INTANGIBLE ASSETS
A NEW APPROACH TO THE ECONOMY

ENISA LUSHA

SCHOOL OF ECONOMICS, BUSINESS ADMINISTRATION & LEGAL STUDIES
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Student Name: ENISA LUSHIA
SID: 1101150009
Supervisor: Prof. Stergios Leventis

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Abstract

Despite an increased focus on research on intangible assets dated from the last century, we are facing an absence of historical evidence on the interactions between the various elements of the intangible assets and the implications of performance due to lack of measurements corresponding indefinite materials and low detection level of intangible assets in the public sector.

In the worldwide economy that is both global and highly volatile, intangible assets have become essential asset for many companies. Intangible assets have always been an important part of how businesses create value. Licenses, patents, trademarks and computer programs are recognized by companies and their investors as active even though no physical substance, are vital for revenue generation.

Starting with an increasing share of what is produced and consumed is considered non-material cognition, criticism, tips, services and analysis. Assets that we need in order to create continuity on intangible goods. Second, generation, application, orchestration and use of empirical is being a major issue in which way businesses, regions and economies will evolve and maintain competitive edge.

In the advanced countries of OECD, investing in intangible assets are increasing very fast. Generally, this kind of investment it is the same or sometimes is more than traditional asset investments such as buildings, machinery, equipment etc. Accentuated the globalization in competition, information and communication technology, the modern business specimens and the increased consequences that may occur of the service part all have reinforced the momentousness of intangible assets in companies, economies and national industries. The economic crisis in a global effect, has put a more emphasis on how procedures can help the agglomeration of intangible assets and provide alternative ways to improve within the business. There are also concerns saying the crisis could sap the economy of investments in intangible assets and in other developing economies, the one who creates the procedures are investigation on how to evolve intangible assets needed to succeed on activities with increased added price and worth.

Enisa Lusha
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Introduction

Intangible assets are the solution for the success indicators for each company, as in the present and in the future.

The main reason of this Paper is to investigate the role of intangible assets as an increasing value of the firm and how we can estimate it. Since the late twentieth century, the large quantity of historical trials and investigations which have been made in the sector of research for intangible assets. Nevertheless, until now, nothing has been concluded to prove that can be conducted measures of intangible assets and comparison among firms. However, we are missing some historical proofs on the interplay within various parts of intangible assets.

This Paper is based on the hypothesis that intangible assets must be taken into consideration at all levels of the process to finalize decisions and is based on many attempts to estimate them and to calculate a correct measurement. The paper intends to register the indicators available that can be used to collect all the information available regarding the estimation of intangible assets.

The value of the company is very important and should be improved for the benefit of shareholders and stakeholders, to increase the wealth of shareholders and the interests of other stakeholders. Therefore it is necessary to understand the indicators that influence the value of the business, increase their value and reflected in the market price. Intangible assets are now a significant indicator in the assessment of nowadays enterprises (Andreou, Green, and Stankosky, 2007). However the precise number of intangible assets can be controversial, papers have investigate and found that they provide the bulk of major industries value nowadays and the outcome is that the two businesses that lookalike under the terms conventional financial might have totally different market value (Argenti, 2006). For stakeholders, the future perspectives of a business, in evaluating the company a much greater importance than historical performance (Andriessen & Tissen, 2000).

On the other hand, intangible assets are related to more sophisticated information from other types of corporate property (as can be physical assets and financial) because of high uncertainty of the value of their property rights on the asset, and the absence of active markets reliable estimation for the majority of intangible assets. High complexity
of information about intangible assets may increase the difficulty of assimilating the information about them.

**History of the problem**

New era in the economy, as it is now called, it is not merely production of science and technology but is also a production of the most open markets and liberalized. Companies should base their competitive edge in assets that are discreetly resistant, and can be replicated and absorbed but that their competitors find it hard to emulate. In this economy which has an increasingly open world, it is very difficult for companies to keep their competitive edge based on traditional assets such as land, machinery, raw materials and cheap labor. Most of these assets considered as conventional, unstudied are disposable on an same footing with the company's opponents.

More and more companies are supporting their competitive edge in intangible assets, skills and abilities that have value to clients and antagonists find it difficult to duplicate. Information and cognition society and cognition economy are some of the concepts that are used to emphasize the role of cognition (Areas & Lavanderos, 2008). The idea of "economy driven by cognition" not only is an outline of the high technological industries, but it circumscribes a group of new indicators of opponent’s advantages, that can be applied in all departments and all businesses and industries. Estimates of market shares of companies, in particular high technology companies and service is often many times above its own accounting values.

This gulf among trade value and financial value, known as Tobin's Q, received by many as proof that intellectual capital, based on wide sense is gaining more and more importance on business assets. That is precisely the beginning point for many critics of conventional financial accounting, who find it hard to assess responsibly the intangible assets, which seems to be more important in early businesses. Most of the intangible assets are not certified in the balance sheets and the actual financial standards do not accept businesses to declare the share application amount for intangible assets.

More and more we see an increase in intangible assets in size and corporate contributions during the past two decades, which means that they represent an interesting dilemma for analysts. The growing importance of intangible assets and the lack of explicit information regarding their contribution to income allude potential
market stimulus for experts to accept the added value information for companies with high volume of assets non- materials.

The Importance of Study

“What is essential is invisible to the eye” (from The Little Prince, A. de Saint-Exupery)

Over recent years there has been an increased unanimity in the belles letters that intangible assets stands for an important origin of yielding development. Intangible assets accommodates the agglomeration of awareness and information through cognition and novelty, permitting thus that new economies to meliorate the productivities with which they use their resources. Rather than focus on financial outcomes, businesses should look deeper into the hidden factors, which can produce these financial results, which stem mainly from intangible assets. Intangible Assets introduces a significant subject in the vividly discussion on nowadays business resolution. We have nothing to doubt about brands, management skills, IT systems, R&D activities, investor relations and corporate processes are extremely important to a company’s growth and success. The contentment of the clients and their loyalty, being innovative, the good quality of the products and services that are provided, along with earnings and the efficiency to exploit the opportunities that market offers in short, leans on the capability of a company to grow, improve and sustaining.

Although, the Conventional Financials and Balance Sheets can be assumed as a portrait I order to finalize the decision process from the management team of the company in the past years, however, the Intellectual Capital Report has a significant role on the operation of the company, allowing the receiver of the Report to expect potential growth to the company’s financial statements in the following years, as it represents a company’s competitive edge, which will produce in the coming future earnings..

This consciousness is a speculation of the dramatic changes that have occurred in the last two decades, the turn from an economic system where competitive advantage depends mainly on tangible assets registered in the company, is known as "cognition economy", where manufacturing of goods and creation of services more and more leans on intangible sources, for that organizations have the authority to act, but the rights assured by law, not ownership.

For those able to assess the intangible assets will result in a significant competitive edge in their industry occupation. Nevertheless, this lifts, three important topics:
• Expansion and qualification of intelligence company for intangible assets
• Coaching and know-how of professional investments
• The need for gradual harmonization in intellectual capital reports, so said some time in the next years, we will all be speaking with the same words when discussing about client gratification and brand faithfulness.

Methodology

The theme of intangible assets has been in the spotlight as for academic research and business practice. A considerable amount of literature attempts to understand the nature of intangible assets, measurement and management, and to assess the importance of various elements of the value of intangible assets.

