THE TREND AND VARIATION OF INTELLECTUAL CAPITAL DISCLOSURE AT BANK INDUSTRIES IN EUROPE

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ABSTRACT

This study attempts to identify trend on the volume of Intellectual Capital (IC) disclosure, and measure variation on the volume of IC disclosure on the annual report of banks that operate in Europe. It uses purposive sampling method, consisting of 6 banks with highest rank of market value in different countries in Europe. The sample includes BNP Paribas (France), Banco Santander (Spain), Intesa Sanpaolo (Italy), UBS (Switzerland), Deutsche Bank (Germany), and ING Group (Netherlands). Data were analyzed using trend least square to identify the trend of IC disclosure. ANOVA test was employed to measure the differences in the volume of IC disclosure among banks. The result of this study revealed that 5 of 6 banks show positive trends on the volume of IC disclosure. The result also showed that there are variations on external and human capital disclosure among 6 banks while otherwise for internal capital disclosure. The result implied that a global standard which is principle-based in nature cause variations in the IC disclosures in European Banks. It suggests that the regulator should set standard for voluntary reporting to minimize the variation on the format and content of the report and to eventually diminish asymmetry information between agent and principal.

Key words: Intellectual Capital, Internal Capital, External Capital, Human Capital, Disclosure, Variation, Trend.

TREN DAN VARIASI PENGUNGKAPAN MODAL INTELEKTUAL PADA INDUSTRI BANK DI EROPA

ABSTRAK

Penelitian ini mengidentifikasi tren pada volume Intellectual Capital (IC) pengungkapan, dan mengukur variasi volume pengungkapan IC laporan tahunan bank di Eropa. Penelitian ini menggunakan metode purposive sampling, terdiri atas 6 bank dengan peringkat tertinggi dari nilai pasar di berbagai negara di Eropa. Sampel terdiri atas BNP Paribas (Prancis), Banco Santander (Spanyol), Intesa Sanpaolo (Italia), UBS (Swiss), Deutsche Bank (Jerman), dan ING Group (Belanda). Analisis data menggunakan trend least square untuk mengidentifikasi tren pengungkapan IC. Uji ANOVA digunakan untuk mengukur perbedaan volume pengungkapan IC antarbank. Hasil penelitian ini menunjukkan bahwa 5 dari 6 bank menunjukkan tren positif pada volume pengungkapan IC. Hasil penelitian juga menunjukkan bahwa ada variasi pada pengungkapan modal eksternal dan manusia di antara 6 bank, sementara yang lain sebaliknya untuk pengungkapan kas internal. Hasilnya tersirat bahwa standar global yang merupakan prinsip dasar alami menyebabkan variasi pengungkapan IC di Bank Eropa. Ini menunjukkan bahwa regulator harus menetapkan standar untuk pelaporan sukarela untuk meminimalkan variasi pada format dan isi laporan tersebut yang pada akhirnya akan mengurangi asimetri informasi antara agen dan pelaku.

Kata Kunci: Modal Intelektual, Modal Internal, Modal Eksternal, Sumber Daya Manusia, Pengungkapan, Variasi, Tren.

INTRODUCTION

The disclosure of information concerning the intellectual capital (IC) in the annual report is considered one of action done voluntarily. In this respect, Boone and Raman (2001) argue that the IC can improve the perception of the market in relation to the company's liquidity. This is evidenced by Abdol Mohammadi & Mohammad (2005); Sihotang & Winata (2008), in their research, it was found a positive correlation between IC disclosure and a market capitalization of a company.

In connection with the above argument, there are some empirical findings which show a tendency to increase the company's IC disclosures in their annual reports (see research White et al. (2007); Bruggen et al. (2009); Abdolmohammadi (2005); Garcia-Meca et al. (2005); Bozzolan, Favotto, & Ricerri 2003; Purnomosidhi 2006; Sihotang & Winata 2008). Other studies also show the same evidence such as in Australia (Bruggen et al. 2009), Italy (Bozzolan, Favotto, & Ricerri 2003), and Indonesia (Purnomosidi 2006).

