Reporting 3.0 conference

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Intangible assets

Have the drivers of Value Creation shifted from Tangible to Intangible assets?
Intangible assets

An intangible asset can be defined as a claim to future benefits that does not have a physical (buildings, inventory) or financial (stocks, bonds) embodiment (Lev, 2001).
IAS38: Intangible asset is an identifiable non-monetary asset without physical substance.

Three critical attributes for recognition of intangible assets are:

- Identifiability (asset is separable, or when it arises from contractual or other legal rights)
  - Separable assets can be sold, transferred, licensed, etc.
- Control (power to obtain benefits from the asset)
- Future economic benefits (such as revenues or reduced future costs)
Accounting regulation on intangibles

- Summarizing, the current recognition criteria are restrictive and leave most intangible investments out of the (accounting) concept of intangible assets
  - ‘Reliability over relevance’
- The emphasis on reliability is not without reason: managerial incentives may affect valuation of intangibles
  - E.g. Zhang & Zhang, 2017; Basu & Waymire, 2008; Kanodia et al., 2004; Kallapur & Kwan, 2004; Muller, 1999
- Non-financial performance measures that support business models may be a better way to exploit intangibles
  - E.g. Banker et al., 2000; Ittner et al., 2003; Ittner & Larcker, 2003; Franco-Santos et al., 2012; Campbell et al., 2015
Example: Human capital

Source: Hong et al., 2013, JAP
# Demands on finance professional

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<thead>
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<th>Technical skills</th>
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<td>Management accounting, financial reporting</td>
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<th>Data savvy</th>
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<td>Interact with data and robots</td>
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<th>Interpersonal skills</th>
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<td>Leadership, intercultural skills</td>
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<th>Management skills</th>
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<td>Manage the finance team</td>
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