



Disclosure of Information About the Intellectual Capital of the Company in the Mining and Processing of Mineral Raw Materials: The Importance and Recommendations

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Abstract

The article justifies the necessity to disclose information about the company's intellectual capital in addition to traditional financial statements in order to provide investors and creditors of the company with an opportunity to adequately assess the company's financial position and prospects for its future development. At the same time, the analysis of the works of Russian and foreign scientists examining the tasks solved in the report on intellectual capital, its composition and structure, their dependence on the company's industry, its scope and specificity of activities, as well as the impact of the report on the perception of the company users of the report. Recommendations are formulated on the content of the report on intellectual capital, which most closely corresponds to the information needs of users of reporting and determines the favorable perception of the company's prospects as a whole.

Keywords: Intra-industry differentiation; Intellectual capital; Information limitations of traditional financial reporting, information needs of financial statements users; Intellectual capital report; A development strategy of the company

Introduction

To date, the analysis of multiple informational limitations of financial reporting in relation to intangible assets forces us to admit the insufficiency of traditional financial reporting to comprehensively reflect the intangible, intellectual resources of the company. As a result, users of financial statements, including investors and creditors, are deprived of the opportunity to adequately assess the company's financial position, its solvency, profitability of its assets, investment attractiveness and prospects, which affects the company's capitalization. Accordingly, in a competitive environment, such a state of affairs with the disclosure of the company's intellectual resources in its financial statements may adversely affect the company's sustainable development, especially in an unstable economic environment.

This issue acquires particular relevance in the context of intra-industry competition in an industry that has a fairly long history, when key market players have approximately equal material and technical levels, and it is intellectual capital that is the decisive factor in differentiation. One of the classic examples of such a

situation is the industry for the extraction and processing of mineral raw materials. This industry is also characterized by the fact that the need for significant modernization of the production base determines the need for sources of financing, which, accordingly, imposes additional obligations on the company to organize communication with investors and creditors, including through regular reports. At the same time, the lack of information disclosed in traditional financial statements, recognized by both Russian and foreign researchers, requires the submission of additional information to users of the statements about intellectual capital, the volume, structure, the form of presentation of which are the subject of serious scientific discussions.

Purpose of the work

A comprehensive study of theoretical and practical recommendations for the disclosure of information about the intellectual capital of a company that meets the information needs of users of reports and determines their favorable perception of the company's prospects as a whole.

Methodology

In the course of the research, the methods of comparative, logical analysis, typology and grouping, induction and deduction were used. The research was based on the results of the work of Russian and foreign scientists aimed at developing a concept and tools for reflecting information on intellectual capital in financial statements, which would allow users of the statements to form an adequate idea of the impact of this object on the company's financial position in the future.

Results and Discussion

The analysis of the works of Russian and foreign researchers made it possible to perform a brief overview of the recommendations contained in them (Table 1). As can be seen from Table 1, Russian and foreign scientists propose a solution

to the issue of incomplete reporting information on intellectual capital by complementing traditional reporting, or by revising the very concept of its preparation. Moreover, in practice, it was the first option that was most widespread. According to R.P. Bulyga, the formation of a special block of external reporting containing information on intellectual capital, is the main direction of modernization of the information coverage of the company's activities in the UK and Continental Europe [1]. Moreover, it is precisely the lack of traditional reporting in terms of intellectual capital, according to F. Castilla-Polo and M.S. Ruiz-Rodriguez, explains the strategic advantage of voluntary disclosures in supplemental reports as long as the transparency achieved by such disclosures strengthens the reputation with internal and external stakeholders, supports the strategy of industry differentiation, reveals the company's competitive advantages, increases its economic potential and attractiveness on the capital market [2].

Table 1: Recommendations of scientists regarding the development of the accounting concept and the reflection of information on intellectual capital in reporting.

Basic Recommendation Options	Authors
Supplementing traditional reporting (while preserving the accepted concept of its preparation) with a report on intellectual capital (including in terms of expanding the list of reflected intangible assets and / or disclosing their value, value for the company, in comparison with the current accounting standards)	R. Kaplan & D. Norton [35], L. Edvinsson & M. Malone [30], A. Wyatt & M. Abernethy [34], E. Oliveras & Y. Kasperskaya [40], B. Marr, D. Gray & A. Neely [44], L. Hunter, E. Webster & A. Wyatt [34], D. Starovic & B. Marr [44], I. Abeysekera [22], D. Cormier & M.-J. Ledoux [29], K. Artsberg & N. Mehtiyeva [25], J. Krstic & M. Dordevic [36], R. Heinrich [32], S. Chander & V. Mehra [28], N. Rea & A. Davis [41], R.P. Bulyga [1], J.-Ch. Wu & Ch. Lin [49], S.A. Kuzubov & M.S. Evdokimova [14], O.V. Efimova [13], S.A. Samusenko [19]
Modification (expansion, revision of the preparation concept) of traditional reporting	P. Sullivan Jr & P. Sullivan Sr [46], B. Lev [15], B. Lev & J. Daum [37], B. Lev & Sh. Raigopal [16]
Addition or modification of traditional reporting (the choice is up to the developers of standards or, according to their decision, for the companies)	T. Stewart [45], K. Sveiby [47], J. Holland [33], I. Lopes [34], A.V. Brovkin & V.V. Ryakhovskaya [12]

Finally, in an industry with a fairly long history, when the key players in the market have approximately the same material and technical level, and intellectual capital is the decisive factor in differentiation, disclosure of information about it becomes one of the key conditions of intra-industry competition. The mineral extraction and processing industry is a classic example. This industry is traditionally capital-intensive; at the same time, investments in the development of intellectual capital provide companies with the opportunity to adapt in a rapidly changing environment [3,4].

