

The Effect of Economic Knowledge in Islamic Civilization on Accounting Evolution

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Abstract:

Among the most important functions of accounting as a language of business, its dependence in its origins and evolution largely on the economy, this paper aims to deepening the study about the effect of economic knowledge on the accounting evolution in the Islamic civilization, through the analysis of the most important contributions of Muslims in accounting thought, and the most important economic thought that built the influential economic approaches and theories in the accounting evolution from 622 AD until 1418 AD. The principal results of this study are: (1) the measurement was dependent to disclosure, (2) accounting evolution in Islamic civilization was based on serving the prevailing economic, social and political activities, (3) and it is based on special needs to accounting evolution as a stand-alone science. The basic conclusion is that, if there any defect or lack of harmony in dependent or independent accounting evolution can cause such problems.

Key words: economic knowledge, accounting evolution, disclosure, measurement, need to accounting.

1. Introduction

Accounting history is a study of the heritage of accounting and its contribution to accounting pedagogy, policy and perspective (Stewart & Belkaoui, 2010, p.20). Today, the growth of Islamic financial institutions is one of the main factors underlying the emergence of a modern literature of Islamic accounting (Napier, 2007, p.5), but this modern literature, has deep roots in the history of accounting during the Islamic civilization. This civilization which was packed, in its golden age, by a growing diversity in its cognitive components and highlighted by economic knowledge. The principles, rules and ethics, which the Islamic economic knowledge invoked, gave the Islamic economy and specifically Islamic finance in the present age a good reputation on the international level, especially in the wake of the global financial crisis. Hence, and according to the idea of Watts & Zimmerman, which suggests that accounting is formed by the economics and politics (see Watts, 1977; Watts & Zimmerman, 1986), we'll take in the analysis of the accounting evolution, the origins of economic knowledge that prevailed in the Islamic civilization.

Lieber thought that "The merchants of Italy and other European countries obtained their first education in the use of sophisticated business methods from their counterparts on the opposite side of the Mediterranean, most of whom were Muslims, although a few were Jews or Christians" (Lieber, 1968, p. 230). In our perspective, the question that arises: were the art of writing, arithmetic, private property, money (i.e., among economy), credit (i.e., incompleting transactions), commerce and capital (Littleton, 1966, p.12)

available in Islamic civilization. Rather, what is known in the accounting literature as Littleton's requirements for the origins and evolution of accounting (i.e., double entry bookkeeping evolution).

Whereas, among the most important functions of accounting as a language of business, its dependence in its origins and evolution largely on the economy, this paper aims to deepening the study about the effect of economic knowledge on the accounting evolution in the Islamic civilization, through the analysis of the most important contributions of Muslims in accounting thought, and the most important economic thought that built the influential economic approaches and theories in the accounting evolution from 622 AD until 1418 AD. Thereby, it is of great significance in the existing debate about the nature of accounting and its role, is it a way that evolves to meet certain needs, or its evolution occurs as a stand-alone science ?

2. Muslims' Contribution in accounting thought

The stage of Islamic civilization represents the beginnings of the accounting practice as a science from 622 to 1418 AD, this stage is overlooked by most pioneers of accounting thought in their studies on evolution history of accounting theory and practice. According to *Kantakji* in his thesis on *Islamic accounting Fiqh* (Kantakji, 2007, pp.40-42), the beginning of the accounting history in the Islamic civilization was due to the emergence of Islam and the prophet *Muhammad's* order to count people and calculation, and the first accounting scientific reference integrated in the world has been written by *Al-Nuwayri* (1278 –1332). In his book “*Kitab Al-Inshaa*“, he said:

"Some of my colleagues have asked me to put a summary through which the accountant knows how to account and which enlightens him how to report about gaining and taxing. Thus, I presented this summary, in which I mentioned about writing industry as little as a drop of seawater and as a few as its gems to answer his question and realize his hopes. These are necessary for an accountant to know their shape and duties. When I wrote down this industry, I neither found a book about its art nor a translated chapter or a compiled reference. I have not noticed a reference about it, not even listened to a statement about it. No one uttered a word or had the rein of diction in order to be my ideal and follow his method in excellence and be as useful as he is. Nevertheless, I found it closed and covered where each writer was satisfied with his knowledge and limited to his understanding. When I reviewed the idea and revised it, its doors were opened and disclosed. Therefore, I mastered it after making it soft. Later, the idea had the way of success and I began writing what I put and aligned what I classified. I derived the term "Dewan" (accountants' council) and what kinds stem from it. Besides, I mentioned the first "Dewan" was in Islam and its reason. I reported what the accountant may need regarding accountancy and its cases, and what general accepted rules and idiomatic laws settle down. I mentioned what the accountant may report about gaining and taxing and what mathematic cases end at and attribute what troubles arise to them - God willing." (Kantakji, 2003, p.6).