Som previous studies on IC disclosure focused on the companies engaged in industrial, manufacturing, and non-financial companies such as Bruggen et al. (2009) examining the corporate disclosure of IC industry in Australia. Bukh et al. (2005) in the IT companies, services, trade, manufacturing, and pharmaceuticals in Denmark. Bozzolan, Favotto, & Ricerri (2003) comparing the high-tech industries and traditional companies in Italy. Garcia-Meca et al. (2005) also studied the annual reports of companies listed on stock exchanges in Spain in 2000 to 2001. Sihotang & Winata (2008) investigated the largest technology company in Indonesia in 2002 to 2004. White et al. (2007) studied the biotechnology company in Denmark.

Thus, the IC disclosure is affected by both local and global factors. The examples of the local factors affecting IC disclosure are among others: economic development, political circumstances, and the stability of the country, while global factors such as in-ternational policy, inter-national regulations, one of which is a deal to use global standards in the preparation of the financial statements of the company.

The Implementation of IFRS which is principle-based inevitably leads to variations in the company's annual report disclosure. In such instance, the accountant professional judgment in financial reporting is required because the principle-based IFRS methods do not provide detailed calculations and the agreed disclosures. The group of the European Union is selected as the sample in this study because of theses countries are categorized into the pioneer group of countries including the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards (IAS).

Since 2005, IFRS has been adopted as a standard of financial reporting in Europe. Banking companies in Europe are used as the sample. This is expected to identify and measure how the impact of aggregate user behavior of the global standards which are initially expected to reduce the gap of financial reporting among the countries in facing the principle-based companies that need professional judgment. This has the potential to increase variations in reporting.

IFRS has the main goal of improving comparability of the financial statements among companies of different countries. The main objective is achieved by changing the main idea of a standard that is rule-based which used to be the principle-based. Principle-based is initiated by the aim of each country using the international standards in preparing financial statements. These statements will be easily understood by various stakeholders without borders. The principle-bad can only be achieved when using professional judgment in determining any transactions that occur in the company.

Professional Judgment among individuals in an organization has transactions which are different because they have different educational background, knowledge and experience. The subjectivity are the inherent factors when people classify a transaction that is not

regulated in detail and being rigid in the international accounting standards (IFRS). In addition, such subjectivity can differ among the individuals when compared between or one organization and another in a country. This is due to the fact that the organization has its own customs in processing transactions that require professional judgment. Professional judgment the differences will be more apparent when compared between countries that are geographically dispersed.

The differences in the ability of professional judgment of the report lead to the potential emergence of financial reporting variation in the companies. As an international standard, IFRS is aimed at reducing the gap of financial statements among the countries. Therefore, this study raises a problem whether IFRS, using as its main principle based concept, can reduce the financial statements gap among the countries when the analyst requires professional judgment in preparing financial statements.

THEORETICAL FRAMEWORK
Some theories underlying this research concern stakeholder theory, legitimacy theory, and signaling theory. Stakeholder theory argues that the organization would prefer a voluntary basis disclose of information related to environmental performance, social and intellectual, exceeding their obligations because the company has interrelated connection with the stakeholders. Thus investors, creditors, and government and so on are the right parties related to the company with power for a company.

The company's overall effort to meet the expectations of stakeholders requires companies to disclose the company's non-financial and financial information. One of the examples of non-financial information in the form of intangible information is Intellectual Capital (IC). The perspective of legitimacy theory states that organizations continuously look for ways to ensure the sustainability of their business. This is within the limits and norms prevailing in society (Deegan 2004). So, they strive to

ensure that the activity is accepted by outsiders as part of the surrounding community (Deegan 2004).

In this condition, IC disclosure is really one of the company's business to be accepted by the surrounding society as a form of legitimated company to the public. The accountability of such IC disclosure or intellectual capital management has become an external legitimacy for the company related to intellectual capital. The IC disclosure management of the company must be complied with regulations. This is important for the company because it shows the validity of the company to manage its intellectual capital.

As referred to the review of stakeholder theory and legitimacy theory, it can be concluded that both theories have a different emphasis on the parties that may affect broad whistleblower's information in the company's annual report. The stakeholder theory tends to consider more on the position of the stakeholders who are considered powerful. The stakeholder group is the primary consideration for the company to disclose or not to disclose information in the financial statements. Yet, the theory of legitimacy and validity focused on the public perception as a major impetus in making a disclosure of information in the annual report.

