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CAPITAL MAINTENANCE CONSIDERING ACCEPTED ACCOUNTING PRACTICES ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS)

PROPOSING A NEW CONCEPT OF CAPITAL MAINTENANCE

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Abstract

Researcher discussed the importance of capital maintenance, and the current concepts, that: financial capital based on historical cost, and productive capital based on current value as replacement cost, market value, and discounted cash flows. Also, researcher discussed threats and risks that faced capital maintenance and result in capital erosion, like: unrecognized profits, gains, and losses, using estimation, treasury shares, fair value accounting measurement and the like, that could be led to capital erosion. Researcher suggested a module for capital maintenance, named it reliable capital maintenance, they put the mathematical equation for this module, then apply it to five companies through intelligence study, the result of the test is that all of the five companies suffered from mainly because unrecognized profits, gains, and losses, and paying dividends without considering unrecognizing of these profits and gains. Researcher concluded to many conclusions, the importance one is possibility of using reliable capital maintenance, and necessity of disclosing separately unrecognized profits, gains, and losses, and recommended adoption of this module for reliable capital maintenance, and proposing a statement of unrecognized profits, gains, and losses.

Key words: Capital Maintenance, Unrecognized profits and gains, banking sector, IFRS

INTRODUCTION

Capital maintenance concept can be defined as a mean of protection the capital from erosion and maintain it from depreciation, because the capital of the entity may be considered as the fundamental core in establishing the business, so it must be maintained from decreasing it less the authorized capital through declaring dividends without achieving profits or without existence of retained earning, that means distributing capital as dividends. Capital must be determined legally when establishing business, which called authorized capital, but maintaining capital is not absolute fact, that because of different situations and circumstances like continuous losses that may be caused compulsory decrease of capital, to do that, some of legal procedures must be followed, and that does not oppose the concept of capital maintenance.

Capital maintenance may be considered as a simple applicable concept, but depending on continuous modernization in accounting, and several factors related and adopted by International Financial Reporting Standard (IFRSs), those issuances of International Financial Reporting Standards as accepted accounting practices may be resulted in absence full or partially of capital maintenance, according to the negative effects on capital, such as: purchasing treasury shares and related gains or losses, also, recognition of unrealized gains or losses attributable to measuring assets in another measurement basis neither than cost of acquisitions to those assets still be acquired and not sold, like subsequent measurement using fair value, beside , practices of creative accounting , profit management, changes in accounting policies, and the like, which at the end may be resulted in capital erosion.

Those practices increased day by day that have negative effects directly or indirectly on capital maintenance, that put standards setters, stakeholders, and other related parties in challenge with improvements in accounting, and balancing between its characteristics and advantages from one hand, and criticisms and disadvantages from the other hand, and how th achieve reliability and quality of accounting information, but without influencing negatively on capital maintenance.

Capital gained its importance from maintaining it, because that forms the basic of existence and continuity of the business, and also considered as it constitutes the safety margin toward liabilities and claims on assets to non- owners. Beside the capital represents the investment of owners in business, that direct efforts and behaviors to maintain capital especially in corporations in order to take in consideration the economic situations. And limit from capital escapes to the more stability and security environments.

Importance and objectives of the study

Depending on what mentioned above, the importance of the study derived from the importance of the subject of it, that is capital maintenance, in a different importance sectors considered as the nerve of the economic environment, and focus on the different accounting practices that lead to capital erosion, that means real threats and risks faced the stakeholders to determine whether capital maintained or not, so the main objectives of the study are:

1. Identifying the concept of capital and its categories.
2. Identifying the concepts of capital maintenance and capital erosions
3. Proposing a new concept of capital maintenance considers the accepted accounting practices included in IFRSs.
4. Examining the new concept in different businesses that constitutes the sample of the study.

Research Problem and its elements

The problem of the study relates to the existence of many accounting practices influence negatively on capital maintenance, and resulted in capital erosion, these practices approved by IFRSs, in spite of avoiding traditional method of capital erosion through dividends from the capital, but that is insufficient to maintain capital, because these practices that have a direct and indirect effects makes it is very difficult to maintain capital. Thus, the question of the study may be as follow: "Is it possible to propose a concept for capital maintenance protect the capital from erosion in consideration to accepted accounting practices approved by IFRSs ?".

Elements of the study problem as follow:

1. Are the unrealized gains and losses material in its relation with result of business.
2. Are there a threats affect negatively on capital maintenance and result in capital erosion.
3. Is the accumulative effect of change in accounting policies material?

