

The influence of *riba* and *zakat* on Islamic accounting

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Abstract

Muslim countries are now attempting to align their economies to accord with the tenets of Islam. Consequently, this phenomenon would, in turn, impact on the manner accounting is practised. Two issues that figure prominently in the development of Islamic accounting are *riba* (interest) and *zakat*. The influence of *riba* on Islamic accounting lies in the capital structure of a company and its influence on the disclosure practices of an enterprise. The influence of *zakat* is on the measurement (valuation) aspect of accounting. The paper concludes with the need for Muslim accountants to adhere to the dictates of the *Shari'a* in discharging accountability.

The importance of *riba* and *zakat* on Islamic accounting

1 Introduction

Accounting is a product of its environment (e.g. Perera, 1989; Choi and Mueller, 1992; AlHashim and Arpan, 1992; Radebaugh and Gray, 1993). As such, a country's accounting system may be significantly influenced by a variety of environmental factors. These include the legal and political framework, the nature of ownership, size and complexity of businesses, the level of sophistication of business managers and the financial community, the degree of legislative interference in business, the presence of specific accounting legislation, the speed of business innovations, the level of economic development and growth pattern, the status of professional education and organisation, and the social climate (e.g. Choi and Mueller, 1992; AlHashim and Arpan, 1992; Radebaugh and Gray, 1993). Hopwood (1991) elaborates this view further by stating that accounting can be considered as a technical phenomenon shaped by the cultures, institutional configurations, and the socio-historical circumstances of the specific societies from which it emerges.

Several writers such as Gambling and Karim (1991), Hamid, Craig and Clarke (1993), and Baydoun and Willett (1994) have suggested that the relationship between Islam and accounting could or should be a significant one. Hofstede (1980) concurs with this view when he specifically acknowledges that in Islamic societies religion may, in fact, significantly influence the manner accounting is practised. Thus, there is a need to develop a specific accounting model that may serve Islamic societies better. This is important as many Muslim countries are now attempting to align their economies to accord with the tenets of Islam, especially in the field of banking. Not only are Islamic banks on the increase in Muslim countries, such banks are also appearing in Great Britain and continental Europe (Tomkins and Karim, 1987). With Islamic banks providing more financial support to Islamic compliant businesses, one would expect an increase in businesses conducted strictly in accordance with Islamic principles (Hamid *et al*, 1993) and in turn, this would be expected to impact on accounting practices e.g. Gambling and Karim, 1991; Hamid *et al*, 1993; Baydoun and Willett, 1995).

Since Islam has its own cohesive rules that dictate how a business should be conducted, for accounting theory and practices to be relevant to devout Muslim users, theories must be developed in accordance with the Islamic *Shari'a* (Gambling and Karim, 1991). Despite this, prior studies on the importance of culture on accounting practices have rarely given any explicit recognition to Islam as a possible influence on accounting practices. Hamid *et al's* (1993) study on harmonisation of accounting practices, Baydoun and Willett's (2000) study on Islamic Corporate Reporting, and Gambling and Karim's (1991) book on Business and Accounting Ethics in Islam are the few exceptions.

The present study is undertaken to further enhance literature in the area of Islamic accounting. More specifically, this study contributes to current literature by addressing two important issues in the development of Islamic accounting; *zakat* and *riba*. The paper is organised as follows. To develop a particular accounting system that best meets the needs of Islamic societies, one needs to understand its worldview. This is discussed in section 2. Section 3 focuses on the need to adopt the normative-deductive approach in developing Islamic accounting while section 4 discusses the importance of *riba*. Section 5 focuses on the influence of *zakat*. Section 6 concludes.

2 Islamic worldview

The *Shari'*, the blueprint of an ideal Islamic society, concerns the practical aspects of being a Muslim, manifesting his faith and belief. The Islamic worldview is based on three fundamental principles: *Tawhid* (Unity), *Khilafah* (Vicegerency) and *Adalah* (Justice). *Tawhid* is the foundation of the Islamic faith. It refers to the Unity of God and the belief that the universe has been consciously designed and created by God and did not come into existence by chance or accident. The concept of *Khilafah* (vicegerency) defines a person's status and role, specifying the individual's responsibilities to himself and his responsibility to the *ummah* (community of believers). Justice or *Adalah* is related to the concept of *khilafah*. Additionally, justice is strongly emphasised in the *Qur'an* (5:8; 7:29). Islam's commitment to brotherhood and justice demands that all God-given resources are at the disposal of every individual.

