

INTELLECTUAL CAPITAL RECOGNITION¹

This paper defines the intellectual capital and documents its growing importance in a new economics. It considers the forms, in which it can be indicated, informs about recent concepts of recognition of this phenomenon, about possible indicators and approaches to its quantification. It refers occasions causing that the intellectual capital isn't yet depicted in accounting and alerts to a new challenge stating before accounting

Intellectual capital is a term described by number of various definitions presented in economic theories including management theory and corporate governance. Such ambiguous terms as human capital, educational capital, intellectual or individual capital are usually intended as synonyms – as “valuables” that contribute significantly to corporate goals reaching.

Much of former economic theories defined the term “human capital” closely as person qualification and treated it (besides land and financial capital) as one of three factors of the working process. According to this point of view, the human capital is connected only with the productive work. It is considered as knowledge and skills to perform productive work and create economic value. By this opinion, the human capital is a fully reproducible resource – homogenous and easily interchangeable.

Later economic theories speak about intellectual capital suspiciously and comprehend it as knowledge, command or education, which is possible to be employed with the goal to earn money directly or to be exploited to other useful purpose generating money. This conception combines thus the idea of intellect (image of brain or intelligence capacity) with the economic capital concept: intellectual capital is ready to be invested to gain benefits of increasing the production of better goods or delivering some better services.

Intellectual capital can be possessed in various forms:

- as skill and knowledge, experiences, practices about how to produce goods and services;
- as individual (an employee) or group of staff, who's knowledge are critical for going corporate success;
- as an aggregation of various corporate documents about processes, customers, clients, results of research and similar information, that may be used as a competitive advantage.

Most of the concepts of intellectual capital are based on three dimensions, which are people, internal and external dimension. People dimension is linked with men qualification, cognizance, know-how and experiences – hence with traditional interpretation of human resources. Internal dimension relates to a package of internal organization structures, routines, processes, management systems and so on. External dimension (usually called as client or customer capital) refers to exogenous components and structures having a connection to customers, suppliers and various outside systems.

Intellectual capital is thus perceived as something, which consists of a set of connected social relationships, that exist between groups of people, the value of which is

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greater than a simple sum of individual being. Intellectual capital thus dismisses the traditional concepts of human capital, which reduced this problem only on individually acquired knowledge, skills and abilities. The modern access to intellectual capital refers to cognizance and knowledge potential of all the social team.

Following approaches belong to those frequently applied to make a judgment about existence and a rough value of intellectual capital:

– *Market-to-book ratios*: positive difference between market value (determined at a stock exchange or interim market) and book value (presented in balance sheet) is attributed to the intellectual capital.

– *Calculated Intangible Value*: the estimation is based on application of industry standards for rates of return on assets. Exceeding of given standard is ascribed to good level of an intellectual capital.

– *“Colorized” reporting*: this approach emphasizes notices to financial statements and to annual report, since notices encompass additional information assisting to identification and classification of intellectual capital of the reporting entity.

Thought each of these approaches may be criticized for its imperfection, their primary usefulness consists in the capability to make comparative recognition and an approximate quantification of entity’s intellectual capital. To be recognized in financial accounting as an intangible asset, the intellectual capital have to fulfill not only the criterion of probability of future economic benefit embodied in it (which it meets), but also the criterion of measurement reliability. This is why intellectual capital isn’t recognized in balance sheet yet. This remains to be an appeal for the accounting research.

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