Knowledge of Islamic accounting among professionals: evidence from the Tunisian context

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Abstract

Purpose – The paper is intended as an extension of the literature dealing with the Islamic accounting standards issued by the Accounting Auditing Organization for Islamic Financial Institutions (AAOIFI) and still not adopted in Tunisia. Its major aim is to investigate the Tunisian accountants' basic knowledge and perceptions of Islamic accounting. The study has been designed for the sake of the Tunisian accountants' predisposition to adhere to the AAOIFI standards, as a population directly concerned by an eventual adoption of such standards.

Design/methodology/approach – The paper opted for an exploratory study using a questionnaire survey based on the relevant literature. The questionnaire has included items pertaining to demographic areas, information sources, basic knowledge, key differences, valuation concepts, obstacles and advantages, educational and training needs regarding Islamic accounting. The conducted study has involved data collected from the part of 200 practitioners across a number of organizations and audit firms, sited at different regions and locations of the country, employing accounting graduates.

Findings – The reached findings suggest that even though Tunisian practitioners are not well aware of most of the AAOIFI standards' pertaining topics, proponents of stand-alone AAOIFI standards, apart from IFRS, appear to outnumber its opponents. In this context, lack of training programs arranged by professional bodies is considered as the most serious impediment facing the implementation of the standards.

Research limitations/implications – In addition to the usual limitations associated with any survey research (particularly non-response bias and desirability bias), there, also, lies a sample related limitation, as the sample turns out to involve, essentially the private/corporate sector. Pertinent organizations, as the IFI's, appear to be not well represented in the sample.

Practical implications – The results reached through this study would have some implications on the regulatory bodies, academicians and professionals. Thus, for the AAOIFI standards to be successfully implemented in Tunisia, entirety of concerned parties should take part in improving and consolidating the situation.

Social implications – Ultimately, studying differences in the views of jurisdictions, either those who have adopted the AAOIFI standards or those who have not, might provide certain guidelines to standard setters for potential revisions.

Originality/value – Few short articles have previously exanimate the perceptions and knowledge of accounting professionals on Islamic accounting issues, there is a scarcity of research regarding the subject. To the author's knowledge, this paper is one of the rare studies of Islamic accounting in Tunisia.

Keywords Training, Islamic accounting, AAOIFI standards, Basic knowledge, Tunisian accountants

Paper type Research paper

1. Introduction

Islamic finance and accountancy have been gaining momentum over the past two decades, following mainly the remarkable growth and development of Islamic banking and finance. Indeed, the latter turn out to be embraced even by ardent capitalist institutions, as Citibank, HSBC and BNP PARIS (Karim, 2001).

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Actually, Islam does not admit any form of separation between spiritual and temporal affairs, considering commerce as a matter of morality and subject to the precepts of the *Sharia*[1]. Hence, like any other Islamic business organizations, Islamic financial institutions (IFI's) are established with the mandate to carry out their transactions in strict compliance with the Islamic *Sharia* rules and principles. In this way, the Islamic business proves to be regulated and driven by *Sharia* approved contracts (Lewis, 2001).

It is actually this urgent need for a distinctive form of accounting, in the practical world, which has enhanced and given an impetus to Islamic regulated and compliant accounting system to emerge.

Indeed, urgent calls have been frequently launched for an "Islamic accounting" to take place, meeting and satisfying the Muslim societies requirements (Ali and Leaman, 2008). In this respect, early papers dealing with Islamic accounting, while recognizing the need for alternative accounting principles, have simply undertaken to reconcile the conventional accounting standards to be in line with the Islamic model (Abdelmajid, 1981; Adnan and Gaffikin, 1997; Gambling and Karim, 1991; Baydoun and Willet, 2000).

Owing to the fact that Islamic finance takes on contractual forms that are different from conventional finance, several specialists and practitioners turn out to believe that different and reliable accounting standards would be required. They maintain that only in such a case could legal reality be, actually more conspicuously, conveyed to the financial statement user (Haniffa and Hudaib, 2002).

In this regard, the Islamic regulatory agency, Accounting Auditing Organization for Islamic Financial Institutions (AAOIFI) appears to stand as the foremost advocate of separate Islamic accounting standards. Its stated approach consists in maintaining generally accepted accounting principles except where it believes there is a conflict with *Sharia*, along with avoiding the potential for arbitrage and the abuse that could arise from having distinct standards (Lewis, 2001). Several among the previously conducted studies have focused on the differences distinguishing the Islamic and conventional accounting standards, AAOIFI versus IFRS. For instance, some authors have highlighted the major issues arising from the application of conventional accounting standards by IFI (Hameed, 2007; Hidayat, 2011).

Seeing that, only a few short articles have previously been elaborated on investigating the accounting professionals' perceptions and knowledge of these differences and issues (Shahul, 2000). The scarcity of research dealing with this particular study area seems quite noticeable.

It is noteworthy, also, that the past decade has been marked with a rapid transformation characterizing Islamic finance in Tunisia. However, the lack of human capital constitutes a real key constraint standing against the widespread of this industry, owing to the remarkable need for qualified practitioners specialized in its different areas (Jaouadi and Kadour, 2012). Its further development depends highly on succeeding in getting a new generation of practitioners enjoying a great deal of knowledge with regard to Islamic accounting.

It is in this context that the present study can be set, with the major objective to investigate the Tunisian accountants' knowledge extent of Islamic accounting, along with the scope of their understanding of its practices.

In this respect, the paper is structured as given below.

Section 2 is designed to provide a literature review, outlining the Islamic accounting concept while illustrating the major differences distinguishing the Islamic accounting from the conventional one. As for Section 3, it serves to depict the research methodological insights, along with the research raised questions and the conducted survey, as performed on a sample of Tunisian accountants. With respect to Section 4, it helps discuss the achieved empirical results, whereas Section 5 bears a summary analysis of the major findings along with the concluding remarks.

2. Literature review

2.1 The Islamic accounting concept

The use of the label Islamic accounting does not, actually, describe a cohesive notion nor does it signify a distinctive set of ideas and practices. In general, it rather refers to the emergence of a scholarly literature of Islamic accounting in the English language. Specifically, it dates back to the year 1981, when Abdel-Magid proposed a tentative theory relating to the Islamic banks' accounting practices, which began, then, to emerge as a remarkably significant force (Napier, 2009).

