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Conceptualising Accounting as a Value-Based Concept in the Context of Alternative Finance

Abstract

This study aims to investigate the claim that there is no coherent and homogeneous body of concepts and practices that can be classified as "Islamic accounting." The study employs a qualitative historical documentary analysis methodology to study an original manuscript from the 14th century. The findings of the manuscript analysis argue that Islamic accounting exists as a homogeneous discipline, and can be seen as a value-based system for achieving social good, and offer two key contributions. Firstly, the study conceptualises Islamic accounting as a homogeneous discipline with its own knowledge, concepts and practices. Secondly, it contributes to current accounting literature by examining an ancient manuscript by Almazandrani (1363), which serves as a foundation for understanding Islamic accounting system within the context of accounting, religion, and spirituality. This accounting system enables its participants to evaluate their own accountabilities in delivering on socioeconomic objectives related to inter-human/environmental, social, and financial transactions within the context of religious accounting practices.

Keywords: religion, Islamic accounting, accountability, value-based accounting, alternative finance, accounting history.

1. Introduction

The motivation for this study stemmed from a fortuitous encounter with an unpublished manuscript during a trip to Istanbul, Turkey. This ancient manuscript revealed detailed insights into the principles, philosophy, processes, and procedures of Islamic accounting practices from earlier periods up to the 14^{th} century. Prior to this discovery, the existing literature (e.g., Napier, 2009) suggested a lack of a cohesive body of knowledge and practices in Islamic accounting. However, upon discovering this manuscript, the researcher was inspired to delve deeper into its contents.

To explore the manuscript's significance, this research paper adopted a documentary analysis method. By thoroughly examining and interpreting the manuscript, the aim is to conceptualise it as a blueprint for Islamic accounting, presenting it as a comprehensive and unified body of knowledge and practices. This approach sought to contribute to the understanding and development of Islamic accounting as a coherent discipline within the accounting literature.

With the above objective in mind, the aim of this paper is to answer the question of whether the term "Islamic accounting" exists as a coherent and homogeneous body of ideas and practices to which this term can be applied (Napier, 2009). The paper achieves its objective by employing a historical documentary analysis of a rare old manuscript, written by Almazandrani (1363), related to Islamic accounting as an alternative finance paradigm.

This manuscript documented the philosophy, concepts, key characteristics and processes of the Islamic accounting system as it was practiced up to the 14^{th} century and afterwards. The findings of this paper argue that "Islamic accounting" exists as a coherent and homogeneous body of ideas, concepts and practices. It also contributes to a body of knowledge and an important debate about accounting, religion and spirituality by presenting religious accounting as a value-based science.

In this context, value-based accounting, as the analysis of this manuscript shows, presents a set of principles/concepts and standards for conducting and preparing financial statements and reports in the context of this study. It views accounting as a science with value-based concepts that delivers socio-economic value to all its stakeholder beyond just the monetary and calculation value. The concept of value-based accounting has a historical foundation in the Austrian School of economics, as exemplified by Eugene von Boehm-Bawerk's statement that economic value is determined by the alternative methods of utilising goods and their corresponding marginal utility (Otley, 1980; Gordon and Miller, 1976).

Thus, the core idea of value-based accounting is to shift the focus from acquisition costs or fair value to a wider market and social value when accounting and reporting on assets and liabilities. This perspective aims to provide relevant and reliable information, which undergoes scrutiny through the dual validation disciplines. In recent times, there have been endeavours to incorporate the value concept into accounting practices. One notable advocate of this approach is Harvey Kapnick, who passionately advocates for the development of a value-based accounting model (Otley, 1980).

The paper contributes to the accounting literature firstly by arguing that Islamic accounting, as a religious accounting discipline, exists as a coherent and homogeneous body of concepts and practices. Secondly, it frames and conceptualises this body of accounting as a value-based system within the debate on accounting, religion and spirituality. The study contributes to a body of knowledge on religious accounting and extends current accounting literature. We do that by extending existing accounting literature and building on available research studies around religion and accounting (see e.g., Maslow, 1943; Fromm, 1947, 1955, 1976; Parker, 2001; Quattrone, 2004; Jacobs, 2005; Pacioli, 1494; Chiarini, 1481; Soll, 2015) to add new insight to current accounting literature.

In this context, the findings of this paper show that Islamic accounting is also a tool, which enables its participants to evaluate their own accountabilities as professional accountants under such religious rules, in respect of inter-human/environmental and financial transactions. The paper also outlines how this body of accounting knowledge may have current implications to Islamic Financial Institutions (IFIs) and related accounting standard setters in the Islamic finance industry.

Current Islamic accounting research identified fragmented elements or practices of what was labelled as "Islamic accounting". However, the question was posed in the literature and remains unanswered of whether there is a coherent and homogeneous body of ideas and practices to which the term "Islamic accounting" can be applied and attributed (Napier, 2009; Alamad, 2019; Al-Jaleel, 2001; Attieh, 1982; Al-Qalqashandi, 1963; Yahya and Ayoub, 1995). Our paper examines this claim, supported by newly discovered documented evidence.

Academic researchers and historians (Maslow, 1943; Fromm, 1947, 1955, 1976; Parker, 2001; Quattrone, 2004; Jacobs, 2005) became interested in studying early accounting books published in the late 15th century onwards (Pacioli, 1494; Chiarini, 1481; Soll, 2015). However, this literature stops short of studying an important earlier documented accounting record, which this study addresses.

The contribution of this paper is significant for the Islamic accounting and finance industry and its institutions globally. It is of great interest to 1.9 billion Muslims worldwide, as it provides insights and guidance for aligning financial and accounting practices with Islamic principles. This is due to a perceived controversy of how the ontotheology of this Islamic accounting system creates tensions with the dominant epistemology of modern interest-based conventional accounting (Alamad, et al., 2021).

This ontotheological tension may emerge from the fact that conventional financial accounting and reporting and its current standards are based around e.g., among others, interest-based accounting of financial transactions, time value of money in lending, factoring lost opportunity and cost of capital. These epistemological concepts of conventional accounting practices are, to some extent, not recognised in the ontotheology of this faith-based alternative accounting and finance approach. This is because it prohibits any financial transactions that are based on or are generated from lending and borrowing with interest payments being charged or paid (Al-Jaleel, 2001; Attieh, 1982; Yahya and Ayoub, 1995; Abdul Salam, 1980; Al-Qalqashandi, 1963; Al-Hasab, 1984). Instead, the ontotheology of this alternative accounting system recognises equity-based financial transactions where return is generated from trading in real economic activities with real social impact.

These financial activities are underpinned by assets and are accounted for and reported accordingly. Charging or paying interest in financial transactions is strictly prohibited for IFIs in accordance with the applicable religious rules. This religious prohibition, among others in financial transactions, affects all accounting and financial reporting practices in IFIs (Jaleel, 2001; Al-Qalqashandi, 1963). The above is just an example to illustrate what we mean by the existing tension between the ontotheology of the Islamic accounting system and the dominant epistemology of the traditional accounting system.

The study is organised as follows: we first provide a context and background for our research in the Introduction, and then a literature review in section 2 respectively. We then discuss how a sacred combination is formed between accounting as a science and religion over time to form the study conceptual context. We then, in Section 4, explain the methodology employed to collect and analyse our data. Thereafter, we present the findings in Section 5 in the form of themes, which we discuss further in Section 6. Finally, we conclude by synthesising the issue highlighting the study's contribution and implications of its findings.

2. Accounting and Religion in the Literature

Current literature on accounting has, to a minimum degree, studied the interaction between religion and accounting practices (Laughlin, 1988; Booth, 1993; Mattessich, 1995; Thompson, 1991; Jacobs & Walker, 2004; Carmona & Ezzamel, 2006; Quattrone, 2004). Religion emphasises the sense of human stewardship to be embedded in financial reporting and accounting practices daily (Jones et al. 2008; Jacobs, 2005; Irvine, 2005). This sacred sense of stewardship represents the spiritual link between the accountability of material resources provided by God and the role of guardianship performed by accountants in managing financial affairs and the development of an authentic self (Maslow, 1943; Fromm, 1947, 1955, 1976; Parker, 2001; Quattrone, 2004; Jacobs, 2005).