The central research question investigated in this work is: how intangible assets can affect performance? This central question is divided into several sub-following specific questions, which were answered respectively by quantitative and qualitative studies, or collectively.

➢ What are the connections between the various elements of the Intangible Assets?
➢ How to correlate Intangible Assets performance?
➢ How we can measure the value of Intangible Assets?
➢ How we can report Intangible Assets?

To realize this paper we used part of financial literature, and various studies have been made in connection with IA. Also, we have to use publications, newspaper articles, standards, recommendations issued by international professional organizations, discussions and websites.

CHAPTER I: THE INFORMATION ECONOMY

I.1. Issue 1 Presentation

Two tendencies are together to achieve what has become known as the "new economy". Starting, the intangible assets on goods and services that we fabricate and use are being
increased. Additionally, this has become potential since the goods and services we use are much more complex in technology wise and bear strong cognition. For these two reasons, competitive and technological, cognition has become a major identification of productivity in this economy of today. These indicators are not limited to mentioned high technology companies, but are visible in the sector of strong cognition in general businesses from it retail, agriculture, and computer software.

New economy has to do with a group for new sources of competitive advantages, especially for the possibility to update, to have new products and establish and investigate on new markets, which is for all industries despite the volume of technology (high and low). In most businesses, the solution to competitive edge is more and more turning to how people merge, list and trade their cognition.

Globalization, liberalization and regulatory framework is being driven businesses to support their competitiveness in brands and generally other intangible assets that is hard to duplicated or sold. From 1960 global commerce has liberalized import limitations, and tariffs are lower or have been diminished. The proliferation of information of technology and the raising of templates means that manufacturing industries can rapidly change from developed economies to developing economies. Conversely, a strong brand name, is hard to repeat.

David J Teece, Professor of Business at the University of California at Berkeley, straighten out how the intensifying rivalry in open markets has increased the importance of intangible assets.

“Low costs of information, growth and proliferation of the numerus and series of trades, where businesses can get raw materials of production, releasement of product and working capital as labors and the liberalization of financial flows is an extrusion of conventional sources of competitiveness and exposure a new core basic value generation. This basic nucleus related to growth in general and in particular with the sharp development of intangible assets from which the intellectual property, cognition, competencies are among the most important. Some non-active material as brands, reputation and client relations are also crucial. Qualified providence to natural pores and professional competencies (work), economies of scale and discoloration spectrum as a basis for supportable competitiveness. Finally, the creation of wellness in a world of increasing competition due to the development, processing and possession of intangible assets, which your rivals will find difficult to duplicate you, but your clients will appreciate”.
That one factor that made market liberalization critical are intangible assets. A further factor is the increasing importance of interim funds markets, which continuously organize the manufacture of ingredients in many businesses that are initially organized straight by big industries. Are more and more public known for collectors of outputs, such as personal computers, to buy more of their parts through networks of subcontractors or in the markets. This proliferation of markets for interim inputs means that a more and more companies will face contestants who can provide approximately same inputs from subcontractors. This makes it more difficult for a company its unique advantage of competitive quality of those data. Rather the company has to check and necessary assets that is difficult to b purchased from a vendor, as the business has the abilities.

**I.2. Issue 2 Implications for the evaluation of intangible assets and cognition**

Intangible assets and skills have concluded to more significant as long as technological change is accelerating and markets are liberalized. It makes sense for managers, stakeholders, owners and users of cognition in creating a more accurate value of their cognition assets and other intangible. However, the assessment that precedes the reason of intangible assets have been more and more critical also focuses several purposes on how those capitals are so hard to assess:

i) The type of cognition that businesses need counts on the type of completive tension they visage. There is a "one size fits all." The type of cognition that is required from a chain hotel or a travel airline company is very diverse from those requested by a telecommunication company. The worth of intangible assets, such as cognition and information it is a high subject of context.

ii) Based on cognition assets that are available in the surroundings, you can lose value in another environment. Coke brands may be more precious in the carbonated beverage, but not as precious cars. Financial information can be very precious for merchants before it is published, but almost useless a just after its public launch. Connecting a stable price of slice of information, a brand or adequacy is so extremely difficult, more specifically in fast growing markets as fashion-oriented, brand or advanced technological changes
A significant part of what recognizes valid cognition is that they are difficult to imitate by competitors, partly because cognition typically combine several ingredients unspoken, or silent routine. Although the typical copyright may be assessed, for example, patents and intellectual properties, assessment of cognition related to the implicit cognition is difficult. Often certain cognition in a manual, a formula or a patent have slight worth excluding the implicit judgment and cognition of necessity to realize it in act

Usually implicit cognition are inserted in business rote, which are continuously developing. An approach of cognition as an "asset" can be very static. Intangible assets that give to businesses a descent of competitiveness are best reflected as ability rather than as assets and capital in several respects certain

Usually cognition of an organization, become with value when combined with cognition of partners, manufacturers, providers and delivers. The price for treating new ailment evolved by biotechnology institutions depend on copyrights base, including the state of the marketing strategy to utilize the expertise

In short, intangible assets have turned out as a much more significant as a source of competitiveness exactly because they are so strict to imitate, to be divided into parts by the competitors. That is the reason why it is so hard for accountants, stakeholders, managers and owners of that cognition to estimate them.

CHAPTER II: PROBLEMS SUBMITTED BY IA

II.1. Issue 1 Presentation

The growth of intangible assets represents three various contradictions for those who try to estimate them. The first contradiction seems to be the extent of the task that intangible assets have in the modern economy. Intangible assets already have a wide range therefore required a more accurate measurement of them. A second contradiction is the growing importance of intangible assets is accompanied by a rate much quicker to changes in overall business evaluation presentation, with more technological tasks in products and procedural litigations and a higher alterability in businesses’ finance. In fact intangible assets are not the problem itself, but the norm of variation in the
performance of the business performance of the investment in intangible assets may manufacture. Any other access must be alright supplied to discuss with this variability and insecurity. The third contradiction highlights the nature of intangible assets. Specifically it is hard to sign agreements to cover tangible assets and is therefore more difficult to trade intangible assets and copyrights in markets rather than tangible assets. Therefore, it is difficult to establish a market valuation of these assets.

The question of assessing intangible assets may appear as an inability in general accounting, although this is not just an economic accounting problematic. There are difficulties on the part of accountants in the evaluation of intangible assets, but it is an indication of a more basic question, how hard is to sell and thus put a value to intangible assets.

Accounting standards are focused primarily on registration and registration prominent, event-based transactions such as investments, purchases, sales, receipts and payments in cash. On the other hand the performance of business change is scarcely caused by special dealings and often is constantly if not prominent. These changes could influence the price of a business much before their implication on transaction such revenues and expenses registered by expert financials become visible. When the fast changes and considerable company performance are driven by investments in intangible assets, inconveniences in accounting change were complicated.

II.2. Issue 2 The extent of the role of intangible assets

A measurement on the growth rate of intangible assets is the gulf among the price of the tangible assets of the company, registered on its financial statement and the price of its stakes on the market. This report, known as the ratio "market value / book value" has increased significantly more for service companies and high-tech. For example, during May 1997, the value of this indicator for General Motors was 1.6, compared with 13.4 for Microsoft.