Initially, Islamic accounting could be understood through the accountability concept, as directly or implicitly stated in the authoritative sources of the Islamic doctrine, the Quran and the Sunnah. In its full sense, it implies a strict adherence to the religious requirements in all aspects of life, which highlights a broader concept of accountability than that prevailing in western society (Baydoun and Willet, 1997).

Then, the Islamic accounting literature has tended to fall into three major groups or lines of thought (Shahul, 2000). The first line concerns the actual need for an Islamic accounting system and what its broad principles could well be. In its greatest part, this type of literature proves to be mostly prescriptive or, rather, descriptive. In this respect, one might well cite Hamid *et al.* (1993), Adnan and Gaffikin (1997), Baydoun and Willet (2000), Mirza and Baydoun (2000), Sulaiman (2001), Lewis (2001) and Haniffa and Hudaib (2002). As for the second main group, it is considered as a serious step to account for the Islamic financial products. In this regard, some studies have attempted to discuss whether such products are substantively different from western banking transactions to justify different accounting treatments (Al Obji, 1996; Heakel, 1989; Archer and Karim, 2001). Other studies have undertaken to examine certain specific transactions or issues, such as the *Murabaha* transaction or *Mudarabah* contracts, the measurement and distribution of profit, as well as the subject of religious propriety through the employment of *Sharia* supervisory boards and advisors (Daoud, 1996). Regarding the major third strand of research dealing with Islamic accounting, it rather focuses on the regulation matters and issues. More predominantly, this literature faction proposes to discuss technical aspects related to the accounting, auditing and governance standards issued by the AAOIFI.

Still, the undetermined nature of the term "Islamic accounting" has not prevented some scholars from defining such a concept. For instance, Shahul, 2000 has defined Islamic accounting, though not in a complete comprehensive way, as the "accounting process" which provides appropriate information (not necessarily limited to financial data) to the stakeholders of an entity, likely to help them ensure that it is continuously operating within the bounds of the Islamic *Sharia* and delivering on its socioeconomic objectives. Islamic accounting is also defined as whereby Muslims can evaluate their own accountabilities to God (in terms of inter-human/environmental transactions).

In fact, the meaning of Islamic accounting would turn out to be clearer if one compares this definition to that given *to* "conventional accounting". Indeed, the latter is generally defined as, the identification, recording, classification, interpreting and communication of economic events, enabling users to make informed decisions (AAA, 1975). On this basis, one would well notice that, both of the Islamic and conventional accounting areas fall into the respect of providing information, with the major distinctive differences consisting mainly in:

- the information-providing objectives;
- the type of information that is identified, how *it is* measured and valued, recorded and communicated; and
- to whom information is communicated (i.e. its users).

2.2 Islamic accounting versus conventional accounting

2.2.1 World views' stemming differences. According to Gray (1988) and Perera (1989), culture has been recognized as a likely determinant of accounting. As culture proves to be an influential factor on accounting, then religion surely does because religion affects well cultural values (Hamid *et al.*, 1993). It is worth noting, in this respect, that Islam displays a particular worldview, mainly concerning the fact that separating the sacred and secular realms of life is not recognized in Islam (Haneef, 1995).

According to Islam, Muslims are trustees (or stewards) for God; man therefore agrees to assume this great responsibility in a covenant with God (Askary and Clarke, 1997). Thus, the concept of accountability is ingrained in the basic creation of man as a vicegerent of God on earth.

Actually, the differences perceived in worldviews have implications on social values, on the economic system and, consequently on the accounting system (Table I).

Indeed, while conventional accounting is based on a decision usefulness framework (Gallhofer and Haslam, 2004), Islamic accounting appears to rest heavily on the accountability for the *Sharia* compliance framework (Baydoun and Willet, 2000). The latter seeks, actually, to:

> […] determine the rights and obligations of all the interested parties, including those rights and obligations resulting from incomplete transactions and other events, in accordance with the principles of the Islamic *Sharia* and its concepts of fairness, charity and compliance with Islamic business values (AAOIFI, SFA 1).

Hence, accountant and public relations would, then, be inspired by such values as truthfulness, fairness, tolerance etc.

	Islamic accounting	Conventional accounting
Nature	Based on the Islamic principles	Based on principles of secularism and capitalism
Operations	It performs everything within the limits of the *Sharia*	Profit maximization
Orientation	Society- or community-oriented	Firm- or individual-oriented
Basis	Accountability to God	Economic rationalism
Entity concept	No separation between the firm and owners' financial obligations	Firm and owners have separate entity and obligations
Unit of measurement	Monetary and non-monetary	Monetary value-based
Period	One lunar year for Zakat calculation	Periodical measurement of performance
Ownership	Relative ownership on assets	Absolute ownership on assets and firm
Consistency	Based on *Sharia*	Based on IFRS
Going concern	Business continues not forever but depends on the contractual agreement between parties	Business continues forever or for an unlimited period

Note: Stemming from worldviews'differences

Table I. Islamic and conventional accounting divergences

2.2.2 Practical differences. The second more practical reason for the different set of standards are that the IFI's functions and applied contracts proves to differ noticeably from conventional banks (Haniffa and Hudaib, 2002). As commonly known, the corner stone of modern banking lies in the mobilization of deposits and advancement on loans' interest. However, Islamic banks can never receive or pay interest, in accordance with Islamic law or *Sharia*; so the different contracts allowed in Islam are only used to earn profits (El-Gamal, 2006).

For the most part, AAOIFI readily embraces innocuous concepts such as timeliness, reliability, usefulness and understandability without changes. Historically, however, AAOIFI has been less welcoming to two key concepts appearing in IFRS, namely, substance over form and time value of money (Lewis, 2001).

