

The Management Company Intangible Assets Governance in Pharmaceutical Industry

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Abstract

This article attempts to answer the management company intangible assets governance in pharmaceutical industry. In this study, we use pure literature survey and conclusions are drawn from theoretical analysis and discussion results. This research will add deeper insight intangible assets governance in pharmaceutical industry. The right intangible assets are considered as the root of the company's value creation, helping the company to achieve success. In addition, intangible assets are one of the main sources of competitive advantage.

Keywords: Intangible Assets, Governance Corporate, Patent, License, Trademark, Copyright, Franchise.

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INTRODUCTION

The importance of intangible resources and difficulty of quantifying them is increasing and grow. Intangible assets (IA) such as employee skills, knowledge, software trade secrets, copyrights and patents, trademark rights, franchise rights, customer and supplier relationship are increasing recognized as important corporate assets, making a significant contribution to significant to the competitiveness of the company. One of them is like a trademark owned by company. Trademark are needed because brands are intangible assets that have economic value and can be increased in value in the development product. Patent rights are also intangible assets that play an important role in companies, especially in pharmaceutical company. Without the permission of the owner of the patent, the drug may not be imitated, produced and sold under a generic nam by other manufacture (Himida, 2010). The last few years have been seen the rise of the conceptual enterprise, which is characterized by the low relevance of physical assets in favor of intensive intangible activities. Estimates of the value of intangible assets, particularly in capital-intensive, high tech and innovative companies have increased, although they differ by country. For example, finance directors surveyed as part of one study believed that 50% or more of a firms value was attributed to intangible assets (Putra et al, 2020).

LITERATURE REVIEW

Corporate Governance

Corporate governance (hereinafter referred to as CG) is a system designed to direct the management of a company professionally based on the principles of transparency, accountability, responsibility, independence, fairness and equality. According to the IDX, the purpose of implementing

corporate governance is a guideline for the Board of Commissioners in carrying out supervision and providing advice to the Board of Directors in managing the Company, As a guideline for the Board of Directors so that in carrying out the Company's daily activities it is based on high moral values by taking into account the Articles of Association, business ethics, laws and other applicable regulations, As a guideline for IDX management and employees in carrying out their daily activities and duties in accordance with CG principles.

Intangible assets is an identifiable non-monetary assets that does not have a physical form but that brings future economic benefits to the enterprise and is identifiable. According to Obaidullah Jan, CPA, intangible assets are long-term assets of a company that are identified but not physically present. "Identifiable long term assets of a company having non physical existence are called intangible assets". According to Steven Bragg, CPA, intangible assets are non-physical assets that have a useful life of more than one year. "An intangible asset is a non-physical asset having a useful life greater than one year". According to Averkamp (2016) intangible assets are assets that cannot be touched. "An intangible asset is an asset that you cannot touch". According to experts who are members of WebFinance, Inc., intangible assets are long-term resources that are owned by all entities but are not physically visible. "Intangible assets are the long-term resources of an entity, but have no physical existence". Intangible assets as employee skills, knowledge, software trade secrets, copyrights and patents, trademark rights, franchise rights, customer and supplier relationship. Copyright is the exclusive right of the creator or copyright holder to regulate, announce or reproduce the use of the results of casting ideas, creations or certain information or giving permission for it without reducing restrictions

according to the applicable laws and regulations. Patent is an exclusive right granted by the state to an inventor for the results of that invention in the field of technology, which for a certain period of time carries out the invention himself for other parties to implement it. Trademark is right to use symbol of a product. The cost of acquiring these trademark rights includes the cost of planning, designing, making logos or symbols including trademark licensing until a trademark certificate is issued. Franchise is using certain facilities from one party to another as a franchise. Franchise is only allowed to use the franchise rights in accordance with the agreement, not the right to sell the franchise to other parties. Rental rights using certain assets specified in the lease agreement. The accounting records of expenses relating to obtaining lease right are determined from the way the lease payments are made. Exclusive are special right granted by the state to an institution or agency to manage facilities or natural resources belonging to the state.

IA information could be useful to users of reporting other than institutional or private shareholders. In this regard, it is important to note that the past few years have seen the emergence of boutique private equity firms and investment banks specialised in investing in firms characterised by high intangible assets. These investors are looking for companies with intangible assets for development and commercialisation purposes, even before start up (Ellis and Jarboe, 2010). These types of investors have the capacity to make use of more sophisticated IA reporting and are likely to have private channels of obtaining the relevant information and KPIs from companies even before investing in them.

With the exception of professional investors, most other investors are sensitive to the possibility of external verification of IA reporting. Such external verifications are now conducted by a few firms specialising in intangibles management, but this is, for the moment, a small and unregulated industry. Only in very few jurisdictions do auditors have guidelines on how to verify IA statements (i.e. Denmark). In the absence of such guidelines auditors may consider issuing an audit opinion on intangibles as an above average risk.