The next is a signaling theory. This theory suggests that organizations will seek to show a positive signal to investors through the mechanism of an annual report (Miller & Whiting 2005). In this case, managers have a motivation to reveal private information voluntarily because they hope the information can be interpreted as a positive signal associated with company performance. This action is also done to cut down on the information asymmetry between the agent and the principle (Oliveira et al. 2004).

Besides that, voluntary disclosure of IC information enables the investors and stakeholders to assess the ability of the company to be better reduce the perceived risk (Williams 2001; Miller & Whiting 2005). The

company discloses IC information in annual reports in order to satisfy the information needs by the investors and potential investors, as well as to increase the value of the company (Miller & Whiting 2005).

Intangible Assets

So far, there has bee confusion in distinguishing IC and intangible assets (ASB 1997; IASB 2004). In this condition, intangible asset was even referred to as goodwill (ASB 1997; IASB 2004) and the IC was also considered as part of goodwill. However, today, a number of contemporary classification schemes have attempted to identify the specific differences by separating the IC into the category of external (customer-related) capital, internal (organizational) capital, and human capital (Brennan & Connell 2000; Edvinsson & Malone 1997).

Some arguments by the researchers such as Bukh, (2003) states that the IC and intangible assets are the same but they are also often interchangeable (overlap). Other researchers (e.g. Edvinsson & Malone 1997; 2006) described that the IC is part of intangible assets. Paragraph 08 of the financial accounting standard (PSAK) 19 (revised 2000) defines intangible assets as non-monetary assets so that it can be identified and has no physical form and for use in producing or delivering goods or services, leased to others, or for administrative purposes.

The definition above is the adoption of the terms that are presented by IAS 38 on intangible asset which is relatively similar to the definition proposed in IFRS 10 on goodwill and intangible assets. Both IAS 38 and FRS 10 state that intangible assets are as follows: (1) can be identified, (2) instead of financial assets (non-financial/non-monetary assets), and (3) has no physical substance. Conversely, APB 17 on intangible assets does not present a clear definition of intangible assets.

Intellectual Capital (IC)

It is stated by Bontis (2001) that one the values of the company through their is the value of knowledge. It is assumed that increasing and using the knowledge is beneficial for improving the performance of company. In this case, knowledge can be divided into three categories: knowledge related to employees (human capital), knowledge related to the customer (customer/external capital), and knowledge related to the company (internal or organizational capital). The three kinds of knowledge can establish an intellectual capital for the company. Boekestein (2006) suggests that intellectual assets can be taken as IC.

Research Hypothesis

Helly & Palepu (1993) revealed that the strategy of disclosure is a means or media which is very important for managers of managers. This may affect or have an impact on the decisions by the investors from outside toward investment to the company. Diamond and Verrecchia (1991) found that voluntary disclosure can reduce the information asymmetry between the company and the market so that the company can facilitate stock trading.

Healy et al. (1999) using the level given to the analyst qualities of the disclosure of information in the research. They found that company with high ratings in disclosure of experience significantly higher share price performance after the announcement of a rise in the rankings. Some previous researchers also found that there is an increasing trend in the IC disclosure in each company in the sample (Gutrie & Petty, (2000), White et al. (2007); Bruggen et al. (2009); Vandemaele et al. (2005) ; Abdolmohammadi, (2005); Bukh et al. (2005), Garcia-Meca, (et al) 2005; Bozzolan, Favotto, & Ricerri (2003); Purnomosidhi, (2006); Sihotang & Winata (2008). The above evidence implies that the disclosure of IC is increasingly becoming an important role and a strategic company information. Based on some arguments in some studies above, the first hypothesis can be stated as the following.

H1: there is a trend of increasing IC disclosure in the banking companies in Europe in the period 2007-2009.

Table 1
Percentage of IC Disclosure Based on Categories

Researchers	Country	External Capital	Internal Capital	Human Capital
Guthrie, et al. (1999)	Australia	40%	30%	30%
Brennan (2001)	Ireland	40%	30%	30%
April, at al (2003)	South Africa	40%	30%	30%
Bozzolan, et al. (2003)	Italia	49%	30%	21%
Abeysekera & Guthrie (2005)	Sri Lanka	44%	20%	36%
Citron, et al. (2005)	United Kingdom	60%	26%	14%
Vandamaele, et al. (2005)	Netherlands, Sweden and United Kingdom	40%	30%	30%
Oliveras & Kasperskaya (2005)	Spain	51%	28%	21%
Olivera, et al. (2006)	Portugal	48%	25%	27%
Steenkamp (2007)	New Zealand	36%	11%	53%
Sujan & Abeysekera (2007)	Australia	48%	31%	21%

Source: Intellectual Capital Disclosure Trends: Singapore and Sri Lanka (Abeysekera 2008).