Some of the accounting implications of the above are:

- Unrestricted investment accounts are not liabilities but, rather, a special class of equity.
- Restricted investment accounts are not the bank's assets or liabilities but are reported off the balance sheet.
- Islamic leasing contracts, because of *Sharia* requirements, cannot be accounted as a financing lease; thus, the leased assets are recognized in the bank's books and are not capitalized in the customer's books. Consequently, the leased assets are depreciated in the bank's books. This may well contravene the IAS 17.
- Islamic banks cannot strictly follow the IAS 30 because of their different functions and contracts.
- Islamic insurance companies cannot follow the IFRS 4 relevant to insurance contracts, as the premium contributions made by policyholders belong to the holders and not to the insurance company. Subsequently, it is off the insurance company's balance sheet; rather, a separate fund accounting of the policyholders' fund is undertaken.
- Certain Islamic contracts and requirements, such as leasing with gradual sale and Zakat, require inventory to be valued at cash equivalent values (fair values), not lower of historical cost or net realizable value. Hence, the IAS 2 cannot be adopted in such circumstances.

To sum it up, the AAOIFI appears to formulate industry-specific standards, whereas the IFRS are not industry specific, except for the IAS 30 and IAS 41. Even the IAS 30 cannot be fully applicable owing to the *Sharia* compliance issues. In essence, the AAOIFI develops certain alternative Islamic standards:

- When the equivalent IFRS cannot be wholly adopted by the IFIs, as it is the case with the *Ijarah* standard vs the IAS 17.
- When the IASB has no IFRS to cover the specific Islamic practices such as *Mudarabah*, *Musharaka*, *Salam* and *Istisna* contracts.

In addition, even when certain IFRS can be adopted, either, then, the AAOIFI does not develop an appropriate standard or it develops one and adapts it to IFRS.

By way of compilation, certain practical differences distinguishing the Islamic and the international accounting standards, along with classification of Islamic accounting standards and some examples of the major differences are presented, respectively, in the Appendices 1-3.

3. Research methodology

Despite the growing interest accorded to the Islamic finance in Tunisia, Islamic accounting remains still at its nascent stage, as some say, with many challenges lying ahead, the human resources development being the most serious one (Jaouadi and Kadour, 2012). This shortage in competent qualified personnel is mainly because of the lack of academic and knowledge service providers for Islamic Finance industry in this country (GIFE, 2013)[2].

Besides, there has been no comprehensive analysis *as to* where Islamic accounting exactly stands, in Tunisia, nowadays, in terms of knowledge and research-based innovation. Therefore, the present research shall stand as a groundbreaking initiative in this particular respect. For this sake, an exploratory approach has been undertaken for highlighting the Tunisian accountants' view *of* Islamic accounting and what the extent of knowledge they have in this regard. Based on such information, certain suggestions and ideas concerning future development of such a system, in Tunisia, could well be advanced.

3.1 Research questions

Regarding the predominant, already discussed issues, research topics have been further refined to shed more light on a particular set of questions that can be categorized under two major headlines cited below:

Q1. What do the Tunisian practitioners know about Islamic accounting?

This first topic generates research questions on the following issues:

RQ1. What data sources do the Tunisian accounting practitioners refer to, to get information about Islamic accounting?

RQ2. How do the Tunisian accountants evaluate the existence of a common set of featured accounting standards pertaining to Islamic financial institutions, apart from the international standards?

RQ3. Are Tunisian practitioners interested in getting a training about the IFRS and the AAOIFI standards?

RQ4. What do the Tunisian practitioners know about the headlines of Islamic accounting (definition, headlines, etc.)?

RQ5. What do the Tunisian practitioners know about the coverage scope of the AAOIFI standards?

Q2. Are the Tunisian practitioners well aware of the AAOIFI standards? To what extent?

From the above cited research question, the following sub questions arise:

RQ6. Are the Tunisian practitioners aware enough of the major differences distinguishing the Islamic accounting system from the conventional one?

RQ7. Are they well familiarized with the different valuation concepts/methods set by the AAOIFI standards?

RQ8. What are their opinions with regard to the obstacles impeding the implementation of the Islamic accounting system in Tunisia?

RQ9. How do they assess the potential advantages likely to be brought about by the Tunisian IFIs' adoption of the AAOIFI?

3.2 Research method

For the purpose of investigating the Tunisian accounting professionals' perceptions and knowledge of the above discussed issues, a questionnaire survey has been conducted. To note, the questionnaire has been prepared in terms of coverage of Islamic accounting standards and based on the literature elaborated to deal with these particular standards (Abdelgader, 1994; Baydoun and Willet, 1998; Gambling and Karim, 1991; Pomeranz, 1997; Suhaimi Nahar and Yaacob, 2011; Bhatti and Hanif, 2010).

The responses have been drawn and obtained via a self-administered mail questionnaire. For the sake of maximizing and getting the best of responses, the surveys have been sent out, jointly with a letter issued by the certified public accountants (CPA) Tunisia to encourage respondents to complete the questions. Surveys have also been handed out in files provided at the CPA Congress held in 2014.

The formulated questions applied dichotomous (i.e. yes-no) rating as well as Likert scales.

Actually, the questionnaire sections have included questions pertaining to demographic areas, information sources, basic knowledge, key differences, valuation concepts, obstacles and advantages, educational and training needs regarding Islamic accounting.

3.2.1 Sample selection. The conducted study involves data collected from the part of 200 practitioners across a number of organizations and audit firms, sited at different regions and locations of the country, employing accounting graduates. Only a few among them have shown a professional interest in the international accounting system and in the Islamic finance industry (8.5 per cent). This is mainly because of the limited number of IFI operating in Tunisia as compared to the conventional ones. The study conduct has been determined using a CPA mailing list, with confirmation being consolidated through a survey question.

3.2.2 Limitations. In addition to the usual limitations associated with any survey research (particularly non-response bias and desirability bias), there, also, lies a sample related limitation, as the sample turns out to involve, essentially the private/corporate sector. Pertinent organizations, as the IFI's, appear to be not well represented in the sample. Nevertheless, this fact does not prove to engender serious differences in the results; because even in the IFI's, the AAOIFI standards are not still adopted, so the accounting professionals belonging to these institutions may not be well versed with the standards. Still, generalization of the results should be handled and undertaken with cautions.

3.3 Preliminary analysis

3.3.1 The participants' characteristics. Ultimately, 105 usable responses have been received from accounting practitioners, based in various cities of the Tunisian territory, constituting a response rate of 52.5 per cent. This response level can be typically perceived as acceptable (Zikmund, 2000).