METHOD OF THE STUDY

In order to examine the reality of how to maintain capital in economic environment, the researcher adopt the qualitative descriptive method in an explorational study, so the researcher will use the financial information published a different business sectors in annual reports, those reports will be analyzed using special indicators by the researcher leads to reach to a proposed concept to capital maintenance.

Limitations of the study

The researcher will only examine the proposed concept on a companies represent the main five sectors in Jordanian environment, banking, extractive, telecommunication, industrial and services sectors, also, annual reports will be those that issued at the end of 2013 .

Operational definitions

Capital maintenance: maintain and protect invested capital, and the possibility of its recoverability.(1) .

Unrecognized profits and gains: Profits and gains that resulted from subsequent measurement of assets and liabilities in a measurement basis other than this used in initial recognition.

International Financial Reporting Standards (IFRSs): Standards and interpretations issued by International Accounting Standards Board(IASB): it includes : International Accounting Standards(IAS), International Financial Reporting Standards(IFRSs), Standing Interpretation committee(SIC), and International Financial Reporting Interpretation committee(IFRIC) (2) .

Other Comprehensive Income (OCI): Gains and losses recognized in other comprehensive income. And not in profit or loss, it includes the following:(3)

1. revaluation surplus to non current assets and intangible assets.
2. Actuarial gains and losses.
3. Gains and losses attributable to Available for sale(AFS) investments.
4. Gains and losses attributable to translation of financial statements.
5. Hedging gains and losses .

Capital concept

Capital relates to owner equity that determined when business established as a capital, so the contents of it differs according to the type of business that is called economic entity, economic entity treats business in complete isolation from its owners, some times called accounting entity, or legal entity, according to this concept, business considered as a party has rights and obligations, three forms to the economic entity, those are:

1. Proprietorship: the entity that owned by one person, the owner equity consists of capital plus profits minus losses and withdrawals, the responsibility of the owner exceeds the capital to include his personal properties.
2. Partnership: Business owned by two partners and more, e.g limited responsibility companies, in which all partners are responsible in front of others as one group, capital consists of current accounts of the partners, every account includes partner share in profits minus losses and withdrawals.
3. Corporation: a type of companies that capital consists of shares, every share has a par value, his responsibility does not include his share in capital, that means the ceiling of the share holder loss is his shares, management of such corporations elected by the shares holders, those elected persons constitute the board of directors, capital also is a part of owner equity, beside capital, owner equity includes retained earnings or posted losses, reserves, treasury shares(deducted), and other gains and losses recognized directly in owner equity, capital is not available to be dividends .

Capital maintenance concept

One of the main concepts that lately the profession of accounting focuses on is capital maintenance, in order not to reach with the company to suffer of capital erosion, this concept is closely related to result of business, and how to measure financial performance of it.

IFRSs discussed two main concepts of capital maintenance, those are:(5)

1. Maintenance of Financial Capital: some times this concept called Nominal Capital or Fixed Earning Power or Cash Capital, it matches the traditional concept of capital maintenance in accounting, in which capital equal to net assts (assets – liabilities).

The financial capital maintenance depends on the following rules:

a. Profit or loss: represents the difference between net assets at the beginning end at the end of the period, after excluding dividends paid to the owners and contributions by the owners, this concept derived from the economic definition to the income put by Hicks, the maintenance of financial capital can be applied by the following:

Profit or loss=

Net assets at the end of the period	×××
Plus: Dividends paid to the owners	×××
Less: net assets at the beginning of the period	(×××)
Less: contributions by the owners	(×××)

Includes amendments to maintain capital

The previous application can be rewrite by the following equation:

Profit or loss =

Net increase(decrease)in financial capital ±Gains(losses)in net assets

b. Measurement basis: no definite measurement basis used, but almost historical cost used.

2. Maintenance of Physical Capital : some times this concept called Productive Capital or variable Earning Power or Productive capacity of the entity .

The Productive capital maintenance depends on the following rules:

a. Profit or loss: represents the difference between Productive capacity of the entity at the beginning end at the end of the period, after excluding dividends paid to the owners and contributions by the owners, this concept profit or loss does not include gains or losses of holding (unrealized gains or losses), but these gains or losses considered as amendments to owner equity.

b. Measurement basis: Current Cost may be used, it can be measured by one of the following bases:
   - Replacement cost, and some times called entry price.
   - Market value, and some times called exit price.
   - Discounted Present Value of Expected Future Cash Flows.

