

## ***ABSTRACT***

This study addresses the need of intellectual capital accounting discussion in specific context, particularly in Micro, Small and Medium Enterprises (MSMEs) in creative industries engaged in arts. The objective is to determine the social construction of intellectual capital accounting in the context. Using interpretive methodology with grounded theory method, the study is guided by two research questions: (1) why intellectual capital is formed and developed in the arts-based creative industry MSMEs; and (2) how the social construction of intellectual capital accounting happens in MSME creative industries of arts.

Data collection is conducted in 6 MSMEs, each of which 3 respondents are from pure arts, and 3 respondents are from applied arts using in-depth interviews, documentation and observation. Nine people are interviewed in depth, and the data obtained are analyzed using iterative method with three coding stages, namely open coding, axial coding, and selective coding.

The finding to address research question one shows the need of MSMEs artist of sustainability or business continuity. The need of sustainability is supported by the need for collaboration and the need of networking, resulting on the formation of a triangle. This triangle called the triangle of the need for sustainability. Research question two is addressed by the finding of social construction of recognition and measurement of intellectual capital accounting. Social construction for recognition of intellectual capital happens in following conditions: (1) the artists have responsibility to report the use of external funds; (2) the artists employ competent parties for financial reporting; (3) the artists make use of their human resources or human capital in creating intellectual capital; and (4) artists need tangible assets in the creation of intellectual capital. Social construction for measurement in intellectual capital accounting can be identified by: (1) the artists' collaboration and networking to generate income; (2) the management of non-financial information of the use of artists' intellectual capital; and (3) information related to sustainability or business continuity.

*Keywords: intellectual capital accounting, MSMEs, creative industry, arts, pure arts, applied arts, grounded theory, interpretive*