of intellectual capital (IC) (Green, 2007; Marr and Chatzkel, 2004; Petty and Guthrie, 2000). Notwithstanding, IC has had a relevant impact in management control but it is still problematic with reference to external reporting (Mouritsen, 2003; Roslender and Fincham, 2004), even if it is widely accepted that it can affect the value of a firm (Mitchell van der Zahn *et al.*, 2007). If firms are not able to report on the issues that management considers paramount in creating value, it generates complex information asymmetry. In turn, the asymmetry issue creates challenges that governments, regulators and researchers aim to reduce by promoting greater corporate IC disclosure in mandatory and voluntary statements (Kaufmann and Schneider, 2004). The efforts to create a global accounting standard made by International Accounting Standards Board (IASB) may be partly understood as an endeavor to react to this issue.

The inadequacy of the traditional financial accounting standards has been highlighted by several authors. In way of examples, Lev and Zarowin (1999) argue for the need to enlarge the boundaries of financial accounting in order for the economic benefits generated by IC to be estimated with reliability, as is already done for the

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tangible resources. Stolowy and Jeny-Cazavan (2001) underline the inconsistency among the national accounting regulations and call for accounting harmonization even if they pose the doubt of the feasibility for a dynamic and firm specific item as IC. Aligning to this is Garcia Ayuso (2003), who moving from the analysis of the relevant gap between market and book value and the problems created in the capital market functioning and dynamics by it, advocates the need for a higher quality on the reporting on IC. Synthetically, the aforementioned authors together with some others (Roslender and Fincham, 2001; Vergauwen and van Alem, 2005) call for a revision and a convergence of the accounting standards to guarantee a higher quality disclosure and consequently a more efficient capital market.

One of the efforts to increase the level of information of IC to the capital market is represented by the approval of IFRS3 in 2004. This standard stipulates that firms should identify intangible assets when being involved in a business combination. Thus, even if it does not aim to fully seize IC, IFRS3 can be seen as a possibility to make more IC visible in the financial statements, enhancing the reporting through less items being affected by conservative accounting, i.e. encouraging the identification of intangible assets which are the part of IC that "are susceptible of being recognized as assets in accordance with the current accounting model" (Meritum, 2002). Considering that the application of this accounting principle is mandatory in all the EU countries, it can be interpreted as a reply by IASB to the request from researchers and practitioners about a modification of the existing regulation in a way that enables a harmonized method to account for IC. Consequently, it is an attempt to put the performative IC in a ostensive package (Mouritsen, 2006).

If the ambition which led to the stipulation of IFRS3 is to create a global accounting standard and to reduce the information asymmetries related to intangible assets and IC, it should be taken into consideration that culture should not and does not influence IC disclosure (Chaminade and Johanson, 2003) while it is largely influenced by accounting regulation (Vergauwen and van Alem, 2005). Therefore, it becomes interesting to analyze if IFRS3 can be considered in practice as a tool for improving IC visualization and accounting harmonization. In conclusion, then, the aim of this paper is to understand how much and what intangible assets firms from two different contexts disclose in order to comprehend if an accounting harmonization is actually reached in practice and which the eventual hurdles to surmount for reaching it are. To achieve the aim, two research questions have been developed:

RQ1. How much of the purchase price has been recognized as intangibles in the two countries?

RQ2. Which intangibles have been identified and valued as intangible assets in the two countries?.

2. IFRS3, intangible assets and harmonization

IC is not primarily an accounting concept because it involves accountants as well as non-accountants (Johanson and Henningsson, 2007). In accounting the term "IC" is confused with the term "intangible assets" even if these are only a part of IC. In fact, thy are "a set of intangibles or elements of intellectual capital that are susceptible of being recognized as assets in accordance with the current accounting model" (Meritum, 2002). The accounting rules state that an intangible to be recognized as an intangible asset must be an identifiable non-monetary resource, without physical substance, that

is controlled by the reporting entity and expected to provide future economic benefits (see also IAS38). In order to be identifiable, the intangibles must be either separable, i.e. capable of being separated from the entity and sold, transferred or licensed, or it must arise from contractual or legal rights, irrespective of whether those rights are themselves separable. Thus, intangible assets can be considered some of the IC components and consequently accounting rules do not allow to fully seize and represent IC.