In this subsection, the survey findings are depicted, jointly mapped with the research questions.

Worth highlighting that the highest participation rate stems from the capital city, Tunis, with *a* response rate of 37.2 per cent. The cities displaying less than five participants have been labeled as "other" cities. Concerning gender, the majority of respondents have been males, constituting 94.3 per cent of respondents. Regarding titles, the highest participation rate embraces CPA (68.5 per cent). As for the respondents' experience levels, they range between 1 and 2 years, to more than 20 years. 71.4 per cent of the participants are university graduates, with no less than four-year of high education. Only three respondents are employees of Big 4 auditing firms. Other data regarding the participants' details are reported in Table II below.

*3.3.2 Information sources and the practitioners' general/basic knowledge of the AAOIFI standards (*RQ1*,* RQ2 *and* RQ3*).* As a second step, after filling out the questionnaire participants' relevant details, a specific question has been posed, namely, "Where do you get the AAOIFI standards' related information from". Some choices have been provided to the survey participants, along with an "other" choice (Table III). Surprisingly, the answers demonstrated that most of the respondents (70 per cent) appear to consult the AAOIFI special website, whereas it has been expected that Islamic accounting would represent an unexplored area for Tunisian practitioners. Hence, despite the relative recency of the domain and given the scarcity of information sources available, it is presumably assumed that accountants enjoy certain awareness regarding Islamic accounting for conjuncture evolution to be anticipated.

	Frequency	(%)
City		
Gabes	12	11.4
Gafsa	9	8.5
Sfax	22	20.9
Sousse	20	19
Tunis	39	37.2
Other	3	3
Total	105	100
Gender		
Female	6	5.7
Male	99	94.3
Total	105	100
Title		
Accountant		
Certified public accountant	72	68.5
Sworn-in certified public accountant	31	29.6
Not stated	2	1.9
Experience		
1-5 years	28	26.7
6-10 years	40	38
11-15 years	28	26.7
16-20 years	9	8.6
Total	105	100
Education		
High school	18	17.1
University	75	71.4
Master degree	10	9.5
PhD	2	2
Total	105	100
Auditing firm		
Big4 employee	3	2.8
Non Big4 employee	102	97.2
Total	105	100

Table II.
Respondents' profile

In a third stage, the survey participants have been asked about their knowledge level of the AAOIFI standards. Most respondents (58 per cent) have declared that they have had little knowledge of the standards. Overall, 10 per cent have stated that their knowledge has been good or very good, whereas 16 per cent have declared that they have had no knowledge at all. The responses' details provided to the posed questions are presented in Figure 1 below.

Furthermore, the respondents have also been requested to provide certain evaluation of the fact that, an Islamic accounting system could exist, separately from the international one.

One might well note that the proponents (38 per cent) seemed to outnumber the opponents (20 per cent). Remarkably, however, a majority of the respondents have opted for the "no opinion" choice. This might well be because of the lack of comprehensive knowledge regarding the Islamic accounting standards (Figure 2).

Ultimately, as a final stage of the preliminary analysis, the respondents have been asked whether they have received any training or education regarding the IFRS and/or Islamic standards. Remarkably, only few accountants have received a training about the standards (3.4 per cent for the AAOIFI and 11.8 per cent for the IFRS) (Table IV). Still, those who have displayed certain interest in getting a training about the IFRS have also expressed their interest in receiving a training about the AAOIFI standards. This result might well have its explanation in the predominantly stating that Islamic accounting is essentially derived from the international accounting system.

Table III. Common information resources regarding Islamic accounting

	Frequency	(%)
www.AAOIFI.com	68	65
www.Financialislamic.com	33	32
www.Kantakji.com	26	25
Professional journals	18	18
Private training	12	12
Other	6	6

Note: The total percentages exceed 100%, as multiple responses have been available

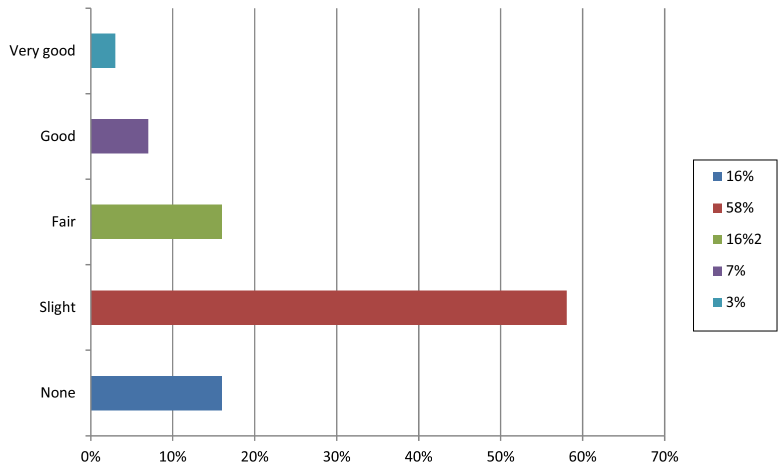

Figure 1. Respondents' knowledge of the AAOIFI standards

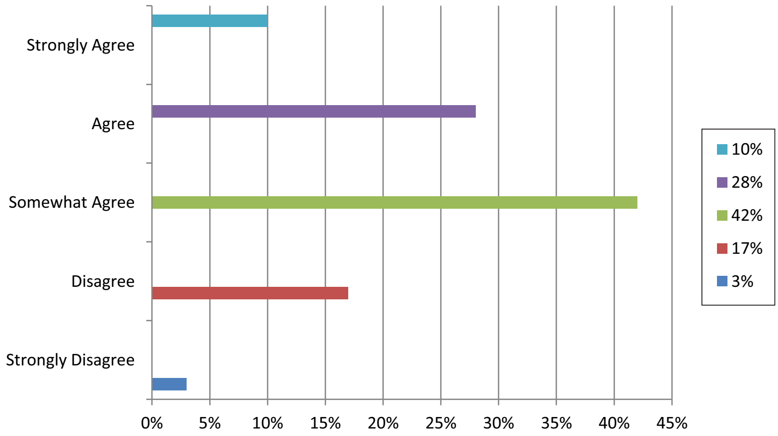

Figure 2. Evaluation of the existing Islamic accounting standards, separately from IFRS