Accordingly, wealth should not remain concentrated on a few individuals (Chapra, 1992). Thus, the emphasis on the well-being of the community is implicit.

Thus, the Islamic worldview explicated above provides the framework with which Islamic accounting may be developed.

3 Islamic accounting: A normative-deductive approach

Islamic accounting systems, according to Gambling and Karim (1991), are rare. Consequently, in developing Islamic accounting theory, the normative deductive approach is recommended (Gambling and Karim, 1991). Normative-deductive theories, being objective oriented, are more value laden as they start from a value judgement. Normative-deductive theories seek answers to such questions like: 'How well does accounting practice satisfy objective X?' or 'How might accounting practice be improved in order to satisfy objective X?'(Gray *et al*, 1987) These theories are thus evaluated for both the empirical knowledge of accounting practice they embody and for some objective held for the accounting activity. Baydoun and Willett (1994) concur with Gambling and Karim when they suggest that,

Islamic accounting theory has the nature of prescription about how things should be done to satisfy Islamic objectives rather than description about how things are done in practice (p2).

As Islam has its own cohesive rules which dictate how a business should be run, the development of Islamic accounting theory and practice have to pursue these rules if they are to be of any relevance to sincere Muslim users. Since the conceptual framework of Western based accounting systems was developed recognising the dichotomy between business morality and private morality, it will thus have limited relevance in societies which have revealed doctrines and morals that govern all social, economic and political aspects of life such as the case in Islamic societies. The ex-post rationalisation of accounting practices would not be acceptable in Islam because there is little evidence that what is being practised so far is necessarily compatible with Islamic principles (Gambling and Karim, 1991).

The normative-deductive approach entails the deduction of the objectives of financial reporting from the postulates and definitions of accounting according to the principles and objectives of the *Shari'a*. These objectives, principles, postulates and concepts would form the foundation for an Islamic structural framework of accounting theory and henceforth would act as a reference for the development of accounting practices (Gambling and Karim, 1991). However, in the development of Islamic accounting, it is emphasised that the approach taken in this paper is not an *a priori* rejection of all that originates from the West. The ability to borrow from other civilisations and assimilate the borrowings is a function of self-confidence (Haq, 1986). Of significance is to ensure that the system meets the needs of Islamic users.

4 The importance of *riba*

The word *riba* literally means 'increase', 'addition', 'expansion' or 'growth'¹. The *Shari'a* refers to *riba* as the premium that is paid by the borrower to the lender. According to Chapra (1992), the consensus of Muslim jurists is that *riba* and interest are synonymous. However, in a broader context, *riba* includes *any* unfair trading practices (Gambling and Karim, 1991). In this paper, *riba* refers specifically to interest. The *Qur'an* clearly forbids *riba* in the following verses.

Those who devour usury will not stand except as stands one whom the Evil One by his touch has driven to madness. That is, because they say: Trade is like usury; but God hath permitted trade and forbidden usury (2:275).

God will deprive usury of all blessings but will give increase for deeds of charity (2:276).

Money is a medium of exchange and it is not a commodity to be traded. As such, the situation where money commands a premium is prohibited in an Islamic economy (Ghazali, 1990). The moral motive behind the prohibition of interest is based on the principle of not exploiting the poor and the needy through charging interest on loans extended to them. This is interpreted as a form of oppression (e.g. Al-Buraey, 1990; Ghazali, 1990; Mannan, 1986). In forbidding interest Islam advocates an economic

¹The wider definition of *riba* appears to refer to any forms of taking advantage of the poor and the ignorant (Gambling and Karim, 1986)

system where capital on its own does not generate a return. Hence, there is not to be any gain without risk. However, this does not mean that gambling *per se* is allowed. The economic motive, according to El-Ashker (1987), is based on the principles of justice, hard work and the prevention of wealth being concentrated in the hands of the few. Injustice is deemed to arise when there is a guaranteed and fixed return to the lender, but an uncertain and variable return to the borrower (Hamid *et al*, 1993). Accordingly justice is served if the lender accepts his share of the losses as well as the profits. If a lender is simply extending financial help to the borrower, then he should not be entitled to more than what he has loaned. Islam does not recognise premiums as representing a safeguard against risk. Muslims believe that uncertainty is something that an individual has to face in this world. Muslims are expected to bear their share of whatever misfortune befalls them (Gambling and Karim, 1991). They cannot safeguard against their risk at another's expense. Charging interest shifts the risk from lender to borrower (Siddiqi, 1981). What this will eventually lead to is the widening of the gap between the rich and the poorer members of society. Consequently, the result will be a weakening of the bond of brotherhood which may eventually lead to jealousy, hatred and animosity.

