

FINANCIAL STATEMENT INFORMATIVENESS AND INTELLECTUAL CAPITAL DISCLOSURES: WITH SPECIAL REFERENCE TO LISTED COMPANIES IN SRILANKA

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Growing demand for financial and non-financial information by the users of financial reports leads to an emphasis on financial statements' informativeness. Investments in intellectual capital, being highly demanding information by the users, holds an important place in providing informative financial reports despite its lack of proper accounting recognition criteria in financial statements. Thus, the purpose of our study is to examine how intellectual capital disclosures affect the financial statement informativeness of listed companies in Sri Lanka. Financial Statement Informativeness was measured using the explanatory power of financial information in explaining market value. Content analysis of annual reports followed by a quantity and quality index of Intellectual Capital Disclosure was used to measure the Intellectual Capital Disclosures. A sample of 48 companies listed in CSE that disclose Intellectual Capital was used and empirical analysis was carried out using the Poisson regression method. A significant relationship between Financial Statement Informativeness and Intellectual Capital Disclosures has been found, suggesting that FSI plays a substantial role in providing disclosure on intellectual capital in financial reports. This study confirms to make managers aware of its significant and positive effect on financial statement informativeness in financial reports, given the importance of Intellectual Capital reporting in mitigating financial information disparity. An important implication of the findings is that the policymakers and regulators need to establish a uniform IC reporting methodology to establish consistent disclosure practices.

Keywords: *Intellectual Capital Disclosure; Financial Statement Informativeness; Poisson regression; Colombo Stock Exchange*