	No (%)	Yes (%)	Knowledge of IFRS	Training about IFRS
Training about IFRS	88.2	11.8	0.302**	
Training about AAOIFI	96.6	3.4	0.304**	0.488**

Note: **Significant at 0.01 level

Table IV. The spearman Rho correlation

4. Findings' analysis

*4.1 Knowledge of the Islamic accounting standards' headlines (*RQ4*)*

The accounting professionals have also been asked whether they recognize the Islamic accounting definition, as provided by the AAOIFI conceptual framework, the standards' number and their content. The responses indicate that 54.8 per cent of the accountants appear to know the Islamic accounting definition, whereas 36.6 per cent prove to be aware of the content, and 49.2 per cent of the standards' number as promulgated by the AAOIFI (Table V). Further analysis has been conducted, for sub-groups, concerning the AAOIFI standards special training, auditor, educational level and experience (Table V). The findings have revealed that those who have received training about the AAOIFI standards, along with the employees of Big 4 auditing firms, turn out to be significantly more knowledgeable about this area. However, educational level (high if the respondent is a holder of a master's degree or a PhD, otherwise low) along with the experience level (low if experience is less than, or equal to 10 years and high if it exceeds 10 years) do not sound to have a significant effect. Such results can have their justification in the lack of specialized organizations, providing Islamic finance and accounting education. As a result, practitioners have to rely on individual and private initiatives for skill building purposes.

*4.2 The Accounting Auditing Organization for Islamic Financial Institutions standards' coverage (*RQ5*)*

For the sake of highlighting the co-existence between the AAOIFI standards and the IFRS/IAS, the participants in the questionnaire have been asked whether they do realize the cases, regarding which, the AAOIFI standards have been issued. The responses appear to indicate that 70.5 per cent of the accountants seem to realize that the AAOIFI

Table V. Respondents' knowledge of the AAOIFI standards' headlines

Please state whether you know: (Yes = 1, No = 0)	Overall		AAOIFI training					Auditor				
			No		Yes		Kruskall Wallis	Non Big4		Big4		Kruskall Wallis
	No (%)	Yes (%)	Mean	SD	Mean	SD	chi square	Mean	SD	Mean	SD	chi square
Panel A												
Definition of Islamic accounting standards	45.2	54.8	0.47	0.503	0.78	0.353	10.249**	0.64	0.601	1.000	0.000	5.143*
Standards' number	50.8	49.2	0.18	0.385	0.86	0.321	18.109**	0.33	0.516	1.000	0.000	16.277**
Standards' content	63.4	36.6	0.49	0.502	0.59	0.501	6.388*	0.61	0.602	0.820	0.442	0.998
			Experience					Education level				
	Overall		Low		High		Kruskall Wallis	Low		High		Kruskall Wallis
	No (%)	Yes (%)	Mean	SD	Mean	SD	chi square	Mean	SD	Mean	SD	chi sqaure
Panel B												
Definition of Islamic accounting standards	45.2	54.8	0.47	0.508	0.50	0.481	1.899	0.50	0.501	0.69	0.461	1.699
Standards' number	50.8	49.2	0.41	0.492	0.51	0.379	2.077	0.53	0.502	0.73	0.462	1.077
Standards' content	63.4	36.6	0.19	0.355	0.23	0.368	1.202	0.29	0.492	0.31	0.451	1.202

Notes: *Significant at 0.05 level; **significant at 0.01 level standards are issued to fill the gap whenever the IFRS/IAS cannot be entirely adopted by the IFI. More particularly, when the IFRS/IAS could not, fully, help in covering the Islamic banking and finance associated characteristics, as it is the case, for instance, with AAOIFI's FAS 1 (general presentation and disclosure in the IFIs Financial Statements), which covers the IAS 1 (Presentation), the IAS 7 (Cash Flow), the IAS 18 (Revenue), etc. On the other hand, 84.6 per cent prove to be aware that some specific items could not be covered by the IFRS/IAS. A striking instance of this, relates to the AAOIFI's FAS 2 (*Murabaha* and *Murabaha* to the Purchase Orderer), FAS 7 (*Salam* and *Parallel Salam*), whereas 80.1 per cent have displayed awareness of the fact that IFRS/IAS could be adopted by the IFIs whenever they do not give rise to *Sharia* compliance issues and could, adequately, cover some of the IFIs' practices (Table VI). I have gone further with my investigation, to enquire whether a significant difference does persist between those who have received a training about the AAOIFI standards and those who have not (Table VI). Actually, as has been expected, training does prove to make a noticeable difference.

*4.3 The key differences (*RQ6*)*

As part of my assessment procedure, I have also undertaken to check whether the participants have been familiar with the key differences distinguishing the IFRS from the AAOIFI standards. I have found that, except for the first item (AAOIFI standards are specific to the IFI's, whereas the IFRS covers the entire economic activity), the entirety of the items' respective means turn out to be below 0.50, as appearing in Table VII below. This finding proves to indicate well that most of the respondents do not seem to be highly aware of the marking differences. I have gone further with my analysis and discovered that significant differences appear to persist among respondents. Indeed, those who have received special training related to the AAOIFI standards have proven to, significantly, enjoy more knowledge than those who have not received any particular training concerning the entirety of items.

