BOOK REVIEW

Ahmed M. Abohebeish - Introduction to Islamic Rules of Financial Accounting

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by Rubaiyat Ahsan Bhuiyan, *International Islamic University Malaysia (IIUM)*

Introduction to Islamic Rules of Financial Accounting by Ahmed M. Abohebeish can be considered a recent addition to the growing literature on Islamic accounting. He taught accounting at many universities in USA and Middle East. He has more than 30 years of experience in the field of accounting in national and international corporations. The author has researched the subject matter for 25 years.

Rather than using a common title such as ‘Islamic Accounting’, the author uses ‘Islamic Rules of Financial Accounting’. The author mentions that this book can be helpful for both Muslims and non-Muslims. Muslims will be able to know about this issue in the light of their own religion and non-Muslims can evaluate and criticise the Islamic theories. One important aspect of this book is that the author makes a comparative analysis of the Western practices and the Islamic rules of financial accounting.

The book comprises eleven chapters. The first chapter introduces the content of the book, gives an overview of Islamic economics and provides an introduction to Islam. The discussion in this chapter may confuse the readers about the purpose of the book. While the title of the book suggests that it focuses on financial accounting, this introductory chapter talks largely on Islamic economics.

In Chapter Two, the author describes the principles and methods of accounting. At the beginning of the chapter, the origin/historical development of accounting was presented. This description is incomplete as the development of formal accounting tools and techniques in Europe has been omitted by the author.

Chapter Three focuses on equity maintenance. According to the author, this is the core of Islamic accounting. Throughout the chapter, the author explains the concept of *riba* (usury) extensively, substantiated by various fatawa, illustrations and some mathematical examples.

In Chapter Four, the author measures changes in monetary purchasing power. There are two main issues highlighted in this chapter, namely (1) Historical

Purchasing Power and (2) the use of price index. The author describes Islam's emphasis on measurement through the value of gold and silver.

Chapter Five focuses on creditors' and owners' equity maintenance. In this easy reading chapter, the author provides a comparison between the Islamic and the Western rules (especially the rules proposed by the Financial Accounting Standards Board (FASB)). The author explained some of these issues using simple mathematical examples.

In Chapter Six, the author explains the issue of income determination and presentation by making a comparison between the Islamic and the Western rules. In this chapter, the author proposes a new format of income statements according to Islamic rules. However, this chapter fails to capture the realities of today's business world as though it deals with 'income', it does not deal with the issue of earnings management.

Chapter Seven of the book deals with Islamic rules pertaining to debt equity. Though the chapter title includes the words 'accounting for debts receivable and payable', the accounting treatments were totally ignored by the author in this chapter. In Chapter Eight, the author compares the American financial accounting rules with Islamic rules. This descriptive chapter mainly provides a theoretical idea about the similarities and dissimilarities of these rules.

The author discusses financial reporting and disclosure in Chapter Nine. He emphasises that, according to Islam, all debts must be recorded. The recording of debts is the main emphasis of this chapter. The last two chapters of the book (Chapter Ten – 'Management Controls' and Chapter Eleven - 'Continuing Education') seem to come abruptly. However, the author mentions that these two chapters are not directly related to the 'subject of financial accounting' (p. 7).

Though the book mostly emphasises Islamic rules, it ignores how these rules can be applied in the accounting discipline. The readers may get confused about the application of these rules as the discussions are too short, descriptive, and not in-depth. Thus, this book is not at all 'practice-oriented'. Though the book describes several Islamic rules that can be applied in financial accounting, ignoring the application of these rules (with enough in-depth examples) makes this book as an 'incomplete' work.

What's more, the recent developments in International Financial Reporting Standards (IFRS) has been omitted in this book. It is surprising that the author did not mention the issues of harmonisation of accounting practices and the role of the IFRS in this harmonisation. The author argues that this book is mainly for the countries that desire to apply 'Islamic economy' in its ideal form (p. 19). However, in this globalised era, no economy can operate alone. This is one of the main reasons behind the initiation of several accounting harmonisation projects by international accounting bodies. The book encounters major problem

in presenting statements and equations. Clear and understandable presentation of the statements and equations remain as the most important characteristic of any accounting book. This book failed to fulfil that requirement.

However, one of the unique contribution of this book is to shed some light on the application of the International Accounting principles in Islamic countries. The author examines the present financial accounting practices prevailing in the USA, and then compares them with the Islamic rules. This book is also an endeavour to explore a number of perceived differences that may represent road blocks for implementing international accounting standards and practices in Muslim countries.

As the book deals a lot with ethical issues, the author could have highlighted the issue of professional ethics of accountants in the light of Islamic teachings. The issue of professional ethics of accountants is getting immense importance these days mainly because of accounting scandals over the last decade. Religion as a source of ethical guidelines can play an important role in this case. The author can consider this issue in the future editions of this book.

Though the author demanded that this book is a 'research', its structure resembles that of a textbook. However, even after these limitations, this book can be considered a contribution to the limited number of textbooks on Islamic accounting. Moreover, in some cases, the author raises some issues that can be considered as research agenda for future research on Islamic accounting. Though the book is not in-depth, it can be considered a primary reference to some Islamic rules that can be applied in financial accounting. But it cannot be regarded as the 'main-text' for any Islamic accounting course.

Though the literature on Islamic accounting has seen immense growth over the last decade, there is a limited number of textbooks on this issue. From that ground, the effort of the author demands praise. It is expected that the author will go for more in-depth description of the issues in future editions and come up with more practical examples that can be implemented in this complex globalised business environment.