Differences of the format are influenced by the format of the financial statements of the standard agreement used in each country. Although all the countries that joined the European Union use the same standards of IFRS, variations in financial reporting format are still possible given the IFRS is principle-based and not rule-based. Several researchers have provided empirical evidence that every state has a wide variety of IC disclosure in the annual reports. This variation is shown in Table 1.

Intellectual capital can be attained from the three categories of knowledge such as human capital, customer/external capital, internal and/organizational capital. Based on the theory and the results of previous studies, the study attempts to find out the variation of the volume of IC disclosure in several banking companies in Europe through several hypotheses as the following.

H2 : There are differences in the volume of IC disclosure in internal capital category in banking companies in Europe during the period 2007-2009.

H3 : There are differences in the volume of IC disclosure in external capital category on banking companies in Europe during the period 2007-2009.

H4 : There are differences in the volume of IC disclosure in a category of human capital in the banking companies in Europe during

the period 2007-2009.

RESEARCH METHODS
The population was taken from banking companies in Europe in which it was done by means of purposive sampling technique with the following criteria: (1) Companies included in the list of top 20 market value in Europe in 2010 by the European Central Bank. (2) The selected company is a company that has the highest market value in each country. This is done on the basis of statements Abidin (2000) stating that the market value happen either because the IC concept that plays a role in increasing a company's value. The selection of such samples is expected to describe the level of IC disclosure are varied and can be used to measure the volume of IC development disclosure of several countries in Europe. (3) The Company publishes an annual report during 2007-2009 on the website.

Analysis
Intellectual Capital (IC) is measured using 18 items classified in three categories: internal capital, external capital, and human capital. These indicators have been modified by Sveiby (1997) and used to measure IC disclosure professionally (IFAC 1998; SMAC 1998). The 18 items are identified as shown in Table 2.

Table 2
Classification of Intellectual Capital

Internal Capital	External Capital	Human Capital
Intellectual Property	Brands	Employees
Management philosophy	Customers	Education
Corporate Culture	Customers satisfaction	Training
Management Process	Company names	Work-related knowledge
Information / network systems	Distribution channels	Entrepreneurial spirit
Financial relations	Business collaborations	
	Licensing agreements	

Source: Intellectual Capital Reporting: Lesson from Hong Kong and Australia (James Guthrie, Richard Petty, Federica Ricceri, 2007).

Content Analysis

Content analysis consists of three stages, namely: (1) choosing a framework that is used to classify information, (2) defining the unit of analysis, and (3) coding (Guthrie et al. 2004). In the encoding phase, 18 items are used as a measure of the volume of IC disclosure in the annual report. A company is said to disclose in full if the item disclosed is 18 and this is given a maximum value of 1 for each item disclosed. When the disclosure is not full, it is given a proportional score that ranges from 0 to 1 by using two decimal digits after the decimal point.

Three kinds of content analysis tool used in this study are as follows.

1. Disclosure Index (DI), which is the number of IC disclosure measured by the number of items disclosed and then converted into the shape index. DI is divided into 3 types: Number of Disclosure Index (NDI), Any Form Disclosure Index (AFDI), and Disclosure Index (DI). AFDI, NDI, and DI are measured using 18 items of the existing disclosures. AFDI measure IC disclosure by giving a score of 1 for each item that is expressed in the form of numbers, words, graphs or images.

If there are 18 items disclosed, the total score is 18. NDI measure IC disclosure by giving a score of 1 for each item that is expressed in numeric form. NDI can be objectively measured by IC disclosure as not to cause a lot of perceptions as to the revelation in the form of words or graphics. IN measures IC disclosure to provide a score of 1 for

each item that is expressed in the form of text/words, numbers, and graphics / images).

2. Word Count measures the volume of IC disclosure by calculating the number of words related to IC.

3. Word count Percentage (WC %) measures the percentage of words that expresses the IC compared to the total words in the annual report.