An analysis on "Business Week" in July 1997, noted that the market value of shares of Microsoft ($1488.5bn) was the same as Boeing blended price of $37.9bn, $34.7bn McDonalds, Texaco $28.7bn, Time Warner $26bn and $21.2bn Anheuser-Busch. Only about 7% of the market value of shares of Microsoft at the time was calculated by assets traditional tangible such as equipment, land, machinery, buildings, registered on its financial statement and about 93% of the company was due intangible assets such as
brands, research, development and human capital. It is worth mentioning that this trend is not limited to high technological companies.

This gulf between the market value and book values shown in the activities of mergers and acquisitions business. When IBM bought Lotus, the creator of Lotus Notes software in 1995, was payed $ 3.2bn, of which $ 1.84bn went to R & D in progress, related to intangible assets, individuals and ideas.

This report suggests that the market value / book value can be increased, in particular, since the book estimation was difficult to adjust to alternative asset base of current industries.

II.3. Issue 3 The price of change through intangible assets

Financial Standards are moving dilatator and historical. These systems seems not to be good at handling instability, precariousness and flow change. High investment are still difficult to determine whether they come as a result of intangible assets. The question is not only that intangible assets are difficult to assess, but the question is the fast rhythm of adaption that they create.

II.4. Issue 4 markets for intangible assets

Accounting is functional when bookkeepers can register distinctive records. Cognition assets and other intangible although, is hard to commerce and consequently it is also hard to set a credible market value for them. In order to determine the most credible tasks of accounting for the worth of intangible assets is to create more profitable markets for the trading of these assets. More credible value accounting will appear as a generator values the most credible market. These difficulties inherent in the marketing of cognition have diversification consort with the type of intellectual property and industries.

There is an increased unanimity that simpler financial instruments do not ensure a whole icon of the pros and cons of a company. However, for all their pretended cons, financial instruments are yet being extensively used both internal and external businesses. There are some explanatory justifications for this, as public declaring regulations for investors’ access on financial instruments, economic information is easily similar. Businesses are cautious in holding more information because they have a
concern about giving a competitiveness. Inadequacy of the current treatment generates five main costing risks:

i) **The risk of trading in-house.** Parties inside a company or in its vicinity are in a more privileged situation to evaluate the pros of intangible assets and skills that foreigners, who do not have specialized cognition. Consequently internally may have the capability to sell this information, which is not disposable to outsiders.

ii) **The high capital costs.** Companies with more intangible and less tangible assets have difficulty in raising capital that businesses with bigger value of tangible assets have, which stakeholders and bankers may assume as security.

iii) **Overestimation of intangible assets that results in separating the capital.** The discovery of unregulated information about intangible assets can simulate a completely diverse problematic for capital. Having no proper regulatory framework to provide information on intangible assets can make it potential for companies to counterfeit their perception of worth, dominant stakeholders overestimate them. So inefficient reveal of information can misrepresent the distribution of capital between corporate industries

iv) **Motivation to users of cognition and businessmen.** The valid access to accounting for intangible assets makes it hard to detect the confluence that various people business professionals provide. Leading that it is hard to estimate the users’ cognition of their real value in a business and evaluate the compensation that must be paid. Better information about the worth of working capital in humans and their thinking would lower the information shapelessness among directors and employers, which directors theoretically, will utilize for their benefit.

v) **Boost instability.** Insufficient discovery about the quality of intangible assets may lead to instability and insecurity in the capital markets. This extreme instability disseminate insecurity about this sections and between investors care.
CHAPTER III: NEW MEASURES FOR INTANGIBLE ASSETS

Intangible assets in the categories of human capital, brand value and intellectual capital are becoming increasingly substantial. However, it is still very difficult to measure the exact value of these intangible assets vital for the obligations of conventional financial records. Efforts to capitalize R & D expenses or trademarks are filled with inconvenience. The new measures non-financial are doubtful, unknown and untried. The task does not consist in the measurement of all intangible assets but, in the assessment of those that will impact significantly on future liquidity. However, exceptions to these assets can be doubtful. Conventional reapproachment to estimating the assets do not function properly for intangible assets.

i) **Substitution costs.** A way to assess an asset's estimate that it would cost his replacement. It is difficult to become a non-active material such as a qualified labor force or a brand price, which can be hard to divide from other assets. So the Substitution cost estimate is much difficult

ii) **Revenue projections.** One other way to evaluate a study's active income will be generated during its useful life and experience with the net present value. Still it is hard to seclude the revenue referable to a non-material, specifically when it is covered with a tangible product. A revenue flowing past will be a driver not accurate price of an output in a trade that is facing quick technological changes

iii) **Estimates of the market.** Most intangible assets have no market value, however it is unknown the value people will be ready to afford for an intangible asset? They are monadic and cannot be merchandised

So, as can be seen we have many possible answers to the absence of conventional methods of valuation of assets when they apply to intangible assets.

**III.1. Issue 1 new approach to the evaluation of intangible assets**

Attempts to evaluate intangible assets in the most reliable way are being developed in two directions. Initially, there are a number of new accesses to perform standards and reporting of domestic corporations, such as the system of the Balanced Scorecard and
the European Quality Foundation Model, that make trials to associate financial results to intangible assets such as the morale and the quality of employees, client gratification. Since Directors of the Companies need to have grater information regarding the intangible assets to permit them have a more effective management, those new models are emerging.

Secondly, efforts are underway to evaluate intangible assets in the most accurate way for investors. These efforts for the evaluation of intangible assets generally indicate how non-financial information about R & D, trademarks, patents or client loyalty can be systematically combined to the stock market valuation of companies. Those approximations are not mutually preconceive. Various alternative types of measurements can be important to various alternative audiences. Kind to those new measures are mainly created to give directors and employees a clear view of the strong points and weak points of their companies, to have another the way they act and thing. Others, such as the impact of social and environmental audit, are focused on a foreign audience, but not economic. Yet others will be defined mainly for investors and analysts to supply them with the requested information that will create a better ability to evaluate the junction that intangible assets have on economic earnings.

III.2. Issue 2 Measuring performance

i) Cash Flow measurement

The cash flow increasingly is being used as a performance metric on the cause that earnings and revenues will be a material of counsel, although money is a material issue. The indicator is the ROI (return on investment) cash flow, which comes as a result of conversion of data profitability and cash flow by utilizing concrete mixed assets as a substitute for investment. The added value of shareholders calculates net operating profit after tax and cost of capital invested in the company. The added value access to cash flow calculates the cash flow last year and provided the strategic and non-strategic investments.

ii) Economic Value Added

In 1980 Stern Stewart & Co developed EVA, consultants from New York, as an evidence for shareholder profits. It has a goal to remove a lot of the paradoxes of
accounting standards by introducing a simple estimates the variation amid cost of capital and profits. An indication of market value added (MVA) correlate the total market value (less debt) money invested in the firm, in the way of issuing shares, loans and earnings. EVA is planned to concentrate on the cost of capital that managers use and thus to embolden them to create more value from the assets they manage. Critics argue that EVA is yet a historical indicator and does not supply any related company investments in intangible assets and its financial performance.

iii) Model of the European Foundation for Quality Management

EFQM model connects broad series of non-financial metrics of company performance. Pattern makers differs as human capital, leadership, resources, business processes and outcomes which comprise employee morale, client gratification and business results and the impact on society. This Model has the goal to give a clearer icon of the procedure by that a business determines the strategy and administrates its assets to fulfill business profits.

iv) Balanced scorecard system

This system was described for the first time by Robert Kaplan and Norton David and intended to balance the financial metrics of performance, including cash flow, return on capital and employed, counts of novelty and extension (percentage of revenue from new products, the success rate of the costs of R & D) of the internal measures such as cycle time, productivity, measures and quality of client gratification and maintenance. Essentially it is an administrative mean for managers to evaluate the efficacy of their business strategy in consigning financial profits. It counts the efficiency of a business just about its strategy. But this system has also been refined to reflect the criticism among practitioners. Letters to the points, which allows directors to find out how the financial efficiency feeds on intangible investments. When it is designed properly it should permit directors at a first glance to see the key performance evidence and business connections.
v) **Social and ethical audit**

Ethical and social performance of the company, more and more dependent on its relationship with "investors" and leading group members amid their workers, clients, vendors and social groups. These relationships that are by their character intangible are of the most precious assets of a company. The discussions and conflicts behind social and ethical audit, in case of auditing a company comprehensively will need to investigate these relationships too.

