

assets. A new challenge is how to manage, measure, report, and maximize the new revenue assets such as customer's loyalty. As has been mentioned previously, the problem of the accounting model is a tangible one in terms of it account to the cost of raw material and labor. These realities are the production side (cost realities) rather than the customer side (value realities). There is, however, another dimension of the problem is that how to account for the time lag between invention and innovation which can be lengthy. The knowledge management literatures posit a logical assumption that is successful knowledge investments should improve financial performance by increasing sales and decreasing expenses or both (Stone and Warsono, 2003). Unfortunately, this time lag produces large and immediate expenses which lower earnings of companies investing in knowledge assets. Perhaps this practice reduces the accounting reliability as a business communicator of financial information. Paradoxically, the accounting model used to report the traditional profit rather than the electronic profit. The nature of both is totally different in terms of drivers, transactions, and mechanism of recognition (Cohan, 2000). Furthermore, the same level of change happened to cost of goods sold as a key component of calculating the accounting profit. The cost of goods sold of the traditional profit has been designed to accommodate both the cost of the raw materials and direct labor. The two cost elements are a mile stone of the cost of the industrial products. Further, the size of those two cost elements reaches approximately seventy percent of the traditional revenue. The logic of this operations oriented formula is no longer valid under the assumptions of the knowledge management. The priorities of knowledge companies produce different arguments for the logical adequacy of the cost of goods sold. The research and development associated with customer loyalty

is the key engine to create the knowledge profit. Accordingly, the costs of raw material and direct labor are no longer vital to reflect the realities of old-line business model. The same fact is also valid to the working capital as one of the old realities which drive earnings of the traditional profit (Mohammad, 2013). In contrast, the expenses of research and development associated with knowledge creation have become significant and urgent for the existence of any knowledge company. The notion to be highlighted here is that the accounting model has been built on drivers of the traditional profit rather than the electronic. However, a different perspective of cost of revenues or cost of managing knowledge's base needs to be replaced instead of cost of goods sold. Another dimension of the problem is that successful knowledge management should improve financial performance by increasing sales and decreasing expenses or both. In view of the new situation, accounting revenue power has to be redesigned to combine technology, market, customer's base, and business practices to create the desirable value and growth. These applications take the form of new products and services, the development of new markets, and the introduction of new organizational form (Amidon, 2003). This systematic cycle increases net value for customers. Increasing customer loyalty can be a source to create extra cash flows and then increase shareholder value. Thus, the structure of statement of cash flows has become useless for knowledge management initiatives. The cash flows of knowledge companies are triggered by introducing new technology which acts as a driver for new applications in the form of new products and services. The effective marketing of these products and service develops new markets and in consequence increasing the market shares locally and globally. Such dynamic process always contributes to growth and survives of which