ABSTRACT

Intellectual capital is composed of three elements, which are classified as human capital, structural capital and relational capital (customer capital). Thus, it is not just limited with intellectual property and has much larger scope. Also, intellectual capital is important both for organizations and nations. In other words, intellectual capital concept must be analyzed both in micro and macro levels. Definitely, all organizations and countries reflect strengths on different elements of intellectual capital. This applies to even the cities of particular countries in terms of tourism industry. Parallel to this issue, intellectual capital accounting, reporting and disclosure are very important today in the modern economy for value reflection. Unfortunately, traditional accounting is not sufficient anymore to reflect the real value of organizations. It is easy to see and recognize the tangible assets of any business by the help of traditional accounting. However, intangible assets are not covered and recognized by traditional accounting. If we compare and associate the business to a tree, the current system only lets us to see the fruits, not the roots. Considering the case of smart phones for instance, consumers are ready to pay high prices for such technological devices, which are only made of metal and plastic. But know-how, innovation, software complexity and brand image which are all a few components of intellectual capital are in fact reflected to the value of products. That is why intellectual capital must be recognized, reported and disclosed in the modern economy. This paper suggests that, organizations must prepare and share intellectual capital balance sheets and intellectual capital reports in addition to their financial statements. Finally, this article recommends new codes to be used in uniform accounting plans for reflecting intellectual capital. As an example, a new code of 265 with the name Intellectual Assets and another new code of 504 called Intellectual Capital can be used in Turkish Uniform Accounting Plan, since these accounts are currently blank. Similarly, the same technique can be applied and utilized globally for uniform accounting plans of other countries.

Keywords: Intellectual Capital, Accounting, Reporting, Disclosure, Economy

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