Another concern is that due to the variety of reporting frameworks, investors might not be able to use reported information for comparisons between companies. The lack of standardisation in the reported information remains a major challenge, especially for less sophisticated investors. That is not to say that IA reporting is not relevant for smaller investors. A recent study from the Association of Chartered Certified Accountants indicated that the description of the company business model and KPIs were of interest to 60% of shareholders surveyed (ACCA, 2011).

METHOD

The study uses a qualitative approach. Qualitative research is research that is descriptive and tends to use analysis. Process and meaning (subject perspective) are more highlights in

qualitative research. The theoretical basis is used as guide so that the research focus is in accordance with the facts on the ground. The method used in this research is a case study literature study. Case study research is research that is carried out intensively and in detail.

RESULT AND DISCUSSION

1. Result

External disclosure of information on intangibles is useful only insofar as it is understood by market participants. While much of the analysis focuses on disclosure frameworks and practices, less is understood about the use of IA information by analysts (Abhayawansa, Gurthie, 2010). Evidence shows that financial analysts are increasingly interested in and understanding the intangible (Lev and Amir, 2003; Ousama, Fatima and Majdi, 2011). One approach taken by research has been to look at analyst reports to see if IA disclosures are used as justification to support buy or sell recommendations (e.g. Arvidsson, 2003; Garcia-Meca and Martinez, 2007). From a literature review that takes this approach, it can be concluded that analysts do take advantage of IA disclosures, especially for high-growth companies, but some information communicated by the company as part of their value creation story is not included. Interview and analyst surveys, either specific to one market or general across several markets, arrive at the same conclusion.

The Companies which have an intangible assets will affect the company's debt policy, owners of companies that have intangible assets will affect the company's debt policy. Owners of companies that have high intangible assets can controlling the agency cost of debt by limiting the amount of Risky Debt. Agency Cost of debt is increasing the cost of debt that occurs when there is a conflict of interest between managers and debt holder, where managers were more concerned with shareholders than debt holder. Agency cost of debt will be higher in companies that invest more in intangible assets. Companies that invest more intangible assets will possess a lower level of debt compared to companies that invest more in tangible assets. Agency theory underline the relationship between intangible assets with debt policy consistent with the facts revealed by that the R&D intensive in a company associated with the smaller debt in the company's capital structure.

2. Discussion

License

Pertimbangan lain untuk lisensi termasuk pembaruan lisensi
Payment terms and significant

Financing components and proceeds from a patent infringement settlement.

License renewals

The revenue standard specifies that revenue from the renewal or extension of a license cannot be recognized until the

beginning of the renewal period, because that is when a customer can use and benefit from the license renewal period, illustrates the accounting for the renewal of a license. An entity would not recognize revenue before the beginning of the license period even if the entity provides (or otherwise makes available) a copy of the intellectual property before the start of the license period or the customer has a copy of the intellectual property from another transaction. For example, an entity would recognize revenue from a license renewal no earlier than the beginning of the renewal period. Management should also consider whether a renewal right offered at contract inception provides a material right.

License modification that includes a renewal and other changes

Determining the accounting for a modification that includes a renewal of existing rights along with other changes, such as adding new rights, can require judgment. Management should first consider whether the exiting right are solely being renewed or being substantively changed. If the existing license rights are being changed (for example, attributes are being modified other than extension of time or the functionality of the underlying IP has changed), management might conclude the modification does not include a renewal of existing rights and therefore, the renewals guidance is not applicable. If a modification includes the renewal of existing rights, the reporting entity should generally apply the guidance in ASC. As a result, consideration allocated to the renewed license rights would be deferred until the renewal period begins.

However, if the modification is considered the termination of an existing contract and creation of new contract in accordance with ASC (for example, because the pricing of additional goods or services is not at standalone selling prices), an acceptable alternative may be to account for the license rights in the modified contract as a new license as opposed to a renewal of existing rights.

Under this alternative, a reporting entity may conclude it is appropriate to recognize revenue immediately for new licenses granted as a result of the modification. Modifications can be structured as either (1) an amendment to the original agreement or (2) a cancellation of the original agreement and execution of a new agreement.

Guarantees

Guarantees to defend a patent are disregarded in the assessment of whether a license is a right to use or a right to access IP. Maintaining a valid patent and defending that patent from unauthorized use are licenses important aspects in supporting a reporting entity's IP. However, the guarantee to do so is not a performance obligation or an activity for purposes of assessing the nature of a license. Rather, it represents assurance that the customer is utilizing a license with the contractually agreed-upon specifications.

CONCLUSION

Intangible assets are a major driver of growth and corporate value in most sectors of the economy. The right intangible assets are considered as the root of the company's value creation, helping the company to achieve success. In addition, intangible assets are one of the main sources of competitive advantage. Therefore, the study of intangible assets is very valuable.

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