THE EFFECT OF MEASURING THE DISCLOSURE OF INTELLECTUAL CAPITAL IN MAXIMIZING THE VALUE OF THE STOCK

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ABSTRACT

The research aims to increase the awareness and awareness of the administrative leaders in the economic units of the importance of developing their intellectual capital, as well as clarifying the importance of disclosing it as this disclosure represents a prominent role in maximizing the value of the shares of those units. Therefore, the research was based on two main hypotheses, the first represented by (The possibility of measuring the accounting disclosure of intellectual capital using mathematical models) and the other was that (there is an effect of intellectual capital disclosure on the value of the stock).

To achieve the objectives of the research and test its hypotheses, the industrial and banking sectors were selected as a research community, and three companies from each sector were selected as a sample for research. These companies are (The Iraqi Company for Carpets and Furniture, the Modern Sewing Company, the Baghdad Company for Soft Drinks, the Commercial Bank of Iraq, the Spectrum Islamic Bank, and the Bank of Baghdad) and the extent to which the aforementioned economic units disclosed the intellectual capital was shown. There is a direct relationship between the disclosure of intellectual capital and the value of the stock, as the higher the level of disclosure of intellectual capital, the higher the value of the shares, in addition to the fact that the economic units that own intellectual capital significantly maintain their position in the business environment through many The competitive advantages provided by intellectual capital, and the study found that Iraqi economic units lack high levels of disclosure about intellectual capital.

I. INTRODUCTION

There is a lot of discussion about intellectual capital, and this debate or discussion mostly focuses on some of the concerns surrounding this specific type of capital, the most important thing it contains, how it is evaluated and how it is disclosed. Writing many university theses, studies, research, and articles on this subject, in addition to many governmental institutions and international, local, and Arab companies, which consider it one of the most important old topics that are constantly renewed and trying to focus on it and urge all parties to delve into its concept and harness it to serve the human being, that the most prominent and most important components of capital Intellectual capital are human capital. The human resource is the first and most important component of any society. No matter how small or large this society is, and no matter how many forms it takes, the human resource remains the main axis of it by all standards, as well as the other two components of intellectual capital represented by customer capital and structural capital, as it increased The importance of intellectual capital due to the competitive advantages it achieves for economic units, as well as being an effective tool to attract investors. Many challenges must be overcome to achieve the objectives of the research, and the most important of these challenges is the lack of computational models to measure disclosure of intellectual capital, as previous researchers and writers relied on the questionnaire in measuring the disclosure of intellectual capital, as well as a statement of the impact of the level of disclosure of intellectual capital. The research is divided into five sections, the first section is concerned with the concept of intellectual capital, the second section deals with the concept of shares, while the third topic is concerned with disclosure and measuring the disclosure of intellectual capital, and the fourth section is devoted to testing the research hypotheses on The companies that were taken as a sample for research, and in conclusion, the fifth and final topic was devoted to the conclusions and recommendations reached by the research.
II. THE FIRST SECTION: RESEARCH METHODOLOGY

Research problem: The research problem emerges from one of the important topics in accounting thought, which is measuring the disclosure of intellectual capital, as intellectual capital is one of the important resources owned by the economic unit, and the problem of measurement and disclosure of this resource is one of the most prominent problems facing economic units, and accordingly The current study attempts to answer a set of questions about the dimensions of the problem, and these questions are as follows:

- What is meant by the measurement of intellectual capital disclosure?
- How can intellectual capital disclosure be measured?
- Is there an effect of measuring the disclosure of intellectual capital on the share value of the economic unit?

Importance of the research: The research sheds light on measuring the disclosure of intellectual capital and its increasing importance in economic units and how those units can develop and treat it in light of current accounting principles, theories, practices, and prevailing laws, as the Iraqi economic units include a large number of experts and employees who have a great impact On the work of these units, especially the competent employees, the importance of research stands out in the Iraqi economic units for the following reasons:

- Providing a mechanism for Iraqi economic units to use in evaluating the amount of intellectual capital disclosed in their financial statements.
- This study presents the economic units and their accounting cadres with educational steps to take care of calculating the disclosure of their intellectual capital because of its impact on maximizing the value of shares and their success

Research Objectives: The research achieves many goals, the most important of which are the following:

- Increasing the awareness and awareness of the administrative leaders in the economic units of the importance of developing intellectual capital, as well as clarifying the importance of disclosing it.
- Statement of the effect of measuring the disclosure of intellectual capital in enhancing the value of the shares of economic units.
- Determine the best way to measure intellectual capital disclosure.