IFRS3, replacing IAS22, concerns accounting for business combinations and it introduced several regulation changes. Among them are the disallowance of pooling of interests as an accounting method and the testing of goodwill for impairment every year instead of doing an amortization. Then there are as well other changes which concerns the core of this research. The first one is that the demands of disclosure have become more rigorous and in particular, and as in the core of this paper, some intangible assets that previously would have been categorized within goodwill must be separately identified and valued. As transnational accounting principles intends to make accounting reports understandable in a global capital market, IFRS3 consequently is a principle with an aim of harmonizing the reporting of intangible assets identified in a business combination. The second is that the reporting of a business combination should be done in a purchase analysis which is a scheme presented in the notes of the financial statements where a measurement of the costs of the business combination is displayed. This is done through measuring the fair values of the intangible, tangible and financial assets as well as the fair value of liabilities and contingent liabilities. The difference between the measured fair value and the purchase price should be treated as intangible assets recognized in the business combination. With this new regulation the effect is that the more new intangible assets that are recognized, the less the amount of goodwill. The third is that the appendix of IFRS3, to help companies better allocate the purchase gives a list of examples of intangible assets which meet the criteria to consider an intangible as an asset. In line with the idea that it is principles and not rules that guide the standards, the classes do not represent an exhaustive classification. All in all, IFRS3 can be considered as a tool useful to make more intangible assets visible, i.e. to incentive firms to better account for IC.

Analyzing the content of IFRS3 we can notice that contracts play a relevant role. More in depth, in the list of intangible assets proposed by the accounting principles several assets are related to contract, non only refereed to the category "contract-based intangible assets" but also in the other categories (e.g. customer contracts, license contracts, etc.). Also human capital which in general cannot be reported (see IAS 38) can be, in a certain sense, reported as an asset: this only if the related contracts are beneficial contracts from the perspective of the employer because the pricing of those contracts is favorable relative to market terms. Moreover also business combinations are ruled by contractual relation and accounting for them allows to account for more intangibles (see IFRS3). Consequently contracts can be considered as a means useful to transform intangibles related to tacit knowledge into ones related to explicit knowledge and therefore to make possible to account for an intangible. This is due to the fact that In fact the foundational principle of freedom of contract (Ramberg, 2002) allows to put into a contract and identify as object of a negotiation almost everything. So the relation between intangibles, contract and accounting becomes particularly relevant as contracts make an intangible identifiable and object of accounting. Consequently the contractual point of view can be of interest to interpret what firms disclose.

3. Design of the study

For our study we investigated firms listed on the Stockholm (SSE) and the Milano (MTA/MTAX) Stock Exchanges on June 19th, 2007 having a fiscal year ending latest on December 31, 2006. We chose a closing-date approach, as opposed to a fiscal-year approach, in dependence of the availability of data needed for our study period and on that date all the data we needed were available. The main reasons for studying one year are two: at first, mandatory disclosure was only available for one year at the date of the study and, at second, because the analysis done is a descriptive one and does therefore not aim to analyze trends. Consequently, the analysis of one year allow for a wider and more detailed collection of data.

Sweden and Italy are countries that have a similar background for several aspects such as dimension and characteristics of the markets, law system, ownership structure of the firms and macro-based accounting system applied (Nobes, 1983). IC reporting should not be effected by culture (Chaminade and Johanson, 2003) but culture can be affected by institutional settings (Nobes, 1983) and by choosing countries with similar background variables some of the context specific aspects (e.g. firm dimensions, market regulation, etc.) affected by specific country institutions should be mitigated and the results should be more focused on the accounting problems. As Sweden and Italy have been similar in accounting and on measurement (Nobes, 1983) they have been different in disclosure (Nair and Frank, 1980) which should be an interesting background setting for studying comparison through the study on what is reported. Since the researchers represents Sweden and Italy translation of words found only in one of these languages and not English is made easier in order to stay as close as possible to the original language.

The method applied for this research has been content analysis, here to include disclosure index (Beattie *et al.*, 2004), as we focus on what firms disclose. Content analysis is a method that is empirically oriented (Krippendorff, 1980) and when it is consistently used it is a strong tool in IC research (Guthrie *et al.*, 2004). This method is widely used in IC researches but due to an inconsistent use results are not always comparable (Beattie and Thomson, 2007).

