

Book Review

On Islamic Accounting: Its Future Impact on Western Accounting

By Toshikazy Hayashi. Niigata-ken, Japan: Institute of Middle Eastern Studies, International University of Japan, 130 pp.

Islamic accounting is an emerging field of study. With the establishment of several Islamic banks, interest in this area has increased. The present booklet is a master's thesis, submitted to the International University of Japan, consisting of four chapters and five appendices. Chapter one reviews western accounting and its evolution. Its main argument is that western accounting developed in response to the needs of evolving capitalism. Due to social assumptions of the primacy of self-interest and the profit motive, accounting serves the needs of business and not those of society. Society makes only an indirect use of a business entity's accounting statements.

In chapter two, the author introduces the basic concept of Islamic accounting. According to him, Islamic accounting is more responsive to a society's needs. The accounting statements prepared in an Islamic framework provide essential information needed by the society. For example, they are useful for calculating zakat. Chapter three deals with the actual accounting of zakat. The author examines the controversy of whether zakat should be treated as a cost or as part of the appropriation account in a *muḍārabah* arrangement. He supports the contention that it should be treated as a cost. The last chapter summarizes the debate and concludes that western accounting should make use of the Islamic accounting concept's of responding to the needs of a society rather than a business.

The book is a welcome addition to the meager literature on the subject. The author has examined some primary sources in order to base his argument, although he has also relied on secondary source. But the reader does not find what he expects for, with the exception of one major observation about the scope of accounting in the Islamic and western frameworks, there is little on the differences between the two concepts. For example, he does not compare their assumptions, standards, procedures, and methods. Perhaps these questions were not part of the book's scope. However, I think such a discussion would be of interest to many readers.

While examining the concept of accounting in Islam, the author devotes too much space to relating accounting with accountability on the Day of Judgment. In the end, he could not show how this makes a difference as far as business is concerned.

On page 49, he quotes Sh. I. Shahata as saying:

In the holy Qur'an, there are many theories on the nature of accounting, its aim, ideology, and principles, and these theories on the accounting indices, and data collection, its circulation and its feedback system for the purpose of indicating the financial situation at the end of an accounting period...."

This is an important claim, but the author does nothing to substantiate it.

The author has dragged the Islamic institution of *hisbah* into the concept of Islamic accounting, although the two are not related. In brief, the message of chapter two, which is the main conceptual chapter, is not at all clear.

In chapter three, Hayashi introduces the concept of zakat calculation in Saudi Arabia along with its underlying accounting principles. This is a useful discussion and provides some new ideas. However, the author gets bogged down in the discussion on treating zakat as a cost of part of the divisible profit in a *mudārabah* business. He supports the position of treating it as a cost, but ignores the fact that if zakat is treated as a cost, it will become a business expense likely to be passed on to the consumers (i.e., an indirect tax). Some items, which will have zakat included as part of their price, will be bought by those persons who are eligible to receive this assistance. Thus zakat's very purpose will be defeated. It is therefore difficult to agree with the author on this question.

In conclusion, the present book is a valuable attempt at discussing these issues. Students of Islamic accounting can derive some benefit and inspiration from it.

Muhammad Akram Khan
B-4 Audit Officers Residences
Gulberg-III
Lahore, Pakistan