The analysis of the results of empirical studies presented in the scientific literature allows us to conclude that the assessment of intellectual capital in the industry for the extraction and processing of mineral raw materials is carried out by means of:

Questioning, assessment of quality indicators. For example, SWOT analysis as a basic assessment for developing a strategy for

the formation and increasing the efficiency of using intellectual capital [5].

Quantitative methods. Among them are:

Integral financial estimates. Examples include

- a) Tobin's coefficient (the ratio of the market and book value of the company [4].
- b) The index of intellectual capital (the ratio of the company's market value to the book value of intellectual capital [6].
- c) Added value of intellectual capital (total assessment of the efficiency of its elements [4,7,8].
- d) The estimated cost of intellectual capital (as a result of the excess of the company's profitability over the industry average profitability [3].

Assessment of non-financial factors of growth in the value of intellectual capital:

- a) Indicators of the elements of intellectual capital [9].
- b) A summary indicator that includes the wage fund, research and development costs, residual value of intangible assets, costs per employee [10].

At the same time, the above researchers received confirmation of the hypothesis that the growth of intellectual capital in extractive companies is closely related to the growth of their capitalization. In particular, according to the results of V. Dzenopoljac, obtained on the basis of the analysis of reporting data of oil and gas companies included in the 2016 Forbs global 2000 list for the period from 2000 to 2015, an increase in the estimated cost of intellectual capital by 1 percentage point leads to an increase in the company's capitalization by 113 -157 million

dollars. At the same time, 35% of the formed sample of companies did not disclose information about intellectual capital in general, and 65% of companies disclosed it only partially [3].

A study of the empirical material on foreign mining companies in general shows that they report less information on intellectual capital compared to other industrial companies, focusing more on external attributes (for example, business associations, priority contracts). Mining companies highly appreciate the importance of intellectual capital but suffer from a deficit of objective assessments and disclosure of information, as well as acceptable systems and structures for intellectual capital management [11]. Today, in practice, there is a constant work on overcoming information limitations in terms of intellectual capital by generating additional reports. Numerous works of foreign researchers are devoted to reviews of options for solving this problem (Table 2) [12-20].

Table 2: The main research areas of the information content of reports on intellectual capital in the practice of foreign companies.

Main Directions of Research	Authors
Research of the content of reports on intellectual capital and its impact on the perception of the company's financial position by users of the reports	N. Brennan [26], J.-Ch. Wu & Ch. Lin [49], J. Guthrie, R. Petty & F. Ricceri [31], R. Kaplan & D. Norton [35], B. Lev & J. Daum [37], E. Oliveras & Y. Kasperskaya [40], K. Sveiby [47], R. Singh & K. Narwal [43], S. Chander & V. Mehra [28], I. Abeysekera [22], S. Abhayawans & J. Guthrie [23], S.A. Samusenko [19].
Investigating the structure of intellectual capital statements	K. Artsberg & S. Arvidsson [24], M. Castelo [27], S. Abhayawans & J. Guthrie [23], R.P. Bulyga [1], I.I. Prosvirina [18], A.A. Semenova & P.G. Gribov [21], L.A. Selivanova & A.A. Gorodnichev [20], O.V. Efimova [13].
Study of the dependence of the content of reports on intellectual capital on industry specifics, company size and other similar factors	J. Guthrie, R. Petty & F. Ricceri [31], J. Santos & M. Venancio [42], R. Whiting & J. Woodcock [48], R.P. Bulyga [1], L.A. Plotnikova & A.E. Kaspin [17], I.I. Prosvirina [18], A.A. Semenova & P.G. Gribov [21], L.A. Selivanova & A.A. Gorodnichev [20].

As you can see from the Table 2, not only the structure and content of reports on intellectual capital, their dependence on industry specifics, but also their relationship with the perception of information by users of reports are of research interest [21-40]. The author's analysis of the main trends prevailing in practice in the formation of reports on intellectual capital made it possible to establish that the optimal disclosure from the position of users of financial statements would be:

- a) Information on the goals and strategies of the business, on target indicators of the financial condition and forecasts for their change.
- b) Information about the key components of intellectual capital that ensure the development of the strategy, about the available and necessary resources for their effective use, about the potential risks associated with their use.
- c) Analysis of sources of formation of intellectual capital, assessment of the independence of the organization in the aspect under consideration.

- d) Classification of the components of intellectual capital.
- e) Areas of application of intellectual capital (in the context of actual and potential use, ongoing and planned projects, stages of formation of the company's value, etc.).
- f) The efficiency of the use of intellectual capital: actual and expected.
- g) Assessment of the components of intellectual capital (considering various options for its use), potential opportunities for their alienation and alternative use.
- h) Analysis of market advantages provided by the intellectual property owned by the organization (as a component of intellectual capital).
- i) Assessing the expected duration of these benefits, the risks that threaten them, and precautions.
- j) Assessment of the required additional investments in intellectual capital and analysis of their effectiveness, etc.

Disclosure of this information seems to be a prerequisite for effective communication with investors and creditors of the company, a key parameter of its intra-industry differentiation, and its competitive advantage in the capital market. At the same time, cluttering up with unnecessary information, which users do not feel the need, entails a decrease in the efficiency and quality of the generated financial statements [41-50].

Conclusion

In general, it should be noted that overcoming the information deficit of traditional reporting in terms of intellectual capital becomes a fundamentally important issue when developing a company's development strategy, maintaining and increasing its competitive advantages, incl. and within the industry, when assessing its profitability and investment attractiveness. At the same time, the study of theoretical and practical recommendations for disclosing information about the intellectual capital of a company provides an opportunity to create a report that best meets the information needs of users of the reporting and determines a favorable perception of the company's prospects as a whole.

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