

**INTELLECTUAL CAPITAL REPORTING IN SRI LANKA**  
**WITH A FOCUS ON HUMAN CAPITAL (1998-2000)**

**by**

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**A thesis submitted to Macquarie University in fulfillment of the requirement for the  
degree of Doctor of Philosophy in the Graduate School of Management**

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This thesis represents a major part of the prescribed program of study.

**TABLE OF CONTENTS**

	Page No.
LIST OF CHAPTER SECTIONS.....	ii
LIST OF TABLES.....	viii
LIST OF FIGURES .....	x
LIST OF CHARTS .....	xi
LIST OF APPENDIX SECTIONS .....	xii
ACKNOWLEDGEMENTS.....	xiv
CERTIFICATE.....	xv
LIST OF ABBREVIATIONS.....	xvi
ABSTRACT.....	xvii

## **LIST OF CHAPTER SECTIONS**

CHAPTER SECTION .....	Page No.
1. OVERVIEW .....	1
1.1 INTRODUCTION .....	1
1.2 FACTORS THAT GIVE RISE TO INTELLECTUAL CAPITAL.....	1
1.3 A CHANGING FOCUS FOR ACCOUNTING .....	6
1.4 MOTIVATION FOR THE RESEARCH.....	8
1.5 OVERVIEW OF SUBSEQUENT CHAPTERS.....	10
1.6 CHAPTER SUMMARY.....	13
2. LITERATURE REVIEW OF INTELLECTUAL CAPITAL REPORTING WITH A HUMAN CAPITAL FOCUS .....	14
2.1 INTRODUCTION .....	14
2.2 REVIEW OF SEVERAL DEFINITIONS OF IC AND ICR.....	14
2.3 THE LIMITATION OF TRADITIONAL ACCOUNTING IN ICR.....	16
2.4 ALTERNATIVE TECHNIQUES TO OVERCOME THE WEAKNESSES OF TRADITIONAL FINANCIAL REPORTING .....	19
2.4.1 BALANCED SCORECARD (BSC) .....	20
2.4.2 ECONOMIC VALUE ADDED (EVA).....	20
2.5 INTELLECTUAL CAPITAL REPORTING .....	22
2.5.1 RATIOS AND MONETARY VALUES .....	22
2.5.1.1 REPORTING AT MICRO LEVEL.....	22
2.5.1.2 ICR MEASUREMENT INDICES AT MACRO LEVEL.....	25

2.5.2	INTELLECTUAL CAPITAL REPORTING VIA FRAMEWORKS ....	29
2.6	HUMAN CAPITAL FOCUS.....	36
2.6.1	DEFINITIONS OF HUMAN CAPITAL .....	36
2.6.2	REPORTING HUMAN CAPITAL .....	37
2.7	RESEARCH ISSUES .....	42
2.7.1	REGIONAL BIAS .....	42
2.7.2	METHODOLOGY TYPES .....	43
2.7.3	OWNERSHIP DIFFUSION COMPARISON .....	43
2.7.4	FOCUS ON CAPITAL MARKETS.....	43
2.8	CHAPTER SUMMARY.....	44
3.	FORCES SHAPING INTELLECTUAL CAPITAL REPORTING IN	
	SRI LANKA .....	46
3.1	INTRODUCTION .....	46
3.2	ROLE OF CAPITAL ARRANGEMENTS .....	46
3.2.1	COLOMBO STOCK EXCHANGE .....	46
3.2.2	CORPORATE SECTOR IN SRI LANKA.....	50
3.2.3	ACCOUNTING REGULATION .....	54
3.3	ROLE OF STATE AND STATE ARRANGEMENTS .....	55
3.3.1	ECONOMY OF SRI LANKA.....	55
3.3.2	BOARD OF INVESTMENT (BOI) .....	58
3.3.3	EDUCATION IN SRI LANKA.....	59
3.3.4	INTELLECTUAL PROPERTY IN SRI LANKA.....	61
3.4	CHAPTER SUMMARY.....	64

4.	RESEARCH METHOD.....	66
4.1	INTRODUCTION .....	66
4.2	DATA REPORTING VARIABLES.....	66
4.2.1	ANNUAL REPORTS .....	67
4.2.2	QUALITATIVE REPORTING UNITS .....	67
4.2.3	QUANTITATIVE REPORTING UNITS.....	71
4.2.4	REPORTING LOCATION.....	72
4.3	METHOD OF CONTENT ANALYSIS.....	73
4.4	THE EFFECT OF SIZE AND INDUSTRY ON ICR .....	78
4.4.1	SIZE FACTOR .....	78
4.4.2	INDUSTRY FACTOR.....	79
4.5	DATA CAPTURE .....	79
4.6	THREATS TO THE VALIDITY AND RELIABILITY OF THE CONTENT ANALYSIS .....	87
4.7	OVERCOMING THREATS TO CONTENT ANALYSIS.....	89
4.8	METHOD OF USING CASE STUDY INTERVIEWS .....	91
4.9	THREATS TO THE VALIDITY AND RELIABILITY OF THE INTERVIEW METHOD .....	95
4.10	OVERCOMING THREATS TO THE VALIDITY AND RELIABILITY OF THE INTERVIEW METHOD .....	96
4.11	SAMPLE SIZE IN THE STUDY .....	101
4.12	CHAPTER SUMMARY.....	103
5.	POLITICAL ECONOMY OF ACCOUNTING REPORTING THEORY .....	105

