



THE LONDON SCHOOL
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POLITICAL SCIENCE ■

Department of Accounting

The Emergence of Islamic Accounting: From Ideology to Practice

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Abstract

Islamic accounting is an emerging field for both practice and scholarly research. The rapid expansion in number and size of Islamic banks and other financial institutions over the last 30 years, and the growing interest on the part of conventional investors and institutions in financial instruments and structures that comply with fundamental Islamic principles, have created a demand for both normative research into how Islamic finance should be accounted for and positive research into actual accounting practice. Tensions are beginning to emerge as to whether Islamic finance is genuinely innovative, or whether it employs a range of "creative" structures to comply with Islamic principles in form but not in substance. These tensions are beginning to be reflected in the literature of Islamic accounting, and the paper explores the extent to which Islamic accounting presents two distinct "faces" - a practical one focused on formal compliance, and a more radical and ideological one that uses Islamic principles to critique rather than to endorse the structures of modern Islamic finance.