He discuss how to write the funds in detail in part VIII, moreover, explain the sources of accounting knowledge, customary rules, idiomatic laws, and the functional division of accounting at that time, with accounting log entry, ledger, trial balance, matching, budget balance base and the separation of accounting cycles, in addition to clarifying the functions of the accountant and accounting responsibility and the internal control system. Accordingly, *Al-Nuwayri* preceded the Italian *Luca Pacioli* (1445–1517) by 212 years in bringing up the double-entry system, and he is the first to launch on the accounting profession the expression of account industry as a synonym for *writing the funds* (Kantakji, 2007, p.36). There were some authors who adopt this point of view, for example, *Zaid* puts his assumptions about the possibility of Muslims to be the first to develop the double-entry system, saying:

"The possibility of a direct or indirect contribution by Muslim accounting scholars to the development of the "double-entry system" through their accounting books, accounting systems, recording procedures and reports, cannot be ruled out. This possibility exists given the influence of Muslim traders on the practices of their Italian counterparts". Zaid (2001, p. 216)... "the development of accounting records and reports in the Islamic State have most likely contributed to the development and practice of accounting in the Italian Republics as documented by Pacioli in 1494" (Zaid, 2000, p. 89).

The following table illustrates the contribution of other early Muslims scholars in accounting thought before and after *Al-Nuwayri*.

Table 1: The contributions of early Muslims scholars in accounting thought

scholar	His contributions in accounting thought
Abu Yusuf 798 AD	Most important contributions in his book ' <i>Al-Kharaj</i> ', the allocation of revenues and costs and control over the movement of funds.
Al-Qurashi 819 AD	In his book ' <i>Al-Kharaj</i> ' contributed to the adoption of cost as a basis to measure the earth's al-kharaj and recognize revenue during the production, with the development of net income equation (net income = crop - expense - debt).
Ibn Qudamah 940 AD	Contributed in his book ' <i>Al-Kharaj</i> ' to develop of sophisticated accounting expressions such as the preparation of the final accounts, matching between revenues expenditure, and accounting balance, allocation of expenses, with preceded in using the term of assets, expenses, and fixed assets accounting.
Al-Mâwardi 1058 AD	Al-Mâwardi explained before anyone else that the accounting making is based on things in common between thought and practice, the thought was dominated, while the practice was dependent.
Ibn Rajab Al-Hanbali 1393 AD	Explained in his book ' <i>Al-Kharaj</i> '; that the depreciation is a standard distinction between fixed and current assets, as well as, the functional division of revenue, the principle of objectivity and proof (receipts), as among the basis of justice in the imposition of <i>Al-Kharaj</i> , and took into account price changes by cycle time.
Al-Qalqashandi 1418 AD	In his book, ' <i>Sobh A'sha</i> ' explained the characteristics of accounting as: the proof, registration, justice, objectivity and control over the movement of funds and rights of the parties, determine the results, the possibility of interpretation and proof.
Note: the date associated with the name of scholar representing the date of his death	

Source: See Kantakji, 2004, p: 37-45.

What can be seen through the contributions of Muslims scholars in the field of accounting that most of them wrote in the financial accounting in drafting *Al-Kharaj*. The latter is defined as taxes, revenue, revenue obtained from human property, tribute, rental, income, general property, a public's revenue or revenue from land, and sometimes it is defined as a rates (Fuadah & Patmawati, 2010, p.630). So the objective was to keep money for those with rights. Also, most of their thoughts were centered on accounting principles known to us today (objectivity, matching, accounting balance, ...), and the dominant theory at that period was *Quran* and *Sunnah*, as well as other theories and approaches as we shall see in subsequent parts of this study.

3. The influential economic thought during Islamic civilization

Islamic civilization was at the peak of progress and prosperity in almost all fields of life, from trade and industry, agriculture, political and military management. This progress and prosperity was the result of scientific capabilities and achievements of Islamic civilization in several fields, particularly the economic field. The analytical level of Islamic economic thought wasn't complex nor composite at that period, it was convenient to the prevailing method of life and developed with it. If we looked at the reality of Islamic economic thought, we can investigate the environmental condition that shows the structural evolution of accounting, approaches and theories affecting it, through studying the economic thoughts of elite Islamic scholars who we see in their thoughts an influence on the accounting profession between the eighth and fifteenth century CE.

3.1. Economic Thoughts of *Abu Yusuf* (731 -798 AD)

Abu Yusuf excelled in what is called now public financial management of the state, and his view of the responsibilities of the state and heading to the concept of the welfare state. The most important thing he brought was a new system to pay *Al-Kharaj*, this system based on the collection of *Al-Kharaj* according to the *sharing system* instead of the *space system*, and to compensate for payment by food instead of cash, where he saw in that the encouragement of agricultural activity and mass production, and protect the state's right from volatility and to achieve the fairness (Siddiqui, 1985, p.89). *Abu Yusuf* also adjust the ratio of *Al-Kharaj* to suit the situations lived at that period, and select the principles of tax collection and investments of funds, saying they should be - tax rates - according to capacity of taxpayers, and determined by the government, he also showed kindness and gentleness as the right way of tax collection with the exact measurement and avoid assessment (Siddiqui, 1985, p.90; 91). In his view about the price of food, or what is known today as purchasing power, *Abu Yusuf* said that the price does not depend only on supply, but with the effect of the some other factors which he wasn't able to know (Siddiqui, 1985, p.93). The distribution of development projects costs in *Abu Yusuf's* thought is based on the beneficiaries of these projects and focusing on the estimated results from these benefits (Al-Wadi, 2009, p.78).

