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RESEARCH ARTICLE

DISCLOSURE OF INTELLECTUAL CAPITAL AND ITS IMPACT ON THE QUALITY OF ACCOUNTING INFORMATION

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The disclosure of intellectual capital is important variables in many decisions, for example, administrative decisions (predict the continuity, market value, supporting competitive advantage). The study problem is to know the effect of intellectual capital disclosure on the quality of accounting information in Sudanese food industries. The study results including: the disclosure of intellectual capital contributes to determining the company's future status. Disclosure of intellectual capital contributes to the increase in the number of clients of the company. The disclosure of intellectual capital enhances the quality of financial report.

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INTRODUCTION

Intellectual capital is the principle upon which the development axis, since it is necessary to focus on the human element in terms of training, rehabilitation and preservation of qualified skills, experience and expertise, which can be exploited appropriately.

Objectives of the Study: This research seeks to achieve the following objectives:

- Identify the concept of intellectual capital, and its types.
- Defining the importance of disclosing intellectual capital, and where to disclose it.
- Statement the disclosure of intellectual capital on the quality of accounting information.

Importance of the Study: This research seeks to achieve the following:

- Shed light on intellectual capital as one of the intangible assets with a significant impact on the productivity of

enterprises and its importance in the light of growing intensive competition and how to develop its disclosure in terms of Academic field.

- State the impact of intellectual capital disclosure in Sudanese industrial companies to increase the quality of financial report.

Question of the Study: Is there any effect of intellectual capital disclosure on the quality of accounting information in Sudanese food industries?

Hypotheses of the Study: This study attempts to test the following hypotheses:

- Sudanese food industrial enterprises do not disclose intellectual capital in their financial statements.
- Disclosing of intellectual capital in Sudanese food industries affect the quality of published accounting statements positively.

MATERIALS AND METHODOS

The deductive approach is used to identify the problem of the study and formulate hypotheses, historical approach to display the previous studies and literature review. Inductive approach

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is also used to test the hypotheses of the study, and the descriptive analytical method, using random sample to determine the impact of intellectual capital disclosure on quality of accounting information in the Sudanese industrial enterprises?

Sources of Data Collection

Sources of data collection are:

Preliminary data: Using the questionnaire.

Secondary data: through reference s, scientific journals, theses and reports.

Previous Studies: There are many previous studies on intellectual capital from multiple viewpoints, for example: (Ratol and Masnoaa.2011) study which dealt with investment in intellectual capital and methods of measuring its efficiency, (Rahim and Atan, 2011). study which dealt with the financial report of intellectual capital in technology industries in Malaysia , (Rababah.2012). study which focused on clarifying the intellectual capital levels in business organizations through the proposed model, (Darabi, 2012) study which explained the impact of intellectual capital disclosure on the quality of financial reporting in the capital markets in Tehran, (Taliyang etail, 2014), study which showed the effect of intellectual capital disclosure on market value, (Boujelbence and Affes, 2013). study which focused on the impact of the disclosing intellectual capital cost in French enterprises as a case study.

Comments on Previous Studies: It is being observed that all previous studies recommended the importance of disclosing and measuring the intellectual capital and the statement of its components and methods as this has an impact on the provision of appropriate financial information that enables users of information in decision-making, this study goes in the same direction but focuses mainly on the impact of disclosing intellectual capital on the quality of accounting information in the industrial sector of Sudan, which is witnessing an active mobility, especially after lifting economic sanctions on Sudan.

Theoretical Background

Intellectual Capital Concept: Intellectual capital is one of the relatively modern subjects in general and in Sudan in particular, it has been addressed in several studies for its importance and it has many definitions including the following: Definition of Management Accountants Association of Canada (SMAC:1998) which says Intellectual capital is the elements based on the knowledge possessed by the company, which lead to the creation of a future stream of benefits for the company," also defined by the Organization for Economic Co-operation and Development in 1999 Also defined" Intellectual capital as the economic value of two categories of intangible assets of a company: structural capital or organizational capital and human capital (Guthrie, 2001). Also, is defined" as the talent and skills and technical knowledge and relationships, as well as machines that embodied, and can be used to create wealth (Tomas. A, 2004, 31). This definition indicates that intellectual capital is the knowledge (skills, expertise, and accumulated education in human element) that can be converted into value, also is defined as "the sum of all that is known to all individuals in the organization and achieve a competitive advantage in the market (Rawia, 2005, 183).This definition adds that intellectual capital as a source of competitive

advantage that will enable the organization to cope with the intense competition in the markets. Ulrich pointed that "intellectual capital is the skill set available in the organization with extensive knowledge that make them able to make the global organization by responding to customers' requirements and the opportunities offered by technology (Ulrich, 1998: 2). On other hand the intellectual capital is defined by (Samlali, 2004: 99) as the mental capacity of a certain class of human resources represented by the talent capable of generating ideas on development of creative strategic systems and activities and operations and strategies to ensure the organization possess a sustainable competitive advantage.