Hypothesis Testing

To test the trend of IC disclosure volume increase, (hypothesis 1), it uses the least square trend equation and the formula as follows.

$$Y = a + bX. \tag{1}$$

In which:

$$a = \frac{\sum Y}{n}$$

$$b = \frac{\sum XY}{\sum X^2}$$

X = time,
Y = periodic data or trend value for a certain period.

To test whether there is difference in the volume of IC disclosure (hypothesis 2, 3, and 4); it uses the test of One Way ANOVA (Analysis of Variance). This test tool is used to test whether two or more independent populations have different means. ANOVA technique is used to test the variability of the observations of each group and the mean variability among the groups.

Using both the variability, it can draw conclusions concerning the population

Table 3
Results of Trend Analysis Test

Bank	Similarity of Trend Least Square	Coefficient b
BNP Paribas	Y = 8028.67 + 299.00X	+
Banco Santander	Y = 5663.67 + 1747.00X	+
UBS	Y = 11364.33 – 166.50 X	-
Deutsche Bank	Y = 8206.00 + 2641 X	+
ING Group	Y = 9625.33 + 1934.50 X	+
Intesa Sanpaolo	Y = 11375.67 + 628.00 X	+

Source: Secondary data processed in 2011.

mean. The results of ANOVA show a difference in the overall volume of IC disclosure, but not to show which banks have the distinction is significant when compared among them. Therefore, when the result of the ANOVA test is proved there is a difference, the test is followed by a post hoc test to determine differences in the volume of IC disclosure that occurs among groups are compared.

DATA ANALYSIS AND DISCUSSION
When concerning the sample, the target population is 20 companies included in the top 20 banking category by market value version of the European Central Bank. The sample selection is the representative of banks from each country included in the top 20 market value of banking in Europe as referred to Abidin, (2000). It is stated that the market value is due to the concept of IC which is a major factor that can increase a company's value.

By such assertion above, the samples to describe the level of IC disclosure are varied and can measure volume IC's developments from several countries in Europe. Based on these criteria, 8 representatives are selected with their highest values their counties. Eight banks are the banking company representatives from each country which are different. Of eight companies, only 6 companies that have complete data for a content analysis. These six banks are Bank Santander, UBS Bank, BNP Paribas Bank, Deutsche Bank, ING Group, Intesa Sanpaolo.

The First Hypothesis Testing
Visually, the trend test can be used to determine the trend (tendency) of an increase or decrease in the average at any given time or period. The summary can be seen in Table 3.

The complete picture for the test results of this trend can be seen in Figure 1 (Appendices). The least square trend test results show that 5 of the 6 companies have positive b coefficients, only the coefficient b UBS which has a negative (-). The result of coefficient b is not entirely positive (+), then the hi-hypotheses which state that there is a trend increase in the volume of IC disclosure in corporate banking in Europe 2007-2009 cannot be proved with the data.

The result above is consistent with research by Abeysekera (2008) who found no development of IC disclosure in 20 companies in Sri Lanka in 1998-2000. Such decision for rejecting the first hypothesis is done by prudence in decision-making, although 5 of 6 samples revealed that this undergoes an increase of IC disclosure but it can not be said that the 6 sample representing 20 companies' targeted populations have experienced an increase of IC disclosure in the year 2007-2009.

Five of the six samples increased the trend volume of IC disclosure in the form of text during the years 2007-2009, but the trend UBS (Switzerland) has decreased in the last 3 years. Therefore, lowering the volume of IC disclosure on UBS can be seen as based on the content analysis. The decrease is due to the situation in 2008 and 2009, in which there was the one UBS focusing on

addressing the impact of the global crisis. The global crisis in 2008 led UBS to focus on the revelation of the company's handling of the crisis. Some quotes that explain the impact of the global crisis in 2008 for UBS are as follows.

> The year of 2008 was one of the most difficult conditions for the financial service industries. As the crisis deepened over the course of the year, the problems in the financial industry spread to other parts of the world economy.

> "(UBS Annual Report 2008, p. 20) Responses to the crisis included the injection of new capital into many of the world's major financial institutions by Governments. With hindsight, it is clear that UBS was not prepared for this. Our balance sheet was too large and the systems of risk control and risk management that should have limited our exposure failed….." (Letter from CEO of UBS, (UBS annual report 2008 page: 4).