In the context of religious accounting, Napier (2009) discusses the term "Islamic accounting" and argues that it could be understood in a religious sense. What concepts of accountability are stated or implied in the authoritative sources of Islamic doctrine, the Qur'an (believed by Muslims to be the word of God revealed to the Prophet Muhammad, (Ali & Leaman, 2008, p.108) and the Sunnah (the acts and sayings of the Prophet, as transmitted through traditions known as hadith, (Ali & Leaman, 2008, pp.45-135). Contemporary researchers about this topic have claimed that accountability is fundamental to Islam. This submission implies adherence to the religious requirements in all aspects of life. Baydoun and Willett (1997, p.6) suggest that this gives rise to a broader concept of accountability than that present in western societies. “Allah takes careful account of all things” (Qur’an, sura al-nisa 4:86): everyone is accountable to God on the Day of Judgement for their actions during their lives.

The word *hisab* (account, reckoning) and its derivatives appears more than 80 times in different verses of the Qur’an (Askary & Clarke, 1997, p.142). The Judgement is described in terms of weighing one’s good and evil deeds in a balance (Qur’an, sura al-qari’ah 101: 6–8), with the good and evil deeds being recorded in books or registers (Qur’an,sura al-mutaffifin 83: 7–21). Moreover, God is regarded as the ultimate owner of everything. God has appointed humanity as God’s vicegerent (*khalifa*) on earth and granted stewardship of God’s possessions (Lewis, 2001, p.110). While this primary accountability to God does not preclude more secular accountabilities to the community, investors, employers and others, these would need to be assessed in terms of their ability to achieve the primary accountability to God. The word *muhasaba*, derived from *hisab*, is used to refer both to a personal spiritual reckoning of one’s good and bad deeds, and to conventional accounting by individuals and organizations (Findley, 1993).

Napier (2009) poses the question of whether we can use the term “Islamic accounting” as if there is a coherent and homogeneous body of ideas and practices to which that term may be applied? This term is used in modern practice to identify a rapidly growing contemporary literature to set the scene for a consideration of the extant of literature of Islamic accounting history. However, to do that it is important to critically discuss the debate about religion and accounting, which is done in the following paragraphs.

The focus of some accounting research (Swanson & Gardner, 1986; Jacobs, 2005; Jacobs & Walker, 2004; Quattrone, 2004; Booth, 1995) has been directed to the function of accounting and its practices within religious institutions. The examples of Iona community, the Australian Uniting Church and the Society of Jesus show us how accounting could play an important role in controlling the theology of many religious institutions (Quattrone, 2004; Swanson & Gardner, 1986). According to Hidayah et al. (2018) there are two streams of research with respect to the impact of religious values in the socio-cultural and historical context of organisations and societies. The first of the two streams explored the spiritual and the secular dichotomy that became an overpowering interpretive model for examining religious organisations and their accounting practices. The seminal research of Laughlin (1988, 1990), Booth (1993, 1995), Swanson & Gardner (1986) and Faircloth (1988) made this stream of contrasting features of the secular function of accounting with the sacred objectives of religious institutions a dominant lens.

The worldview of this research stream, however, sees secular and sacred as a one continuum unite in the complex context of religious institutions (Alamad, et al., 2021; Hardy & Ballis, 2005; Bigoni et al., 2013; Irvine, 2005). This view concludes that accounting is not considered as a threat to religious values, and it does not agree with the concept that the sustainability of religious institutions is dependent on its ability and effectiveness in facing the intrusion of the secular function (Andres et al. 2020; Swanson & Gardner, 1986).

In contrast, the other research stream is of the view that sacred and secular are inter-sectional (Mcphil et al., 2005; Irvin, 2005). This stream argues that religious values and secular imperatives are meshed in religious institutions. This view supports a more integrated perspective on religion, where the secular and the sacred are continuously being reshaped and redefined. Accounting is viewed as a flexible factor within the theological doctrine that ensures alignment with religious values of an organisation to retain presence and control in its complex structure (Cordery, 2015; Irvin, 2005; Robbins & Lapsley, 2015). This view is the adopted concept within the Islamic accounting system as a religious structure that is incorporated today within Islamic financial institutions (IFIs), which may clash occasionally with the secular (conventional accounting).

The key difference between a faith-based accounting system and the conventional accounting system is the role of religious rules and principles that provide the framework for the faith-based accounting system and required financial reporting. In the context of IFIs, they operate within a strict religious governance framework to ensure their business model is based on equity financing and profit and loss sharing system (Alamad, 2017, 2019; Tarabzouni, 1984). This system is based on the policies and methods that govern its operation and is concerned with the accounting of financial rights and liabilities or obligations within the framework of Shariah rules related to the nature of its financial transactions.

3. Islamic Accounting Conceptual Framework

In the Renaissance period the calculation of interests was disguised in financial instruments, such as bills of exchange in a way that differentiated it from usury. Accounting is implicated in a fertile arena for productive debate, mediation, compromise and innovative interrogation of what constitute the acceptable spiritual ideals (Laughlin, 1988; Booth, 1993; Mattessich, 1995; Thompson, 1991; Jacobs & Walker, 2004; Carmona & Ezzamel, 2006; Quattrone, 2004). Accounting helps to speculate how spirituality could be managed in a way to link the interests of various actors within and beyond the boundaries of commercial worldly needs to socio-economical dimension (Chenhall, et al., 2013; Quattrone, 2015a).

Accounting, in this context of flux and incompleteness, is employed by actors to question what constitute spiritual infusion in current organizational accounting practices and facilitate an iterative search for spiritual perfection (Busco & Quattrone, 2017; Hidayah et al., 2018). This perfection springs from a religious self-accountability with a worldview of a wider stakeholder approach, for the preservation and circulation of money, infused by a religious advocation of transparency and governance controls as conceptualised in Fig 1.

Numerous theories (Otley, 1980; Gordon and Miller, 1976; Ibrahim, 2005; Kamla and Alsoufi, 2015, have been proposed in the accounting social reporting literature to explain why companies disclose social information voluntarily. These theories also consider the intended recipients of such information, as there are various stakeholders with varying levels of importance to the company.

While these theories have offered explanations for social disclosures, they have not definitively answered why specific social disclosures are made or what the appropriate form and content of social reporting should be. In contrast, Islamic principles provide clear guidelines for the rights, obligations, and responsibilities of individuals and organizations, making Islamic accounting a robust foundation for ethical and social values. Islamic social responsibilities are well-defined, stable, and derived from religious sources.

In the Islamic accounting context, firms are expected to align with Shariah rules and fulfil their societal roles while pursuing legitimate profits. Social reporting in Islam accounting is based on concepts of accountability, social justice, and ownership, providing a value-based framework for determining the content of social disclosures expected from businesses and IFIs adhering to Shariah principles, and how such accounting practices and disclosures are done and prepared (Alamad, et al., 2021; Adnan and Griffikin,1997).

Accounting research (see, e.g. Hassan et al., 2019, 2020, Hidaya, et al., 2018; Napier, 2007) in the field of Islamic accounting and finance have explored various aspects such as the influence of Islam on accounting, accounting concepts from an Islamic perspective, the implications of Islamic banking on accounting, and the need for specialized accounting standards for Islamic transactions and the Islamic finance industry.