3.2. Economic Thoughts of *Al-Mâwardi* (974 - 1058 AD)

Al-Mâwardi's main economic thoughts are embodied in his book *Al-Ahkam Al-Sultaniyyah W'Al-Wilayat Al-Diniyya* [1]. From the leading thoughts what's attached to land ownership and its revenue *Al-Kharaj*, in that aspect, identified the factors of differential rent which arises due to the difference in fertility, location and a reflection of the latter on the price. *Al-Mâwardi* explained the idea of tax shifting, by saying that the proximity and distance from markets affect the prices of crops, so as a result of variation in transportation costs, which affect this factor in the case of *Al-Kharaj* in cash and does not affect when *Al-Kharaj* is in kind. As opposed the double taxation, *Al-Kharaj* is the responsibility of the owner of the land in the case of *Ijara* (i.e., leasing), this to prevent the double payment of *Al-Kharaj* by the tenant (i.e., to the owner and to the State) (Al-Qubaisi, 2002, p.103). Sufficiency is the basis of fair distribution, and it is determined by the social situation, the price level and the variability of places, it is also characterized by flexibility and change according to economic conditions (Al-Mâwardi, 1989, p.269). *Al-Mâwardi* also defined the dependence of spending to revenue in terms of value, time and the flexibility as the basis of budget preparation (Al-Qubaisi, 2002, pp.109; 110), and induce to organize the market, especially by pints and weights (i.e., measures), therefore, it emphasized the necessity to label these measures by stamp of the state known to the public (Al-Mâwardi, 1989, pp.332; 333).

3.3. Economic Thoughts of *Ibn Taymiyya* (1263 - 1328 AD)

Shaykh al-Islam Muhammad *Ibn Taymiyya* pays tribute to the great importance of research in economic activity from the Islamic faith perspective. For this, we find that the main of his economic thoughts are embodied in price, pricing and market, and extracted from the teachings of Islamic *Sharia* law. Thus, *Ibn Taymiyya* attributed the cause of high prices to the strength of supply and demand on one hand, and to the unfairness of some people (i.e., collusion and monopoly sellers) on the other hand, which prompted to oppose the pricing in the first case, and dictated in the second. Generally, must apply the same mechanism to businesses and services, because the price set by the government when its pricing, is the similar price (Al-Mubarak, 1970, pp.106-112), and this price is used by people, and being in such commodity, which changes with time and place (Al-Islahi, 2008, pp.79). In his thoughts on money, *Ibn Taymiyya* explained that it has two main functions: a measure of value, and a mediator of exchange, he also advised to coinage the money for people in accordance with the fair value of their transactions, and without injustice to them, because this is the result of what he saw in the relationship between the quantity of money and the price level. Moreover, *Ibn Taymiyya* preceded Gresham to develop the idea of bad money drives out good, what known today as Gresham's law [2], Saying, "it corrupts people's money by reducing the value" (Al-Islahi, 2008, pp.122-134).

3.4. Economic Thoughts of *Ibn Khaldun* (1332 - 1406 AD)

Ibn Khaldun reached economic conclusions and organized them into an extremely coherent model (Boulakia, 1971, p.1105), analyzing the causes in order to obtain concrete results (Ahmed, 2006, p.12). *Ibn Khaldun* dealt with many economic issues based on what is known today as social phenomena, facts on human development or human social conditions (Al- Leheabi et al, 2013, p.43). As such, and through his famous book *Al-Muqaddimah*, coined the leading ideas in the economic field, his emphasis on the importance of labour division and specialization, where he divided labour to productive and non-productive work, and explained his point of view in the contribution of labour in the value, quantitatively and qualitatively. Also, pointing out that the labour is the basis of reciprocity value, even though, he did not differentiate between use value and exchange value (Khudair, 2009, p.52-59). Therefore, *Ibn Khaldun* preceded Marx, William Betty, Adam Smith and Ricardo in establishing general outlines for the "labour theory of value" (Al- Leheabi et al, 2013, p.43; 44). In *Ibn Khaldun's* thoughts about state intervention in economic activity, the state intervenes to the administration of justice and the organization of its revenues; it also showed that the expansion of the state to increase its revenues and intervention will be reflected on production and profits. Subsequently, state must activate aggregate demand, which activates and stimulated the production, so he advocated here that the state shouldn't have a neutral role, in addition to the non-monopoly on the production leading to damage the market mechanism (Mansour, 2009, p. 94-99).

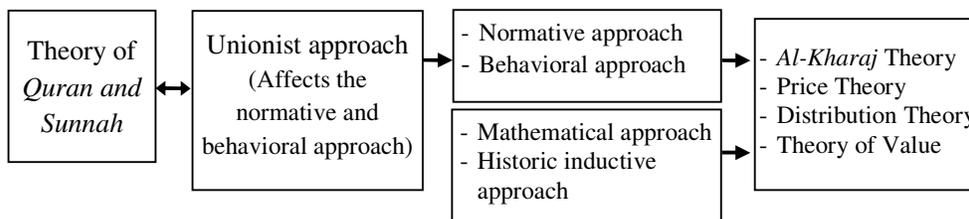
Through studying the thoughts of elite Islamic scholars, we feel the presence of extensive processing and analysis commensurate with the lived circumstances, and tight linkage between variables affecting and affected by the economic activity and variability across time and space. We also find that the era of Islamic civilization has singled out economic concepts not known to the west until the eighteenth and nineteenth century CE. In addition to studying of the relationships between different economic variables, these intellectual economic conditions paved the way for integral work on accounting practices and thoughts. The preservation of public money, adjusting the price, the preparation of budgets, in addition to the management of *Zakat* and *Mirath* (i.e., inheritance) funds and writing debt, all these factors were motivations to develop accounting practices and thoughts.