The focus of the global crisis greatly affects the broad UBS corporate voluntary disclosures. This also resulted in UBS experiencing a net loss of 12.45 billion Swiss francs in 2008, equivalent to U.S. $ 11.3 billion. In 2009 UBS swallow 2.7 billion Swiss francs loss. This forced UBS to abolish the division of investment-clicking and stop the 6,000 employees in 2008. Some businesses like commodities, real estate and securities also had to be stopped because of a severe recession.

The UBS attempt to improve stakeholder confidence in which such a situation is down due to the recession. This, in turns, multiplies the revelation of information about the handling global crisis of 2008. It aims to convince stakeholders that the company can still take place although it was in a state of severe recession.

UBS things done can be explained by signaling theory, where decisions UBS revealed efforts to address the crisis in 2008 and in 2009 an effort to provide a positive signaling to stakeholders. This is in line with the disclosure Oliveira et al. (2004) who ex-

plains that the manager has a motivation for disclosing private information voluntarily because they hope the information can be interpreted as a positive signal about the company's performance and to reduce information asymmetry.

Second Hypothesis Testing
As based on the calculation of error level that is (α) = 0.05, with an error rate (the obtained calculation of F value is 2.627 while the F table value at 3.11. Due to the calculated value of F table is > that of calculated F and p-value is 0.079> 0.05 then there is no difference in the overall volume of disclosure on internal capital category. So, the hypothesis that there is difference in the volume of internal capital disclosure in annual reports of banking companies in Europe 2007-2009 period is not proved with the evidence.

Third Hypothesis Testing
Based on error level calculation (α) = 0.05 on the results of the calculation with an error rate (obtained calculated F value of 4.209 while the F table value at 3.11. Due to the value of F calculated is > F table and the p-value 0.019 <0.05, it can be concluded that there is a difference in volume of external capital category disclosure. So, the hypothesis that there is difference in the volume of external capital disclosure in annual reports of banking companies in Europe is supported with the 2007-2009 data.

In detail is related to post hoc test which is conducted to determine where the samples are experiencing differences in external capital. Based on this test on external capital, if the p-value is <0.05, it can be concluded that there are variations in the volume of disclosure. A post hoc test is expected to see where the samples were found to have significant differences in the external capital. The results of post hoc can be seen in Table 4.

Fourth Hypothesis Testing
Again, as referred to the calculation, the error level result is (α) = 0.05 with an error

Table 4
Post Hoc (External Capital)

Bank	Bank	Sig
UBS	Deutsche Bank	.041
UBS	Intesa Sanpaolo	.002
Intesa Sanpaolo	ING Group	.005
BNP Paribas	Intesa Sanpaolo	.009

Source: The Secondary data processed in 2011.

Table 5
Post Hoc (Human Capital)

Bank	Bank	Sig
UBS	Banco Santander	.002
UBS	BNP Paribas	.003
UBS	Deutsche Bank	.000
UBS	ING Group	.011
UBS	Intesa Sanpaolo	.000
Intesa Sanpaolo	Banco Santander	.003
Intesa Sanpaolo	BNP Paribas	.001
Intesa Sanpaolo	Deutsche Bank	.019
Intesa Sanpaolo	ING Group	.000
Intesa Sanpaolo	UBS	.000

Source: Secondary data processed in 2011.

rate (obtained calculated F value of 13.024, while the value of F table is 3.11. This means it can that there is difference in the volume of the disclosure of the human capital category. Hypothesis which says there is difference in the volume of human capital disclosure in annual reports of banking companies in Europe during 2007-2009 is in fact proved with the data as presented in Table 5.

The differences of IC disclosure among the companies represent each of the different countries in Europe as in the results of the study by Abeysekera (2008) who found differences in external disclosure and human capital in the country of Sri Lanka and Singapore. The differences in volume IC disclosure in external and human capital category are due to several factors such as the country's economy, government policy, and a variety of regulation, hundreds in the country in question that affects the volume of IC is disclosed.

Yet, the variations in IC disclosure are due to lack of detailed rule governing how intellectual capital should be reported in the annual report. International Financial Re-porting Standards (IFRS) which is based principle can create differences in the preparation of financial statements applied in the use of professional judgment by the accountants.