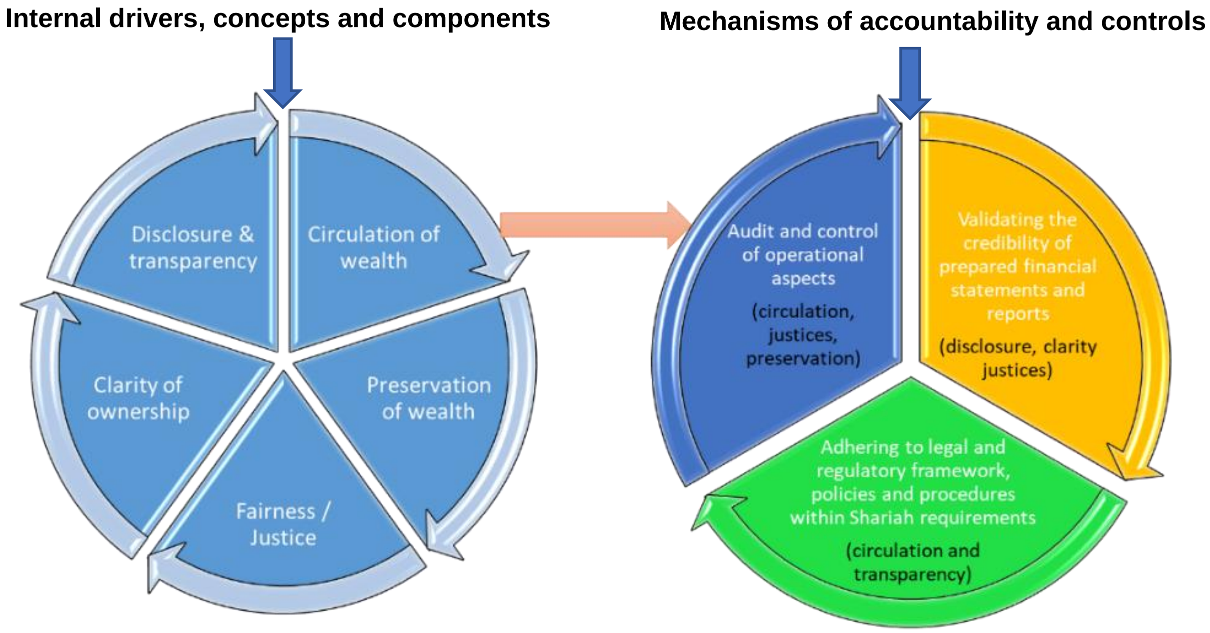
Other research studies (see, e.g., Kamla and Alsoufi, 2015; Napier, 2007; Hassan et al., 2021) have focused on Islamic finance, including Islamic corporate finance, Islamic insurance, and briefly touching on Islamic accounting. They have also covered topics like Islamic stock indices, the relationship between Islamic finance and economic growth, and the Islamic real estate investment market. However, such topics are fragmented and does not offer a complete worldview of Islamic accounting.

These studies on Islamic accounting and business research have also examined socio-economic aspects of Islamic financial instruments, contemporary issues in Islamic accounting, corporate social responsibility and ethical disclosure, and corporate governance in Islamic financial institutions (Alam, 2022).

Our conceptualised framework, based on the Almazandrani's manuscript (1363), addresses Napier's (2009) posed question of whether we can use the term "Islamic accounting" as a coherent and homogeneous body of ideas and practices to which that term may be applied? This conceptualisation extends current literature on Islamic accounting and argues that Almazandrani's manuscript (1363) provides a coherent and homogeneous concepts and practices for Islamic accounting.

These concepts and accounting practices, as emerged from the analysis of Almazandrani's manuscript (1363), enable the adoption of various components with different ontologies, ideas and routines embedded in the religious/spiritual ideals and secular/commercial interests. It mediates clashes between theological and commercial logics to extend to social considerations. Figure 1 conceptualises this worldview as outlined in Almazandrani's manuscript (1363), which depicts how various components are integrated and interact with each other to rationalise religious accounting as a value-based concept.

Figure 1: Conceptualising religious accounting as a value-based concept



[Value-based accounting: this Figure depicts how accounting is conceptualised in the context of Islamic alternative model, (Figure by author) as described by Almazandrani, (1363)].

According to this conceptualised framework in Figure 1, the worldview of this accounting system, sacred and secular are inter-sectional (Mcphil et al., 2005; Irvin, 2005). The first circle sets out the internal drivers of the Islamic accounting system and founding values that drives its operation, which should be adhered to by all its participants. This concept argues that religious values, such as transparency, fairness, circulation and preservation of wealth to ensure fair distribution of economic resources, and secular imperatives are meshed in financial institutions and transactions. This view supports a more integrated perspective on religion, where the secular and the sacred are continuously being reshaped and redefined.

Accordingly, in this conceptualised framework, accounting is viewed as a flexible factor within the theological doctrine that ensures alignment with religious values of an organisation to retain presence and control in its complex structure (Cordery, 2015; Irvin, 2005; Robbins & Lapsley, 2015). According to Carnegie, (2014: 1242) "historical accounting researchers have accepted a broad connection of what constitutes theorisation in historical accounting research". The theorisation of accounting research has contributed to the study of accounting's past in "everyday settings involving various social, religious and other not-for-profit institutions".

With the increasing attention of academic research to spirituality in modern organizations, calls for the exploration of how modern organizations employ spiritual/religious values and for the study of those values in their original context are increasing (Alamad, et al., 2021; Tracey, 2012: 119). The extent to which accounting is implicated within the sacred-secular epistemological clashes can provide interesting insights as conceptualised in this paper.

This inquiry and conceptualisation would further the discussion on the role of accounting as mediator in the tensions of submission to spiritual values, in addition to the stringencies of an economic perspective. This conceptualised faith-based accounting framework is also a mechanism for ensuring implementation and accountability of the five internal drivers' or values in the first circle of Fig 1, is enforced and implemented through a robust governance framework, as the second circle of Fig 1 shows. This enables participants in this accounting system to evaluate their own accountabilities under such religious accounting rules and values, in respect of inter-human/environmental and financial transactions.

The conceptualised framework shows the full cyclical process of how the internal drivers (first circle of Fig 1) are protected and maintained by prescribed accountability mechanisms and controls (second circle of Fig 1) for effective implementation. This conceptualised accounting framework, as presented in Fig 1, is concerned with authenticity, organisational and religious accountability by ensuring that accounting and assurance duties are only performed by those who have integrity and are qualified to do so. It also emphasises the important role of honest and accurate financial reporting to all stakeholders. This ensures that the socio-economic objectives are met and accountability to God is achieved. It corresponds to current calls about incorporating ESG (environmental, social and governance) disclosure of modern-day organisations.

Prior studies in relation to financial reporting advocate, as our conceptualised framework sets out, that highly religious individuals are less likely to view accounting manipulation as an acceptable practice (Conroy and Emerson 2004; Longenecker et al. 2004). Therefore, religious boundaries, as conceptualised in Fig1, potentially act as a mechanism for reducing agency costs and provides a framework for value-based accounting paradigm. This suggests that IFIs are more or less likely to engage in actions that are costly and harmful to its community, stakeholders and shareholders (Weaver and Agle, 2002), only if this framework is adhered to and implemented correctly. Hence, this conceptualised framework becomes a useful instrument, which provides a benchmark or an index on how actors in this industry enact or move away from its founding religious social norms that influence their organisational policies, and provides useful insights to standard-setters, financial regulators, and investors (McGuire et al. 2012; Longenecker et al. 2004).

People transact through institutions such as IFIs and banks. These activities are classified, recorded and summarised using a philosophic filter and its requirements as conceptualised in Fig 1 (faith-based accounting standards) to produce accounting statements, which people act on. If the information produced is useful and appropriate to make economic, social or faith-based (as the case with IFIs) decisions through a moral conceptual framework. Then, users will act in ways to correct their 'sins' or value-less human behaviour, and increase good behaviour leading to God's pleasure and social goodness in this world and in the hereafter (Almazandrani, 1363; Mattessich, 1995; Thompson, 1991; Alamad, et al. 2021. Alamad, 2019).

If the accounting processes and reporting misinform or do not provide appropriate information for those it applies to, participants might be viewed as being sinful and not compliant with their faith-based values and rules, as the findings of this study show. The responsibility for which will be borne by the shareholders, managers, investors or clients of IFIs as they are participants in that process.

4. Methodology and Research Design

Our research addresses the question of whether we can use the term "Islamic accounting" as a coherent and homogeneous body of ideas and practices to which that term may be applied? To answer this question, we employed a qualitative documentary analysis methodology to study, interpret and to conceptualise Islamic accounting as a coherent and homogeneous body of ideas and practices. (Eisenhardt, 1989; Eisenhardt & Graebner, 2007).

Another reason for the adoption of a qualitative methodology in this methodological design is that it offers more in-depth insights into the subject of this study, whereas any other methodologies, e.g., quantitative, would stop short on providing a meaningful conceptualisation and understanding of the study findings in that context and will not adequately answer the research question (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2009). We encountered real challenge in having access to the original manuscript or being able to obtain any copy due to restrictions imposed by the authorities due to the historical value of this manuscript.

4.1 Data collection

The employed methodology is informed by the type of data we used for this study. Our collected data is based on negotiating and obtaining access to a very old original manuscript, which is the oldest surviving written account on Islamic accounting and financial reporting. The initial concept for this study came about during a trip to Istanbul, Turkey. During that trip we learned about the existence of this rare unpublished manuscript. After extensive efforts and with the assistance of a Turkish contact, we were able to have access to it and study it in a very restrictive environment as it is heavily protected by the authorities there due to its historical value. As a result, the idea of this research paper started developing, which has been in the making for over five years now.