Example (1): Measurement of profits or losses attributable to capital maintenance:

Roro company established on 1/1/2014, its capital equal to CU 100 000, inventory purchased in amount of CU 75 000, and land in amount of CU 25000, inventory and land sold in amount of CU 12 000, CU 75 000 respectively, the replacement cost of the same quantity of inventory is CU 100000, but replacement cost of the land is the same of its sale price.

Required: calculate profits in order to maintain both financial and productive capital.

Solution:

Using financial capital maintenance:

- measurement basis: historical cost
- profits: after maintaining of financial capital:

amount of financial capital = CU 100 000

Revenues that represents inflows of assets= sale price of inventory and land=CU 120 000 + CU 75 000 = CU 195000

So the profit equal to = CU 195 000 – CU 100 000 = CU 95 000

Using Productive capital maintenance:

- measurement basis: replacement cost
- profits: after maintaining of productive capital:

amount of productive capital

= replace cost of inventory + replacement cost of land

= CU 100 000 + CU 75 000 = CU 175 000

So the profit equal to = CU 195 000 – CU 175 000 = CU 20 000

Criticisms to financial and productive capital maintenance:

1. Measurement bases that used in both two concepts are not the only bases included in IFRSs , beside the measurement bases that mentioned in the conceptual framework of financial statements, these are: historical cost, market value, current value, and present value , there are many other bases, the most important one is fair value, besides, there

are other bases such as: value in use, recoverable amount, carrying amount, no basis of the above mentioned in the concepts of capital maintenance .

2. The two concepts of capital maintenance do not match the accelerated improvement in accounting, that reflected in accelerated improvement in IFRSs, so, many threats deter maintenance of capital , as the researcher will discussed later in the study.
3. In addition to what mentioned above, capital maintenance is not easy to be achieved, in consideration to diversification of capital types and the availability of owner equity to be distributed.
4. Also, there are other threats to maintaining capital, such as: plurality of measurement bases, accepted accounting practices in IFRSs, using estimation, recognition of unrealized gains and losses, reclassifications of investments between permitted categories, all of these threats and more make it very difficulty to maintain capital in reality.

Threats and risks affected capital maintenance

Many threats and risks affected negatively achieving capital maintenance, as follow:

1. **Recognition of unrealized gains and losses:** the unrealized gains and losses resulted from measuring some of assets and liabilities using measurement basis other than initially recognized in, the most important subsequential basis is fair value, researcher comment the following about the unrecognized gains and losses:
    a. The unrecognized gains and losses do not resulted from arms length transaction or orderly transaction, in spite of this fact, the unrecognized gains and losses included in profit or loss(P/L) or other comprehensive income (OCI).
    b. The unrecognized gains or losses is probable to be reversed into unrecognized or recognized losses or gains, if the item remeasured or disposed, also, the amount of unrecognized gains and losses may be increased or decreased in comparable to what it recognized, this may be considered as manipulation in result of business, and a method of Income smoothing or profit management, depending on intention of the management.
    c. The unrecognized gains and losses appear in the statement of profit or loss, or in the statement of other comprehensive income, these gains or losses may be attributable to the following items:
        i. Investments in financial instruments measured at fair value through profit or loss (FVTPL) according to IAS 39 and IFRS 9, it includes two

categories of investment held for trading (HFT), and those designated in FVTPL at the initial recognition.

ii. Investment properties that do not differ from property, plant and equipment except in consideration to the intention behind acquisition at the initial recognition, according to IAS 40.
iii. Investments in financial instruments measured at fair value through other comprehensive income (FVTOCI), such as the previous category that called Available For Sale(AFS), according to IAS 39 and IFRS 9 .
iv. Surplus of revaluation of non current assets and intangible assets when using alternative treatment according to IAS 16 and IAS 38.

