

1997; Nonaka and Takeuchi, 1995; Davenport and Prusak, 1998). According to Wiig (1997), the company's viability depends highly on "the competitive quality of its knowledge based intellectual capital and assets and the successful applications of these assets in its operational activities to realize their value to fulfil the company's objectives". Through this era, the concept of intellectual capital has been used for the first time instead of the accounting term intangible assets (Edvinsson and Malone, 1997). The problem which has been highly recognized is how to report intellectual assets in systematic way in the absence of accepted accounting measurement methods and guidance of regulatory setters (Brennan, 2001). Knowledge research has been plagued by a variety of the accounting problems that can lead one to question the extent of validity of accounting model. In fact, this model looks backwards and focuses on tangible assets. Tangible (or hard) assets have considered driving engine of the industrial revenues such as physical capital, fixed assets and inventory (the assets of the industrial revolution). It is a transaction-based evaluation model. This has led a number of practitioners to inquire into the lacks that are specific to knowledge nature. In addition, in view of the growing emphasis on knowledge management and the related accounting problems, the urgent differentiation between accounting capital and flow of intellectual capital has been addressed (Corrado *et al.*, 2006). This a new theoretical perspective was necessary for analyzing revenue power of knowledge companies, because most of the accountant's community thinks that sale of inventory is more important than development of products. Accordingly, the interdisciplinary literatures analysis has indicated that knowledge-intensive companies have three major accounting-related problems: partial excludability; inherent risk; non-tradability (Lambe, 2002).

According to the knowledge literatures, the problem of accounting against knowledge has two dimensions: the first is the asset (whether financial, technological, or intellectual) cannot be well determined. Further, the measurement of the critical success factors of knowledge business model cannot be defined in qualitative and quantitative terms (Hall and Mairesse, 2006). The accounting literatures have classified the knowledge critics against accounting into structural and contextual. The structural critics are related to the rigid reporting format of financial statements. In contrast, the contextual critics have discussed the practical aspects of accounting in terms of rules, regulations, and assumptions. The literatures reviewed indicate that the reporting power of financial statements is full of controversy associated with outdated reporting style of financial statements (Canibano *et al.*, 2000). The critics against reporting power have been allocated to accounting equation that has undermined the comprehensive reporting power of accounting. The underlying debate has created huge controversy on how to reconcile the reporting power to match the priorities of the knowledge management (Canibano *et al.*, 2000). The monetary-based nature has to be overcome because very little of knowledge has to do with money. The distinctive debate about knowledge problems of accounting has concluded that the priorities of knowledge management still cannot be disclosed in general-purpose financial statements (Hall and Mairesse, 2006). The reality is the serious problem of accounting is laid in its theoretical rules and reporting formats. This matter has received much attention in the literature, often in the form of discussions around validity of accounting model. Accounting rules are key cause beyond accounting model's failure. As set of these rules were set up to evaluate hard or (tangible) assets. The accounting standards either IFRS or GAAP recognize and report