This manuscript is the primary source of data for this study and is written in Arabic with the use of the Persian language, to a very limited extent, as well as some of the Turkish words that were prevalent at the time of the Ottoman Empire. The manuscript is not available in English; thus, we studied it in its original language (Arabic) and translated our study and findings into English to present it in this paper. The manuscript can be found in Sultan Suliman the Magnificent library in Istanbul, Turkey, in the manuscripts section of the library, under number 2756. The author of this manuscript is Al Muslim Abdullah bin Mohammed Kaya Almazandrani (765 AH / 1363 CE). The name of the manuscript is "an Astronomical Letter of Contexts" its original Arabic name is "*Resalah Falakiyah Kitab al Siyaqat*".

This manuscript is a guide to the accountancy and accounting systems in the Muslim state at that time. The manuscript of Almazandrani was written around 1363 CE; about 146 years before the publication of the book of Luca Pacioli in the late Middle Ages (first published in 1509 CE). Pacioli's work is considered, by many scholars, to be the first book written on the method of double-entry (Thompson,1991). This is because they perhaps were not aware of the manuscript of Almazandrani, or perhaps a lack of knowledge of the Arabic language due to the lack of translations. In addition to that, the work of Almazandrani remained a manuscript and was not printed and published, unlike the book of Pacioli.

This is the oldest surviving preserved manuscript that provides a full account of Islamic financial reporting and accounting. While we did not find any other written record from the same period, Almazandrani seem to refer to earlier work from other Islamic scholars contemporary to his time, which may not have survived to reach us.

We also carried out observations, as a supporting method for a wider current industry perspective, of the Islamic finance industry discussions and debates as part of drafting and adopting accounting standards for IFIs by standards-setters. We attended and observed various discussions, including four closed discussions in Bahrain and two as a webinar in relation to adopting and revising financial accounting and reporting standards for IFIs issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI). Table 1 provides an overview of the data sources.

Those forums involved discussions among Islamic banking practitioners, Islamic scholars, academics, accountants and global Islamic finance experts and regulators (Sandberg, 2005; Marshall, 2010). Those forums provided a setting in which we could observe the contemporary processes, procedures and views on the design and implementation of Islamic accounting standards, the development of Shariah opinions about accounting treatment and reporting requirements, along updates on recently introduced Shariah compliant financial products/instruments.

Table 1: Overview of data sources

Panel 1: Documentary Data		
Type	*Title*	*Related Information*
Published Documents	1. Governance, accounting and auditing Standards	AAOIFI, 2015
	2. Accounting standards	IFRS, IAS, AAOIFI, IFSB
	3. Classical manuscripts	Secondary materials about Islamic accounting
Unpublished Documents	4. Original manuscript	Primary archival manuscript (1)
Regulatory Framework	5. Central banks guidelines	7 countries

(Table by author)

4.2 Data analysis

This study is principally based on examining and studying Almazandrani's original unpublished manuscript (1363) as its primary data source to establish a conceptual framework for Islamic accounting and financial reporting. We analysed the manuscript in its original language (Arabic) as a first order. This analysis included theories, concepts, terminologies, processes, procedures, controls and reporting relevant to accounting practices in that era. We then extracted from the content analysis of the collected data the themes that were prevalent and recurrent to formalise our conceptual framework about this religious accounting system as a coherent body of knowledge and practices.

A thematic analysis was employed on the narratives of each order of the data (see Table 1), which we examined in-depth by going back and forth through the emerging themes as presented in Fig 1, which helped us build a clear picture of this accounting framework. We conducted cross-examination with current global accounting standards, such as Islamic accounting standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) as a sub-procedure regarding contemporary accounting practices. A theme is identified through the occurrences or repetitions of certain incidents, words, phrases in a considerable frequency and normative divergence of the manuscript (Bryman, 2012).

We reiterated the analysis of the documentary data considering the literature on the role of financial reporting and accounting in spiritual/alternative forms of financing. Through, an extensive thematic analysis, the concept of internal accounting drivers and components in an Islamic dichotomy regarding accounting and financial reporting and its contextualised concept and accountability was revealed, as shown in Figure 1. This concept emerged as an important theme during the data analysis (Lynch, 2000).

5. Findings

The analysis of Almazandrani's manuscript (1363) revealed what could be claimed as a coherent structure of Islamic accounting system describing concepts and practices that was established before the 14th century and documented in full in this manuscript. Almazandrani (1363) discusses that the Islamic accounting system has evolved, as a state driven system, since its early start at the time of Prophet Muhammad throughout to the time of the four Caliphs, the Umayyad era, Abbasid time, Ayyobid State, then Othman Empire up. This evolution of the Islamic accounting system was both in the concept and the objective due to arising new financial needs, which could be summarised in the sections below (Alamad, 2017, 2019).

The need of a Muslim to fulfil her/his religious obligations relating to one of the pillars of Islam, *Zakat* (alums-giving). A Muslim is required to conduct a simple accounting calculation every year to ascertain her/his zakatable assets or wealth as a religious tax at 2.5% annually, and then calculates the *zakat* due on this wealth and pays it to the deserving poor and distribution channels as detailed in the religious rules. The *zakat* level and method of payment would differ according to the type of asset owned by an individual. For example, the *zakat* of livestock is different from the *zakat* of real estate assets or commercial goods, which is prescribed in the Islamic jurisprudence (Al-Nuwairi, 1998).

Moreover, the need for the state to conduct its accounting processes in relation to its assets in *bait al maal* (the state treasury), and account for its rights in terms of taxes and obligations in relation to monetary outflows and public spending was a key driver for the development of Islamic accounting. Therefore, some classical Islamic scholars mentioned in Almazandrani's manuscript (1363), such as Al Qalqashandi (1355-1418 CE) who argues that the science of accounting is a development of the science of mathematics, which deals with mathematical calculations from one side or party, while accounting refers to accounting or mathematical calculations between two parties or two sides. This is a unique perspective at that time on differentiating these two terms and what they imply.

Al Qalqashandi further explains that accounting is the record of financial inflows and outflows in its various accounting categories, including auditing processes. Thus, according to this view the term accountancy is derived from the science of mathematics and learning these sciences is encouraged in Islam "He it is Who appointed the sun a splendour and the moon a light, and measured for it stages, that ye might know the number of the years, and the reckoning. God created not (all) that save in truth. He detaileth the revelations for people who have knowledge." [Qur`an, 10: 5]. This clearly shows that Islamic accounting was a defined term and an established body of science.

The wording in this verse, which was analysed in the Almazandrani's manuscript, "ye might know the number of the years, and the reckoning" is a translation of the Arabic word (*al Hisaab*), which means in Arabic maths or the science of mathematics. Muslims are encouraged in this verse to learn this science, as those who are learned they would be able to see and understand the signs of God. Also, the reference in this verse to knowing the number of years is in relation to the lunar calendar that is used as the basis to calculate the *zakat* due in someone's wealth every year, so each Muslim can do their individual accounting requirements.

The different aspects of how a faith-based system is set-up, how its processes are conducted, and how the conceptual underpinning of the faith influences the human side of the accounting and accountability process, which then influences the outcomes have been examined and identified further herein below. The way these factors have been identified in this study sheds new light into understanding Islamic accounting as a faith-based accounting system and provides a new contribution to existing literature on this subject as will be critically discussed below by depicting it as a coherent body of ideas and practices.

The main findings of this study which emerged from the reiterative process of analysing the data from the ancient manuscript and other supporting documents are shown in Figure 2, and summarised in this section. These findings formulate the structure of concepts and practices of Islamic accounting, and are discussed further in this section, which builds on and supports the conceptualisation we set out in the theoretical section above.

Figure 2: Main themes

Islamic Accounting Paradigm: A Value-Based Concept	
Internal drivers concepts and components	**Accountability and control for socioeconomic outcome**
'The accounting system in Islamic economics and finance developed as a framework to ensure fairness, just cicrulation and preservation of wealth that maintain transperency and authenticiy for all stakholders in a society.	*'There is an important requirement that the process of regulating the procedures for measuring money and monitoring how it is collected, disbursed, recorded and reported is in accordance with religious requirements and financial principles that adds value to its stakeholders. Taking into account what is consistent with the provisions of financial and social transperency and accountability.'*

[Figure 2 (bu author) provides the prominent themes emerged from the iterative process of analysing the data of the original manuscript, (Almazandrani, 1363)].