Intellectual Capital Components

Researchers, thinkers and scholars made most of their perceptions about the intellectual capital and its components (Rababa, 2012; Elfadul, 2009; Shaban, 2011; Al-Dujaili, 2012); (Kohan et al., 2014; Ahmadi et al., 2012; Sheikhali and Karimi, 2014). (Bishtawi and Bani Taha, 2014; Marti and Cabrira, 2012; Hilali, 2011). researcher concludes according to those studies intellectual capital consists of the following:

- Human Capital: is the knowledge owned and generated by the workers, such as skills and experience, innovations and optimization processes and continuous improvement.
- Structural Capital: Is the physical (financial) capital presence of the company and its book value is made under the procedures accounting entries, the intellectual capital is the one who makes the market value of the company and made its position and reputation, as each representing a company that handled internal values.
- Capital relationships (customers): The value obtained as a result of the complementary relations with stockholders from parties outside the organization, such as customers, loyal customers, distribution channels, suppliers, commercial and industrial organizations, and preferential contracts.

Importance of Disclosing Intellectual Capital: Despite the obvious differences between writers and researchers on intellectual capital definition, but there is general agreement among them about its importance, and they clearly demonstrates it in the interest of a lot of accounting studies highlighting the growing importance of intellectual capital, for example, the study of(Ehkhyal.2005;Fouda, 2008). which indicates that the gradual transformation of the economy based on production and manufacturing to knowledge-based economy, has led to increased attention to the intellectual capital as resource of intangible resources, on account of financial and non –financial assets , which decreased its contribution account, And thus influence determining the market value of the enterprise. While (Chen, 2009). study indicated that intellectual capital contributes in determining the strategic situation by providing a better understanding of how the allocation of resources in the organization. At the same time, it enables organizations to enhance their performance by providing useful information to stockholders in the organization. While(Ali.2003;Meligi, 2005). studies indicated that the growing interest in intellectual capital in recent times because of the fundamental role it plays in the conflict between enterprises in order to achieve a sustainable competitive advantage, and to support those competitive advantage in fierce competitive environment. (Khatlab, 2006) study indicated that

the intellectual capital acquires its importance from being the primary source of economic wealth. Intellectual capital is the motivating factor for future innovations and profit growth, and other author sees that there are several reasons in favor of disclosure of intellectual capital, including Vergauwen and Van Alen, (2005).

- The inadequacy of traditional financial leaves average investors at a disadvantage compared with knowledge insiders, leading the company to be at risk of insider trading.
- 2-Intellectual capital reporting has a major impact on investors' confidence.
- Improve the quality of financial reporting, as characterized by the traditional financial reporting deficient in providing information to understand the phenomenon of identifying and reporting the economic activities of the unit in the context of sustainable development, which requires the need to re-structure these reports in a broader context not including not only the traditional categories for which it provides disclosure but also it works to meet the needs of the rest of the categories (lungu et al., 2009).
- 4. Maximize the value of the firm: Disclosure of intellectual capital contributes in maximizing the value of the firm.
- 5- Provide information about the true value and future performance of the business, and can be used by existing and potential investors and lenders interested in assessing the firm.
- 6. Reduce the size of the problem of asymmetry between the information available to the various parties of beneficiaries
- 7. Reduce the degree of uncertainty and risks to the stockholder
- 8- Enhancing the reputation of knowledge-intensive enterprises, and supporting their ability to influence stock prices.

Disclosure

Disclosure is defined as "Inclusion of financial reports that gives users all the necessary information, in clear and correct picture of the accounting unit" (Samurai Alalkawi, 2012, p. 8), also defined as "the process of showing financial information, whether quantitative or descriptive in the financial statements or in the margins the notes and schedules complementary in suitable time, Which makes the financial statements non-misleading and appropriate for users from external parties that do not have the authority to access books and accounting records" (Ahmad and Mohammed, 2010, p. 84).

Types of Accounting Disclosure

Accounting disclosure can be divided into several types, according to (Makhlouf, 2009, p. 6), (Laiga, 2007, p. 111), (Elkamil, 2011, p. 13) including:

Full disclosure: Refers to the comprehensiveness of financial reporting and the importance of coverage of any significant impact on the readers' information.

Fair Disclosure: Aimed at balanced care for the needs of all financial parties, which requires the repairing of financial statements and reports in a form that does not provide or prefer

the interest of a particular category to the interest of other groups.

