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An Islamic Overview to Information and Measurement Concepts in Accounting Theories

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Abstract

Accounting theories have always been referred to in the Holy Quran. This issue has been clearly addressed in verse 282 of Heifer Chapter of the Holy Quran. The accounting theorists have repeatedly mentioned the accounting theories from various aspects and viewpoints. The purpose of the present paper is to have a glance at two different views towards accounting informatics and measurement along with some related details. First of all, a brief overview of the accounting science will be presented. It is said that the presented informatics ideas are mostly related to approved accounting theories, profit and loss approach, agent (representative) theory, efficient market theory, historical price, reliability, and an approach based on standard principles. With regard to measurement viewpoint, it can be said that it is greatly related to accounting theories and principles, balance sheet approach, comprehensive income statement, net surplus theory, value relevance, relativity, prospect theory, and an approach based on standard rules. The common point of the said viewpoints is that both of them are effective in decision making process and possess value contents.

Keywords: accounting theories, information prospects, measurement viewpoints

2nd International Conference on Modern Research's in *Management, Economics & Accounting*

Kualalumpur - Malaysia / 15 Dec 2016

1. Introduction

There are many references to the history of accounting and its origin. Although Luca Pacioli(1494) is remembered as the pioneer , a priest ,and a mathematician who wrote in his book titled: The philosophical research in mathematics and geometry of relativism about accounting and book keeping (Yosefnezhad , 2001) , the actual philosophy of accounting and registration is cited in verse 282 of Heifer Chapter of the Holy Quran . Scot (2007) believed that Luca Macioli did not devise such system, and it was proposed over a long period of time. For example, the first material proposed was about a receivable account in which the both sides of the translaction are easily seen. If we refer to such statement, it can be related to the longest verse of the Holy Quran under the title of the verse of religion (faith) which is closely connected to receivable account.

According to this verse, the need for accounting and its procedure is clearly explained. Contemplating the exegesis of the said verse, one can understand that God has enumerated the goals behind accounting by stating such expressions as the persuasion in writing, fair writing, the relations among people in interactions, the observation of law and informing the community in order to prevent the possible problems in future and observation of the rights of people to maintain economic security. In short, this verse clearly deals with the nature of accounting and its relation with such concepts as justice, measurement, provision of information, law, economics which the accounting theorists have always discussed separately in various studies. Belkaoui (2004) claims that:

Various methods have been applied to propose an accounting theory during the past years but there is no such thing as a universal accounting theory. To provide different theories in accounting, accountants resort to diverse images of accounting process. What we mean by images are different definitions in accounting such as accounting as a commodity, a way of measuring, an information system, and so on (Belkaoui ,2004) .It can be said that accounting theory is not a one-sided subject and differs with other theories in that it contains numerous objectives and interrelated subjects and each person views accounting as according to his/her point of views.

2. Translation of the verse 282 of Surah Al-Bagharah

O you, who have believed, when you contract a debt for a specified term, write it down. And let a scribe (accountant) write it between you in justice. Let no scribe refuse to write as Allah has taught him. So let him write and let the one who has the obligation dictate. And let him fear Allah, his Lord, and not leave anything out of it. But if the one who has the obligation is of limited understanding or weak or unable to dictate him, then let his guardian dictate in justice. And bring to witness (auditor) two witnesses from among your men. And if there are not two men [available], then a man and two women from those whom you accept as witnesses - so that if one of the women errs, then the other can remind her. And let not the witnesses refuse when they are called upon. And do not be [too] weary to write it, whether it is small or large, for its [specified] term. That is more just in the sight of Allah and stronger as evidence and more likely to prevent doubt between you, except when it is an immediate transaction which you conduct among yourselves. For [then] there is no blame upon you if you do not write it. And take witnesses when you conclude a contract. Let no scribe be harmed or any witness. For if you do so, indeed, it is [grave] disobedience in you. And fear Allah. And Allah teaches you. And Allah knows of all things (Holy Koran).