5.1 Internal drivers and components of the Islamic accounting system

One of the main findings from the analysis of the ancient manuscript relates to the process of judging the efficiency and effectiveness of the components and structure of the Islamic accounting system. The conceptualised framework in Figure 1 as discussed earlier sets out the structure, concepts and ideas of a coherent accounting system extracted from the analysis of the ancient text. The key components of this conceptualised accounting system are summarised in Table 2.

Table 2: Key components of the Islamic accounting system

Number	Key accounting component
1	human and material systems that can be composed and are working with each other in order to achieve the objectives of the accounting system.
2	Collection of documents, accounting books and financial reports, through which the procedures for recording financial events are organized, tabulated, analysed, summarized and presented in an understandable manner that can be used by various parties in the decision-making process.
3	Controlling the conduct of accounting procedures in each of its components to ensure its correctness, accuracy, value and evaluation.

(Table by author)

These components, as conceptualised in Fig 1 and presented in Table 2, are further explained in themes format in the sections below (Almazandrani’s manuscript, 1363).

5.1.1 Material factors

The elements of the Islamic accounting system according to Almazandrani (Almazandrani's manuscript, 1363) include:

"Recording: This is the process of documenting financial transactions in the diwan, which is the equivalent of the general ledger in modern accounting". The diwan is the place where all financial transactions are recorded and maintained for future reference.

"Tabulation: This refers to the process of arranging financial transactions in a systematic manner so that they can be easily understood and analysed". The tabulation process involves sorting, classifying and categorizing financial transactions based on their nature and purpose.

"Summarization: This involves the aggregation of financial transactions to provide an overview of the financial position and performance of an organization". The summarization process includes the preparation of trial balance, financial statements, and reports.

"Presentation: This refers to the process of presenting financial information in a clear and understandable manner". The presentation of financial information should be done in a way that enables stakeholders to make informed decisions.

"Documentary collection: This involves the collection and retention of documents that support financial transactions". These documents may include invoices, receipts, vouchers, and statements.

“Book collection: This involves the maintenance of a collection of books and records that provide a historical record of financial transactions”. These books may include the diwan, journals, ledgers, and other financial records.

“Manual of accounts: This is a document that provides guidance on the procedures for recording, tabulating, summarizing, and presenting financial information”. The manual of accounts should provide clear instructions on the use of accounting systems and procedures.

“Reports and financial statements: These are documents that provide information on the financial position and performance of an organization”. Financial statements include the balance sheet, income statement, and cash flow statement, while reports may include management reports, budget reports, and performance reports.

Overall, the elements of the faith-based accounting system in the Islamic framework are similar to the elements of modern accounting systems. However, the emphasis on transparency, accountability, and ethical considerations makes the Islamic accounting system unique. The Material Factors relate to all requirements of the accounting system with its various procedures to achieve its goal of measuring money from revenues and expenses as well as oversight controls.

The word *Al Diwan* is Persian which means the record or book, it is also a metaphor for the place where financial records are kept. Al-Mawardi defines *Al Diwan* as a ‘subject for preserving what is related to the Sultanate's rights of business and money, regarding the financial affairs of armies and workers (Al-Qalqashandi, 1963, Alamad, 2019). It includes in our contemporary terms the work of ministry of finance in the supervision of the public budget, revenues and expenses, and its work and representatives in the fulfilment of different types of taxes, fees and excise. In addition to the work of the departments of the *Mira*, i.e., blogging and accounts at the ministry of defence (Al-Hasab, 1984).

“Recording the data in the diwans of the different states and regions in the country was done using their own local languages, i.e., recording of this data in different languages, and then the method of recording the entries in Arabic was made the standard in the Umayyad era” in the 8th century. (Almazandrani’s manuscript, 1363). That was to ensure alignment, transparency and proper governance.

5.1.2 Elements of the Islamic accounting system

The elements of the Islamic accounting system are the basis for documenting the requirements of the processes of this system. “*Starting from the recording process and then tabulation, summarization and presentation, through the availability of the documentary collection, the book collection, the manual of accounts, set of reports and financial statements*”, (Almazandrani manuscript, 1363).

5.1.3 Documentary collection

In the Islamic accounting system, there are two main types of documents: internal and external documents.

“Internal documents are used for internal purposes and are called al-Shahid (the witness). These documents are edited by the account clerk for revenue collected from others and contain basic data, including the date of issue, amount, place of issue, the witness of the transaction, the signature, and the reasons for the payment. The witness consists of a number of copies that the accountant retains original copies of it”. (Almazandrani manuscript, 1363).

"External documents are used for external purposes and are called al-Bara`a (literally, the patent). They are released by the owner or the stock-keeper (al-Jahbaz or al-Khazen) and represent the payment receipt received for the amount of pasture, tax imposed, the payment of abscess, charity, or tribute". (Almazandrani manuscript, 1363).

"The main difference between these two types of documents is that internal documents are used for revenue collected from others, while external documents are used for payments received by the owner or the stock-keeper. Internal documents are also edited by the account clerk, while external documents are released by the owner or the stock-keeper". (Almazandrani manuscript, 1363).

The presence of documents represents the gateway in the work of this accounting system. It represents the important basis in providing the data necessary for the effective operation of this system. The documents occupy an important position in Islam as a proof of what took place or agreed on between two or more parties, especially with regard to money and financial contracts, this can be inferred through the following verses from the Qur`an:

"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 incur the debt dictate, and let him observe his duty to Allah his Lord, and diminish naught thereof" (Qur`an, Al Baqara, 2: 282).

"And We appoint the night and the day two portents. Then We make dark the portent of the night, and We make the portent of the day sight-giving, that ye may seek bounty from your Lord, and that ye may know the computation of the years, and the reckoning;

and everything have We expounded with a clear expounding. And every man's augury have We fastened to his own neck, and We shall bring forth for him on the Day of Resurrection a book which he will find wide open." (Qur`an, Al-Isra`, 17: 12 and 13).

It is noted through the previous verses of the Qur'an that there is an emphasis on the need to document rights, including financial rights, both debtor and creditor, through written clear statements so there is no doubt or dispute in the future. As for the documentation process of the Islamic accounting system, documents were known through two main types. "*The first type is Internal Document (for internal purposes), which is called al-Shahid (the witness) that is edited by the account clerk for revenue collected from others, it contains basic data including: date of issue, amount, place of issue, the witness of the transaction, the signature and the reasons for the payment…*" (Almazandrani manuscript, 1363). The witness consists of a number of copies that the accountant retains original copies of it.

"*The second type of documents is the External Document (for external purposes), which is called al-Bara`a (literally, the patent), and is released by the owner or the stock-keeper (al-Jahbaz or al-Khazen), which represents the payment receipt received for the amount of pasture, tax imposed, the payment of abscess, charity or the tribute …*" (Almazandrani manuscript, 1363). The modern era has shown the usefulness of writing financial contracts in order to inform the parties to the contract, their heirs or any person affected by this relationship in present and future, their rights and duties.

This is because with the passage of time such rights and obligations may be lost and forgotten. As well as the benefit of written contracts in providing accounting data that results in accounting provisions and processes during the contract period (Al-Nuwairi, 1998; (Lashin, 1977). It is argued that the Islamic accounting system has preceded in formalising these principles for centuries, long before what is known as a common accounting practice nowadays (Al-Jaleel, 2001; Abdul Wahab, 1984).

5.1.4 Accounting book

"*The accounting books were first known in the era of the Caliph Umar ibn al-Khattab (in the 7th Century) because of the increase in the amounts of money received by Beit al-Mal. He ordered the recording of public funds according to their sources*" (Almazandrani manuscript, 1363). The accounting books were not as they are known today, whereas "*the accounting books and records were unbound until the era of Caliph Al-Waleed ibn Abdulmalik during the period of 86 to 96 AH (706 -715 CE)*" (Almazandrani manuscript, 1363).

The organizational aspect of these accounting books reached its peak of organization during the Abbasid state between 132 - 232 AH (749-847 CE). "*In 132 AH (749 CE) Khalid bin Barmak was appointed as the head of the Diwan Al-Kharaj (the revenue bureau of agricultural products and the Diwan of soldiers). Khalid Bin Barmak reorganized these two diwans, developed its accounting books and defined them by distinctive names*" (Almazandrani manuscript, 1363; see also, Al-Saleh, 1987).