Adequate Disclosure: Indicates the minimum information to be disclosed.

Appropriate disclosure: This kind of disclosure is appropriate to the needs of data users and the conditions and nature of the enterprise.

Informative or educational disclosure: This disclosure is increasingly oriented towards expanding disclosure and diversity in its areas, not by focusing on accounting information but by providing quantitative and descriptive of non-financial information.

Preventive or traditional disclosure: This kind offers sufficient information to make financial statements is useful and not misleading to the beneficiaries of this information, in particular the ordinary investor who has a limited ability to use this information.

The Quality of Accounting Information: Quality of accounting information Means: the credibility of accounting information in the financial reporting and of benefit to users. To achieve this they must be free of distortion and misinformation and to be prepared in the light of sets of legal, regulatory, professional and technical standards, so as to achieve the objective of its use, as well as the concepts of quality of the information those characteristics which are characterized by the accounting information, and expressed the desired benefit from the preparation of financial reports to assess the quality of information that result from the application of accounting and alternative methods.

Information Quality Characteristics

The quality of accounting information characteristics are as follows: (Ammar and Sami, 2012)

Convenience: It means that there is a close relationship between the information derived from the financial accounting purposes to which they are created.

Reliability: Users of accounting information prefer information that has a high degree of honesty and reliability.

Comparability: It leads to enable the use of financial accounting information to identify the real aspects of the similarities and differences between the performance of the enterprise and the other enterprises over a certain period of time, and enables them to compare the performance of the enterprise itself among different periods of time.

Timeliness: It is intended to provide timely information, because these in formations lose their usefulness if they are not available when needed to use.

Understandability: the information cannot be useful if they are not understood by the users.

RESULTS AND DISCUSSION

The study sample includes staff Sudanese food industries. The researcher distributed (58) questionnaire forms among some of

the workers in the field selected randomly (50) Forms were collected as 86%. (SPSS) used for analyzing the relevant data. The researcher used statistical methods following: frequencies, percentages, median, and One-Sample Kolmogorov-Smirnov test to test the hypothesis. Table 1 Presents the respondent's demographic characteristics.

years) which represent (10%) then the respondents' ages (55 years and more) who represent (25.6%). Lastly, the respondents' ages (55 years and more) who represents (4%). Regarding the respondent's job title, the majority of them were Accountants who represent (46%), followed by managers (32%) followed by Engineers who represent (12%) and lastly,

Table 1. Presents the Respondent's Demographic Characteristics

Variable	Particular	Frequency	Percent
Age	less than 25 years	05	10.00
	25 and less than 40 years	38	76.00
	40 and less than 55 years	05	10.00
	55 years and more	02	4.00
	Total	50	100.00
Job Title	Accountant	23	46.00
	Engineer	06	12.00
	Manager	16	32.00
	Auditor	05	10.00
	Total	50	100.00
Educational Level	Secondary- graduate	02	4.00
	Graduate	30	60.00
	Post-graduate	18	36.00
	Total	50	100.00
Experience	Less than 5 years	22	44.00
	6 to 10 years	19	38.00
	11 to 20 years	09	18.00
	Total	50	100.00

Table 2. Frequency Distribution and Percentage of the Views of the Sample to first Hypothesis Phrases

Phrases	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
1	07 %14.00	28 %76.00	02 %04.00	03 %06.00	00 %00.00	50 %100
2	00 %00.00	03 %06.00	02 %04.00	40 %80.00	05 %10.00	50 %100
3	20 %00.00	27 %06.00	00 %00.00	03 %54.00	00 %40.00	50 %100
4	00 %00.00	05 %10.00	07 %14.00	24 %48.00	14 %28.00	50 %100
5	00 %00.00	03 %06.00	13 %26.00	18 %36.00	16 %32.00	50 %100
6	00 %00.00	00 %00.00	21 %42.00	20 %40.00	09 %18.00	50 %100
7	00 %00.00	06 %12.00	02 %04.00	35 %70.00	07 %14.00	50 %100
8	05 %10.00	08 %16.00	06 %12.00	19 %38.00	12 %24.00	50 %100
9	00 %00.00	04 %08.00	10 %20.00	29 %58.00	07 %14.00	50 %100

Table 3. Frequency Distribution and Percentage of the Views of the Sample to Second Hypothesis Phrases