3. Notes

This is the longest verse of Koran which is about law and the way of writing joinery documents. This verse is a sign of carefulness and comprehensiveness of Islam which has cited the most detailed legal issues in the age of ignorance and among unknowing people. In this verse, the term "Obligation" rather than "Debt" is employed, because the word "debt" is only used in case of exchange of two similar things, for example in case of a loan in which you are to give back the exact thing you've asked for, but we can apply the word "obligation" in all kinds of indebtedness, whether it is via borrowing or other transactions such as rent, settlement, and buy and sell, in which one of the parties accepts an

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obligation. Therefore, the above discussed verse includes all kinds of transactions. Omar Ibn Abi Aasem quotes from Imam Saadeq (peace be upon him) that: If in a transaction, one doesn't make any proof and witness for himself, and bring his property exposed to loss, Allah will not answer his all prayer, and will tell him: Why didn't you obey my advice?!(Ghomi, 1988). There is a must to preserve treasury, above all individual rights! It is useful to forge documents, even in cash transactions, but not as much necessary as on credit transactions. Because in transactions in which there is a deadline, it maybe that one of the parties or witnesses dies or forgets it, so it is necessary to forge documents. From this commandment to forge documents it is evident that we can testify detailed documents together with a righteous witness. From this verse of Koran we can conclude that people living in an Islamic community should support each other in preserving their rights, because in any transaction there should be a scribe(accountant) and some witnesses. During the period in which there were not more than 17 people able to read and write in the whole Arabia, all this emphasis on writing shows how much Islam cares to knowledge and preservation of rights among all people(Gheraati, 2008).

4. Measurement and information prospect

Measurement and information prospect received attention in 1929 and was presented openly in 1966. However, it was approved by True Blood Committee. The measurement prospect was also stated by Paton in 1922. Scientific accounting comes with various paradigms each with their own paradigms. Scot (2007) said that Decision Usefulness Approach is one of the paradigms which can be viewed according to measurement and information viewpoints. On the one hand, it can be said that measurement and information viewpoints are among the value relevance approaches (Beaver, 2002). In fact, the value content means a criterion which is used for evaluating of the efficacy of accounting numbers and their capability in reflecting the fundamental value of a firm (Filip and Raffounier, 2010). While the relationship between the accounting information and stock exchange value has been referred in the works of Modigliani And Miller (1966), Horrigan (1966) , Saghafi and Baghomian , 2009), but the first study related to the value content was done by Amir.et al in 1993 . Value content has been defined variously in the literature of accounting. In fact , value content is defined in the current literature as the relationship between accounting numbers and values of the stock exchange market . Beisland (2009) introduced value as the capability of existing information in financial reports for reflecting and précising the company's value. This term is used as a statistical relationship between information of financial reports. Profit and value of measurement or the turnover of the stock exchange are two scales measures for measurement. The information prospect, defines the value contents as the efficacy of information in financial reports in evaluating the rights of the shareholders and the measurement prospect defines it as the efficacy of information of financial reports in summarizing and precise measurement (Titalayo, 2011) . The value content prospect includes prognostic , fundamental analysis approaches (Ghods Hossein Abadi and Mashayekhi , 2013) .

During the present paper, two prospects of measurement and information will be presented. If we look at accounting system from the view point of information prospect and claim that accounting system is designed in a way to formulate the information, then it can be said that mathematical formulas and algebraic methods are used to determine the item value. However, there is no purpose but information. If we look at accounting from this perspective, the item value can be determined and the importance of a formal measurement system is emphasized. In short, according to measurement prospect a number is considered for its profitability which provides a real and fair image of economic profitability. However, in information prospect the calculated number is considered for its profitability based on a structure (Christensen And Demski, translated by Parsaian , 2013) . The following diagram shows a comparison of information and measurement prospects:

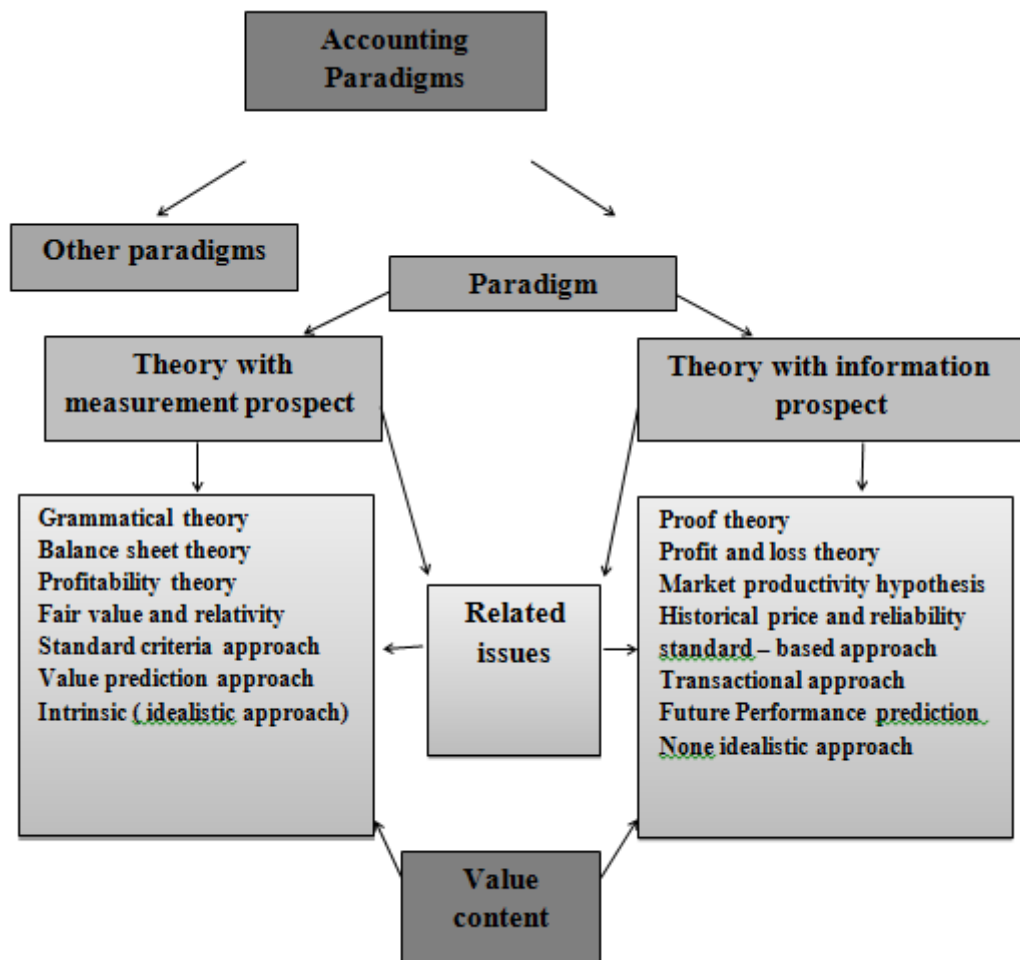


Figure 1: The comparison of information and measurement prospects Reference: Researchers Study

5. Results and conclusion

Accounting theories are seen in the Holy Quran . This issue is clearly stated in verse 282 of the Heifer (Baghara) Chapter . The information prospect emphasizes the responding and states that constant development is more remarkable in the form of information such as reporting social responsibility and environmental issues . The measurement prospect is important in that market in real life situations is not expected to make a mistake . In other words , market is not always right . While measurement and information accounting theories are different by definition and related issues , but they are not opposite prospects . In fact both views are along each other and one after another . The ideas of some accounting scholars such as Ijiri and Mac Neal who showed their interests to some aspects of both prospects proves this claim . One of the reasons can be the conditions of modern life which is moving towards an ideal status albeit not ideal right now. The information prospect based on historical values is a none-idealistic one but measurement prospect based on fair value seems to be idealistic. Nowadays, regarding the complexity of the market place and the diversity of investments and various decision models of the investors, the determination of information content of accounting variables such as profit is complicated. For example, for the profit to affect the share price it must be acceptable to the beneficiaries and the measurement should be done in a manner that needed information could be easily transferred to the beneficiaries. In other words, a true measurement must be able to communicate the information views, messages and necessary data to the beneficiaries. According to what said above, certain standards can be proposed based on the two approaches. The necessity for introduction of accounting standards and codifying some rules based on the two information and measurement prospects in accounting theories results from the monopolized control by the

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Management, Economics & Accounting

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management, the functional stability (determination) of the operators, diversity of accounting methods used, and the lack of objectivity among some methods. The necessity for the consideration of these two prospects goes back to four productivity factors in decision, the decline of none conformity of information, the economic outcome of performing standards, and political aspects (universal acceptance) . Finally, it is suggested that since information and measurement prospects are among the widest in accounting theories, the need for more investigation in each field of study is felt.

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