Connections with workers, providers and clients in general, are crucial for the company performance. Relations with compulsion teams and society can be vital in defining attitudes to the company and its reputation in public.

vi) **Environmental audit**

Company audit impacts on the environmental surroundings and is mutual, specifically for big industries in the society where has environmental sensitivity such as chemicals and oil. Environmental audit is being pushed from a presentation of a business's capability to find, hire and keep her employers and clients in sizable part dependent on the attitude and its public opinion. One different approach in assessing environmental intangible assets for a business, considering the keep low costs in accordance with environmental laws established together with the increasing needs for environmentally conscious clients and improving employee incentives. (Donald P. Cram : “The Pricing of Environmental Intangibles.” Paper Presented to 2nd Intangibles Conference, New York University, May 1999).

III.3. Issue 3 “New indicators of intangible assets”

All indicators argued are planned primarily for directors to have better cognition and better ability to administrate the soft assets such as incentivizing their employee, that have a straight impact on economic efficiency. Those new indicator systems usually provide information about intangible assets, but they do not drive directly to an accounting estimate market or a non-material. Further we will examine recent efforts assessment intangible assets such as brands, in the most direct way.
III.3.1. 1 Sub-issues of human capital

Systems most recently developed performance measurement have an important role in the evaluation of "human capital", including employee turnover, levels of education, training costs, competence, duration of stay within the company, lingual variety background. Lists of metrics of quality of employees could be extremely big. These measures should clearly being importunate to a company's competitive edge on strategic schemes and its needs. A company may need for a high turnover of young people; a company may need to reduce its rate of turnover, to create a more stable workforce.

III.3.2. 2 Sub-issues Consumers

As much as more clients a company can hold, the less there is to consume from its budget on marketing and so profits will be positive. There are some positive indicators why the client relationships should be handled as an asset that brings a flow of income during his lifetime. Most new systems of performance measures include metrics of client obtainment and keeping them for a long period, lifecycle and market stake, revenue and time side face. However, as with employers challenges exist to demonstrate how those non-financial metrics could be turned into financial standards, which may be pertinent for accounting, or trade price of the business.

In other words, stakeholders appear to consider client gratification as a diviner of financial efficiency, nevertheless they highlight that this relationship derives starting being capable in the field of communication and serves to be too weak to produce. Client purchases is key to the boost of new consumer technologies, such as mobile phones and digital devices, there is often a trial among rivals to create and maintain fundamentals. Client acquisition is often considered as an expenditure and not an investment.

III.3.3. 3 Sub-issues Brands

A potential brand is considered as an asset by directors and stakeholders, although brands are not considered as assets on most financials. Evolved domestic brands, are not recognized as assets (other than logo) different that established brands when corporate acquisition happens. Costs bear to grow brand value, like certifications and advertising
are treated as an expense instead of a capital cost. This is a justification why businesses with intensive brand products usually have an increased ratio of market value compared to book value of the businesses that have potential brands.

Even if clarity of brands has variety, the basic concept is that a brand mark special to that the client has an increased aspect of insight and an eagerness to afford a higher price compared to the average or buy at a higher frequency than the average. A potential brand might provide the business advantages like loyalty, largest client, less vulnerability to marketing competitive or crises marketing, images high response, less flexible clients against price increases, opportunities for licensing and expansion brand. More needs to be done in terms of improvement of brand worth in an analytical project before these calculations to be included in the financial statements. Although, the analysis presented by Barth et al, proposes that the financial accounts will become more practical and more important for stakeholders if they include data in right quantity and quality adjusted and comparable regarding trademark.

III.3.4. 4 Sub-issues research and development activities (R & D)

Research and development is a significant basic processes, through which businesses lay out in cognition formation. Research and development activities should be considered as an investment to create an asset, cognition capital, which generates a stream of revenue. They carry risk and often focus on projects that do not lead to any particular benefit. Although studies on a large scale have shown a near link between the activities of R & D productivity earnings, with income and return on shares, significant difficulties remain for an accurate assessment of their company level.

From the perspective of investment management, the level of total expenditure of R & D at the firm level, shown in the financial statements, can be said to be a pointer of future performance. There are different types of R & D expenses, each with a different impact on future cash flows. Several R & D expenses are the basic research that can carry a great risk, although that can supply the basis for significant long-run growth. While other forms of software creation, aims to develop products with a short life cycle. Thus efforts to evaluate R & D activities for corporate face an enigma. It is obvious that part of the money invested in R & D will generate earnings in the future and it may not be considered like any other company expenditure. Although it is not obvious, from the beginning, which part of the costs of R & D will be neater and capitalization of these
costs based on the cost of R & D will provide a wrong effect. The new metrics of intangible assets must try to avoid the traps of both accesses. One alternative is that the market can create and evolve its own assessments of the R & D activities, which may be considered by accountants and investors. Intangible assets represent a question, since it is hard to conciliate the estimates obtained from financial markets (market value) and ratings achieved by accountants and managers (book value). In doctrine the market price and the carrying amount of an asset should, in two ways be the product of a close relationship between information flow and patterns. At this moment intangible assets such pose a problem because the market value is defined and continuously reviewed, while only carrying reviewed periodically.

III.3.5. 5 Sub-issues Intellectual property and patents

A patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something, or offers a new technical solution to a problem. Patents being considered as specific formats of intellectual property. Much of the resolution of the relationship amid patents and corporate valuation is conducted in the US, explaining that a patent it is important to be innovative, useful and significant. Patents are more and more gaining the ground on being a focus for intellectual capital management within businesses. This resolution declares that the elements of the patent may have a significant part in some industries and countries in providing information to stakeholders about the business's cognition capital. Measuring the quality of patents, such as the connection of science and industry influence are a valuable indication of how cognition is recognition of a company and for other companies is as basic research. Providing this type of information regularly for relevant industries and companies, will assist stakeholders to know better the connection amid investment in R & D, creation of intellectual capital and the result in financial performance. Of course there are limitations as to patent the process of creating is more common in some industries, such as pharmaceutical and chemical ones. US companies have a greater approach to the application of the theory of the patent than businesses from several European and Asian industrial economies. However, it can play a useful role, the time it can be used to the appropriate businesses and industries, additionally combining with information on intangible assets such as R & D.
CHAPTER IV: NEW MEASURES INTANGIBLE ASSETS

New models for measuring performance are more and more being used by businesses to assist directors in tracking the function of intangible assets such as client gratification and employee morale for the generation of earnings. These systems are producing analytical information about the intangible assets that administrators have in use. In the meantime, they are becoming more sophisticated in explaining the role that intangible assets have in the determination of the stock market. Access these estimates on the value of intangible assets often uses non-financial information, which is appropriated by many companies. The question is in fact how to develop and integrate these new measures. In this section we consider three possibilities.