4. Influencing Economic Approaches and Theories on Accounting Evolution

Many economic theories existed in the economic thought of the Islamic civilization; these theories are simple and consistent with the circumstances of the stage and legibility. However it had great influence on the guidance and development of accounting practices and thoughts. Before talking about theories, we must point out the approaches used in the construction of these theories and scientific ideas of Muslims scholars, and the impact of these approaches on the guiding ideology and research methodology. However, we affirm that these economic approaches and theories are the most important, but not all that it included economic knowledge in Islamic civilization.

The basic approach adopted by the bulk of Muslim scholars in all fields of scientific research, is what we would call a unitary approach or “unionist approach”, in the application of the teachings of the holy *Quran* and the *Sunnah*. Thus, this approach subjected the economic and accounting research to the dogmatic character, and the eternity feature, which recognizes the principles and rules valid for every time and place, characterized by flexibility and harmony between the mind and experimentation. The exception to this approach is put forward in what will be attached from approaches interacting with theories; it is also influential as shown in Figure 1, in the normative and behavioral approach, as opposed to the mathematical and historic inductive approach, which are among independent approaches.

Figure 1: The interaction of the main economic approaches and theories



The second approach influencing the Muslims accounting knowledge is the mathematical approach. It is well known to Muslims has excelled before others in arithmetic and algebra. According to McLeish, “*al-khwarizmi's works had a profound bearing on the development of world mathematics. The translation of his book on arithmetic, for example, introduced Arabic numbers to the west, setting in train a process that led to the use of the nine Arabic numerals, together with a zero sign, as the most basic tools of science*” (McLeish, 1994, p. 139), as well, his work on the calculation was the first book in the world explains decimal positional number system (McLeish, 1992). Further, proved the Muslims ingenuity to use mathematical approach at the writings of *Al-Kindi* (801-873 DA) and *Al-Razi* (854-925 DA) (Hashim, 2010, pp. 1-5; Al-Ani, 2010, pp. 1-10).

Normative approach is the third approach, which determines the accounting concepts emanating from the constants of legitimacy, and that it does not change with time and place. The fourth and most important approach which was dominant and influential in accounting thought, is the Islamic behavioral approach, which in turn is a summary of God's teachings and the *Sunnah* teachings, this approach determines the duty and the sacred, the hated and permissible, which does not differentiate between professional ethics and human ethics, they are the same. Personality, ethical values, orientation, learning, perception, participation, communication, motivation, dependence and decision-making, through this approach, governs by inclusiveness, responsibility, equilibrium and realism that achieve justice and well-being in the community. Historic inductive approach is the last used approach; its goal is to find practice and theory of accounting thought in Islamic history (Kantakji, 2007, p.75).

For its part, the most important economic theories that dominated this stage influenced the construction of accounting thought. We find *Abu Yusuf* the author of the first theory of *Al-Kharaj*, through his thought for how to deal with *Al-Kharaj*, and give it a new calculation basis. This theory opened up to the accounting thought a new field of work more accurate and better able to achieve the fairness and the preservation of rights. The second theory, which also affected the field of accounting thought, is the *Al-Mâwardi's* theory of distribution, identified new bases for the measurement of accounting (sufficiency), and enabled the disclosure to ensuring control. Moreover, *Ibn Taymiyya's* contribution has been a leader in theorizing for price, his price theory extremely important in influencing the process of accounting measurement, adjust and increase reliability. Fourth theories that became clear from our study on the economic thoughts of elite Islamic scholars, is the theory of value of *Ibn Khaldun*, which dealt the exchange value and adjust the position of work, quantitatively and qualitatively, therefore, increases the measurement accuracy and preserves the rights of workers in disclosure.

We find in figure 1, the dynamic effect by the approaches on the theories. This effect exceeds the economic thought up to accounting thought, as well as, the influence by normative, behavioral, mathematical and historic inductive approach in various economic theories, shall be similar to its effect on guiding the accounting practice and thought at this stage. This idea will be more evident when analyzing the effect of these approaches and theories on needs to accounting, in the interaction cycle between the accounting disclosure requirements, objectives of accounting and accounting measurement.

5. Structure of interaction between accounting disclosure and measurement

Littleton's requirements for the origins and evolution of accounting were present in the Islamic civilization (Shokr, 2007, p.138). The latter, with full components and elements were not to be found and continue in the absence of properly tuned financial and accounting system, and strengthen this system with a properly and adaptive thought to developments in the environment and its economic, social and policy changes as a result of the immense expansion of the Islamic state. In analysis the reality of the influential prevailing economic thought, and the resulting theories and approaches helped to build properly accounting thought, it became clear to us that each approaches has a contributions, and each theory influence the evolution of accounting measurement and disclosure. We find the unionist approach necessitated the religious character in accounting, for example, the commands of documentation, certification, proof, justice and neutrality in the verse of debt in *surat Al-Baqarah* (Quran):