d. The unrecognized gains and losses also may be recognized because of reclassifications, that means reclassifying the unrecognized gains and losses from recognition of it in profit or loss or vice versa, or canceling it ultimately , such as reclassifying investments measured at FVTOCI to investments measured at FVTPL, this treatment permitted according to IFRSs especially after financial crisis, because the great pressure of the European union on the IASB during the October of 2008, these reclassifications in the opinion of the researcher resulted in delaying recognition of losses or overstating of profits to such items still held by the entities, and in fact no arms length transaction or orderly transaction took place.
e. The unrecognized gains and losses mostly determined in financial markets, the problem is the creditability of the transactions related to determine the prices in these markets, because of many intentional practices that resulted in no representational faithfulness to these prices to facts and realities in the markets, such as : the transactions between related parties that aimed to manipulations without disclosures about these relationships, also, the difficulty faced achieving active market that the prices determined in, all of these problems resulted in making the unrecognized gains and losses not reflect an actual situations and circumstances, lapsing in financial markets may indicate the above problems.
f. Depending on the aforementioned matters relate to unrecognized gains and losses, and because these gains and losses represent some times -as we will see- material part of profit or loss or other comprehensive income, and can be distributed to owners, consider as proper threat to capital maintenance.

2. **Using estimation:** estimation used in a wide range of accounting transactions, there is no alternative to estimation except estimation, many notices relate to estimation as follow:
    a. Estimation used in determining values in accounting. Examples such as:
        i. Determine the residual value and useful lives of depreciable non current assets, and amortizable intangible assets.
        ii. Determine the fair value of assets and liabilities can be measured using it.
        iii. Determine cash flows and discount rate to calculate value in use.
    b. Because of that, estimation is used in determining the result of the business, so the profit or loss or total comprehensive income includes an estimated part does not determined according to precise factors and basics 100%, or comes as a result of financial transactions not considered as an arms length transactions.
    c. Also, basics used in estimation may be changed, that of course affected the estimated values that reflected negatively some times on result of business, and lead to overlapping between financial periods, because change in estimation treated retrospectively according to IAS 8: accounting policies, change in accounting estimation and errors.
3. **Treasury shares**: shares that repurchased by the issuer, it must be deducted from the owner equity, and reduce outstanding shares by it, several notices relate to treasury shares as follow:
    a. The treasury shares resulted in decreasing share capital, how ever, some of the shares withdrew from outstanding because of many reasons, such as avoiding control or significant influence by other entities, so, instead of holding the shares as investments by other than the issuer. The issued entity repurchase these shares and deducted from owner equity researcher thinks that this is a wrong treatment since it must be deducted from the share capital, and so the treasury shares affected negatively on maintaining capital.
    b. Selling treasury shares or bringing it back to be outstanding resulted in gains or losses, it were recognized directly in owner equity, and stored in retained earnings, the latter retained earning can be converted into share capital through stock dividends, this procedure can be considered as a way of manipulation to cover other transactions in order to compensate decreasing in owner equity because of treasury shares, beside, it may be considered as a quibbling in prices of shares in the financial market, as purchasing treasury shares may be entered in determining the size of outstanding shares.

4. **Change in accounting policies**: change in accounting policies is one of the absolute facts in accounting, many notices relate to that as follow:
    a. Some times the entity has no choice but must change its policy because the change is mandatory that comes as a result of deleting a current policy, so the entity must adopt another permitted policy, such as deleting LIFO from methods of pricing the inventory, or change justified by reach to a reliable information, that may be applied to most cases of change in accounting policies.
    b. Change in accounting policies treated retroactively, so the financial statements of the current period prepared using the new policy, the comparative financial statement restated to reflect the new policy, and the beginning retained earnings presented in the first period must be amended to reflect the accumulative effect of the change in accounting policy.
    c. Some times, it is very difficult to differentiate between change in accounting policy and change in estimation, since the latest amendments in IFRSs permitted to treat change in depreciation method as a change in estimation that applied retrospectively rather than a change in accounting policy that applied retroactively, if the change relates to way of consuming the benefits of related asset.
    d. Accumulative effect of change in accounting policies not reflected in profit or loss or other comprehensive income, but beginning balances of owner equity items amended by it in preparing statement of changes owner equity according to IAS 1 presentation of financial statements.
    e. Finally, the change in accounting policies may be considered as a field of negative or positive influence on retained earnings, that may be converted in shares in the case of stock dividends.
5. **Dividends**: Dividends policy may be considered one of the aimed policies to achieve many objectives, related notices may be as follow:
    a. Dividends policies diversified, since dividends may be in cash, or non cash assets dividends, or stock dividends, the latter one affects directly positively on share capital.
    b. Also, many reasons stand behind dividends and choose the suitable method for it, such as raising prices of shares in market because of increase in purchasing the high dividends shares, beside it can be connected to elections of BOD, or disposing assets by distributing it to owners.

c. Other times, entity prefers to adopt an internal financing policy, other than borrow from outsiders, for many considerations, so, it retained earnings and may be converts it in future to stock dividends.
d. The dividends that could be made by the entity may include unrecognized gains, especially if the entity committed to previous promise to make these dividends, that of course affects negatively on maintaining capital when these unrecognized gains reversed to losses or decreased.