First, the conventional financial accounts can maintain the basic focus in corporate reporting but they can be expanded as needed with non-financial information that will assist investors in evaluating intangible assets. This treatment is defined as escalating assessment. Secondly, these new measures can be incorporated in Financial Statement and the so called "Intellectual Capital Balance Sheets" that will include information traditional financial, but mainly will focus on the measurement of intangible assets such as employees, capital consumer Organizational Chart and so on. This is a revolutionary approach. Thirdly, the evaluation work can be done more and more oriented to the market, the use of equipment such as real options. This assessment blurs the distinction amid financial market assessments of intangible assets and corporate internal assessments and defined as a hybrid approach.

IV.4.1. Sub-issues 1 Escalating approach

Gradually escalating approach requires the fulfillment of values for intangible assets that traditionally have neglected statements. Historical accounts Financial will remain at the center of corporate reporting, but will be supplemented by necessary information robust to intangible assets with a proven track record to connect with the market estimates on patents, values, brand, and client loyalty and so on.

Access must include at least the following steps. Initially, this assessment will be focused on non-financial metrics that are important and collectable in a quick way and
tested on a strong connection with the market value. These metrics will vary depending on the industry. It will have an unsuccessful result to focus on the same time global standards in all kind of business economies. On the contrast, the main focus would be better to be to evolve appropriate metrics in specific business economies that can be adapted taking into consideration the scale of evolution that a business has achieved. Type of metrics for a corporate in a mature industry will have a difference to what is applied to these companies that are considered small. Second, businesses need to give a secure haven for their own accounts that intangible assets can be considered asset without appearing in mirrors outright. This will certainly permit businesses to adjust a more pliant aspect than the traditional financial statement, stating categories values of intangible assets. Third, companies need to offer a set of accounts reviewable. For example, there can be proper capitalization of R & D spending on new technology business with a high risk, in an early phase of evolvement, since the perspective advantages will be equally unsure. This have to be reviewed in light of new information.

This aspect is planned to permit businesses to combine step by step conventional and innovation aspects to valuation of assets. The biggest profit of this aspect is its progressiveness that will permit stakeholders, administrators and regulators to know how it will be more yet interesting.

IV.4.2. Sub-issues 2 Radical Approach

Radical approach consists in developing a new balance sheet statement, which sets intangible assets in the center of the accounts. As a metric of profitability and as a source for investment are contained as financial information. The production and growth of intangible assets such as employers, client relations, and organizational competencies are the core of these new models.

IV.4.3. Sub-issues 3 Hybrid Approach

Hybrid approach is more radical, including many more changes, not only for the way administrators and economists assess intangible assets but the way community as a whole evaluates them. Also, this approach would recognize clearly that the values most
reliable for intangible assets will only arise if there are markets more open, more actively you commerce them or at a minimum financial instruments that are connected with intangible assets.

We will analyze two aspects for the evolvement of new marketplaces for intangible assets. Initially, intangible assets are hard to be assessed by accountants since they are so inconstant and unsecure and their price changes according to market shifts and demand. Secondly, the accounting and tax system it is functional, if the transactions we record are observable or discrete. Hybrid approach then argues creating new financial marketplaces that would permit commerce in options on intangible assets. That would permit stakeholders to invest in businesses like blends but also on an analytical basis. This approach will include the formation of a new type of financial markets, the options marketplace of intangible assets, a system that is based on markets for the evaluation and future perspectives of intangible assets as part of a company.

There are obvious weaknesses and limitations also. There may be restrictions on kind of material asset that cannot be traded. By splitting the value of intangible assets of the company, this aspect may give the impression that a business is nothing else but a provisory union of resources, ideas and people that can easily be destroyed and readjusted.

CHAPTER V: INTANGIBLE ASSETS AND CSR

In the new economy, intangible assets that are otherwise known as intellectual capital (IC) such as human capital (including the assets of cognition, leadership), capital organization (including communications and tactics), capital market (where including reputation, the evolvement of brand allies and networks, ability to adapt) and capital of innovation (including expenditures on R & D, skills, technology) are in the spotlight. The capability of a business to mobilize and take advantages of its intangible assets making it more determined than investing and administrating the corporeal assets.

Additionally, in the new economy the new idea of Corporate Social Responsibility (CSR) with a tolerable growing, cropping as a prorogation of the intervention of intangible assets in the ethical content of the activities of companies. It can be
concluded that CSR principles should be applied effectively to the strategic objectives of all companies. In this context, it is worth emphasizing the concernment of socially responsible investment. This evaluation includes taking considerations social, environmental, ethical, and the scope of that corporate strategies and risk management including these indicators in the choices, keeping and realizing the investments and reliable use of rights for investment.

The link between CSR and intangible assets is a settlement amid two important points of view, the inconvenience to evaluate intangible assets and the momentousness of intangible assets for value creation future in order to stable. This connection amid intangible assets and CSR is familiar and multilateral. Knowing how the worth is created by intangible assets is undivided to the knowing of how long-term wealth is produced through CSR. Intangible assets such as trust and capacity, reputation, in majority known as basics to both performance and an undivided part of CSR.

V.5. Issue 1 Corporate Social Responsibility, A fundamental principle of economy

Today, the new economy is obviously cropping. It is an economy that has its fundamentals in cognition and concepts where the property keys and job creation levels represent technology, concepts and novelty that are embodied in all sections of the economy. According to Wikipedia, the new economy is a "definition that was fabricated in the late 1990s to depict the development of the United States and other countries from a producing economy, the industrial base in an economy based on high technology, stemming mainly new developments in the technology sector.".

Nowadays, the performance of companies is the effect of considering data related to social, environmental and economic performance. Environmental performance is straightly connected to natural capital (natural resources and procedures used by an organization in providing products and services), while social performance mirrors the impact of the organization's human capital and social (such as cognition and motivation of individuals, health, skills, partnership and cooperation, human relations) and economic performance includes financial performance mirrors the consequence of the organization on the broad economy including its production and financial capital. Mentioning in this report of three is usually named supportable reporting. Businesses
usually relate to Corporate Social Responsibility (CSR) to evaluate their performance, using economic criteria, environmental and social.

V.5. Issue 2 Intangible Assets, the main driving force for the company's performance and competitiveness

In productive or industrial economy assumed mainly basing on fluxes of material assets, managers are to ensure that the management will create "shareholder value". In addition to this faith in the new economy it is potential to introduce high prices by not basing on tangible assets but intangible.

In general, a company has ownership and control of its assets, power, authority and that relates to property. Intellectual property is one example of an intangible asset with legal or contractual rights, including licenses, patents, copyrights, designs and trademarks. However, the majority of intangible assets are not active in conventional accounting concept and should not be deemed as such. Not all owned by the organization Intangible assets are the most important of an organization.

