

and future based model. In contrast, the accounting researches have addressed the issue of intellectual as a key reason beyond the value paradox. Accounting model is a static and cost-based evaluation model designed to reflect results of the operational process. Thus, accounting assets always appear in the balance sheet at cost, which is the production side rather than customer side (Amidon, 2003). This key difference must be taken when reviewing the validity of accounting model for knowledge management (See Table-II). The old logic looks backwards and focuses on tangible assets. This may match the generation of the industrial revenues. Accounting for knowledge management entails new accounting theory as the theoretical bases of industrial accounting have been outmoded. The problem of the value paradox lays in how to translate the future into an asset, not a liability (Amidon, 2003). This reflects the conflict between accounting values and knowledge values. The industrial accounting values were reasonable, quick, and easy ratio to guide investment decisions. The reliability of these values always restricted to very rigorous economic rules. The infusion of knowledge management has broken down the accounting values. The nature of knowledge values are largely hidden with less market capitalization recognized in the financial statements (Holsapple, 2003). The huge investment in knowledge assets coupled with the partial accounting recognition rules have much declined the accounting values and then usefulness of accounting information (Austin, 2007). The recognition rules sharply distinguish between accounting and knowledge assets (Stone and Warsono, 2003). This distinction is done to meet the requirements of asset definition, and as a result for such accounting treatment, ignorance of knowledge assets is created. The absence of knowledge assets is contributed to the huge gap between market capitalization and book value of

equities. The demise of accounting has come as a result for ending the marriage between the historical cost of accounting assets and market value of knowledge assets. Boulton *et al.*, (2000) have set stages for the paradigm shifts in the accounting model. They have compared accounting and knowledge values for more than three thousands five hundreds of US companies over a period of two decades. The decade of fifties has entitled as the era of perfectibility because the accounting model used to provide more than ninety five percent of the market value of the industrial companies. That was valid when accounting values were a reliable measure of the industrial assets and accounting rules are performance metrics of the industrial businesses. Later, every value has gone astray to its own way. The accounting values now provide only thirty percent of the market value of knowledge companies (Lev, 2001). The accounting values are not matching knowledge values precisely, because financial statements tell what has happened not what expected. The increasing irrelevance of accounting information is indicated by the paradox of accounting model cost vs. value. However, ignoring knowledge assets as result to rules of recognition contributes to phenomena of information asymmetry of accounting. That is, since the ignorance is at the heart of accounting model, restructuring accounting rules is a must to overcome the problems of the partial recognition. Finally, integration of the recognition rules with the practices of knowledge management is urgent for structuring a meta-accounting theory for knowledge management. For example, capitalizing research and development and internally generated goodwill. This rule can lead to subsequent changes in earnings and then improving relevant of accounting information (Hall and Mairesse, 2006).