(O you who believe! When you contract a debt for a fixed period, write it down. Let a scribe write it down in justice between you. Let not the scribe refuse to write as Allâh has taught him, so let him write. Let him (the debtor) who incurs the liability dictate, and he must fear Allâh, his Lord, and diminish not anything of what he owes. But if the debtor is of poor understanding, or weak, or is unable to dictate for himself, then let his guardian dictate in justice. And get two witnesses out of your own men. And if there are not two men (available), then a man and two women, such as you agree for witnesses, so that if one of them (two women) errs, the other can remind her. And the witnesses should not refuse when they are called (for evidence). You should not become weary to write it (your contract), whether it be small or big, for its fixed term, that is more just with Allâh; more solid as evidence, and more convenient to prevent doubts among yourselves, save when it is a present trade which you carry out on the spot among yourselves, then there is no sin on you if you do not write it down. But take witnesses whenever you make a commercial contract. Let neither scribe nor witness suffer any harm, but if you do (such harm),

it would be wickedness in you. So be afraid of Allâh; and Allâh teaches you. And Allâh is the All-Knower of each and everything (282)) (Sûrat Al-Baqarah) [3].

Also, God had commanded for justice in the weight and not to cheat and understatement people in their rights in *Surat Ar-Rahman* and *Al-Mutaffifîn*:

(And the heaven: He has raised it high, and He has set up the Balance (7). In order that you may not transgress (due) balance (8). And observe the weight with equity and do not make the balance deficient (9)) (Sûrat Ar-Rahmân) [4].

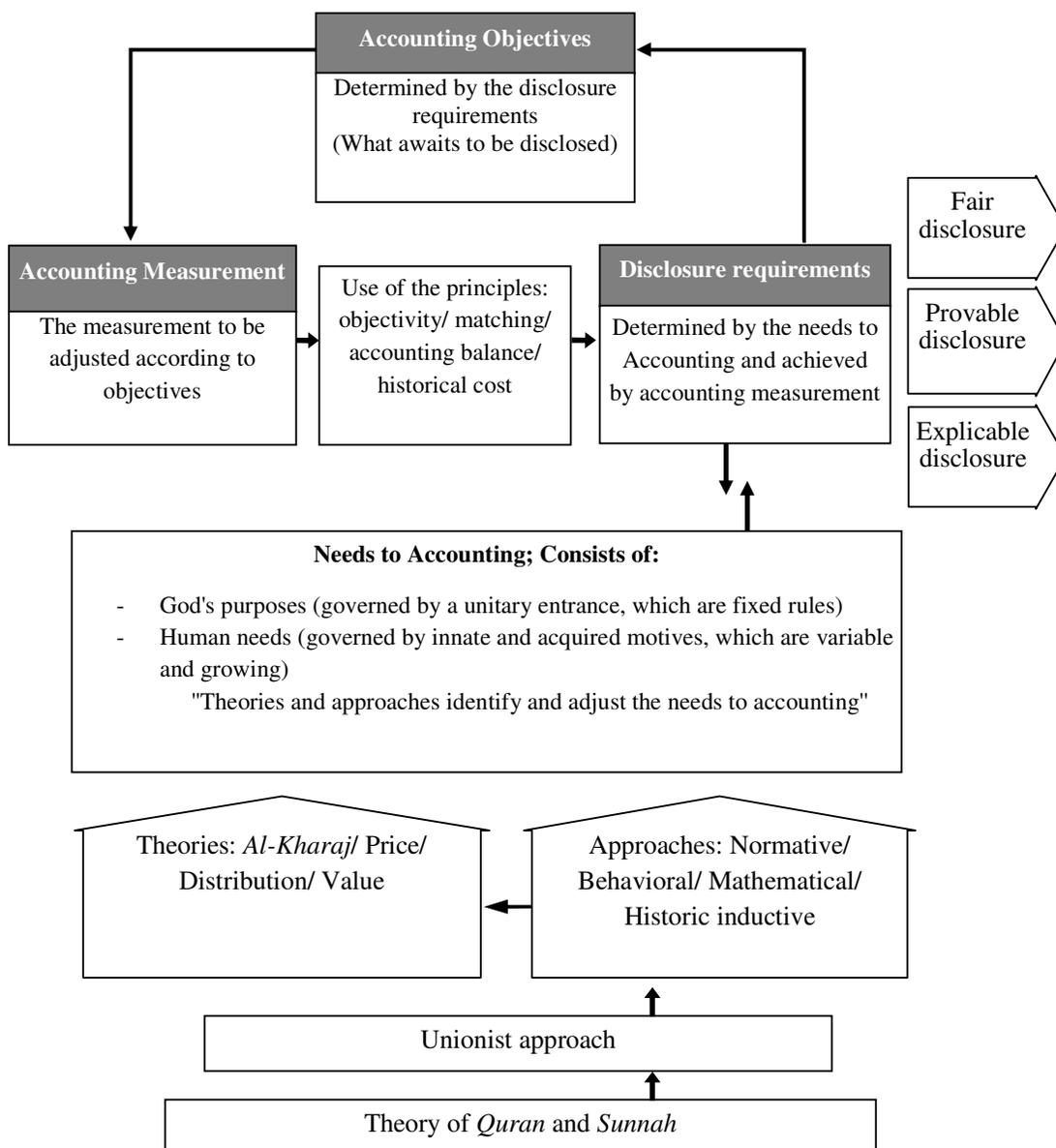
(Woe to Al-Mutaffifîn (those who give less in measure and weight) (1). Those who, when they have to receive by measure from men, demand full measure, (2) And when they have to give by measure or weight to (other) men, give less than due (3)) (Sûrat Al-Mutaffifîn) [5].