Starting with human capital, cognition (intellectual capital) and expertise is part of every employee and contractor staff and is owned by anyone who owns. A company can buy the use of cognition, or to set it differently, can lend an individual intellectual activity (salaries can be excluded for example), and the underlying source of intellectual labor cannot be owned by the company. Second, capital market appears as the image of a business in the market and as his fame with clients in general and in particular future clients. These perceptions are external impressions and feelings that belong to foreign parties. In addition, relations with clients and providers cannot be owned only from one part or otherwise they will not be defined as a relationship. Concluding, the ability to organize activities and fluxes of cognition, to minimize the cost of production and increase productivity known as organizational capital is one other example of intangible without having legal or contractual property rights.

Investment in intellectual capital as viewed initially, as a capital individual and secondly as a capital constructional (worth of processes, routines, technologies, systems and infrastructure stored in manuals, goodwill and information systems) are a solution capital and novelty. New procedures, services and products that are created by the procedure of innovation are the result of investment in R & D (acquired technology, client acquisition costs, employee training, etc.). The moment that these investments are
successful in marketing sector they have become intangible assets and have created corporate value and growth.

One other solution ingredient of intangible assets is that they can cohere not only the requests of the assets, but also those obligations. One responsibility is an actual liability of a business growing from previous occurrences, the solution of which is awaited to result in an outflow of economic benefits from the business. However, an intangible asset cannot be addressed under traditional accounting definition of a liability.

Staff Productivity weak or deteriorating relationship with an important client are just some examples of obligations intangible assets. Generally, intangible assets which cannot be separated obviously dealt with in the context of goodwill, which can be counted as the difference amid the market value and booking on a company value.

Intangible capital is described by instability. Regarding this, it demeans in a different way from traditional capital. As a consequence of their instability, intangible assets represent a substantial mark of business risk. Nevertheless, risk management is taking a special importance. The ability of an organization to sustain risk management will become itself a significant intangible asset. In case that intangible assets represent risk, and they also give great opportunities. One point, intangible capital can be increased without increasing the physical capital. Another point, investments in intangible assets provide a means for reducing the exposure of an enterprise about the uncertainty.

Besides material capital investment, for which it is easy for companies to compete for imitation, intangible investments are often separate enterprises, making it hard to emulate the opportunity to other companies. Intangible investments can therefore be regarded as a tool for succeeding in competitiveness.

In the new economy, an important aspect in the procedure of creating corporate jurisdiction, competitiveness and innovation is playing. Novelty can be reached straight away various canals - through R & D leading to new production and procedures, and also through a spread related with imported technology. Differently, the conflict of intangible investments and production based on novelty, the economy is due to the results of diffusion. Having comprehend competitiveness, businesses need to acquire the possible could needed effects spread.

When observers talk about today's cognition economy, information economy and the service economy, such descriptions mirrors the continued ascension of intangible assets.
valued as significant elements in nowadays societies. Competitiveness is on the minds of executives participate much more than material assets portfolio of physical assets of the organization. Despite these tendencies, the administrators live in a world where intangible assets are still un-known, unmanaged and unreported. As intangible assets, and CSR also do not have a widely resulted circumscription. Generally, they are just an administrative aspect where they are identified, assessed and respecting the interests of all stakeholders of the organization. For one part, and very similar to the first circumscription, CSR is a powerful procedure known and responsible for developing precepts of liableness amid the organization and its shareholders. CSR are usually depicted more of its ingredients, adjustments and figures than are described in a specific format.

CHAPTER VI: TOWARDS A NEW MODEL FOR ASSESSMENT OF IA

Recognition of intangible assets in the financial statements started only after the 1980s from Adam Smith, who is known as the father of modern economics, who had the belief that the origin of value for every business lies entirely in the creation of product value. From his view, the manufacturing work creates materials that have worth in the market, while non-manufacturing work led to the formation of non-material values. This theory collapsed in 1912, when Schumpeter in "The Theory of Economic Development" proposed the idea of the giving worth to intangible assets in economic system, such as novelty and the vision of intangible assets as essential specimens for the evolvement and the basis of a business.

After that period, many searchers have shown the momentousness of intangible assets and their confluence to increase the price of a business through the influence of the structure both interior and exterior.

Relying on the results of Bounfour (1998, 2003), we can mention the growing importance of intangible assets due to the increase and industrialization of the service industry. Considering that manufacturing is not simply product, a significant part of information and intangible assets in business competitiveness have bigger worry for increasing the worth for investors.

More and more, nowadays companies from the beginning focused on the basics concernment of services and information. During past, intangible assets presented about
half of the trade worth, at that time this number has increased and this is due to the new model of antagonism. Nevertheless, there are yet many organizations that do not produce reports that could make it possible to assess the intangible assets with the help of pointers. Justifications for this can be summarized in this way:

1. The conviction that Economical Reports represents only the true value of the business.
2. Fears that the elements may disclose esoteric information about internal substructure, clients or workers of the business.
3. Missing cognition requested to analyze valuation methods.
4. Missing the practice necessary to select the correct method.

VI.1. Issue 1 In terms of determining the IA

Currently we have not a unanimous description of intangible assets that has been adjusted for Economic Books. Although, explanation of various descriptions, could drive to the identification of their types. Some of the elements related issues intangible assets are presented as follows:

1. Be distinguished, that could be identified from other assets.
2. The contingent to create earnings, otherwise you are not recognized as an asset.
3. Check, one business must have the ability to audit its assets or intangible. Due to this check, the assets can be estimated at another phase.

To create good estimation model must be acquainted with the data of which will be measured, their shape and the way they can be categorized. This large diversity of subsisting classifications of intangible assets highlights the absence of unanimity that creates evaluation of these assets in a hard way. The results are obvious indicators and the absence of normalization outcomes, varied leaning on the method picked.

General duly finance, an asset is any mean controlled by the authority as an outcome of previous occurrences and from which the coming economic advantages are anticipated to flow to the entity. Having the need to conform to the situation of "intangible assets", the asset must be distinguishable, affirmable and able to create financial earnings.
In January 2005, the EU has adopted a regulation on accounting standards to harmonize the balance sheets of businesses, heartening transparency and liability. All businesses must submit their balance sheets based on IFRS (International Financial Reporting Standards). That was a good opportunity for presenting the description of intangible assets in the statements. Although, even under the other regulations, intangible assets will be recognized by parts. Since, intangible assets are not recognized as assets on the actual standards, their assessment will have a difficult role.

**Table 1.1. Intangible assets**

<table>
<thead>
<tr>
<th>Identifiable</th>
<th>Non-Identifiable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Received from third parties</td>
<td>Generated internally</td>
</tr>
<tr>
<td>Individual in the context of other forms of activities of the company</td>
<td>Gained or outside Goodwill</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>Clients</td>
</tr>
<tr>
<td>Administrative Concessions</td>
<td>Organizational Structure</td>
</tr>
<tr>
<td>Industrial Property</td>
<td>Know-how</td>
</tr>
<tr>
<td>Rights available</td>
<td>Prestige, Reputation</td>
</tr>
<tr>
<td>IT Applications</td>
<td>Promotional Strategy</td>
</tr>
<tr>
<td>Intellectual Property</td>
<td></td>
</tr>
<tr>
<td>Franchise</td>
<td></td>
</tr>
</tbody>
</table>

In view Intangible Assets | Not defined Intangible Assets

a. Intangible assets are identifiable are those purchased from other entities, interchanged or acquired or gotten as part of the company. These can also be created internally as the R & D expenditures or programs

These assets that are listed in the initial group can provide n the coming economic advantages that are mirrored in their expenditures. These assets that are listed in the other group, contrariwise, will have a special purchasing value and therefore are linked with an increased value of risk and insecurity.