With the rules-based system as in the General Accepted Accounting Principles (GAAP), the accountants can obtain detailed implementation instructions, thereby reducing uncertainty and generating application specific rules in the standard mechanically. In a principle-based system, the accountants will make a number of estimates that make them accountable and require more professional judgment (Schipper 2003). By comparing the three standards by Benneth et al. (2006), it can be concluded that principle-based standards requires good professional judgment on the level of transactions in the financial statements level.

CONCLUSION, IMPLICATION, SUGGESTION AND LIMITATIONS
It can be generalized as the following that UBS (Switzerland) decrease the disclosure of intellectual capital for Switzerland in

2008. This is affected by the global financial crisis. This makes UBS to strongly focus on the disclosure due to the crisis in 2008. The variations of intellectual capital disclosures were found on the external elements of capital and human capital.

This renders its implications that professional judgment as making IFRS different from the gap can potentially cause the variation in voluntary reporting. Among the countries comparison when using IFRS, it was shown to provide early reporting variations. When they failed to achieve comparability among the countries has by the principle-based, it is still required to have standard governing the voluntary disclosure, especially disclosure of intellectual capital.

It is known that the standard for voluntary disclosure requirement is connected to the expectation to appear good by an external company (positive signaling) when the company experienced a decline in financial performance (monetary disclosure is mandatory). Then, the company tends to increase the non-financial disclosures (voluntary disclosure) when their voluntary disclosure is not set under IFRS. In this case, the company can maximize free items which are considered to show a decline in its performance and due to this condition, this practice will lead to information overload. This expresses the annual report which publishes excessive information which is in fact not needed by the investors. Therefore, this can be bias decision taken by the user company's annual report. To minimize the possibility of bias by the user's annual report, a regulation or standard regarding IC disclosure is required for their annual reports.

It has been noted that several studies also found differences in human capital disclosure in some countries such as Guthrie and Petty (2004) in Australia, Brennan, (2001) in Ireland and Olsson in Sweden. All these also yielded differences in valuation assumptions that eventually can lead to annual report information which is no longer comparable.

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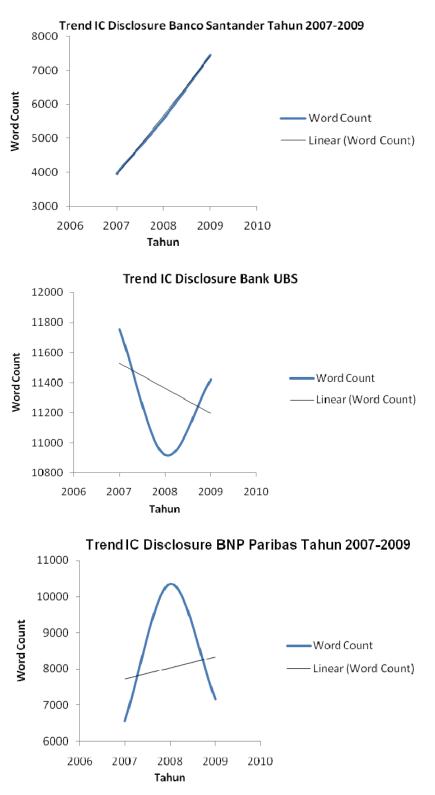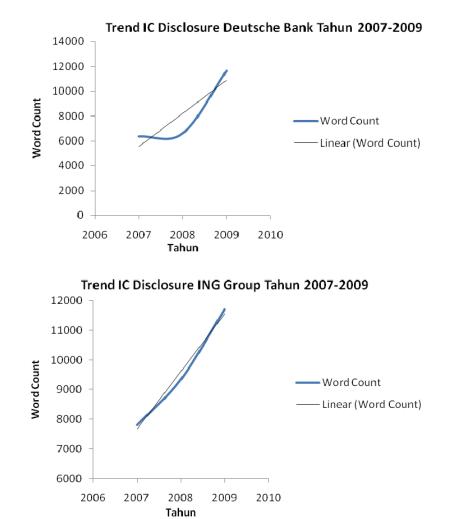
APPENDICES

Figure 1
Trend Analysis Result

Trend IC Disclosure Deutsche Bank Tahun 2007-2009

Trend IC Disclosure ING Group Tahun 2007-2009