

PhD

**A Longitudinal Study of the Voluntary Reporting of Intellectual
Capital by Listed Hong Kong Companies 1992-2002**

By

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Certification

I hereby certify that this thesis is original and does not contain without acknowledgement any material previously published nor material which to a substantial extent has been accepted for the award of any other degree or diploma of a university or other institute of higher learning.

A handwritten signature in black ink, appearing to read 'R. Petty', with a stylized, cursive script.

Richard Michael Petty
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Abstract

This thesis is motivated out of a desire to influence accounting practice and to enhance corporate transparency and accountability by investigating the voluntary reporting of intellectual capital (IC) in company annual reports over time.

The study is an empirical one conducted in three stages. The first stage is an exploratory study of the voluntary disclosure of IC for the 20 largest listed Australian companies in 1998. The second stage, using Hong Kong company data is far more extensive and examines voluntary disclosure of IC for 54 listed companies in 1992, 80 listed companies in 1998 and 100 listed companies in 2002. Common to the data set for each year were 53 companies. This permitted a longitudinal account to be given of disclosure practices over 10 years for Hong Kong companies, the first such empirical account in the literature. The third stage extends the first two stages of the research by offering an empirical account of how a group of financial professionals uses IC information and of the value that this group imputes to IC reporting. The third stage uses a survey instrument to elicit the views of the financial professionals. The sample group is positioned as a proxy for other stakeholder groups that might be interested in the information contained in the annual reports of listed companies.

In stages 1 and 2 of the research, company size and industry effects on disclosure are tested and compared against results in the extant literature. Additionally, the effects of time and level of disclosure on the financial success of a company are tested. This is a further extension of the literature in the discipline. Also, the study is the first to examine the voluntary reporting of IC using data from an Asian country.

It is found that levels of disclosure are generally low for both the Australian and Hong Kong sample companies when compared to prior research. None of the companies in the data set had adopted any of the four formal reporting structures identified in the literature. The Hong Kong results indicate that disclosure is positively related to size. Industry effects are also found with greater disclosure evident according to the industry sector to which a company belongs. The passage of time increases the level of disclosure with significant increases in disclosure levels observed over the Hong Kong data set during the 10 years 1992-2002. The results show that company growth (financial success) is positively correlated to the disclosure of IC. Based on this finding, there is a case to encourage companies to report on IC in order to promote financial growth via higher share prices. This finding is significant because it affirms the long-held belief amongst researchers in the IC field that the capital market for equity does value transparency and disclosure of firm IC.

Stage 3 of the research finds that listed Hong Kong companies need to be more transparent. It is also found that by providing IC information companies will improve the investment decisions of stakeholders. Further, it is concluded that regulators need to redress the imbalance that currently exists between publicly and privately available information on IC so as to make the reporting process more equitable across all stakeholder groups.