What are some of the implications of this for accounting in Islamic societies? Firstly, it will influence the capital structure of a company and secondly, its influence on the disclosure practices of financial reporting.

4.1 Capital structure

Companies operating under strict Islamic principles are not allowed to participate in activities associated with any kind of *riba*. Hence, one would expect the capital structure of Islamic business enterprises to be different from that of its Western counterparts. Hamid, *et al* (1993) argue that Islam precludes debt financing because of God's prohibition of interest and Prophet Mohamed's admonition against debt itself. However, some other authors (e.g. El-Ashker, 1987; Mohsin, 1992) believe that the prohibition of interest does not entail a total prohibition of debt transactions. The following is a verse from the *Qur'an* on the recording of debts.

O ye who believe, when ye contract a debt for a fixed term, record it in writing. Let a scribe record it in writing between you in (terms of) equity. No scribe should refuse to

write as Allah hath taught him, so let him write, and let him who incurreth the debt dictate, and let him observe his duty to Allah his Lord, and diminish naught thereof (2:282).

Accordingly, it can be argued that to the extent that debt transactions do not involve any interest, debts are allowed in Islam, although not encouraged. This would mean that debentures are not allowed because such debentures carry a fixed rate of interest, and not because they are debt *per se*. On whether preference shares are allowed in Islam, Hamid *et al* (1993) observe that preference shares are unlawful in Islam because their dividends are fixed. However, El-Ashker (1987) and Mohsin (1992) maintain that if the fixed dividend rate pegged to preference shares is to be removed, as a form of capital these preference shares would not violate any precepts of the *Shari'a*. and in fact would be similar to the role played by a sleeping partner in a *musharaka*² or a *mudaraba*³. Interestingly, Saudi Arabia legitimised a similar type of preference shares in 1992. Instead of being pegged with a fixed rate of dividend, preference shares in Saudi Arabia carry with them a predetermined rate of return (Nomani and Rahnema, 1995).

Evidently then, a company conducting its business strictly in accordance with the tenets of Islam will not have in its capital structure any debentures or preference shares with a fixed rate of dividend. Any long term loans obtained from the bank would be in the form of a *mudaraba* partnership, where the bank is entitled to a share of the company's profits. In case of losses, the bank would lose the amount extended as the loan. What this essentially means is that the Islamic source of finance is based on mutual sacrifice and cooperation between the borrower and the lender so as to fulfil the basic needs of both. This is supposed to lead to the fuller development of human potential and the enrichment of human life (Chapra, 1992). The impact this might have in the relationship between lenders and borrowers is that banks would work more closely with companies to ensure the efficient management of their assets. It would seem that on this basis, banks would have a much more "interventionist" relationship with their clients than would normally be

² A *musharaka* is a general term to describe any partnership arrangement involving two or more parties.

³ A *mudaraba* is a form of business partnership with limited liability where an investor or a group of investors (*sahib al-mal*) provides capital to an agent-manager (*mudarib*). The agent, acting in the nature of a trustee, is not entitled to a fixed remuneration or to an absolute amount of profit. The agent trades with the capital and in the event of a profit, returns the capital as well as an agreed share of the profits to the investor. In the event of a loss, all losses are borne exclusively by the investor. The agent is deemed to have lost his contribution in the form of time and effort expended in the business.

the case in the West (Sulaiman, 1997). One final issue related to debts concerns the pardoning of outstanding amounts. The principle of Islamic brotherhood is reflected in the following verse of the *Qur'an*.

If the debtor is in strained circumstances then (let there be) postponement to the time of ease; and that ye remit the debt as alms giving would be better for you if ye did but know (2:280).

4.2 Disclosure

According to Baydoun and Willett (2000) fundamental measurements will not differ greatly between different monetary based economies whatever their cultural persuasion might be. However, Islamic business enterprises should not engage in any transactions pertaining to interest. Interest is strictly forbidden and it could be argued, therefore, that even at the lower levels of direct measurement, religion may influence the type of databases generated by Islamic businesses. More pertinently, perhaps, a company may be required to disclose transactions that are specifically forbidden in the Islamic code. Although the provisions for the disclosure of interest payments in external financial reports currently in force in many countries were not legislated with Islam in mind, they are nevertheless consistent with what a devout Muslim would advocate⁴. However, while current practice is usually to show the amount of interest paid, under an Islamic system, companies would have to, additionally, provide the reasons as to why it has arisen and the steps that they have taken to avoid the payment of interest (for instance by borrowing from Islamic banks).

