

Table II: Financial Statement vs Knowledge Financial Statements
(Source: Stewart, 2001)

Income Statement vs. Knowledge Statement	
Revenues Cost of goods sold Gross Margin EBIT Interest and Taxes Net Income	Revenues Innovation Cost Customer Cost Products/Services Cost Administrative Costs EBIT Taxes +/- None-cash adjustments Cash earnings
Balance Sheet Equation vs. Knowledge Equation	
Assets = Liabilities + Equities	Investments = Financing
Statement of Cash Flows vs. Knowledge Cash Flows	
+/- Operating cash flows +/- Investing cash flows +/- Financing cash flows Change in cash	Cash earnings Investing cash flows Free cash flows

and Tsai, 2012). It is widely accepted that, the efficient and intensive use of knowledge technologies to track manufacturing process, inventory, and sales opportunities has replaced physical assets by the organizational assets. As a consequence, knowledge companies have been reduced in terms of size and staff (Boulton, 2000). The above realities reflect the imperatives of the technology approach to construct knowledge accounting. These imperatives entail new paradigms for managing and measuring the financial statements. This new approach is not surprising since the technology has disrupted the traditional philosophy of accounting. To strengthen and being highly influential in knowledge discipline of business, the technology approach has extended to construct knowledge income statement (Blaug and Lekhi, 2009). The technology income assumes that the different stages of technical readiness shape the uncertainty and future profit of knowledge companies. The growing challenges of knowledge technologies provide real drivers

for the improvement and growth of each item of income statement (Martin and Leurent, 2017). This is valid for sales revenue, cost of goods sold, and all sorts of expenses such as research and development, selling, and administrative expenses. The above differences in accounting setting and the paradox related has to be considered because its create conflict that affect accounting information in terms of reducing reliability, relevance, and understandability. To bridge the theory of accounting to practices of knowledge management, it is urgent to mention that accounting information by its traditional formats is no longer useful and relevant for managing knowledge cash flows (Austin, 2007). The absence of knowledge assets provides reasons for not using financial statements by knowledge investors. The technological management of balance sheet is related to working capital and non-current assets. The dramatic growth in knowledge business has re-organized the priorities of companies. The accounting assets are no longer