Research Hypotheses: Based on the research problem and its objectives, the research hypotheses can be formulated with two basic hypotheses:

- The possibility of measuring the accounting disclosure of intellectual capital using mathematical models.
- There is an effect of disclosing intellectual capital on the value of the stock.

Study Limits:

Spatial boundaries: Three companies were selected from the industrial sector, represented by (the Iraqi Company for Carpets and Furniture, the Modern Sewing Company, and the Baghdad Company for Soft Drinks) and three companies from the banking sector, represented by (the Commercial Bank of Iraq, Spectrum Islamic Bank, Bank of Baghdad).

Temporal limits: The temporal limits of the research were based on the published reports of the aforementioned companies for the years 2018 and 2019.

The second section: intellectual capital

The economic units in the current era are distinguished by their knowledge assets represented in the intellectual capital owned by these units, as these assets have become one of the main pillars in the economic units and one of their main strategic resources. The actual wealth of companies, as accountants cannot buy or sell them, is the same
as the case of current assets, while (Minoja & Romano, 2020: 1) that intellectual capital is the sum of everything that every person knows in a company that gives it a competitive advantage such as intellectual materials, knowledge and experience Intellectual property and information, and most researchers and writers agree that intellectual capital consists of three sub-components.

- **Human capital:** It means the skills of workers and the accumulated experiences that they own, and it is one of the most important intangible assets owned by economic units, as human capital becomes the main component in issues and situations related to making the necessary improvements (Cortes, et al., 2018: 273).

- **Structural capital:** It is the basic supporting base in the economic unit. Structural capital is the capital owned by the economic unit and which remains within this unit such as software, patents, trademarks, in addition, that, it includes the information system, Property rights, and databases (Khalique, 2013:75-83).

- **Customer capital:** It is the third component of intellectual capital after human and structural capital, and it is sometimes called relational because it represents the relationship between the economic unit and the customer, where the economic unit must acquire this knowledge that its customers have to complete its intellectual capital and, as a result, cooperation. with them to satisfy their needs and desires. (Stewart, 2002:14).

At the conclusion of this topic, the concept of intellectual capital and the importance of its three components (client capital, human capital, and structural capital) became clear in creating multiple competitive advantages for economic units that would contribute to maximizing the value of shares for those units.

**The third section: the concept of shares**

Shares are defined as instruments of equal value that can be traded by commercial means on the stock exchange, as they represent possession in the capital of the money company. 1993, p. 196), and others have defined it as a financial document issued by its originator with a contribution with a fixed nominal value, which is the face value (par value) that guarantees equal rights and duties to its owners and is offered to the public through public subscription in the primary markets (primary value) and allows it to trade in Secondary markets (primary value) and allows it to trade in Secondary markets (Kaka Mola, 2003, p. 92), and these stocks have many characteristics, the most important of which are the following (Ali & Mohand, 2018, p. 10-11):

- Equal value
- Indivisibility of the share
- Stock tradability
- Determining the shares is the responsibility of the shareholder

There are many different values for the shares, which are as follows: (Al-Moaini and Ziyad, 2016, p. 204)

**Nominal value:** It is the value recorded in the shares document by the company.

**book value:**

- **Market value:** It is the total value of the securities sold, and the market value of the stock fluctuates significantly as it changes depending on the financial position of the facility and the economic conditions in general, and in particular the size of supply and demand for the share.

- **Real value:** The idea of the real value of the stock refers to the fair value or the fair market value. The real value of the stock is calculated by estimating the cash flows, stock profits, and capital losses resulting from investments in common stocks at the end of the holding period and by estimating the required rate of return on stock investments.

Through what was dealt with in this topic from a presentation of the concept of shares, their characteristics, and types of values, it became clear the importance of what these securities represent for all the dealing parties in the financial market in the current era, especially investors and managements of economic units who seek continuously
to maximize the value of their shares to achieve optimal investment for their capital as well as achieving continuity in the business world.