The mathematical approach, which had become more active in the Islamic civilization, require on accounting adjusting its disclosure on the unique and unprecedented financial systems, as a system of *Zakat* and system of *Mirath*. Add to adjust the value of measures and weight tools mathematically with each other (for example: *dhirâ'* (i.e., cubit), *qasba* (i.e., rod) = 6 *dhirâ'*, '*Ashîr* = *qasba*², *Sâ* = 2036 g, *Jarîb* = 48 *Sâ*, *Qafîz* = 12 *Sâ*, *Wasq* = 60 *Sâ*) [6], and adjust the tools of prices, so fixing weight silver dirham to 7/10 gold dinar and the weight of Legitimate dirham 2.97 g (Kantakji, 2004, p.23-26). As a result, accounting measurement has become accurate in terms of quantity and value and gave it greater reliability and suitability to reflect the reality of economic events results. The historic inductive approach contributed by reported *Al-Nuwayri* [7] through his use, to describe the practices of his day, as what they settled in his time. Moreover, he admitted there were differences in terminology and accounting policies in accordance with the different technical methods in different countries of the Muslims, and admitted that the accounting policies that prevails in the Muslim community changed with discretion (Kantakji, 2004, p.75). Therefore, this approach requires the subjection of accounting to human discretion and the needs of time and place. We also, find the normative approach defines the accounting concepts emanating from the constants of legitimacy, and that does not change with time and place, for example, bases and expenses of zakat, writing and recording, unforbidden transaction, registration at real and fair value, disclosure, honesty, accuracy, neutrality, and revenue recognized during production (Kantakji, 2004, p.73). So, this approach requires the subjection of accounting disclosure and measurement to the standard concepts, requirements and procedures originating from unionist approach as a primary source. Behavioral approach also had an impact, because the Muslims had the precedence in thought and practice for accounting on corporate social responsibility, which reflects the tolerance of ethics and the rejection of self-interest, instead it work in a spirit of general interest to all members of the community. This approach necessitated to accounting provides a comprehensive, responsible, balanced and realistic disclosure, until justice is done and well-being in the community.

Influencing theories necessitated several needs from accounting, the theory of *Quran* and *Sunnah* identified the work's foundations of the unionist approach, which is in turn characterized by the needs complying to the purposes of God in the successive of the servants in his funds (i.e., *al-istikhlaf* [8]), and interacts with the disclosure requirements required by Islamic *shari'a* such as justice, equality and fairness. The theory of *Al-Kharaj* also necessitated emerging needs, such as achieving the concept of the welfare state, the application of sharing system, cash payment for *Al-Kharaj*, and tax collection in accordance to taxpayers' capacity. As for the distribution theory, it has necessitated from accounting to solve the problems of double taxation, and tax shifting, achieve the foundations of fair distribution (through the sufficiency) and regulating the market and maintaining ownership restrictions, with no deviation from the fair wage and taking into account the ethical values. The price theory necessitated the pricing (in the case of people unfairness), to deal in similar price and to maintain people's money. The theory of value, as well

necessitated the accounting of all functions and sections of work, and to accounting the value of labour from both quantitatively and qualitatively. These theories and approaches through the needs required to accounting, is the primary motivation for determining the structure of the interaction between disclosure and measurement, so over our analysis of interaction framework happening between the various approaches and theories and their influence on the guiding of accounting thought, we can through Figure 2, clarify the mechanism of interaction occurring between the accounting disclosure (its requirements) and the objectives of accounting and accounting measurement, while the context of interaction with the needs to accounting dictated by the God's purposes and human needs, which affected by the prevailing theories and approaches at this stage.

Figure 2: The effect of the economic approaches and theories on the structure of interaction between disclosure and measurement