Phrases	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total
10	00 %00.00	03 %06.00	02 %04.00	28 %76.00	07 %14.00	50 %100
11	00 %00.00	03 %06.00	02 %04.00	40 %80.00	05 %10.00	50 %100
12	00 %00.00	03 %06.00	00 %00.00	27 %54.00	20 %40.00	50 %100
13	00 %00.00	05 %10.00	07 %14.00	24 %48.00	14 %28.00	50 %100
14	00 %00.00	03 %06.00	13 %26.00	18 %36.00	16 %32.00	50 %100
15	00 %00.00	00 %00.00	21 %42.00	20 %40.00	09 %18.00	50 %100
16	00 %00.00	06 %12.00	02 %04.00	35 %70.00	07 %14.00	50 %100
17	05 %10.00	08 %16.00	06 %12.00	19 %38.00	12 %24.00	50 %100
18	00 %00.00	04 %08.00	10 %20.00	29 %58.00	07 %14.00	50 %100

The respondents' ages between (25 and less than 40 years) is the highest which represents (76%) followed by respondents' those between (less than 25 years and 40 and less than 55

the respondents job title Auditors who represent (10%). Concerning the respondents who have educational level, the majority of them were graduates who represent (60%), +

Table4. One-Sample Kolmogorov-Smirnov Test

Phrases	1	2	3	4	5	6	7	8	9
Total	50	50	50	50	50	50			
Kolmogorov-Smirnov	2.915	3.101	2.091	2.024	1.629	1.884			
Asymp. Sig. (2-tailed)	.050	.080	.600	.011	.100	.802			

Table 5. One-Sample Kolmogorov-Smirnov Test

Phrases	10	11	12	13	14	15	16	17	18
Total	50	50	50	50	50	50			
Kolmogorov-Smirnov	1.112	2.710	2.105	1.300	1.629	3.01			
Asymp. Sig. (2-tailed)	.002	.004	.000	.040	.010	.030			

followed by the level of Post-graduates who represent (36%). Lastly Secondary- graduates who represent (4%). As for the length of respondents' working experiences. The table shows that respondents' whom have worked (less than 5 years) and who worked for (6 to 10 years) were the same ratio who represent (82%) followed by those work (11 to 20 years) who represent (18%). Table2. Frequency Distribution and Percentage of the Views of the Sample to the first Hypothesis Phrases. Through Table 2 the researcher observes that the entire sample agrees with the hypothesis phrases. Table3. Frequency Distribution and Percentage of the Views of the Sample to the second Hypothesis Phrases. Through Table 3 the researcher observes that the entire sample agrees with the hypothesis phrases. Table4. Through table 4, the level of significance one-Sample Kolmogorov-Smirnov Test (.060) more than the significance level 0.05, This shows that Sudanese food industrial enterprises are disclose intellectual capital in their financial statements, therefore the hypothesis is not achieved. Table5. Through the table, a level of significance One-Sample Kolmogorov-Smirnov Test (.000) less than the significance level 0.05, this shows that Disclosing of intellectual capital in Sudanese food industries affect the quality of published accounting statements positively, therefore the hypothesis is achieved.

RESULTS

- Disclosure of intellectual capital contributes in determining the company's future status.
- Disclosure of intellectual capital contributes in increasing in the number of the company clients.
- Disclosure of intellectual capital enhances the quality of financial report.
- Disclosure of intellectual capital contributes to the competitive advantage of the company.

Recommendations

- There is necessity in applying the disclosing of intellectual capital in financial statement.
- To do more studies in all the Sudanese industrial companies to know the effect of disclosing of intellectual capital on quality of published accounting statements positively.

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Appendix:

The questionnaire:

No	Phrases	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The company has a clear plan to attract efficient human elements					
2	The company is interested to stimulate the human elements to ensure the efficient continuation					
3	The company focuses on training employees to provide them with various skills					
4	The Company prepares detailed reports on intellectual capital in the financial statements					
5	The Company prepares separate reports of employees with outstanding expertise and is accompanied by annual reports					
6	The company lists the customers most involved with it					
7	The company shall attach with its annual reports the types of technology used					
8	The company has an adequate budget for staff training					
9	The disclosure of intellectual capital contributes to the increase in the number of clients of the company					
10	Contributes to disclosure of intellectual capital to increase the confidence of the company's customers					
11	There is a need for disclosure of intellectual capital in the financial statements of the company					
12	The disclosure of intellectual capital contributes to determining the company's future status					
13	The disclosure of intellectual capital contributes to maximizing the value of the company					
14	The disclosure of intellectual capital contributes to the competitive advantage of the company					
15	The disclosure of intellectual capital contributes to increasing the company's reputation					
16	The disclosure of intellectual capital helps predict the company's sustainability					
17	The disclosure of intellectual capital enhances the quality of financial reporting					
18	intellectual capital disclosure helps users make decisions					

The disclosure of intellectual capital contributes to determining the company's future status.

The disclosure of intellectual capital contributes to the increase in the number of clients of the company.

The disclosure of intellectual capital enhances the quality of financial reporting.