"*The first book of entry in this accounting system, according to the Almazandrani, was known as the "Jareedah"*"", which means journal in about 132 AH (749 CE), before the appearance of the book of Pacioli in 1494 CE. This means that Pacioli may have used the Arabic term "*Jareedah*" (accounting/financial journals) in English or *Zornal* in Italian, which is a literal translation of the Arabic word (*Jareedah*).

5.1.5 Directory of accounts

These accounting processes as discussed above represents a list of accounts that can be used to record financial transactions in the accounting books, and records collection of any associated documents. To facilitate the use of this method, numbers may be given to each account in addition to the possibility of using automated and electronic means. Such methods were there to act as boundaries providing a sophisticated governance system to protect the value-based framework.

"The accounting manual was known in the past in terms of the use of a set of concepts and terms in the performance of accounting work by individuals practicing this work", (Almazandrani, 1363). The accounting work was conducted in a scientific manner and did not leave individuals to record accounts according to their own interpretations. There were specific rules and concepts for accounting records that accounting clerks had to adhere to. This did not stop at the point of setting only the definition of general concepts and principles, but "*each accounting section and department had a set of specific concepts and rules of its own*" (Almazandrani, 1363).

Examples of terms used in the Islamic accounting system in the past, which are familiar to today's accountants, are: *"Al Salaf (advances), is money given to the beneficiaries before their entitlement to it. Al Muqassah (off-setting) means retrieving (deducting) money owed to people who have already committed advances to them, so offsetting their financial liabilities against amounts due to them. Al Mustakhraj (extracted), which includes all cash income. Al Hasel (the balance), the remaining balance from the last accounting period. Al Jame' al-Wasel (calculating the net balance)*, means the net of the sum of funds that were received, after discounting any damage as a result of disasters, from what is originally due." (Almazandrani, 1363).

5.1.6 Reports and financial statements

After recording financial events in the accounting books, a set of reports and lists containing the summary of the recording processes are usually prepared. *"Since there* *were no large economic projects in the country at that time, the greatest concern was the financial aspects of the state's revenues and expenses"* (Almazandrani, 1363). This means that the accounting at the time was government accounting, which deals with how to obtain public funds, determining ways of allocation and distribution of them to the general public and services.

Therefore, government accounting was the driver of the development of Islamic accounting, and has been known since the inception of the Islamic accounting system, especially after the emergence of the idea of *bait al maal* in the 7th century. At that time, "*the financial and non-financial resources that entered the bait al maal were accounted for, and then distributed to its beneficiaries at the same time or after few days"* (Almazandrani, 1363).

Examples of those financial reports according to the Almazandrani (1363) are "*Al Khitma*, *is a monthly financial report, which is prepared at the end of each month and contains the revenues and expenses classified according to their type with the balance remaining at the end of each month. This report is similar to what is known today in the name of cashflow statement. Also, Al Khitma al Jami'a, is a report prepared by the accountant and presented to his/her supervisor. If this report is accepted by the supervisor, it is called al-Muwafaqa (approval). If it is not accepted due to discrepancies or inaccuracy in the data it contains, it is called Muhasaba (accounting) only"*.

5.2 Value-based accounting and accountability for socioeconomic outcome

The concept of internal control in the Islamic accounting system, and what its components are is a dominant theme that emerged from the analysis. Internal control is a crucial element of the Islamic accounting system, which ensures the accuracy and reliability of accounting and financial information. According to Almazandrani's manuscript (1363), "*the implementation of internal control depends on a set of elements, including a good organizational plan, a well-established accounting system, and a qualified group of individuals".*

"A good organizational plan lays the foundation for determining lines of authority, defence, responsibilities, and accountabilities, as well as lines of communication and coordination between various administrative levels. This principle was applied by Prophet Muhammad and Caliph Umar ibn al-Khattab, who allocated tasks and responsibilities among individuals based on their expertise". (Almazandrani, 1363).

"The hermetic accounting system is another component of the faith-based accounting system, which includes a set of elements such as documentary sets, accounting records, accounts manuals, financial reports, and financial statements". (Almazandrani, 1363). This system emphasizes the accuracy of accounting methods and is used and applied by all organs and functions of the system to ensure that it delivers the required value to its stakeholders.

Qualified individuals are therefore a crucial component of the Islamic accounting system. "*The system emphasizes the personal character of human beings and the integration of various elements in the work entrusted to an individual. This includes accountants who carry out various accounting and financial tasks and auditors who audit and review the accounts of the accountants and ensure that controls are in place".* (Almazandrani, 1363).

In addition, it is possible to say that many of the principles and rules of accounting used historically at that time, which contributed greatly to increase the strength and robustness of the accounting system, have formed the foundations of many contemporary accounting principles, such as (Lashin, 1977) accounting period, objectivity, accounting consolidation, line of defence, governance and disclosure of data.

"*An efficient accounting system and internal auditing requires the presence of qualified individuals working within its scope. Those individuals include both accountants who carry out the various accounting and financial tasks that they are required to record in the accounting books, as well as auditors who audit and review the accounts of the accountants and ensure controls are in place*", (Almazandrani's, 1363).

In order to choose qualified individuals to perform these responsibilities, this value-based alternative accounting paradigm emphasizes the personal character of human being and the integration of the various elements in the work entrusted to an individual. This is in addition to what each person knows and her/his qualifications about what is assigned to them to ensure they can perform their duties as required from all aspects of personal, practical and scientific qualities (Zaid, 1995).

Almazandrani's (1363) illustrates these accounting concepts and practices by religious text from the *Sunnah* (prophetic tradition). Prophet Muhammad confirms that by saying "whoever takes on the role of being an appointed official of people or responsible for anything of their affairs, and then appoints someone to do specific duties, while he knows that there is someone else who is more qualified and is better for the job than the appointed person, he has betrayed God and His Messenger", (Al-Bukhari, 1985). However, Almazandrani's manuscript (1363) focuses on documenting those accounting concepts, the practices of their implementation and the governance structure for the right implementation.

This concept was also stressed by Imam Ali Ibn Abi Talib (the fourth Caliph after the death of Prophet Muhammad in the early 8th century) when he informed al-Ashter al-Nakha'i when he appointed him as a ruler of Egypt, he said to him "examine the work of your employees and tasks you delegate to them, let this be a test to them and shall not be a favouritism and nepotism. The affairs of the state, its people and rulers will not run effectively unless those employed by the ruler to help in filling the gaps and running the country are of a good character and are fit and proper for the role they undertake", (Attieh, 1983).

In contrast to this, we (as an illustration only) compared what AAOIFI (2015) states in its Statement of Financial Accounting Standard, No. 2 (concepts of financial accounting). The standard states in 5/1 the accounting unit concept to consider the economic activities associated with activities carried out by IFIs. In 5/2 states the concept of going concern, which discusses the division in concept between money and goods. Then, in 5/3 the standard mentions the periodicity concept in relation to periods of time associated with monetary aspects, such as Zakat calculation. Those are a few examples for illustration only from AAOIFI accounting standards, and how such standards lack any grounding in a clear coherent accounting body of concepts and practices, which we articulate in this paper, presenting its important components as documented by Almazandrani (1363).

6. Discussion

The objective of this paper is to investigate concerns raised in current accounting literature (e.g., Napier, 2009) regarding the absence of a coherent body of knowledge and practices of Islamic accounting. The paper argues that a coherent and uniform set of ideas, concepts and practices exists under the term 'Islamic accounting', which is studied and analysed in this paper by resurrecting an ancient text.

The paper makes two significant contributions. Firstly, it asserts the existence of Islamic accounting as a cohesive and unified discipline with its own set of concepts and practices. Secondly, it brings attention to an ancient unpublished manuscript by Almazandrani (1363), which serves as a basis for conceptualizing Islamic accounting as a value-based system within the broader discussion on accounting, religion, and spirituality, (Maslow, 1943; Fromm, 1947, 1955, 1976; Parker, 2001; Quattrone, 2004; Jacobs, 2005; Pacioli, 1494; Chiarini, 1481; Soll, 2015).

The paper does not aim to compare this approach to traditional accounting theories or assess current practices by AAOIFI and IFIs. Within the context of the paper’s two key contributions, the paper identifies five key internal drivers and components that form the foundations and values of the conceptualised framework for Islamic accounting as a coherent body of knowledge and practices. These internal drivers are guarded by clearly defined mechanisms and controls to ensure their efficient and correct implementation. The framework enables participants to evaluate their own accountabilities under a religious financial umbrella regarding delivering on its socioeconomic objectives and values regarding inter-human/environmental, social, and financial transactions.