6. **Impairment losses**: impairment losses are losses resulted from exceeding the carrying amounts of assets over recoverable amounts, the recoverable amount measured by fair value of assets less expected selling costs or value in use which ever is higher, many notices relate to impairment losses as follow:
   a. These losses attributable to non current assets and definite and indefinite intangible assets.
   b. Impairment losses recognized in profit or loss except if the related assets revalued, in that case, it recognized in that revaluation surplus.
   c. Impairment losses reversed when recoverable amount exceeds the carrying amount, the ceiling of this reversals is the previous recognized impairments, all impairment losses can be reversed except those relate to indefinite intangible assets, however these reversals are prohibited.
   d. So, impairment losses recognized in both profit or loss, or in other comprehensive income when reducing revaluation surplus by it, this is a duplication in treatment impairment losses.
   e. Beside, the impairment losses are estimated losses, not resulted from arm length transaction or orderly transaction, some times , they are very material, and recognition of it leads to depart from independency of financial periods.
7. **Absence of some items from financial statements**: this considered as a criticism directed to financial statements, these absences such as: human resources, know-how, internally generated intangible assets, some times the absence resulted from prohibition of tax authorities from recognition of such items especially expenses and losses that may result in decreasing tax base , this reduction leads to overstating result of business and reflected in retained earnings that if it distributed, the absolute result to that is capital erosion, no accepted principles or IFRSs prohibit distributing such unrealized gains.

Proposed concept to achieve capital maintenance

In order to consider the improvements took place in accounting and practices accepted and approved by IFRSs, that affected directly the maintenance of capital , researcher propose a new concept of capital maintenance take in account all threats and risks , the proposed concept as follow:

1. The name of the new concept is : **Reliable Capital Maintenance (RCM).**
2. **The Reliable Capital** may be defined as the capital that achieves the requirements of reliability and creditability, those requirements are:
   a. Excluding the unrecognized gains and losses from the profit or loss or total comprehensive income, that resulted finally to exclude these unrecognized gains and losses from owner equity including impairment losses, and disclosing it separately in statement of profit or loss, or in other comprehensive income, or in statement of changes in owner equity.
   b. Prohibition of distributing any of these unrecognized gains and losses.
   c. Excluding all income items and expenses that resulted from non-arms length transaction or from non orderly that affected negatively or positively on business result or retained earnings, especially those items included in other comprehensive income.
   d. Excluding all profits, gains, expenses, and losses that depend on estimation, and postponing recognition of such items till it becomes realized or realizable, at the same time, Disclose fairly information within accompanied notices to the financial statements.
   e. Consider treasury shares as reduction to capital not to owner equity, also, exclude gains or losses attributable the treasury shares from retained earnings, it may be presented or disclosed in a separate item, the proposed name to this item is Equity Gains or Losses(EG/L).
   f. Consider the accumulative effect of change in accounting polices in examining the capital maintenance, also, unifying way of treating accounting polices, and consider change in depreciation method as change in accounting policy, instead of treating it some times as a change in accounting policy, and other times a change in estimation.
   2. According to what mentioned a bout the proposed concept, the following equation should be used to reliable capital maintenance:

$$\mathbf{RCM = \sum OE - \sum (ADi \pm URPG/L + TS \pm CEAPC \pm EG/L\ R + BRE/PL + APC + OOE) + SDi}$$

Where:

- RCM: Reliable Capital Maintenance .
- OE: Owner Equity.
- ADi: Assets Dividends.
- Sdi: Share Dividends.
- URPG/L: Unrecognized Profits ,Gains or Losses
- TS: treasury Shares
- CEAPC: Cumulative Effect of Change in Accounting Policies
- EG/L: Equity Gains or Losses
- R: Reserves
- BRE/PL: Beginning Retained Earning or Posted Losses
- APC: Additional Paid in Capital
- OOE: Other Owner Equity

3. After calculating of reliable capital, it compares to nominal capital of the entity, then, capital maintained if reliable capital equal or exceeds nominal capital , or eroded if it is not.