According to Schipper (2005) both Sweden and Italy have sufficient sample sizes as the listed firms are between 200 and 300 with 264 listed firms in Sweden and 265 in Italy. As of depending on the sample size the results should be expected to be reliable. Table I gives descriptive statistics of the sample. We should highlight that albeit the average is about two purchase analyses per company in both countries there are extreme situations such as one purchase analysis referred to 38 acquisitions in Italy or eight analyses referred to one firm in Sweden. The empirical unit of our investigation from the sample used is the purchase analysis, giving us a total of 170 observations for Sweden and 138 for Italy. A purchase analysis according to IFRS3 is reported in a note in financial statements, and these statements have been retrieved from primarily

	Sweden	Italy
No. of listed companies	264	265
No. of listed companies with business combinations	98	63
No. purchase operations declared	215	222
No. purchase analysis disclosed	170	138

Table I.
Sample statistics

English editions of the annual reports available at the investor relation section of the firms' websites. When the English edition was not available the annual report in Swedish and Italian respectively has been used. The translation activity caused by translation of labels represents the main limitation for our analysis. In order to stay as close as possible to the original wording we did not attempt to translate any underlying meaning but considered the subjectivity present in the word when doing the translation. We consequently started with identifying in the annual report of every firm in the sample which firms had done at least one acquisition. We then located the purchase analysis, if it were disclosed. Due to our closing-date approach, annual reports referred to fiscal year 2006 or 2005/2006 have been considered.

For analyzing intangible assets we made reference to the MERITUM Guidelines (Meritum, 2002) because they represent one of the models used within IC research that is built on the tri-part model, a general model with an IC definition built on the classes human, relational and structural capital. Moreover they aim in providing a support both in managing and in disclosing intangibles. Finally, the adoption of this classification model as backdrop allows to observe financial data with a non-pure accounting lens such as the IC one. All in all, this classification should allow to analyze and interpret data presented in purchase analyses from a different perspective.

Our research is mainly focusing on what intangibles have been identified as assets. Disclosure index has been the instrument used and the measured unit has been identification of new intangible assets as well as the re-valuation of the ones already found in the accounting of the acquiree. If the purchase analysis did not specify it we analyzed the text in the note to see if there was any explicit mentioning of any treatment of intangible assets. These are the occurrences have been registered. Negative adjustments indicated in the purchase analysis have been ignored. Those could represent intellectual liabilities tied to the asset but as this is not disclosed we have to assume that they concern a write down of the assets due to a too high book value in relation to market value (purchase price allocated) according to the acquirer. Negative goodwill has as well been excluded from the purchase analysis. First, negative goodwill can be considered as future underperformance of the firm and reasons for causes driving this negative goodwill are out of scoop for this investigation and second, the observations were as well few and could be understood as outliers.

The identified intangible assets are presented classified according to the MERITUM classes. All of the labels are presented wherefore the reader can easily re-classify the labels if that is of interest. The reason for this is that we are not aiming at studying a classification schema per se but are using it for visualizing and commenting the results. As concerning quality in disclosure it is possible to use amount and spread as proxies (Beattie *et al.*, 2004). The problem with addressing quality in this situation is that these measures will have their usefulness in relation to what is discussed and it is therefore not possible to specify them *per se*. More is not necessarily better than less and a more narrow and defined disclosure does not have to be less good as a wider spread. A higher amount and spread of disclosure in one country is per se therefore not automatically better than less in the other. This will be developed further at the presentation and discussion of the results.

This approach of identifying intangibles has been used when extracting data for the ratios presented in Table II. For material assets there, the recorded measurement has as well been on the value increasing adjustments. In a few instances were goodwill already identified on the acquirees' balance sheet written of and then new (and more)

goodwill were added. These write offs has not been considered as we do not know the reason for them and there were not many of such situations either and should arguably be considered as an outlier. For the ratios values that equaled zero have been excluded from each calculation to where they could be referred to. This has been done in order to maintain the usefulness of the ratios as such calculations are not possible to execute.