5 The importance of *Zakat*⁵

Zakat is a tax that every Muslim, whose wealth exceeds a certain *nisab* (minimum amount) has to pay. This is essentially a wealth tax and it ranks second in importance only to prayers as a feature of everyday witness to the Islamic faith. To El-Ashker

⁴In Western accounting systems interest payment is disclosed primarily to indicate the ability to service such interest; in Islam such a disclosure is an indication of the extent Islamic injunctions have not been followed.

⁵Readers may refer to Muhammad (1993) for a discussion on the concept of alms giving before Islam. In it, he also distinguished *zakat* from charity. While the former connotes 'a rightful share' (i.e. an obligatory duty on the wealthy) the latter implies something that is voluntary (p35).

(1987), *zakat* is a religious tax. Mannan (1986) disagrees with this definition. According to him, defining *zakat* as a religious tax would mean that Islam recognises the separation between religion and economics or the separation between the spiritual and worldly matters⁶. Islam recognises no such dichotomy. Perhaps the definition is of lesser importance. Of greater significance is its objective, that of redistributing wealth (e.g. Al-Buraey, 1990; Mannan, 1986).

Zakat means 'that which purifies' and 'that which fosters'. It is an integral, compulsory and inseparable part of the Islamic way of life, the non-observance of which is tantamount to the negation of the religion itself (Ashaari and Mohamed, 1989). *Zakat* covers the moral, social and economic spheres of Islamic finance (Mannan, 1986). In the moral sphere, *zakat* washes away the greed and acquisitiveness of the rich, whilst socially, it acts as a unique measure to abolish poverty from society as well as encouraging the rich to live up to their social responsibilities (Mannan, 1986). The *Qur'an* categorically states this.

And those in whose wealth is a recognized right. For the needy who asks and him who is prevented (for some reason from asking) (70:24-25)⁷.

From the economic point of view, *zakat* prevents the morbid accumulation of wealth in a few hands and allows it to be more widely distributed. Mannan (1986) argues that the payment of *zakat* should be voluntary and for genuine social motives because *zakat* payment is symbolic of the inner unity of religion and economics. However, *zakat* cannot be regarded as a favour that the givers do for their fellow Muslims.

⁶The verse in the *Qur'an* attests to this (i.e. one should always have a 'balanced' perspective).

But seek with the wealth which Allah has bestowed on thee, the Home of the Hereafter, nor forget thy portion in this world (28:77).

⁷The following verse in the *Qur'an* specifies the categories of people that can receive *zakat*.

Alms are for the poor and the needy, and those employed to administer the funds; for those whose hearts have been recently reconciled to the Truth; for those in bondage and in debt; in the cause of Allah; and for the wayfarer (8:60)

The *Shari'a* specifies that only individuals are liable for *zakat*. It is the individual owners who are responsible for determining the amount that should be paid out as *zakat*. Consequently Gambling and Karim (1991) contend that one of the major objectives of accounting in an Islamic society is to provide information to enable the individual to determine his *zakat* liability⁸. Another issue that has been the subject of considerable debate amongst Islamic jurists is whether or not a company is liable for *zakat*. This was resolved at the *Zakat* conference in Kuwait in 1985. The conference agreed that in the case of a company considered as a separate legal entity, *zakat* should be determined based on the company's net current assets as if the company was subject to *zakat*. The *zakat* so determined would then be divided between the owners for the purposes of each owner satisfying his religious obligation by himself. However, in the following four cases, Islamic jurists have come to a consensus that a company would be required to satisfy the *zakat* obligation itself either as an entity or on behalf of its owners under the following conditions:

1. when the law requires the company to satisfy the *zakat* obligations as an entity.
2. when the company is required by its charter or by-laws to satisfy the *zakat* obligation as an entity
3. when the general assembly of shareholders passes a resolution requiring the company to satisfy the *zakat* obligation as an entity,
4. when individual owners authorize the company to act as their agent satisfying the *zakat* obligation (SFAC 1, p29).

Although voluntarism is encouraged in Islam, if *zakat* is not paid by an individual, the state has the power to enforce payment so that social justice prevails. Islam, as one may recall, gives preference to the rights of the community over the individual. The government has thus to play a major role in an Islamic society. If the general interest of society is unduly harmed, the state has the authority to interfere (El-Ashker, 1987; Chapra, 1992).