This conceptualised accounting system (see Fig 1) argues that Islamic accounting emphasises the sense of human stewardship to be embedded in financial reporting and accounting practices (Jones et al. 2008; Jacobs, 2005; Irvine, 2005). This sacred sense of stewardship, as the findings show, its processes, governance and structure represent the spiritual link between the accountability of material resources provided by God and the role of guardianship performed by accountants in managing financial affairs and the development of an authentic self as argued in the literature (see e.g., Maslow, 1943; Fromm, 1947, 1955, 1976; Parker, 2001; Quattrone, 2004; Jacobs, 2005). These concepts of linking spirituality of accountability and materiality, the role of guardianship and the development of an authentic self, stood out as important concepts in the conceptualisation of the Islamic accounting as a value-based body of knowledge and practices.

These concepts in our findings also contribute by explaining how the ontotheology of the Islamic accounting system, based on these religious concepts is leading to value-based approach. This approach may create tensions with the epistemology of modern secular conventional interest-based accounting, and current practices by IFIs, due to a particular gap in conceptual underpinnings of the two paradigms (Parker, 2001; Quattrone, 2004; Jacobs, 2005).

These concepts of linking spirituality, accountability, materiality, guardianship, and self-development are essential to the conceptualisation of the Islamic accounting system as a body of knowledge, as documented by Almazandrani (1363). In this section we follow the two main themes identified in earlier sections to discuss our findings further.

6.1 Value-based accounting: A pathway for evaluating own accountabilities and social objectives

Our research findings show that the impact of religion on accounting and financial reporting is pivotal and should be understood within its natural habitat, as social norms are known to be a strong influence on human behaviour as supported by Cialdini and Goldstein (2004). This paper in the conceptualised accounting approach (Fig 1) argues that religion is an important social mechanism for controlling beliefs and behaviours in the Islamic accounting practices (Alamad, 2017b; Jones et al. 2008; Kennedy and Lawton 1998).

Therefore, it is observed that the findings of this paper provide a base reference, clear path and identity for e.g., IFIs and AAOIFI accounting standards. Today, the ontotheology of AAOIFI religious accounting standards for IFIs, may create tension with the epistemology of IFRS and IAS (Maslow, 1943; Fromm, 1947, 1955, 1976) and divert from its true path by just focusing on technicality in accounting practices.

For example, AAOIFI (2015) financial accounting standard No.1, 6/2, states the objectives of financial reporting in few lines as: "*reporting the Islamic bank compliance with Shariah and its rules* (no further details provided on how or what)*, reporting about Islamic banks economic resources, information about estimated cashflows, discharging of fiduciary responsibility"*.

Faith-based accounting is rooted strongly in various faiths in the old days, even though, perhaps, it is not adequately explored in the literature (Maslow, 1943; Fromm, 1947, 1955, 1976; Swanson & Gardner, 1986; Thompson, 1991). It can be defined, according to Maslow (1943) and Fromm (1947), as the "accounting process" which provides appropriate information that not necessarily limited to financial data to stakeholders of an entity, as this paper argues based on its findings. This will enable them to ensure that the entity is continuously operating within the bounds of the faith-based rules and delivering on its socioeconomic objectives as value-based system as asserted by Almazandrani (1363), and conceptualised in Figure 1.

It is argued by Almazandrani (1363) that according to the Islamic accounting's requirements, it is not permissible for public, or even private, posts to be granted, in general terms, except to qualified and honest individuals. Those who do not hold such qualities will not be considered for such appointments (Almazandrani, 1363). This also applies to all accounting functions, which provides part of the conceptualisation of this accounting body as a value-based system, as also advocated by Maslow (1943).

Accordingly, the selection of qualified individuals (workers) since the inception of the Islamic accounting system has been regarded as a performance of trusteeship, so that the trustee in the position of power must ensure that only proper and fit individuals who are able to perform well are appointed as accountants (Almazandrani, 1363; Abdul Wahab, 1984). This concept is also supported by the following verse in the Qur`an, "O you who believe, do not betray Allah and the Messenger, and do not betray your trusts knowingly" (Qur`an, Al-Anfal, 8: 27).

The importance of qualified and honest individuals in the accounting profession is highlighted in the Islamic accounting system, as it is considered a form of trusteeship. This concept of trusteeship extends beyond just the selection of individuals for accounting roles, but also includes the responsibility to ensure that the financial affairs of the entity are managed in a manner that is consistent with the faith-based rules and objectives to deliver real value.

Moreover, the spiritual link between the accountability of material resources provided by God and the role of guardianship performed by accountants in managing financial affairs further emphasizes the importance of ethics and values in this accounting system. This value-based approach creates tension with the conventional interest-based accounting system, which is driven by profit maximization and shareholder value, this not to say that IFIs are not also driven by the same motive.

Therefore, the conceptualisation of the Islamic accounting system as a value-based approach rooted in the principles of trusteeship and stewardship highlights the importance of understanding the impact of religion on accounting and financial reporting practices. The deviation from this aspect by actors in the market and the absence of a demarked coherent accounting body of concepts and practices would render it valueless.

Thus, value-based accounting as this paper conceptualises portrays a pathway for self-assessment and evaluation of one's own accountabilities in respect of delivering on its socioeconomic objectives regarding inter-human/environmental, social, and financial well-being of all actors. McKernan & Kosmala (2007) explain that this would enable the assessment of whether the objectives of the organisation are being met.

At the very basic level, it can be said that IFIs e.g., differ from their conventional counterparts by having to adhere to certain faith-based principles and rules, and also try to achieve certain socio-economic objectives (Almazandrani, 1363) embedding corporate social responsibility (CSR) and ESG (environmental, social and governance) factors, which are inherent to its operational ideology as a value-based concept, and are encouraged by such rules. This is not to say that such concepts are currently applied fully in practice by those IFIs.

The ultimate objective of both science and religion is to bring about the well-being of human beings. One addresses the physical and material while the other addresses the social, mental, emotional and the spiritual (McKernan & Kosmala, 2007). The type of information which Islamic accounting identifies and measures is different.

Conventional accounting concentrates on identifying economic events and transactions, while Islamic accounting, as this paper conceptualises, must also identify socio-economic and religious events and transactions that are pertinent to its financial reporting disclosure to its users, (Almazandrani, 1363).

6.2 Internal drivers: Identifying a sacred orientation for accounting concepts

The meaning of "faith-based" Islamic accounting would be clearer if we compare it with the definition of "conventional" accounting. Conventional accounting is defined as the process of identification, recording, classification, interpreting and communication of economic events to permit users to make informed decisions (Jacobs & Walker, 2004; Mattessich, 1995; Ibrahim, 2007).

From this, both Islamic and conventional financial reporting and accounting are in the business of providing information and assurance. The differences lie in the objectives of providing such information, as our findings show, what type of information is identified and how it is measured, valued, recorded and communicated transparently as declared by Almazandrani (1363). Moreover, to whom it is communicated (the participants) as also argued in the literature (see e.g., Jacobs & Walker, 2004; Mattessich, 1995; Thompson, 199;1Carmona & Ezzamel, 2006; Quattrone, 2004).

Ibrahim (2007) maintains that this is due to the fact that IFIs are also faith-based financial organisations that would follow the applicable religious rules for undertaking and offering financial services. Such rules are an integral part of its governance structure and operational model. Actors in this context are required to maintain such religious rules in everything they do by implementing the mechanisms of accountability and controls as this paper sets out in the conceptualized framework in Fig 1.

The emergence of Islamic accounting has become a topic of both scientific and religious significance for many Muslims. Islamic banking, economics, and finance have been closely associated with notions of independence, national identity, and religious identity. However, despite the initial intention to establish an independent Islamic finance and economics system, these fields have struggled to break free from the influence of conventional capitalist economic thought, ultimately becoming entangled in the very system they aimed to avoid. As a result, contemporary Islamic accounting has often imitated the interest-based conventional accounting model it originally sought to replace as argued by critics of this approach (see e.g., Alamad, 2016; Abdul Wahab, 1984).