*4.4 Valuation methods/concepts (*RQ7*)*

One of the standards' important aspects, relevant to both of the IFRS and the AAOIFI standards, lies in the valuation methods and concepts. Based on the works elaborated by Lewis (2001), Hameed (2007), and Haniffa and Hudaib (2002) and the coverage of the IFRS (IASB, 2009), ten valuation methods/concepts have been determined, regarding which, the respondents have been questioned about their relevant awareness on a yes-no basis. The findings have indicated that historical cost, fair value and nominal amount seem to be

Do you know that the following topics cover the cases where, both the AAOIFI standards and the IFRS/IAS coexist? (Yes = 1, No = 0)	Overall		AAOIFI Training No		AAOIFI Training Yes		Kruskall Wallis chi square
	No (%)	Yes (%)	Mean	SD	Mean	SD	
Cases in which the IFRS/IAS cannot be adopted wholly by the IFI's	29.5	70.5	0.08	0.284	0.52	0.510	22.249*
Cases in which some specific items cannot be covered by the IFRS/IAS	15.4	84.6	0.09	0.385	0.54	0.506	28.109**
Cases, in which the IFRS/IAS can, actually, be adopted by the IFI's	19.9	80.1	0.08	0.277	0.45	0.509	26.388*

Note: **Significant at 0.01 level

Table VI. The AAOIFI standards' coverage

Do you know that the following topics are the main differences between AAOIFI standards and IFRS (Yes = 1, No = 0)	Overall		AAOIFI Training				Kruskall Wallis chi square
			No		Yes		
	No (%)	Yes (%)	Mean	SD	Mean	SD	
AAOIFI standards are specific to IFIs/ IFRS cover entire economic activity	19.5	80.5	0.09	0.284	0.52	0.510	25.135**
The AAOIFI standards cover							
auditing	81.8	18.2	0.08	0.283	0.45	0.506	22.333**
governance	88.4	11.6	0.09	0.284	0.54	0.509	21.402**
ethics	93.8	6.2	0.08	0.280	0.52	0.510	23.601**
The IFRS cover only the accounting area							
"Unrestricted" investment funds are presented as							
a separate item (between liabilities and owner's equity) in AAOIFI standards liabilities (along with other deposits) in IFRS	94.1	5.9	0.06	0.277	0.55	0.503	28.857**
In leasing							
there is no transfer of ownership (according to AAOIFI) there is a transfer of ownership (IFRS)	80.5	19.5	0.09	0.284	0.59	0.508	30.517**

Note: **Significant at 0.01 level

Table VII.
Key differences

the tree best known valuation concepts, whereas intrinsic value, recoverable amount and residual value are discovered to be the least known ones. The responses' details are provided on Table VIII. Moreover, an additional analysis has been conducted, regarding the differences distinguishing those who have received a training in AAOIFI standards and those who have not. The attained findings have provided strong evidence that a significant difference appears to prevail between both groups (Table VIII). However, no significant difference has appeared to persist between both sets, except for the historical cost item. This result seems to be a further proof testifying and stressing the fact that education is a crucial factor necessary for understanding the standards.

Do you know that the following valuation methods/concepts covered in AAOIFI standards and IFRS (Yes = 1, No = 0)	Overall		AAOIFI Training				Kruskall Wallis chi square
			No		Yes		
	No (%)	Yes (%)	Mean	SD	Mean	SD	
Fair value	23.7	76.3	0.19	0.393	0.89	0.510	10.671**
Fair value less costs to sell	52.6	47.4	0.43	0.498	0.68	0.477	6.522*
Historical cost	20.4	79.6	0.11	0.401	0.96	0.529	1.299
Net realizable value	53.9	46.1	0.41	0.493	0.63	0.456	7.430**
Nominal amount	30.2	69.8	0.62	0.461	0.78	0.592	6.227*
Residual value	70.0	30.0	0.18	0.389	0.95	0.213	7.323**
Value in use	50.2	49.8	0.42	0.495	0.63	0.453	8.747**
Intrinsic value	71.9	28.1	0.44	0.482	0.52	0.577	6.525*
Carrying amount	52.9	47.1	0.43	0.404	0.70	0.499	7.121**
Recoverable amount	68.4	31.6	0.38	0.453	0.59	0.222	5.323*

Notes: *Significant at 0.05 level; **significant at 0.01 level

Table VIII.
Valuation methods/
Concepts

*4.5 Obstacles hindering the Accounting Auditing Organization for Islamic Financial Institution's standards' implementation in Tunisia (*RQ8*)*

Some earlier conducted studies have enumerated several obstacles hampering the implementation of the Islamic accounting standards (Hidayat, 2011, Baydoun and Willett, 2000). Such studies, have documented that, cost consideration seems to be an impeding obstacle. Complexities facing the understanding of these standards are regarded as another obstacle that deters accountants from implementing them. Other obstacles might well reside in the inadequacy of the accounting personnel's education programs. This prompted us to require participants to state their attitudes toward four major obstacles in terms of a five-point Likert scale (1 = strongly disagree, 5 = strongly agree) (Table IX). The results have revealed that cost of transition to standards (mean = 3.11) and complexity in understanding the standards (mean = 3.31) appear to stand relatively as less important obstacles in respect of the inadequacy of the accounting personnel's training (mean = 3.79) and the regulatory bodies' neglect of the training programs (mean = 3.62). Consequently, such obstacles could well be overcome through setting up adequate training programs to be arranged by the various regulatory bodies and firms' management. Moreover, I have also investigated the fact of whether a significant difference persist, concerning the responses provided to the question relevant to the special training in the AAOIFI standards, experience, education level and auditor (Big4, non-Big4). The results appeared to provide no significant difference to prevail among the respondents.

*4.6 The potential advantages from adopting the Accounting Auditing Organization for Islamic Financial Institutions standards in the Tunisian context (*RQ9*)*

Based on some of the previously conducted studies of Hidayat (2011) and Gallhofer and Haslam (2004), a seven-item list has been provided to the participants concerning the benefits likely to be brought about following implementation of the AAOIFI standards. The interviewees have been asked to evaluate the items on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree) (Table X). According to the respondents expressed views, comparability of the IFIs' financial statements (mean = 3.72), appears to represent the highest ranking advantage, followed by the IFIs' financial statements' reliability (mean = 3.70), ease in reaching the financing sources (mean = 3.69), auditing efficiency (mean = 3.65), ease in reaching the global Islamic capital market (mean = 3.38) and ease in capturing the Islamic direct investment in Tunisia (mean = 3.30). However, ease of rating IFI's by the credit rating agencies do not seem to meet great support by the respondents (mean = 3.05). Besides, I have investigated whether a significant difference would prevail in the responses provided to the questions regarding training, experience, education level and auditor. The results have indicated a low significant difference among the respondents. Those who have received a special training in the AAOIFI standards have proven to display significantly higher means than those who have not, with respect to, "Comparability of financial statements is enhanced" and to "Increase in financial statements' reliability". Furthermore, the likely experienced respondents turn out to have significantly higher means than the least experienced ones with regard to the same items. These reached results might well have their explanation in the fact that professionals are likely to be frequently preoccupied by matters of harmonization and comparability. It is also, worth noting that they have been known to be embodied in the principal global accounting regime.