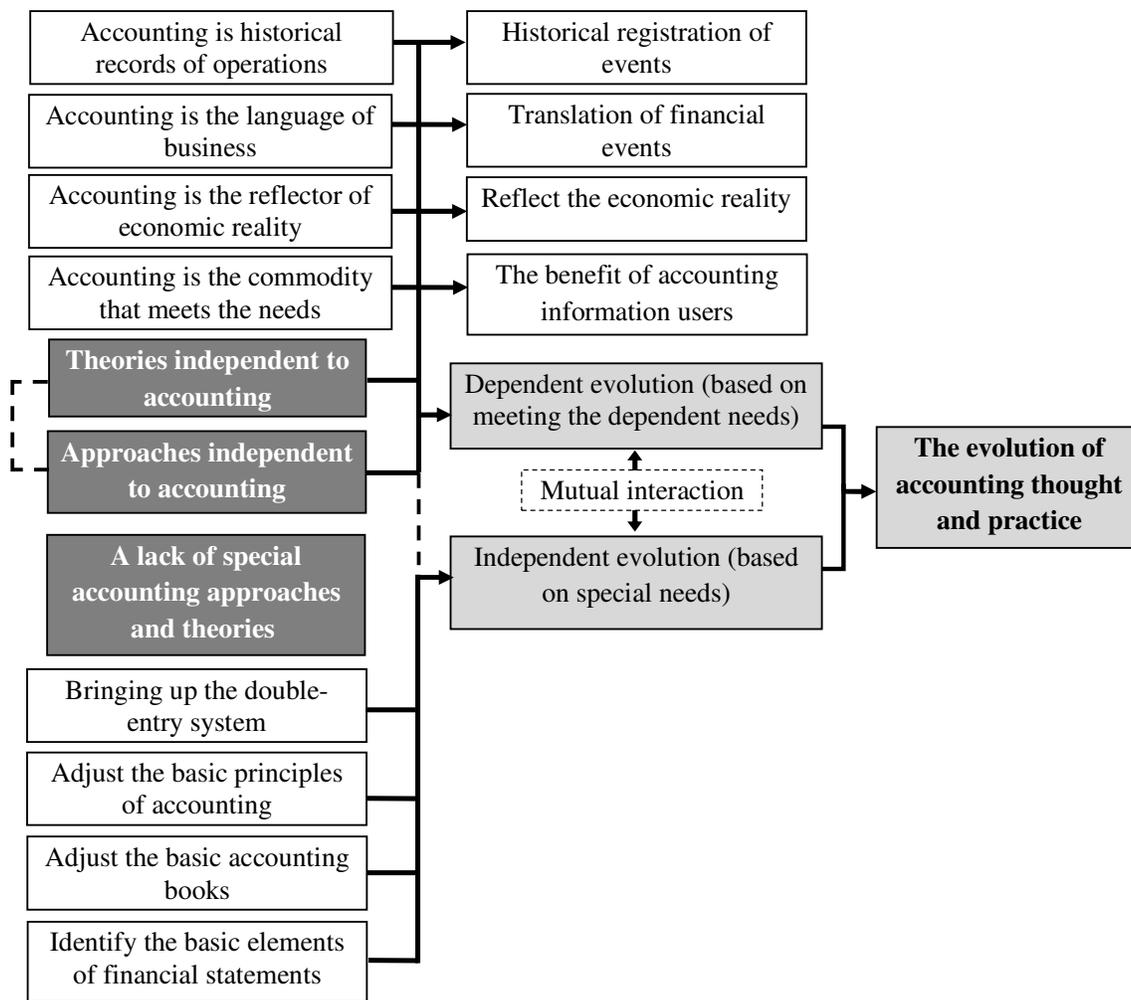
The process of identifying needs, is the starting point in this interaction, and these needs in turn determines on the basis of two main references: God's purposes and human needs, therefore God's purposes are those purposes that defined and controlled through the unionist approach and the theory of *Quran* and *Sunnah*, to realize the objectives of servants' successive in God's funds, cultivation (i.e., built the earth), and the success in this life and the hereafter. These purposes provided accounting in the Islamic civilization by the principles, fundamentals and rules, also placed the human needs under its general framework, as well as independent in its creativity and diligence of the disclosure requirements those set new accounting objectives in order to develop the accounting measurement system.

When thinking about the mechanism of interaction between the four elements previously mentioned, it may come to mind that the start may be through setting objectives, or that the end may be the outcome of measurement (i.e., disclosure), it can be debate about the order of elements, which is influential and which is influenced. Firstly, if we say that for every objective there is a result, we mustn't forget that each objective has motives and incentives, and the objectives do not arise out of nowhere, indeed, the primary motives are the needs. Secondly, if we say that the information's user (emitter of needs) is interacting with measurement result, and through it, the process of assessing the symmetry of disclosures with what has been determined in advance of the requirements for the disclosure process. In the case of asymmetry, either reset or modified measurement function, provided that no change in the needs to accounting, but when there are changing in needs, must re-adjust or amend the objectives of accounting, this is usually in the long term, and as a result of changes in the determinants of human needs. During all this, the information's user isn't directly interacting with objectives, not even with measurement. Thirdly, we can say that the needs had necessitate obtain a requirements for its satisfaction not objectives, add that the specific objectives, affect the measurement function in its principles and procedures to achieve these objectives. Due to this, the logical, continuous and interactive order between elements is as shown in Figure 2.

6. The evolution of accounting in Islamic civilization

By putting forward the idea of accounting measurement dependency for disclosure, and classify the accounting in the Islamic civilization as a tool to meet the needs in the first-place, we stand at a key point in the happening debate about the nature of accounting and its role, is it a way evolve according to meet the needs, or its evolution occurs as a stand-alone science. according to Belkaoui, in this debate the opinions are divided into five categories: accounting is historical records of operations, accounting is the language of business, accounting is the reflector of economic reality, accounting is the commodity that meets the needs, an integrated information system (Belkaoui, 1993) (with the exception of the latter opinion, because of accounting at this stage did not live up yet to be an integrated information system). In Figure 3, we show a proposal for how was the evolution of accounting in the Islamic civilization between meeting the needs and the evolution as a stand-alone science.