While the Islamic finance industry claims to follow the guidance and perspectives of the majority of contemporary traditionalist scholars (*ulama*), who advocate an authentic approach towards interest-free finance and accounting, the practical implementation in the modern Islamic finance system is largely driven by a pragmatic approach. Theoretically, Islamic finance and their Shariah jurists uphold the belief that all forms of interest-based finance and accounting, regardless of their nature, are considered *riba* (usury) and thus prohibited.

However, in practice, the authentic view of Islamic accounting has not been fully realized. This deviation from the authentic framework can be attributed to various factors, including the industry's treatment of interest as a legal concept rather than an economic one. As a result, the industry has developed accounting principles that bear a striking resemblance to interest-based conventional accounting.

The replacement of the interest-based accounting system with a superficial profit-based accounting approach has faced criticism from authentic Islamic accounting theorists, who argue, as declared by Napier (2009), that this approach is not a genuine alternative, but rather shares similarities with the interest-based accounting system in essence. However, the authentic view was deemed unrealistic and out of touch with the current economic and financial landscape by accounting participants and IFIs. Consequently, the Islamic finance industry has disregarded these traditional authentic views (Kamla and Alsoufi, 2015). Meanwhile, the industry, along with its Shariah Supervisory Boards, continues to assert vehemently that it is interest-free, adapting conventional accounting and reporting standards with minor modifications and presenting them as the Islamic accounting alternative (Alamad, 2019, Alamad, et al, 2021).

Therefore, there is a clear gap between what Almazandrani (1363) describes as Islamic accounting, and current accounting practices in the Islamic finance industry. Islamic accounting deals with the resources and expenses through recording, processing and reporting, thereof in accordance with the provisions and mechanisms of its accountability and controls. The Islamic accounting system aims to meet the needs of its actors, as well as to fulfil one of their religious obligations related to one of the pillars of Islam, namely, *Zakat* (mandatory annual alms giving of 2.5%).

The findings of this study also argue that Islamic accounting, aims to enable users to ensure that the principles and values of the faith-based internal drivers and accountability mechanisms as conceptualised herein are maintained throughout (Almazandrani, 1363). Conventional accounting, on the other hand, as asserted by Blanthorne & Kaplan, aims to permit informed decisions by users, whose ultimate purpose is to efficiently allocate scarce resources available to their most efficient (and profitable) uses by providing information efficiency in the market (2008). Apparently, this is achieved by the user making the appropriate, buy, sell or hold decisions on their investments.

The main difference between Islamic accounting and conventional accounting lies in their objectives, the type of information identified, measured, recorded, and communicated, and to whom it is communicated. Islamic accounting is based on religious principles and rules, and aims to fulfil religious obligations and maintain the values and principles of the Islamic accounting internal drivers and accountability mechanisms.

On the other hand, conventional accounting aims to provide information efficiency in the market to permit informed decisions by users, with the ultimate purpose of efficiently allocating scarce resources available to their most efficient (and profitable) uses (Blanthorne & Kaplan, 2008). The value-based accounting concept proposed in this paper aims to enable the self-assessment and evaluation of an organization's accountability in delivering on its socioeconomic objectives regarding inter-human/environmental, social, and financial well-being of all actors. Overall, the objective of both science and religion is to bring about the well-being of human beings, with conventional accounting addressing the physical and material aspects, while Islamic accounting addresses the social, mental, emotional, and spiritual aspects.

7. Conclusion

The objective of this paper is to explore the existence of a homogenous and coherent body of knowledge and practices in Islamic accounting and makes two key contributions. Firstly, it affirms that and conceptualises Islamic accounting as a unified homogenous discipline with its own concepts and practices. Secondly, it contributes to and extends the accounting literature by examining an ancient manuscript (Almazandrani, 1363), which serves as a foundation for understanding Islamic accounting as a value-based system within the context of accounting, religion, and spirituality literature up to the 14^{th} century and beyond.

The paper argues that Islamic accounting is concerned with authenticity, fairness, organisation, and religious accountability, and that it results in a value-based accounting and accountability. The study also provides a conceptual framework for Islamic accounting, presented in Fig 1, that can be used as a benchmark or index to measure IFIs' adherence to their founding religious social norms and values.

The paper further notes that while current global accounting and financial reporting standard-setter organisations are regulating and streamlining accounting practices to ensure value for participants, IFIs must maintain their religious governance and principles. The study argues that separating the two would have serious consequences on the operations of IFIs, their reputation, and public trust globally.

The lack of consensus regarding the objectives of the accounting and reporting process has created a significant gap in the field of accounting. This issue has largely been confined to academic discussions and has hindered efforts to address accounting problems and controversies effectively. The absence of agreed-upon objectives has made it challenging to develop relevant accounting standards that produce meaningful and useful financial statements. Establishing authoritative and supported objectives could provide a clear goal, a roadmap, a unifying force, and a guiding direction to stimulate the development of accounting standards that truly serve their purpose as also advocated by Otley, (1980), and Gordon and Miller (1976).

The current characteristics prescribed for economic resources in accounting tend to overlook a wide range of intangible factors or qualities of a business enterprise that may give it a competitive advantage in a free market economy. These intangibles, although unidentifiable and diverse, can significantly contribute to the business's ability to generate earnings above the normal rate of return on invested capital. Information about the quality and potential value of these intangibles is better conveyed through earnings information rather than through direct measurement and inclusion in the balance sheet as assets (Otley, 1980).

Thus, a value-based approach to accounting also encompasses the concept of socio-economic impact of the entity. If earnings and financial activities are based on the measurement of economic resources, then periodic earnings should be determined by comparing the changes in owners' equity shown in balance sheets, while considering provisions for maintaining owners' capital to account for the effects of social impact, environmental impact, inflation, additional investments, and distributions to owners.

Islamic accounting literature (Adnan and Griffikin, 1997: 133) not only emphasise the prohibition of interest, but also highlight the practices of IFIs, which are assumed to be free of interest for more equitable society. IFIs, unlike conventional banks, are said to be prohibited from charging or paying interest. Instead, IFIs use financial instruments that comply with Shariah principles. Profit-and-loss sharing arrangements are considered the backbone of Islamic banking transactions.

However, there is a paradoxical nature to contemporary Islamic accounting practices, which claims to be interest-free but relies heavily on interest-based contracts, accounting practices and operations. This paradox is often overlooked or not critically addressed in the majority of research in the Islamic accounting literature (Kamla and

Alsoufi, 2015). The influence of Western neoliberal thought on Islamic accounting is also apparent. Many Islamic accounting papers are significantly influenced by conventional accounting thought and adhere to the values inherent in conventional accounting philosophy. As a result, conventional accounting concepts and standards are often applied to IFIs, with recommendations for technical and instrumental adaptations rather than providing a distinct Islamic accounting worldview.

Practical implementation of Islamic accounting standards is led by regulatory bodies like AAOIFI, which aims to develop standards aligned with the objectives of conventional financial accounting, excluding any objectives that violate Shariah principles. These bodies have justified their approach by stating that it is acceptable from a Shariah perspective and that contemporary accounting thought can be considered. Consequently, the focus of these standards has been on technical and instrumental aspects related to the prohibition of interest and calculations of zakat (Islamic alms), rather than the value-based approach related to social justice, poverty eradication, the environment or ethics, which this paper conceptualises based on Almazandrani's manuscript (1363).

AAOIFI has also played a significant role in promoting Islamic finance products and legitimising them as interest-free. There is a missed opportunity here in drawing back on old manuscripts and scholarly writings in articulating and framing Islamic accounting as a comprehensive body of knowledge and practices. This body of knowledge can be used as the framework for Islamic accounting principles that informs its contemporary accounting practices and promotes its value-based approach. This paper attempted to uncover and articulate this body of knowledge through analysing and bringing to the debate on accounting literature the Almazandrani’s manuscript (1363).

This study encountered limitations in terms of access to data and research relevant to the era of Almazandrani’s manuscript (1363). This manuscript seemed to be the only surviving comprehensive authentic account of Islamic accounting, which access to it is very limited and restricted. Another limitation of the paper is that it focuses only on Islamic accounting, and does not address religious accounting in other faiths/religions. The study concludes that further research is needed to expand on the posed questions and to examine accounting practices and financial reporting in IFIs using the developed conceptual framework as a measurement tool or baseline. This will enable researchers to measure and assess the impact of IFIs' current accounting practices and operations on socio-economic objectives, climate risk, and the environment, all of which are critical in today's global accounting and finance context.

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