4. Distribution of intangibles

In order to understand the size of the intangibles reported some ratios are presented in Table II. Albeit the median would be more useful to understand the size of the phenomenon, we have calculated the average in the last three ratios because the adoption of the median would have led to insignificant values (always 0 percent) for the identified and unspecified intangible assets. For purpose of comparison is consequently goodwill calculated as an average as well. We defined as "intangibles" the purchase analyses, i.e. intangible assets + goodwill considering that these are the two accounting item related to non tangible assets.

The data show several similarities as well as dissimilarities in terms of relevance of intangibles values in M&A accounting in Italy and Sweden. Intangibles represent a major part of a firm purchase price in both countries and the amount identified is about the same. The intangibles located are though mainly disclosed in terms of goodwill and not in identified intangible assets. Whether this is due to ambiguities of IC or bargain power of the seller remains not clear. Another category particularly high in Sweden is the reference used by firms to intangible assets that are not specified. That was in total 58 cases, 50 in Sweden and eight in Italy. For reporting purposes this post is interesting as the acquiring firm has identified something as an intangible asset. This is one of the positive sides of having something put into a contract as the parties involved decides what to buy and sell but what is identified remains unclear when it comes to reporting it. This puts this post in a different position in relation to goodwill as these are identified intangible assets in content but it is not communicated. Adding these two categories together the two countries will be rather similar in distribution of the accounting and reporting of intangibles. This then turns the focus towards the identified intangible assets. These are in size about the same even though Sweden has a slightly higher amount identified and what is identified will be presented next.

5. Disclosure of intangible assets

In Table III the labels used by the firms to disclose the intangibles components are presented and classified in the MERITUM classes. However, in some cases it was not possible to fit the label into the MERITUM model and, as a consequence, we introduced a fourth category to the tri-part model labeled "intersectional capital" which included a

		Sweden (%)	Italy (%)
Intangibles/purchase price	Median	77.65	76.03
Identified intangible assets/intangibles	Average	13.75	11.01
Unspecified intangible assets/intangibles	Average	11.62	2.69
Goodwill/intangibles	Average	74.63	86.30

Table II.
Values of intangibles

Table III.
Disclosure of intangible assets: inter-country comparison

Relational capital		Structural capital		Intersectional capital	
Sweden	Italy	Sweden	Italy	Sweden	Italy
Customer/client relations/relations ships (21)	Contracts (6)	Distribution rights (2)	Concession right (1)	Agencies, trade marks, customer lists, licenses, etc. (1)	Airline concession and terminal catering for customer list value (1)
Trade marks/brands (14)	Trade marks/brands (3)	Licenses/license rights (2)	Know how (1)	Customer relations and production technologies (1)	Development cost and other intangible assets (1)
Customer contracts (3)	Customer list (2)	Concession right (1)		Supplier relationships, customer relationships and technology (1)	Technology, productive know-how and customer relations (1)
Customer contracts, trade marks and similar (3)	Insurance portfolio (2)	Developed software (1)			
Contract portfolio (2)	Assurance contracts acquired (1)	HUMIRA royalty system (1)			
Customer agreements (2)	Customer/client relationships (1)	Intellectual property rights (1)			
Customer benefits (1)	"Deferred charges" arising from the fair value measurement of 42 leases for stores at rents that are lower than current market rates (1)	Patents and un-patented know-how (1)			
Customer contracts and customer relations (1)	Expense for taking over the rental contracts for the two mega-stores (1)	Products rights (1)			
Customer list (1)	In force business (1)	Product technology (1)			
Franchise relations (1)	Magazine titles (1)	Products, technology and software (1)			
Non-competition clause (1)	Voice portal (1)	Software licenses and similar rights (1)			
Service and support contracts (1)		Technology (1)			

mix of the classes. This empirically formulated class indicates that Bjurström and Roberts (2007) indeed may be right when they argue that IC needs a principle of connectivity, where resources need to be understood as bundled. The labels are listed according to ranking where the numbers within brackets shows how many times the label was mentioned. As pointed out, this will not match the sample size since not all of the purchase schemes give useful information of adjustments.