This influences their metrics for assets, since obtained assets can be measured in an easy way (they have a value), on the contrary, the assets from within, request other valuation models, which can be very substructure, and are the subject of that.
b. Intangible assets which are non-identifiable, are in accordance with the description of an asset but without being divided and identified, they have a specific economic treatment. These assets, can be purchased by one other business (external goodwill) or created from within (internal goodwill, intellectual capital, human capital, etc.).

VI.2. Issue 2 Valuation of intangible assets and classification

Business valuation is important for the management of the business, because it shows the consecutiveness and contingent of the business. Unhappily, considering this a growing value of subtractive, it is hard to establish a model where would permit someone to carry out this assessment. Since we are talking about assessment, with regards to the financial and economic worth of an intangible asset. Differently, it commits to the numismatic price and not its subtractive price. Metrics of intangible assets is crucial for their proper administration. We are focusing to estimate them, for the reason of assessing the quality of management.
Models of assessing intangible assets are actually a way to make simpler our real life and an approach of the correct worth. Although, those models found a way to create a strain showing that the business's outcomes are better or worse compared to other analysis. We have various aspects to classify the assessment model. We are based on the classification conducted by Sveiby (2007), which has two ranges.

- First, it recognizes the aspects as below:
  - organizational level
  - similar elements
- Second, how the outcomes are showing:
  - numismatic worth
  - non-numismatic worth
Depending on each country, they identify four types of evaluation methods:
1. direct method of intellectual capital (DIC)
2. Market capitalization method (MCM)
3. Method of return on assets (ROA)
4. Balanced scorecard method (Scorecard, SC)

Inadvertent of the method that will be simulated, it is crucial for the business to be sustain the chosen implementation method. Each model has pros and cons hinging on the time or situations that is used.

### Table 1-3. Assessment Methods for Intangible Assets

<table>
<thead>
<tr>
<th>Methods</th>
<th>Characteristics</th>
<th>Benefits</th>
<th>Restrictions</th>
</tr>
</thead>
</table>
| MCM     | Based on the market capitalization | - suitable to demonstrate the financial worth of intellectual capital  
- conducive to "benchmarking" and | - It gives no data regarding the elements of intellectual capital  
- a clear |
<table>
<thead>
<tr>
<th></th>
<th>Return on Assets (ROA)</th>
<th>DIC</th>
<th>SC</th>
</tr>
</thead>
</table>
| **similarities** | conducive to "benchmarking" and similarities  
- It defines the financial worth of intellectual capital  
- It is focused on conventional accounting regulations, and therefore is easily understood by accountants and finance professionals | - assessment of the financial worth of intangible assets by identifying their elements  
- to be used together with standard methods defined SC as pointers | It identifies the elements of intellectual capital and generates indexes and pointers measured in the scoring charts for papers  
- It gives fast results that can be understood easy by the business  
- They are easily adapted to find and correct errors in the company's processes  
- a wide range of results that will help to correct current Company policy |
| **financial focus, limiting prospects** | - It gives no data regarding the elements of intellectual capital  
- a clear financial focus, limiting prospects | - metrics are personal for each business  
- It is not suitable for "benchmarking" or similarities  
- As more elements are analyzed and get more value, the more difficult it is to carry out the assessment | - sensitive to changes in context  
- The resulting worth of information can be difficult to analyze; it is difficult to get a unique numerical result |

Economic Models (DIC, MCM and ROA) are based on the use of economic standards that represent the worth of intellectual capital in the business. They are important in the activities of merger / acquisition and in estimating trade / similarities and permit the
evaluation of intellectual capital in numismatic ways. Additionally, giving a number as a result, these models gives the opportunity to compare businesses of the same industry, or assess mergers and acquisitions. The benefit of a numeros value shows how intangible assets are valued, while the drawback is that the value of the asset restriction for a certain amount can be frivolous. In the meantime, they do not permit the identification and measurement of various components of intellectual capital. Non-economic models (SC) show the relation amid the business's main possibilities and the ability to create prospect earnings. Those models gives a global vision of the strategy in the longer term, minimizing the precariousness of making a decision. As a result, the information submitted by them, does not withdraw from economic models (information regarding the advantages that can be created in the coming period of works that cannot be determined).

Advantages associated with providing an overview on the state of the organization, an instant whole picture of the overall economic status, and where progress is required. Those methods often supplement finance-related projects that are a tool that shows how intangible resources creates economic profit.

Disadvantages associated with high personal nature. They lean on the situations where they are being utilized and as a result need to be adopted for each business separately. Since this happened, it is hard to find similarities and differences. In addition, since they do not provide a precise numerical score, they are less favored in the environment of a company. Despite that, they can create huge quantities of information that are difficult to analyze and to transmit without a needed perspective, just economic. On the contrary, the symptoms used by these models are not adequate for the justifications: (1) it is hard to divide the components or to rank the company's workings in terms of indicators, (2) usually they are not related, (3) it is hard to contrast, (4) they are subjective and (5) there are many other components.

**MCM Model** estimates the variations amid market capitalization and finance worth as the worth of its intellectual capital or intangible assets

**ROA Model** offers a personal financial solution, in accordance with the requests of the investors. It usually estimates the results, and not the organization
DIC Model estimates directly the contribution input value intangible assets by identifying different component. Those ingredients can be directly estimated as separate components or as aggregate weighting.

SC Model are based on pointers and indexes intangible assets with basic results presented in graphics. They are similarities with the direct model but will not give numerus value. Its benefit is to provide a comprehensive view of intangible assets, which can be controlled at every level of the business and can adapt to all industries.

CHAPTER VII: THE ACCOUNTING TREATMENT OF INTANGIBLE ASSETS

VII.1. Issue 1 Presentation

A fundamental tendency in the nature of financial activity is considered as an important justification for the increasing importance of intangible assets. The pores that are consumed on intangible assets are spent in a conventional manner and considered as an expenditure and not as a long term investment. This conventional financial use for intangible assets has lowered the importance of the value of the financial statements, and the importance of intangible assets has been steadily growing and reporting defenders usually debate that the balance sheets do not represent the worth of intangible assets. During past decades there has been a need for changes in accounting and the overview is that the conventional approach of historical cost is not more profitable because the economy has gone from an economy based on industry, economy based on cognition where intangible assets has a significant role. (Cañibano et al 2000 ; Hoegh-Krohn & Knivsflå 2000).

Accounting is often criticized for not presenting the intangible assets on the balance sheet. Value in today's business stems less from tangible assets and more from the so-called intangible assets (brands, distribution systems, supply chains, "based on cognition capital" organizational capital). Accounting is seen as careless, with a high ratio of price / book value as evidence. The proposed approach often linked with the registration of these intangible assets in the balance sheet.

Accounting for intangible assets, widely recognized as the most complicated topics in the harmonization of financial standards and auditing opinions, linked to if all or part of intangible assets must be capitalized or not and if so, whether they must be mitigated or
be subject to yearly provision of impairment testing. (SAHUT et al, 2011, Dahm et al, 2009, Hoegh-Krohn & Knivsflå 2000). Adoption of International Financial Reporting Standards (IFRS) has had significant impacts on the practices of identification and counting of intangible assets.