5.1	INTRODUCTION .....	105
5.2	POLITICAL ECONOMY THEORY .....	105
5.3	TRADITIONAL ACCOUNTING IN A POLITICAL ECONOMY CONTEXT .....	107
5.4	ROLE OF THE STATE IN PEA .....	113
5.5	ROLE OF CAPITAL IN PEA .....	115
5.6	CORPORATISM IN THE CONTEXT OF PEA.....	119
5.7	FACTORS CONTRIBUTING TO SELECTING PEA THEORY .....	121
5.8	CHAPTER SUMMARY.....	126
6.	HYPOTHESIS DEVELOPMENT AND DATA INTERPRETATION.....	128
6.1	INTRODUCTION .....	128
6.2	HYPOTHESIS DEVELOPMENT .....	128
6.2.1	HYPOTHESIS ONE: ICR DIFFERENCES BETWEEN INDUSTRY GROUPS.....	128
6.2.2	HYPOTHESIS TWO: ICR DIFFERENCES BETWEEN SRI LANKA AND OTHER NATIONS.....	136
6.3	DATA INTERPRETATION .....	139
6.3.1	COMMON FACTORS .....	139
6.3.2	HYPOTHESIS ONE: SPECIFIC FACTORS.....	144
6.3.3	HYPOTHESIS TWO: SPECIFIC FACTORS.....	145
6.4	CHAPTER SUMMARY.....	146
7.	RESULTS OF HYPOTHESES TESTING .....	147
7.1	INTRODUCTION .....	147



7.2	RESULTS OF HYPOTHESIS ONE .....	147
7.2.1	DIFFERENCES IN REPORTING OF IC CATEGORIES .....	148
7.2.2	DIFFERENCES IN REPORTING OF IC ELEMENTS .....	149
7.2.3	DIFFERENCES BETWEEN MANAGING AND REPORTING IC ELEMENTS.....	151
7.3	RESULTS OF HYPOTHESIS TWO.....	154
7.4	CHAPTER SUMMARY.....	155
8.	INTERPRETATION OF RESULTS.....	157
8.1	INTRODUCTION .....	157
8.2	IC ELEMENTS BETWEEN INDUSTRY GROUPS.....	157
8.2.1	IC ELEMENTS BETWEEN INDUSTRY GROUPS IN OVERALL REPORTING .....	158
8.2.1.1	'EMPLOYEE RELATIONS' REPORTED MOST FREQUENTLY BY 'MOST SHAREHOLDERS' INDUSTRY GROUP .....	158
8.2.1.2	'BRAND BUILDING' REPORTING MOST FREQUENTLY BY 'SECOND MOST SHAREHOLDERS' INDUSTRY GROUP .....	161
8.2.1.3	'CORPORATE IMAGE BUILDING' REPORTING MOST FREQUENTLY BY 'THIRD MOST SHAREHOLDERS' INDUSTRY GROUP.....	162
8.2.1.4	'EMPLOYEE WELFARE' REPORTED MOST FREQUENTLY BY LEAST SHAREHOLDERS' INDUSTRY GROUP .....	163
8.2.1.5	'EQUITY-RELATED ISSUES' AND 'WORKPLACE SAFETY' REPORTED LEAST BY ALL INDUSTRY GROUPS .....	164

8.2.2	IC ELEMENTS BETWEEN INDUSTRY GROUPS IN EACH IC CATEGORY .....	164
8.2.2.1	ELEMENTS IN HUMAN CAPITAL CATEGORY .....	165
8.2.2.2	ELEMENTS IN EXTERNAL CAPITAL CATEGORY .....	178
8.2.2.3	ELEMENTS IN INTERNAL CAPITAL CATEGORY .....	183
8.3	INTERPRETATION OF RESULTS OF HYPOTHESIS TWO .....	188
8.3.1	DIFFERENCES BETWEEN SRI LANKA AND OTHER NATIONS BY IC CATEGORIES .....	188
8.3.2	DIFFERENCES BETWEEN SRI LANKA AND OTHER NATIONS BY IC ELEMENTS .....	189
8.4	REPORTING UNITS AND REPORTING LOCATION .....	197
8.5	CHAPTER SUMMARY .....	200
9.	CONCLUSIONS .....	201
9.1	INTRODUCTION .....	201
9.2	MOTIVATION AND AMBIT OF THE RESEARCH .....	201
9.3	DATA, METHODOLOGY AND RESULTS .....	202
9.4	CONTRIBUTIONS OF THE RESEARCH .....	203
9.5	MAIN LIMITATIONS OF THE RESEARCH .....	206
9.6	SUGGESTIONS FOR FUTURE RESEARCH .....	208
	BIBLIOGRAPHY .....	210
	ANNUAL REPORTS USED FOR REFERENCE .....	269
	APPENDIX .....	273