From the data a label creativity, i.e. a lot of different identified intangible assets, emerges. In comparative terms the analysis of the creativity shows similarities and differences. With reference to quality in these findings (Beattie *et al.*, 2004), what it is and how it should be emphasized becomes open for discussion. Even though Sweden reports more separate intangible assets, it does not mean that the understandability is enhanced with more disclosed but dispersed labels, rather the opposite is indicated. At the same time a wider spread does capture a wider amount of IC and is per definition better than a narrower amount in spread displayed.

Starting with the similarities, in both cases the attention is mainly on the Relational Capital probably because it is easier to identify and evaluate in dependence of its direct link with the market (Edvinsson and Malone, 1997) or because the sell-side analysts pay the most attention to such information (Flöstrand, 2006). Other similarities are related to the presence of items with the same labels (e.g. customer relations, etc.). It can be an indicator of the fact that at least partly of the IC studies have influenced the accounting language. Extending this discussion to include a contractual perspective it is interesting to notice that the items focusing directly on customers are mainly non-contractual in both countries. This is interesting from two perspectives. First, even if it appears more easy to identify and value a "customer contract", considering that there all the aspects needed for the identification and valuation are explicated (profitability, duration, characteristics or the relationships, etc.), mostly non-contractualized relationships are disclosed. An explanation, even if it does not appear that probable, could be that in the firms of the sample "customer relationship" is not ruled by contracts. Second, this is a clear example of that the business combination contracts are a possibility to make intangibles visible in the balance sheet.

Continuing with the dissimilarities there is first of all the obvious consideration that Sweden uses more labels than Italy in terms of quantity and quality. Since Sweden tends to disclose more than Italy, we can, in an IC perspective, emphasize that while Sweden presents a sort of consistency between relational and structural capital, Italy centers the label creativity on relational capital, identifying only two structural capital assets. This can be considered as an inconsistency since relational capital needs structural capital to generate value (Goh and Lim, 2004; Mouritsen, 2006) and so they should be both present. The intangible assets classified in structural capital found in Sweden are not unusual and could as well have been reported in Italy. As "trademarks" and "brands" are a part of forming a customer base it is reasonable that their identification could be related to the number of customer related assets. Consequently should there as seen be more relational and structural capital in Sweden and less in Italy. At the same time it is found the asset "magazine titles" in Italy and this could arguably be seen as a specialized brand so brands do have an effect in Italy.

Albeit this disequilibrium between relational and structural capital can be noticed in Italy, it is only there that we find intangible assets specifically referring to supplier relationships ("deferred charges…" and "expenses for taking over…") while in Sweden this category of stakeholder is absent as a single identified asset or might have

been put under the general label "contracts". In Sweden at the same time found a "non-competition clause" which puts the firm in an indirect contractual relationship with a competitor. In this situation an external party is restricted in some way and this restriction, if not an intellectual liability at least a limitation of the IC, has become an asset. By this is implied that accounting in practice can comprehend not only what a specific market and market share first of all is but as well how it is to be valued. Along this line there is as well in Sweden more assets that are referring to rights giving some sort of exclusive right on the market valuable for the acquiring company. Consequently, even if there are no explicit references to stakeholders stand alone, there are found relations to other actors on the market.

The intangible assets classified as intersectional capital are mixed intangible assets. With the presence of the intersectional capital class is showing tendencies towards that an empirical classification is problematic. The intangible assets found in this class are diverse but a majority of the assets do reflect the relation between relational and structural capital. These findings points towards that items like trademarks, customer lists and licenses as well as technology, productive know how and customer relations identified separate still needs to be grouped together to become a unit possible to value, i.e. an intangible asset. Examples could be licenses supporting trademarks and technology affecting customer relations. From an explanatory point of view this could be a reflection of the management position on connections between items but an ambiguity found in this at the same time is that we do not know the relative importance of the single item.

The counting of labels, however, does not indicate how important the labels are in relation to value (measured by capitalization). Such an analysis is presented in Table IV. This result seen in relation to quality highlights that the spread found in Sweden is opening up for more structural capital which could be seen as something good in relation to amount but at the same time is intersectional capital higher. Related to the reasoning of the relation between relational and structural capital it can indicate an emphasized meaning of the relation for the purchaser.