⁸Askary and Clarke (1997) suggested six objectives of Islamic financial reports:

1. to assist users in their economic and investment decision making,
2. to assist governments in macro and financial planning;
3. to measure and collect *zakat*;
4. to plan and allocate economic resources;
5. to assist business entities, financial and economic institutions in their planning based on the *Shari'a*; and
6. to assist investors in their risk-reducing investment decisions (p145).

5.1 Determination of wealth

Zakat is payable on the wealth of a business irrespective of whether or not a profit has been earned (El-Badawi and Al-Sultan, 1992) but *zakat* is payable only on "growing" capital. "Growth" is defined as the realised and unrealised gains on fixed as well as current assets. Gambling and Karim (1991) suggest that an accounting system based on *zakat* should emphasise the significance of real assets. Accordingly, all transactions should be analysed in terms of their effect on assets, liabilities and owners' equity. This, they argued, would shift the focus from a revenue expense approach to an asset-liability approach for income measurement purposes. Consequently the balance sheet would become the main source of accounting information.

There are two categories of assets that need to be distinguished in determining wealth subject to *zakat*. Assets are classified into capital assets and stock of inventories. Capital assets (otherwise known as fixed assets) such as tools and machinery are for use in one's business, while stock of inventories (current assets) are for resale. *Zakat* is payable on cash, inventory, receivables, and marketable securities less all liabilities related to these items. Both the realised and unrealised gains on current assets are liable for *zakat*. However, for distribution purposes, only realised gains on fixed and current assets can be distributed as dividends on the basis that further distributions would diminish the firm's ability to serve the community in the future (Gambling and Karim, 1991).

Zakat is thus payable, roughly speaking, on net working capital. However, the accounting concept of working capital is not necessarily similar to the theological concept of "growing" capital. "Growing" capital will only be equal to net working capital in two situations. The first is when there is no long term debt financing any current assets. The second is when there is no short term debt financing any fixed assets (El-Badawi and Al-Sultan, 1992). However, the above situations rarely occur primarily in view of the perceived lack of prudence in financing assets in this manner. Hence more often than not *zakat* is computed on net working capital. As noted in El-Badawi

and Al-Sultan (1992), assets would only be liable for *zakat* if the following conditions are satisfied:

1. Ownership is complete and the asset is either in the owner's possession without any restriction or it is held by another person but is under the owner's control,
2. The asset is 'growing' or 'subject to grow',
3. The asset exceeds a minimum amount (nisab),
4. The asset exceeds basic personal and trade needs,
5. The asset is free of debt,
6. The asset has been held for one year (p71).

Of the six conditions above, the third and the fourth appear to be rather ambiguous. What one individual may deem sufficient for his basic needs might be inadequate for another. It is here that the spiritual and ethical dimensions come into play. In any action, Islam emphasises the nobility of one's feelings, the loftiness of one's objectives and the purity of one's intentions (Faruqi, 1992). Further, since Muslims regard all wealth as ultimately belonging to God, there is absolutely no reason why devout followers of Islam would want to understate their wealth and pay less *zakat*. Determining what is and is not subject to *zakat* is one aspect of wealth determination; the other equally important aspect is that of asset valuation.

5.2 Asset valuation

The principles of valuing assets to determine the amount liable for *zakat* are well established in the *Shari'a* (Gambling and Karim, 1991). However, what the *Shari'a* provides is a general guideline. As a consequence of that, Islamic jurists have not agreed on any one method of valuing assets for *zakat*. Some jurists recommended the sale value on the day on which the amount of *zakat* is determined (El-Badawi and Al-Sultan, 1992). Kahf (1980) prefers the lower of the cost or market value. As noted in El-Badawi and Al-Sultan (1992), some Islamic scholars have favoured historical costs. However, most jurists recommend the current valuation of assets according to their selling prices. Perhaps this is because current value is more in line with the concept of 'growing' capital, whether real or estimated (El-Badawi and Al-Sultan, 1992). Gambling and Karim (1991) and Hamid *et al* (1993) concur with this view suggesting that something along the line of Chambers's CoCoA (Continuously Contemporary Accounting) be used for valuation purposes.

