



**AN INVESTIGATION OF INTELLECTUAL CAPITAL DISCLOSURE OF MALAYSIAN
PUBLIC LISTED COMPANIES**

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TABLE OF CONTENT

	TITLE	i
	OFFER LETTER	ii
	SUBMISSION LETTER	iv
	PROJECT MEMBERS	v
	ACKNOWLEDGEMENT	vi
	TABLE OF CONTENTS	vii
	LIST OF TABLES	x
	LIST OF FIGURE	xi
	ABSTRACT	xii
CHAPTER I	INTRODUCTION	1
	1.1 Introduction	1
	1.2 Problem Statement	3
	1.3 Research Objective	4
	1.4 Hypotheses	5
	1.5 Significant of Research	5
	1.6 Scope and Limitation of Research	6

ABSTRACT

This study investigates intellectual capital disclosure (ICD), with a view to contributing to understanding ICD practice. Specifically, this study examines whether there is a relationship between the level of IC disclosure (measured by intellectual capital disclosure index (ICDI) and intellectual capital word count (ICWC)) and the companies' profitability, productivity, firm size and industry type. 255 annual reports of Malaysian listed companies for the period 2006-2008 were analyzed. Content analysis was applied to determine what and how IC is disclosed. Some results of this content analysis study confirm those of prior research: ICD is increasing over time; the most reported IC is Human Capital (HC), and firm size is a driver of ICD. However, firm's profitability and productivity do not influenced by ICD. The present study adds to the existing literature by examining the issue of valuing profitability through intellectual capital value.

CHAPTER I

INTRODUCTION

1.1 Introduction

In today's knowledge-based economy, intellectual capital (IC) is becoming a major part of companies' value. IC information is vital for the stakeholders to more fully understand the company and allows them to assess better the company's future wealth creation capabilities.

According to Stewart (1997) and Pulic (1998) traditional measures of corporate performance based on conventional accounting principles of determining income may provide unsuitable reporting in the new economic world where competitive advantage is driven by intellectual capital. This has resulted the growing academic attention paid to various aspects of IC since the mid of 1990s.

IC represents a company's 'softer' assets such as human resources, know-how, intellectual property rights, manufacturing procedures, organizational structure, problem-solving capacity and internal and external relationships (Guthrie and Petty, 2000). IC information is one of the information needs of the investors. Globally,