From a valuation perspective we notice that in relation to the value per category there is a difference between Sweden and Italy. The average value of relational capital is lower in Sweden compared to Italy. This is as well reflected the other way around for structural capital and intersectional capital that is higher in Sweden compared to Italy. The matching of this result together with the previous ones in Tables II and III point out that Sweden has a lower value per label in comparison to Italy. In fact for almost the same incidence of value of the identified intangible assets Sweden identifies much more labels. As an interesting example one of the business combinations accounted for in the sample is Ericsson's (a major Swedish telecom firm), purchase of Marconi, (a major Italian telecom firm). Here, Ericsson identifies several intangible assets in Marconi, i.e. a Swedish firm identifies assets in an Italian firm and context. That is, the Swedish firm identified more labels and it is not due to the business environment of the

Table IV.
Relative size of classes of identified intangible assets: inter-country comparison

		Sweden (%)	Italy (%)
Relational capital	Average	65.82	87.83
Structural capital	Average	24.22	9.26
Intersectional capital	Average	9.96	2.91

firm that is acquired, but rather to the accounting milieu. And not, the accounting rules as argued by Vergauwen and van Alem (2005). The potential causes of this result can be that there is a different interpretation of the materiality principle: what is considered to be material in Sweden and consequently is identified and disclosed is not considered the same in Italy. There the focus is instead on only a few but valuable intangible assets, such as customer oriented ones found in relational capital. Differences in relative weighting between identification and valuation in the two countries appear to be one reason for this difference seen.

6. Conclusions

The aim of this paper was to understand how much and what intangible assets firms from two different contexts disclose in order to comprehend if an accounting harmonization is actually reached in practice and which the eventual hurdles to surmount for reaching it are. From these results different considerations can be made.

As a first finding, despite the harmonization of the accounting principles, firms do not disclose intangible assets in the same way, i.e. there is no harmonization in the way firms report intangible assets in Sweden and Italy. It is not easy to compare the intangible assets identified. Secondly, it is possible, through the use of contracts, to represent intangible assets in the balance sheet. Then contracts become a useful tool to make it possible to account for IC. Thirdly, the disclosure of labels shows a variety. Labels make accounting useful (Catasús and Gröjer, 2003) but using to many labels is risky as it can get the effect of making accounting un-useful. A number of different labels communicate the things aimed for more direct but with the risk of losing precision in the understanding for the user. A point that could be stressed is that perhaps is there needed more extended names than only ones only using one or two words in order to communicate what is put on the balance sheet. This has to be weighed against that using too long and exhaustive names risk making the apprehension too complicated because of an information overload. Fourth, differences in behavior are seen. When comparing the number of labels with the value of the intangibles identified it emerges that the value per label is lower in Sweden compared to Italy. The lack of specific indications about what has to be identified and then valued can generate different behaviors and consequently difficulties in understanding and comparing the statements.

These findings are of course related and the effect is that inter-firm and inter-country comparison is made difficult and consequently the basic idea of accounting standards to increase the level of comparability of financial statements has not yet been realized. Even if agreed with the assumption that IC is firm specific, it could be suggested that to guarantee the usefulness of the financial statements it could be of help with a standardization of, at least, the categories in which to classify and disclose the single intangibles. This could though not be answered with a clear yes, since it would be unclear what the classes would contain as concluded and there would still alongside be a need of a residual class. Here the labels in intersectional capital clearly communicate the reliance between the intangible items identified in order to generate value but at the same time we do not know the dependence of each item found inside each asset. Consequently how the asset could be expected to be of lasting value into the future is unclear. This is something in need of further investigation.

All in all, albeit the strongly called international accounting harmonization taking place in the form of unique accounting principles, in reality an actual disharmony still

exists. One reason for this is probably related to the complexity (and the local interpretation) of intangible assets seen as part of IC. And maybe harmonization will never exist. Some part of the literature supports the thesis that financial accounting is not and never will be able to report intangibles adequately and consequently the ambitions should be directed to disclose them through other reporting models (Mouritsen, 2006; Van der Meer-Kooistra and Zijlstra, 2001). We, however, argue that IC should (and can) find a place within the financial statement, even if simplified, considering that it is the main disclosure document and with the bigger influence on the market dynamic (Mouritsen, 2003). Therefore, further research approaches could be analyzing the causes of this different behavior or examining a better way to modify the regulation in order to guarantee comparability.

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