The basis of asset valuation in CoCoA is the money's worth or money equivalent of assets. The current market value of an asset may be interpreted as being based on an estimate on the average value of the set of transactions that are or will be incurred by the firm if it was engaged in buying or selling the asset. It is not dependent on the single, historic transaction cost that was incurred by the firm when it bought the asset, originally. This means that the firm's own activity cost database must be extended to include information from the firm's external environment about other entities' transactions if market value accounting is to be adopted (Baydoun and Willett, 1994). Thus, the use of current value accounting in Islamic Corporate Reporting may be considered as one method of extending the accountability of firms into the social domain⁹. Suffice to say that Islam advocates the fairest manner in arriving at current values. What is considered 'fair' is interpreted in the light of the circumstances prevailing at that particular time and place. What is important to point out here is the fact that using current values (to determine *zakat*), supports the Islamic principle of justice to a greater extent than the historical cost balance sheet. Finally, further support for the use of current values follows from practices pursued during the Prophet's time (Clarke *et al*, 1996). According to Clarke *et al* (1996), 'value in exchange' may be derived from the implicit common monetary denominator used in the Prophet's time to establish the *nisab* (the minimum threshold of wealth above which *zakat* is payable) for various assets subject to *zakat*. On a number of other related issues, Islamic accounting does not support the concept of conservatism as is understood in the West, for to be conservative would mean lesser payment of *zakat* which would in turn affect the poorer members of society. The determination of true wealth or at least an unbiased estimate of it is therefore important. Hence, Islam's support for current values. In fact, the *Qur'an* warns against miserliness (*Quran*, 4:37).

⁹Baydoun and Willett (1994) note that the problems of reliability and verifiability have deterred the use of current value accounting in the past. However, they argued that since these problems are of a practical rather than of a conceptual nature, it may become less severe with the passage of time.

6 Conclusion

The paper argues that Islamic accounting is a value-oriented activity, the development of which encompasses the moral, spiritual, material and social aspects¹⁰. Accordingly, two issues are pertinent in the development of accounting from an Islamic perspective: *zakat* and *riba*. The Islamic social order is based on the principles of equality, justice and brotherhood and the concepts of freedom and responsibility. The influence of *riba* (interest) on Islamic accounting lies in the capital structure of a company and its influence on the disclosure practices of an enterprise. With respect to the capital of an enterprise, besides ordinary share capital, a business conducted in accordance with strict Islamic principles would rely on loans obtained from the bank in the form of a *mudaraba* partnership. As regards disclosure, a company following strictly to the dictates of Islam would disclose the amount of interest paid, the reasons for the payment of such interest and the steps taken to avoid such interest in future. Additionally, it is argued that financial reports should enable Muslims to determine *zakat* liability and ultimately achieving socio-economic justice. Given this, and the emphasis on full disclosure, it is suggested that the current value balance sheet should be included as part of the reporting requirements of firms operating in an Islamic economy.

Further, the financial accounting framework derived from the *Shari'a* should be considered as part of the social and economic system of Islam which ultimately leads to the goal of worshipping God in the way He has prescribed. Most importantly, the key to accounting objectivity rests with the integrity and personal responsibility of the accountant. According to Gerboth (1987), now that,

accounting is being challenged as never before, it must take its direction not from its concepts, but from its values; it must find its security not in its intellectual structure, but in its professional conduct; in short, it must attend not to the book of accounting, but to the behaviour of accountants (p8).

However, in the case of a Muslim accountant, because the *Shari'a* lays down certain personal responsibilities and obligations to society, the accountant cannot simply

¹⁰Like Islamic accounting, corporate social responsibility accounting is also said to be value laden. Opinions and value systems become much more apparent than is usually perceived to be the case with conventional accounting (Gray *et al*, 1987). Similarly, economics and economic development from an Islamic perspective are also value-laden activities (e.g. Chapra, 1992a; Mannan, 1986; Al-Buraey, 1990).

accept at face value the utility maximising theory that traditional neoclassical economic theory has advocated. The following *hadith*, cited in Ibrahim and Johnson-Davies (1976) may, perhaps, put the responsibility of the accountant in a proper perspective (on the authority of Abu Hamzah Anas Ibn Malik as related by Bukhari and Muslim).

None of you truly believes until he wishes for his brother what he wishes for himself (p56).

Finally, in an ideal Islamic society, the accountant would be guided by the following verses in the *Qur'an* in discharging his accountability.

O ye that believe! Betray not the trust of Allah and the Messenger, nor misappropriate knowingly things entrusted to you (8:27).

And know ye that your possessions and your progeny are but a trial; and that it is Allah with whom lies your highest reward(8:28).

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