

Collected Abstracts: Full Parallel Sessions

**ATH**

**Accounting Theory**

Code: **ATH001**  
Abstract ID: **0038**

Day: **Wednesday**  
Time: **17.30-18.30**  
Room: **Q107**

**Asset and measurement – two fundamental concepts of the IASB framework in sore need of redefinition**

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A typical definition of asset makes its content depend on the future economic benefits, that is, the potential to contribute to the flow of cash and cash equivalents. This definition leads to circularity with respect to cash and cash equivalents themselves. They qualify as assets because they have potential to generate additional cash and cash equivalents. To eliminate this problem, the concept of asset must be redefined. There is a tradition to define measurement loosely as the assignment of numerals to objects or events. The IASB framework follows this tradition. When applied to assets problems arise: this concept does not recognize that there are several kinds of numerical assignments that may relate to interesting properties of assets. To identify the various assignments, the key concepts of measurement must be distinctly defined. For the definitions of asset and measurement several auxiliary concepts are specified including basic and non-basic resource, actual and potential economic benefit, actual and potential measurement, and forecasting, prediction and allocation. Separation of the basic and non-basic resources makes the true measurement of some non-basic resources possible. As a result, there are two kinds of assets in the balance sheet: measurements and forecasts. Measurements may be actual or potential, while the type of forecasts may vary. The ones that are allocations turn out to be discretionary. These definitions help to identify the differences in assets.

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**Twenty-five years of Islamic accounting research: A silver jubilee review**

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This paper reviews the literature on Islamic accounting written in Arabic and English. It classifies the literature in this field into five main areas: the effect of religion, especially Islam, on accounting; the effect of Islam on elements of the financial accounting theoretical framework; the accounting needs of Islamic financial institutions; the regulation of accounting in Islamic banks; and the substance of Islamic bank transactions and whether Islamic banks need special accounting standards. The Islamic accounting literature has grown rapidly but contains important inconsistencies. Most of the literature is theoretical and normative, and very few empirical studies have been conducted on the actual effect of Islam on accounting and the accounting needs of Islamic banking. Much of the normative literature considers calculating the Islamic wealth “tax” *Zakah* as the main motivation for financial statements, and this requires the use of current values. At the same time, *Mudaraba*, which is the basis of the deposit systems of Islamic banking, imposes the use of the concept of *Tandid* (liquidation), which requires the use of historical costs. This and other disagreements on accounting concepts are argued to prevent the emergence of a distinctive “Islamic accounting theory”. The few empirical contributions largely contradict the normative theories (in the area of Islamic accounting) and the theoretical literature (in the area of accounting for Islamic banks).