The fourth Section: the effect of disclosing intellectual capital in maximizing the value of shares

After we reviewed in the second section the concept of intellectual capital, and the fourth topic the concept of shares, we will address in this section a statement on how the level of disclosure of intellectual capital affects the maximization of the value of the stock.

Intellectual capital disclosure is defined as the disclosure of intellectual assets. Information and help them make the right decisions (Guthrie, 2003: 151 & Abeyesekera), and others defined it as the disclosure of information related to intellectual property to all users, whether internal or external, who cannot obtain this information from the financial statements and periodic reports of the facility and who help in making decisions. There are several ways to disclose intellectual capital: (Alawi and Obaid, 2020: p. 127)

- Disclosure in the annual management report
- Disclosure in the financial statements
- Disclosure within the financial rules

Intellectual capital, of course, has a clear impact on the financial performance of economic units, and this performance has been determined by profitability, which is an expression of the ability of invested capital to earn a certain level of profit by following the resource-based theory, as intellectual capital is an important resource for the competitive advantages of the economic unit, and accordingly, companies that own intellectual capital are more competitive than other companies and as a result, are more successful, and that investors will give a higher value to the shares of those companies that have intellectual assets represented by intellectual capital than those that have a lower degree of capital. The demand for the shares of these units will increase, and as a result, the economic units with high intellectual property seek to disclose the intellectual capital to maximize the value of their shares (Ze’ghal & Maalou, 2010).

III. CONCLUSION:

After this topic, it became clear the importance of disclosing intellectual capital in maximizing the value of shares, given the highly competitive advantages that intellectual capital offers, which attract the attention of investors to the companies that own it to a large extent, as most studies have proven that there is a direct relationship between the size of the capital’s capital. Intellectual capital and the level of earnings per share, and accordingly, economic units seek to raise the level of disclosure of intellectual capital to direct attention towards it and as a result, raise the value of their shares in the market.

The fourth section:

measuring the impact of the level of disclosure of intellectual capital in maximizing the value of the stock on the listed companies as a sample for research

After we reviewed in the first, second, and third sections of this research the concepts of intellectual capital and the concepts of shares, and the mechanism of maximizing them, we will try in this section to prove the effect of measuring disclosure of intellectual capital in maximizing the value of the stock, and to test the research hypotheses, a group of Iraqi companies listed in the Iraqi market has been approved for Securities, as the industrial sector and the banking sector were relied upon as a research community and three companies from the industrial sector and the same from the banking sector as a sample for research.

- Industrial Sector 2- Banking Sector
- The Iraqi Company for Carpets and Furniture A - The Commercial Bank of Iraq
- Modern Sewing Company B - Spectrum Islamic Bank
- C- Baghdad Soft Drinks Company C- Bank of Baghdad

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To demonstrate the impact of the level of intellectual capital disclosure in maximizing the value of the stock, we will measure the level of intellectual capital disclosure through many indicators of intellectual capital, which consist of three main axes, represented by the following:

- **Human capital:** It is represented by many indicators and my agencies: (knowledge, skill, competence, experience, motives, innovation, initiative spirit, leadership qualities, adaptability, spontaneity, values, employee satisfaction, turnover rate, professional qualifications, learning training).

- **Customer capital:** It is represented by many indicators as follows: (relationships with customers, ability to retain customers, customer satisfaction, appropriate contracts, reputation, brand image, sales channels, relationships with suppliers, cooperation in the business field, franchising agreements, market intelligence customer loyalty)

- **Structural capital:** It is represented by many indicators as follows: (information, research and development, patents, copyrights, trademarks, licenses, curricula and work methods, work methods guide (standardization), best practices, databases, technology systems Information, network systems, organizational philosophy, corporate culture).

In Tables (1) and (2), we will review the level of disclosure of the intellectual capital of the research sample companies according to the aforementioned indicators.