Examining Reliable Capital Maintenance in study sample

The researcher apply the proposed module of capital maintenance in five entities in order to be assure from maintaining reliable capital, as a purposive sample, the following , table (1) shows the results:

1. The five entities in real did not maintain its capital, the capital in all entities suffered from erosion, this can be interpreted by using unrecognized gains and other comprehensive income to overstate its financial performance through result of business, and smooth its total comprehensive income, in addition to that, these unrecognized gains and other comprehensive income to cover its dividends.
2. The percentage of capital to total owner equity is very little in most of entities, that makes its situation very worse, because the owner equity divided into two categories, the first represents the compulsory equity, such as capital and obligable reserves, and voluntary equity, the most percentage of equity is voluntary and available for distributing, that may affect negatively maintenance of capital, and cause capital erosion.
3. The ratio of unrecognized gains or losses is very material, and may be used as a method of income smoothing, that motivate entities not to centralize on its operating activities to overstate its owner equity, but on non operating activities.

Table 1. Empirical Findings

Item	Arab bank group(6)	International Islamic Arab bank(7)	Lafarge for Jordan Cement(8)	Jordan Telecom(9)	Jordan Phosphate Mining Company(10)
OE	7767728	116958	84866	364147	762281
ADi	(231721)	0	0	82500	18750
SDi	0	0	0	0	0
URPG/L	129497	249	2451	0	413
TS	0	0	4	0	0
CEAPC	(17516)	(819)	0	0	0
EG/L	0	98	0	0	0
R	5181675	19359	39390	62500	196000
BRE/PL	255600	16952	7153	83510	470142
APC	1225747	0	0	0	0
OOE	146346	0	7958	853	9163
RCM	579636	81119	27910	134784	67813
Capital	776027	100000	60444	250000	75000
Dif.	(196391)	(18881)	(32354)	(115216)	(7187)
Main/Eros	Erosion	Erosion	Erosion	Erosion	Erosion
Capital%	9.99%	85.5%	71.22%	68.68%	9.84%
URPG/L%	39.69%	1.56%	8.55%	0%	13.88%

CONCLUSIONS

Depending on the aforementioned discussions, the researcher conclude the following:

1. The possibility to set and propose a new concept of capital maintenance, consider all threats and risks that included in the accepted accounting practices approved by International financial reporting standards.
2. The possibility of examining the proposed concept on the entities that constituted the purposive sample.
3. Capital in the purposive sample suffered from erosion.
4. The unrecognized gains and losses and other comprehensive income are material in comparison to total comprehensive income, that affect negatively on capital maintenance in one side, and its negative influence on other accounting practices relate to profit management, income smoothing, and creative accounting.
5. There are several threats and risks make it very difficult to achieve capital maintenance.
6. Also, the accumulated effect of change in accounting policies has an influence on retained earnings and some other components of owner equity, because its presentation in statement of changes in owner equity, and the possibility of distributing it.
7. The possibility of proposing a name to those items recognized directly in owner equity.

8. The necessity of disclosing unrecognized gains and losses separated from other items in statement of profit or loss, or in statement of comprehensive income.

RECOMMENDATIONS

1. Propose a new concept of capital maintenance, consider all threats and risks that included in the accepted accounting practices approved by International financial reporting standards. The researcher called it **Reliable capital concept**.
2. The stakeholders can apply the reliable capital maintenance to evaluate the investments decisions relate to intended companies, to determine whether it maintain its capital or not .
3. The importance of doing all efforts in entities to maintain its capital.
4. The necessity of make all disclosures relate to unrecognized gains and losses and other comprehensive income.
5. The necessity of presenting unrecognized gains and losses separated on the face of statement profit or loss, and statement of comprehensive income.
6. The necessity of controlling accounting practices relate to profit management, income smoothing, and creative accounting that may comprise unrecognized gains and losses and other comprehensive income.
7. Managing threats and risks that affected capital maintenance.
8. Prohibition of distributing the accumulated effect of change in accounting policies that reflected in retained earnings and other related components of owner equity that presented in the statement of changes in owner equity.
9. Nomination of gains and losses that recognized directly in owner equity as equity gains or losses.
10. Proposing the preparation of new statement called statement of unrecognized gains or losses.

WAY FORWARD

At last, the concept of capital maintenance needs further researches. Because of the continuous improvements and amendments in accounting standards, and at the same time the strong relation ships of these improvements and amendments to achieve capital maintenance, especially those related to accounting measurement that affect financial performance through result of business, and financial position.

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