## **LIST OF TABLES**

TABLE	Page No.
1.1	CHAPTER 1 RESEARCH OBJECTIVES AND OUTCOMES .....13
2.1	CHAPTER 2 RESEARCH OBJECTIVES AND OUTCOMES .....45
3.1	CHAPTER 3 RESEARCH OBJECTIVES AND OUTCOMES .....65
4.1	AN INTRODUCTION TO COMPANIES IN THE SAMPLE .....75
4.2	THE INTELLECTUAL CAPITAL REPORTING CODING FRAMEWORK .....81
4.3	FIRMS INTERVIEWED BY INDUSTRY SECTOR .....94
4.4	CHAPTER 4 RESEARCH OBJECTIVES AND OUTCOMES .....104
5.1	CHAPTER 5 RESEARCH OBJECTIVES AND OUTCOMES .....127
6.1	INDUSTRY GROUP CLASSIFICATION BASED ON NUMBER OF SHAREHOLDERS .....132
6.2	ICR ELEMENTS .....141
6.3	BASIS OF INTERPRETATION OF HYPOTHESIS ONE .....144
6.4	CHAPTER 6 RESEARCH OBJECTIVES AND OUTCOMES .....146
7.1	ICR ELEMENTS BETWEEN INDUSTRY GROUPS .....150
7.2	IC ELEMENTS MANAGED BUT NOT REPORTED .....153
7.3	IC ELEMENTS REPORTED BUT NOT MANAGED .....153
7.4	CHAPTER 7 RESEARCH OBJECTIVES AND OUTCOMES .....156
8.1	HUMC REPORTING ANALYSED BY PEA THEORY .....166
8.2	EXTC REPORTING ANALYSED BY PEA THEORY .....179

8.3       INTC REPORTING ANALYSED BY PEA THEORY .....186

8.4       CHAPTER 8 RESEARCH OBJECTIVES AND OUTCOMES .....200

## **LIST OF FIGURES**

<b>FIGURE</b>	<b><u>Page No.</u></b>
<b>4.1</b>	<b>TOTAL VARIABLES ANALYSED IN THE DATA SET .....87</b>
<b>4.2</b>	<b>RESEARCH METHODS USED IN THIS STUDY .....101</b>

## **LIST OF CHARTS**

<b>CHART</b>	<b><u>Page No.</u></b>
4.1 TOP 30 FIRMS PERCENTAGE OF MARKET CAPITALISATION ...	102
7.1 AVERAGE ICR FRQUENCY OF INDUSTRY GROUPS .....	148

## **LIST OF APPENDIX SECTIONS**

<b>APPENDIX</b>	<b>Page No.</b>
1.1 GLOSSARY OF KEY TERMS.....	273
4.1 OPERATIONAL ACTIVITIES OF COMPANIES IN THE SAMPLE .....	277
4.2 DEFINITIONS AND EXAMPLES OF INTELLECTUAL CAPITAL ITEMS IN THE CODING SHEET FOR CONTENT ANALYSIS .....	292
4.3 DEFINITIONS OF THE SECTIONS IN THE ANNUAL REPORT .....	309
4.4 PILOT CASE STUDY INTERVIEW FRAMEWORK AND RESULTS .....	310
4.5 FINAL CASE STUDY SEMI STRUCTURED INTERVIEW FRAMEWORK .....	315
7.1 HUMAN CAPITAL REPORTING AVERAGES BETWEEN INDUSTRY GROUPS.....	318
7.2 EXTERNAL CAPITAL REPORTING AVERAGES BETWEEN INDUSTRY GROUPS.....	318
7.3 INTERNAL CAPITAL REPORTING AVERAGES BETWEEN INDUSTRY GROUPS.....	319
7.4 HUMAN CAPITAL REPORTING ELEMENTS BETWEEN INDUSTRY GROUPS.....	319
7.5 EXTERNAL CAPITAL REPORTING ELEMENTS BETWEEN INDUSTRY GROUPS.....	320
7.6 INTERNAL CAPITAL REPORTING ELEMENTS BETWEEN INDUSTRY GROUPS.....	320