5. Results' summary and discussion

5.1 Basic knowledge of Islamic accounting

On elaborating the first research question:

RQ1. "What do Tunisian practitioners know about Islamic Accounting?"

The aim has been to explore the extent of their information level about the system as a whole.

Table IX. The obstacles impeding in the AAOIFI standards' implementation

(1 = strongly disagree, 5 = strongly agree)	Overall Mean	Overall SD	AAOIFI Training No Mean	AAOIFI Training No SD	AAOIFI Training Yes Mean	AAOIFI Training Yes SD	Kruskall Wallis chi square	Auditor Non Big4 Mean	Auditor Non Big4 SD	Auditor Big4 Means	Auditor Big4 SD	Kruskall Wallis chi square
Panel A												
Costly transition process	3.11	1.062	3.14	1.077	3.20	1.022	0.081	3.16	1.043	3.8	1.643	0.567
Not providing any sufficient training programs by the concerned professional bodies	3.62	1.159	3.71	1.147	3.36	1.244	0.006	3.61	1.163	3.71	1.515	0.004
Difficulty in understanding the standards	3.31	1.080	3.29	1.072	3.41	1.180	0.255	3.25	1.080	3.36	1.642	0.001
Training inadequacy of the bank's accounting personnel	3.79	1.054	3.73	1.076	4.15	0.905	3.510	3.81	1.074	3.83	1.095	0.003
	Overall Mean	Overall SD	Experience Low Mean	Experience Low SD	Experience High Mean	Experience High SD	Kruskall Wallis chi square	Education level Low Mean	Education level Low SD	Education level High Mean	Education level High SD	Kruskall Wallis chi square
Panel B												
Costly transition process	3.11	1.062	3.05	1.188	3.22	1.116	0.824	3.09	1.030	3.39	1.291	1.248
Not providing any sufficient training programs by the professional bodies	3.62	1.159	3.66	1.188	3.71	1.139	0.172	3.52	1.144	3.72	1.300	0.426
Difficulty in understanding the standards	3.31	1.080	3.12	1.120	3.51	1.030	3.202	3.28	1.051	3.58	1.350	1.777
Training inadequacy of the bank's accounting personnel	3.79	1.054	3.65	0.118	3.83	1.022	1.971	3.80	1.049	3.99	1.129	2.268

(1 = strongly disagree, 5 = strongly agree)	Overall Mean	Overall SD	AAOIFI Training No Mean	AAOIFI Training No SD	AAOIFI Training Yes Mean	AAOIFI Training Yes SD	Kruskall Wallis chi square	Auditor Non Big4 Mean	Auditor Non Big4 SD	Auditor Big4 Mean	Auditor Big4 SD	Kruskall Wallis chi square
Panel A												
Comparability of IFIs' financial statements is enhanced	3.72	1.005	3.64	1.035	4.51	0.818	3.962*	3.66	0.967	4.09	1.700	2.077
Reliability of IFIs' financial statements is enhanced	3.70	1.120	3.55	1.140	4.46	0.930	4.162*	3.51	1.083	3.60	1.958	0.219
Reaching global Islamic capital is easier	3.38	0.980	3.42	0.960	3.52	1.105	0.721	3.44	0.958	3.59	1.678	0.643
Islamic direct investment increases	3.30	0.989	3.38	0.980	3.40	1.190	0.555	2.99	0.986	3.20	1.404	0.811
Rating of IFI's by rating agencies is easier	3.05	0.961	3.70	0.979	3.98	0.890	2.121	3.51	0.974	3.56	1.616	0.098
Reaching financial sources is facilitated	3.69	0.979	3.65	0.980	3.95	0.961	2.481	3.33	0.962	3.75	1.303	0.092
Efficiency in auditing will improve	3.65	1.079	3.61	1.099	4.01	1.061	2.890	3.68	1.072	3.99	1.777	2.273
	Overall Mean	Overall SD	Experience Low Mean	Experience Low SD	Experience High Mean	Experience High SD	Kruskall Wallis chi square	Education level Low Mean	Education level Low SD	Education level High Mean	Education level High SD	Kruskall Wallis chi square
Panel B												
Comparability of IFIs' financial statements is enhanced	3.72	1.005	3.40	1.078	3.90	0.945	5.767*	3.61	1.013	3.89	0.816	0.639
Reliability of IFIs' financial statements is enhanced	3.70	1.120	3.20	1.110	3.88	1.123	4.349*	3.63	1.122	3.87	1.042	0.016
Reaching global Islamic capital is easier	3.38	0.980	3.25	0.989	3.39	0.960	1.455	3.42	0.968	3.56	1.062	0.144
Islamic direct investment increases	3.30	0.989	3.10	0.978	3.22	1.022	1.428	3.30	0.996	3.34	1.049	0.002
Rating of IFI's by rating agencies is easier	3.05	0.961	3.52	1.033	3.90	0.899	1.933	3.66	0.988	3.77	0.800	0.010
Reaching financial sources is facilitated	3.69	0.979	3.55	1.068	3.95	0.901	2.224	3.69	0.976	3.94	1.022	1.201
Efficiency in auditing will improve	3.65	1.079	3.54	1.115	3.88	1.103	2.716	3.61	1.119	4.00	0.888	2.111

Table X.
Potential advantages following the AAOIFI standards' adoption

The findings suggest that the participants appear to be roughly aware of the presence of an "independent" accounting system for the IFI's. To obtain information on Islamic accounting standards, the most frequently used sources turn out to be the AAOIFI and the Islamic finance web sites, the professional journals along with the private training; the latter seems to be the last used mean by respondents. Consequently, one could well assert that aware of the growing significance of Islamic finance, Tunisian accountants turn out to be motivated enough to explore some aspects of financial reporting practices pertaining to this industry. Similarly, it may, also, reveal a predisposition to a future adoption of the standards.