**VII.2. Issue 2 Accounting for intangible assets**

This question is much important since the variations in the environment of economy created as a result of constantly increasing importance of intangible assets. Rapid change in technology and communication media require more complicated sources, and tangible assets on their own do not guarantee success, while costs, which related to intangible assets often generates for the coming period earnings.

As a tradition, the pores that were expended on intangible assets are considered as a cost, instead of considered as a worthy investments and recognized in financial statements. Processes of global mergers and acquisitions and rapid development of financial markets are the main consequences the regulatory aspect of intangible assets is more important (Ji & Lu, 2014, 188). According to Lev (2008, 210) emphasis is placed, first in the capitalization of intangible investments and the improvement of standardization regarding disclosures for intangible assets.

There are three main issues dealing with the accounting treatment of intangible assets. First, whether the intangible assets recognized (capitalized instead treated as an expense) in the statement and if the intangible assets produced should be treated differently from intangible assets acquired. Secondly, if we are all intangible assets are amortized systematically including those with indefinite lives or should be subject to an impairment test and on what basis. Thirdly, if you have allowed companies to revalue intangible assets, to better reflect their fair values and in what circumstances. (SAHUT et al. 2011 270). Accounting academics have advocated recognition of intangible assets in the financial statements and appeared in enough evidence in their studies to show that intangible assets are important and should be recognized in the balance sheet. (E.g. Aboody & Lev, 1998; Francis & Schipper, 1999; Lev and Zarowin, 1999; HoeghKrohn & Knivsflå 2000; Goodwin and Ahmed, 2006). All these studies highlight the importance of disclosure.

Although academic researchers do not share the same opinion on how intangible assets must be considered, all agrees that the importance of the worth of the balance sheets is
in decline and one of the reasons is that the importance of intangible assets is steadily increasing.

VII.3. Issue 3 The importance of the financial statements and the value of intangible assets

The purpose of financial statements is to provide important information to users in making economic decisions. The information reflected by the financial statements is criticized for failing to reflect the changes more uncertainty of future economic benefits and costs associated with different assets and there has been a growing concern about the importance of reducing the value and reliability of financial reporting. Some of the concerns expressed correlate with the current focus of the reporting model, the content of what is reported and claimed that the current reporting model does not recognize and measure economic assets that create value for shareholders. One reason for this may be because of accounting standards and practices have not changed rates as businesses have changed. Another possible reason could be that the accounting standards and practices have changed in ways that do not provide information of significant value. (Choi et al 2000; Francis and Schipper 35, 1999, 323i, Hoegh-Krohn & Knivsflå 2000 254).

Intangible resources should be recognized in the balance sheet to maximize the importance informative financial statements. The information is important if it can confirm or change expectations of a decision maker and values the importance of financial statements can be defined as "... the ability to confirm or change the value of investors' expectations."


Since 2005, listed European companies have been obliged to use International Standards of Financial Reporting (IFRS) as a regulatory framework for consolidated financial statements, in an effort to achieve transparency and harmonization of financial reporting standards and to reinforce integration of European capital markets. More than 100 countries have adopted IFRS around the world, though it is not mandatory to all these places and more are based on recommendations (HAARAMO 2012 21). From the
perspective of intangible assets acquired, the most important are standards IFRS 3, IAS 38 and IAS 36 which are examined in more detail in the following chapters.

VII.4.1. 1 Sub-issues Intangible Assets

Under IFRS an intangible asset is defined as "an active identifiable non-monetary and without physical substance". An active turn, can be defined as a resource that is controlled by the entity as a result of past events and from which future economic benefits are expected. Accounting for intangible assets is adjusted according to IAS 38 and the standard identifies three attributes critical to an intangible asset related to identifiability, control and future economic benefits, which can be, for example, income or reductions future cost. (The 2010 European Commission 3-5). A common classification of intangible assets developed mainly by accounting standard setters divides them into two categories: (1) internal intangible assets and (2) external intangible assets (purchased). This is the classification that use IFRS.

VII.5. Issue 5 Conservatism in accounting

Adoption of IFRS accounting management maturity has increased due to the introduction of the impairment test and the numbers based on fair value. The goal of conservative accounting system consists of assuring that assets are not . As a result, it reduces the diversity of management and the ability of managers to introduce bias (eg Watts, 2003; Lafond & Watts, 2008) and it reduces the ability of managers to manipulate earnings (Chen et al 2007) conservative accounting affects the quality of the numbers reported in the balance sheet and income reported in the income statement, bringing thus reducing the quality of information accounting.

All accounting systems expose conservatism to some extent and the choice between accounting conservatory and management judgment is not simple due to numerous problems related to the increase of trial management. As discussed above, IAS 38 limits the very recognition of intangible assets in the balance sheet due to not meeting the criteria of recognition. However, an interesting fact is that all intangible assets acquired are recognized in the balance of buyers and this of course reduces the comparison between companies.
CONCLUSIONS AND RECOMMENDATIONS

The gulf among the market values of the shares of many companies and their carrying amounts or the book is on the rise, especially in the industry of high technology and intensive cognition, where businesses invest more in intangible assets like spending on R & D, brand etc. Since the economy is becoming more and more cognition-oriented, intangible assets are getting bigger worth in the majority of enterprises.

The financial systems were not determined to coop with businesses which invest more in intangible assets. The system has a poor performance in the measurement of high-tech sectors such as telecommunication, mobile, intensive pharmaceutical and branded businesses in consumer diligence.

This discrepancy among the worth that stakeholders invest on the company and the price that accountants register in the financial statement is not just the product of the level of investment in intangible assets. Worrying accounting traditional is financial instability, insecurity and the rhythm of change connected with increasing investment in intangible assets. Accounting is not only weak in dealing with intangible assets, but poor in dealing with the rapid changes.

There is room for reform to take into consideration in the context of improving how companies disclose about intangible assets and value for their worth. Nevertheless this cannot be continuously on the need to protect accounting traditional ergonomics administrative or yet lower protecting the post of professional bookkeepers, which is excessively at risk from the dissemination of alternative schemes of assessment developed outside the trade.

In the case of the change is the discrepancy among market values, which include an evaluation of the price of intangible assets, and book value, which creates space for in-house trading, may drive to the dispersion of not good capital cost, increased capital and cognition-intensive companies increased instability and insecurity.

Another treatment to discover information about intangible assets and their assessment explains that we must begin by the acquaintance of the special key points of intangible assets, which are highly dependent on the context and changing their value. Particularly, intangible assets are made available to businesses, in big portion since it is hard to duplicate, imitate and acquired by competitors. Intangible assets are hard to be traded and exchanged. Characteristics that let intangible assets be available to businesses also means that they find it hard to assess by accountants and merchants.
The absence of information about intangible assets is considered in the growth of new systems of performance indicators of business such as balanced scorecard system, EVA and the European Foundation of Quality model. These are intended to give to the directors a way to understand how intangible assets generate financial results.

The most promising treatment, would be to create a set of standards for specific industries to be supplemented, revised and changed the company's accounts to generate greater information about intangible assets and let them to be assessed more reliable. This approach should be associated with the development of new markets for intangible assets or financial measurements related to them. Finally, treatment of new formats can have a significant role to assist in the presentation of intangible assets on which a company is based.
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