7.7 MOST SHAREHOLDERS GROUP: BANK LIMITED –	
CASE STUDY FINDINGS .....	321
7.8 MOST SHAREHOLDERS GROUP: FINANCE LIMITED –	
CASE STUDY FINDINGS .....	327
7.9 MOST SHAREHOLDERS GROUP: DIVERSIFIED LIMITED –	
CASE STUDY FINDINGS .....	332
7.10 MOST SHAREHOLDERS GROUP: MANUFACTURING LIMITED –	
CASE STUDY FINDINGS .....	338
7.11 SECOND MOST SHAREHOLDERS GROUP: BEVERAGE LIMITED –	
CASE STUDY FINDINGS .....	344
7.12 SECOND MOST SHAREHOLDERS GROUP: FOOD LIMITED –	
CASE STUDY FINDINGS .....	351
7.13 SECOND MOST SHAREHOLDERS GROUP: TOBACCO LIMITED –	
CASE STUDY FINDINGS .....	357
7.14 SECOND MOST SHAREHOLDERS GROUP: TRADING LIMITED –	
CASE STUDY FINDINGS .....	365
7.15 THIRD MOST SHAREHOLDERS GROUP: HOTEL LIMITED –	
CASE STUDY FINDINGS .....	371
7.16 THIRD MOST SHAREHOLDERS GROUP: ENGINEERING LIMITED –	
CASE STUDY FINDINGS .....	375
7.17 EAST SHAREHOLDERS GROUP: PROPERTY LIMITED –	
CASE STUDY FINDINGS .....	380



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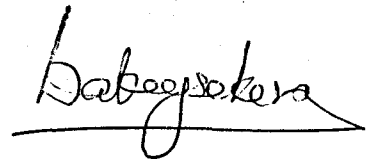
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## CERTIFICATE

I certify that the content of this thesis has not been submitted for a higher degree to any other university or institution. The extent to which I have availed myself of the work of others is acknowledged in the text. Sources of information are listed in the bibliography.

A handwritten signature in black ink, appearing to read 'Indra Abeysekera', with a long horizontal line extending from the end of the signature.

Indra Abeysekera

Date: 17/6/04

## **LIST OF ABBREVIATIONS**

ASCPA	Australian Society of Certified Practising Accountants
BOI	Board of Investment
CMA	The Society of Management Accountants of Canada
CSE	Colombo stock exchange
ExtC	External capital
HumC	Human capital
IAS	International Accounting Standards
IC	Intellectual capital
ICA E&W	The Institute of Chartered Accountants England & Wales
ICR	Intellectual capital reporting
IFAC	International Federation of Accountants
IntC	Internal capital
NIPOSL	National Intellectual Property Office of Sri Lanka
PEA	Political Economy of Accounting
SLAS	Sri Lanka Accounting Standards
USAID	United States Agency for International Development
The CWP	The 1998 Competitiveness Paper
WIPO	World Intellectual Property Office

## **ABSTRACT**

*This study examines and explains the intellectual capital reporting (ICR) practices, with a human capital (HumC) focus, of firms located in a developing nation, Sri Lanka. The study ascertained the following: first, to what extent the industry groups, based on the number of shareholders, differ in their ICR practices; and second, to what extent firms in Sri Lanka differ from counterparts in other nations in their ICR practices.*

*The literature reviewed highlighted the voluntary nature and unregulated environment of ICR. It also underlined the inability of traditional accounting to recognise IC within its financial statements. This has led to a plethora of non-uniform definitions of intellectual capital (IC) and ICR, and a wide range of theoretical frameworks available for IC*

*This thesis examined the top 30 firms by market capitalisation listed on the Colombo stock exchange in both 1998/1999 and 1999/2000. It reviewed their annual reports using content analysis to analyse the type and amount of IC reported, and carried out 11 case study interviews with directors and senior executives to analyse the type and amount of IC managed within the firms. Using this data, this study tested the political economy of accounting (PEA) theory. The study collapsed the firms into four industry groups based on the number of shareholders; this was done on the basis that the number of shareholders of a firm influences their ICR practice.*

*The results indicate that, overall, there were distinct differences in ICR practice between industry groups. The industry groups were found to report similarly in relation to IC category. However, in relation to IC elements the industry groups were found to report differently, with some industry groups over reporting on certain elements which were not well managed and vice versa. The differences in ICR practices indicate that industry groups use ICR to mediate the agenda of debate between them and their economic, social and political constituents to maximise their capital reproduction. The study also indicates that differences exist in ICR practices between firms located in Sri Lanka and firms in other nations in relation to both IC categories and IC elements. These differences are attributed to the unique economic, social and political context of each country.*