Figure 3: Accounting between evolution to meet the needs and the independent evolution at the stage of Islamic civilization



Shows us the figure, that the two fundamental principles of evolution had mutual interaction points lead in their entirety to the evolution of accounting thought and practice, for example, in the first case, in which the evolution based on meeting the dependent needs, exceed the fact that accounting is the language of business to meet the needs of the translation of financial events, to emerge as a factor of independent evolution as a result of the distinction of accounting by the law of double-entry in writing and recording. Moreover, the accounting based in its writing, on assumptions, principles and the determinants of its own. We also find that accounting as a historical records of operations to meet the needs of the translation of financial events, furthermore led to adjust the accounting a special group of books, in terms of its evolution as a stand-alone science. Also, the needs to reflect the economic reality were motivated to identify the basic elements of financial statements at this stage; this shows the strength of the mutual interaction between both sides of accounting evolution.

Interaction can occurs in the side of independent evolution as a second aspect of the accounting evolution, noting, that there are no private accounting approaches or theories in this aspect of evolution. For example, bringing up of double-entry system adjust the equation of net income, which helped to better reflection of economic reality and thus contributed in the evolution of the accounting's role as a reflector of

economic reality, further, double-entry also helped to translate economic events to the debit and credit. For its part, the process of adjusting the basic elements of financial statements (were confined largely on the budget), we find that the classification to fixed and current assets, liabilities, revenues, expenses and costs, greatly helps in controlling the funds and thus the evolution of the accounting role as a reflector of economic reality and its role as a commodity that meets the needs of the information users. Consequently, the needs in the first side is a dependent needs serving the economic, social and political activities prevailing in the Islamic civilization, while can classify the needs in the second side as a special needs to accounting evolution as a stand-alone science.

7. Conclusion

Littleton's requirements for the origins and evolution of accounting were present in the Islamic civilization, this civilization which reflected the economic knowledge in the most important thoughts of most important elite Islamic scholars such as Abu Yusuf, Al-Mâwardi, Ibn Taymiyya and Ibn Khaldun. The unionist, normative, behavioral, mathematical and historic inductive approaches integrated with Quran and Sunnah, Al-Kharaj, price, value and distribution theories, these approaches and theories were the first emitter and adjuster of the needs to accounting at this stage. Hence, the start point in the series of interactions between disclosure and measurement in the phase of Islamic civilization is to determine the requirements of disclosure, then translated to accounting objectives that regulated and determined the hypothesis and principles of measurement. Subsequently, the measurement achieved the accounting objectives and met prevailing disclosure requirements in accordance with the needs to accounting. Therefore, the measurement was dependent to disclosure.

Accounting evolution in Islamic civilization was based on serving the prevailing economic, social and political activities, what we could named "dependent evolution", at the same time, was based on special needs to accounting evolution as a stand-alone science, what we could named "independent evolution". This subtraction on the process of accounting evolution in the dependent or independent side, with the perception of the structure of the interaction of disclosure and measurement, may be used to answer on some important questions about accounting problems resulting from the inability to accurately measure of some economic events and disclosed it. Rather, accounting evolved extensively to meet the dependent needs, while the independent evolution could not find measurement, rules and methods that are able to harmonize both sides of the accounting evolution. This research supports the field of advanced studies that are based on the idea of measurement dependency to disclosure requirements, and taking into account both sides of the accounting evolution, to analyze a serious problem of accounting in the modern era, namely the accounting informational gap.

Notes:

- [1] AL-AHKAM AL-SULTANIYYAH: THE LAWS OF ISLAMIC GOVERNANCE. Translated by Asadullah Yate. London. Ta-Ha Publishers. 1996. Pp. 381. Also translated as THE ORDONANCES OF GOVERNMENT: AL-AHKAM AL-SULTANIYYAH W'AL-WILAYAT AL-DINIYYA. Translated by Waffa H. Wahba. Reading: Center of Muslim Contribution to Civilization; London Garnet Publishing Ltd. 1996. Pp xvii- 301.
- [2] Gresham's law is an economic principle that states: "When a government over values one type of money and undervalues another, the undervalued money will leave the country or disappear from circulation into hoards, while the overvalued money will flood into circulation." For more information see Cohen, J.H.M.(1994), Gresham's law, *The Lancet*, 344, 8927, 966.

- [3] Al-Hilali, M. T. & Khan M. M. (1984), *Translation of the Meanings of THE NOBLE QURAN in the English Language*, King Fahd complex for the printing of Holy Qur'an, Surah 2, Al-Baqarah, Part 3, pp. 65; 66.
- [4] Ibid, Surah 55, Ar-Rahmân, Part 27, p. 728.
- [5] Ibid, Surah 83, Al-Mutaffifîn, Part 30, p. 821.
- [6] Al-Kurdi, M. N. (2005), *Legitimacy Ingredients and Jurisprudential provisions related:(gauge - weight - measure) since the time of the Prophet (peace be upon him) and its evaluation by what is contemporary*, Without publisher , Cairo, p.200. [in Arabic]
- [7] Al-Nuwayri, C. A., *NIHAYET AL-ARAB FI FOUNOUN AL-ADDAB*, Part 8, The Egyptian Ministry of Culture, Egypt. [in Arabic]
- [8] In the Quranic context, the word (al-istikhlaf) would be best translated as appointing a trustee or vicegerent. In general, the concept of (al-istikhlaf) is about our responsibility and accountability as a vicegerent of Allah, for more information see: Ramli, A., Mazlin, M. & Abdul Badhrulhisham A. (2014), Revisiting the concept of development, disaster and safety management: The Quranic perspective, *International Journal of Disaster Risk Reduction*, 9, 26-37, p.34.

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