### Table (1) The level of disclosure of the intellectual capital of industrial sector companies

<table>
<thead>
<tr>
<th>Research sample company</th>
<th>The level of disclosure of intellectual capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Iraqi Company for Carpets and Furniture</td>
<td>46%</td>
</tr>
<tr>
<td>Modern Sewing Company</td>
<td>41%</td>
</tr>
<tr>
<td>Baghdad Soft Drinks Company</td>
<td>29%</td>
</tr>
</tbody>
</table>

**Source:** Prepared by the researcher based on the annual reports published for companies in the Securities Commission.

### Table (2) The level of disclosure of the intellectual capital of banking sector companies

<table>
<thead>
<tr>
<th>Research sample companies</th>
<th>The level of disclosure of intellectual capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Bank of Iraq</td>
<td>16%</td>
</tr>
<tr>
<td>Spectrum Islamic Bank</td>
<td>28%</td>
</tr>
<tr>
<td>Baghdad Bank</td>
<td>13%</td>
</tr>
</tbody>
</table>

**Source:** Prepared by the researcher based on the annual reports published for companies in the Securities Commission.

It is noted from Tables (1) and (2) that the level of disclosure of intellectual capital in companies taken as a sample for research within the industrial and banking sectors, as it is noted that the level of disclosure of intellectual capital in the industrial sector is somewhat higher than that of the banking sector, as the percentage of disclosure varies in This sector ranges between (41%, 31%, 29%), while the banking sector varies between (16%, 23%, and 13%) in the banking sector, and accordingly, the first hypothesis of the research has been proven, which states that accounting disclosure can be measured About intellectual capital using computational models.

In Tables (3) and (4), we will explain the impact of the level of disclosure of the intellectual capital extracted in Tables (1) and (2) on the value of the share as follows:

### Table (3) The effect of the level of intellectual capital disclosure on the share value in industrial sector companies

<table>
<thead>
<tr>
<th>Baghdad Soft Drinks Company</th>
<th>Modern Sewing Company</th>
<th>The Iraqi Company for Carpets and Furniture</th>
<th>Statement</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 2019</td>
<td>2018 2019</td>
<td>2018 2019</td>
<td>The level of disclosure</td>
</tr>
<tr>
<td>29% 29%</td>
<td>31% 41%</td>
<td>41% 46%</td>
<td></td>
</tr>
</tbody>
</table>
It is clear from tables (2) and (3) that the companies that are taken as a sample for research, the higher the level of disclosure of intellectual capital, the higher the value of the share, as it is noted that the highest disclosure of intellectual capital is the Iraqi company for carpets and furnishings, according to a level of disclosure of the intellectual capital. The intellectual money amounted to (41% and 46%) for the years 2018 and 2019, respectively, which directly affected the value of the shares of this company, which occupies the forefront among the companies in the research sample in terms of share value, which amounted to (7,980, and 8,850) dinars for the years 2018 and 2019 respectively, and so for the rest of the companies, meaning that the higher the level of disclosure of intellectual capital, the higher the value of the shares, and the lower the level of disclosure of intellectual capital, the lower the value of these shares, which supports the second hypothesis of the research, which states that there is a direct relationship between disclosure of intellectual capital and the value of shares.

The fifth Section: conclusions and recommendations

First: the conclusions

This research deals with the conclusions reached by researchers related to the topic of the research, as follows:

- The concept of intellectual capital focuses on the importance of the human being as the most important resource for all aspects of life in general and economic units in particular.

- There is a direct relationship between the disclosure of intellectual capital and the value of the share, as the higher the level of disclosure of intellectual capital, the higher the value of the shares.

- The economic units that possess intellectual capital in large measure maintain their position in the business environment through many of the competitive advantages provided by intellectual capital.

- Iraqi economic units lack high levels of disclosure of intellectual capital.

- That all studies and research on intellectual capital (according to what the researchers have seen) have been adopted to measure disclosure of intellectual capital by descriptive methods (questionnaire), while the current study has taken the method of computational models to measure disclosure.

Second: Recommendations

Based on the conclusions that were presented above, the researchers suggest several recommendations that they consider worthwhile, as follows:

- Attention should be paid to intellectual capital, which is the most important resource for economic units.

- The Iraqi economic units must raise the level of disclosure of intellectual capital because of its clear impact in maximizing the value of the share.
• It is important to work on developing the components of intellectual capital to ensure a competitive position in the current business environment.

• Increasing academic efforts in the subject of intellectual capital, as it represents a direct relationship with human resources.

Sources