Concerning their knowledge about the Islamic accounting fundamentals, most of the respondents have exhibited little knowledge of the AAOIFI standards, and proponents of the view supporting existence of separate Islamic accounting standards, independent from the IFRS, seem to outnumber its opponents. Thus, one could well state that they are, actually, well aware of the specific complexities related to Islamic finance and of the fact that while international financial reporting standards turn out to be, increasingly, adopted worldwide, a particular challenge sounds likely to be imposed face to the IFI's. In fact, such standards have been specifically designed to fit for conventional finance, rather than for the Islamic one.

5.2 The Accounting Auditing Organization for Islamic Financial Institutions standards' understanding level among Tunisian practitioners

Through the second research question, I expected to assess the participants' specific knowledge of particular fields related to the standards.

In this regard, I have found that the respondents do not seem to be highly informed about general (nontechnical) issues (definition, promulgation, headlines, etc.), except for those who have been trained in matters of IFRS and AAOIFI standards, particularly the employees of Big 4 firms. This might be because of the fact that, the sphere of AAOIFI influence has been quite limited, historically. In fact, even in those countries, where there is a certain perceived acceptance of its standards' prevalence among IFIs, no universal and consistent application of such standards has been witnessed to prevail.

Concerning the participants' recognition of the key differences, most of them do not seem to be aware, enough, of the differences distinguishing the IFRS from the AAOIFI standards. Nevertheless, as has been expected, those who have been trained in Islamic accounting are likely to have a greater knowledge in this area. This fact might have its explanation in the predominant judgment, stressing that the Islamic accounting standards appear to be derived from the global accounting language of choice, i.e. the international financial reporting standards. Such a noticeable confusion may well stem from the fact that the conventional financial institutions do, also, offer certain *Sharia* compliant products while reporting them conforming to the IFRS.

Regarding, the valuation concepts, the findings have revealed that historical cost, fair value and nominal amount appear to be the tree most well-known valuation methods, mainly from the part of trained practitioners. *De facto*, one of the basic accounting principles, namely, the historical cost, proves to be essentially derived from the concept of conservatism. Besides, the fair value approach is commonly agreed upon to be wholly appropriate as a mean, fit for measuring assets and liabilities; particularly in the cases where active markets and relevant market price mechanisms are prevailing. Hence, I emphasize the crucial importance of education, as a tool necessary for understanding the standards' specific and technical issues.

As for the questionnaire's last items, they are intended to help highlight the participants' opinions on, both, the advantages and obstacles attached to adopting the AAOIFI standards by the Tunisian IFI's. In fact, participants in the questionnaire have tended to consider comparability and reliability of financial statements, as being the major advantages likely to persist, following implementation of the AAOIFI standards. This finding may well suggest that the Tunisian practitioners appreciate the implications of the unique characteristics of applied Islamic financial services and instruments. They, also, seem to be well aware of the lack of a common understanding of the distinctive feature of IFI, as reflected in the various approaches undertaken by the supervisory authorities to regulate them. However, the lack of comprehension, along with knowledge scarcity stand, according to the participants, as the major obstacles, likely to impede the Islamic accounting standards' implementation in Tunisia; as compared to the cost considerations and complexity of understanding these standards, for transition would certainly entail some qualified personnel, enjoying the outstanding professional skills, dexterity and commitment.

Finally, concerning the training and education needs, almost the entirety of responses provided by the participants to the questionnaire have shown significant differences between those who have received a special training in AAOIFI standards and IFRS and those who have not. In fact, the participants' education level seems to yield significant differences in responses. Indeed, teaching, training and research stand, actually, as the wherewithal for the development, enhancement and promotion of any discipline. All this turns out to literally apply to the still nascent Islamic accounting discipline. As already mentioned, a serious shortage is noticed with regard to scholars, who possess even some kind of practical knowledge of both Islamic law (*Fikh*) along with modern economics and finance. It is, therefore, not surprising that Islamic accounting is, practically, unknown among Tunisian practitioners.

6. Conclusion

Islamic accounting studies represent a nascent and fascinating research area. It is worth noting that most of the previously empirical studies have predominantly focused on investigating the GCC region, along with some other countries where Islamic banking industry is relatively well established and quite developed. For this reason, I have considered it appropriate to deal with the Tunisian context, as a focus for exploring the extent and level of Islamic accounting knowledge among practitioners, as a population directly concerned by an eventual adoption of the AAOIFI standards.

The study makes use of a questionnaire, essentially, elaborated to help assess the Tunisian accountants' predisposition to adhere to the AAOIFI standards, despite their limited sphere and scope of influence.

The results have documented a strong ignorance of the Islamic accounting's basic concepts and fundamentals, with respect to the Tunisian context, already affiliated to the principal global accounting regime.

In addition, a certain dissatisfaction of most interviewees, with regard to conventional finance, could well serve as an incentive likely to help enhance the proliferation of Islamic finance in Tunisia. Nevertheless, a remarkably serious shortage of scholars, enjoying even a certain level of practical working knowledge regarding both Islamic law (*Fikh*) and modern economics and finance has been recorded. It is, therefore, not surprising that Islamic accounting would prove to be, practically, unknown among Tunisian practitioners.

As already underlined in this study, teaching, training and research turn out to be the wherewithal for any discipline to be developed and grown, above all, with respect to such a nascent discipline as Islamic accounting.

The results reached through this study would certainly have some implications on the regulatory bodies, academicians and professionals. Thus, for the AAOIFI standards to be successfully implemented in Tunisia, entirety of concerned parties, as already stated, should take part in improving and consolidating the situation.

Ultimately, studying differences in the views of jurisdictions, either those who have adopted the AAOIFI standards or those who have not, might provide certain guidelines to standard setters for potential revisions.

Notes

1. *Sharia* is the sacred law of Islam. It is derived from the Quran (the Holy book of Muslims), the Sunna (the sayings and deeds of prophet Muhamed), Ijma' and Qiyas wich are respectively scholar's consensus and judgment by comparison (Omar, 2003).
2. Global Islamic finance education, special report, 2013. www.globalislamicfinancemagazine.com

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Appendix 1

Sources: www.kantaji.com; www.icaew.com

Table AI. Practical differences between the AAOIFI standards and the IFRS

AAOIFI	IFRS
Specific to Islamic finance industry	For entire economic activities
Based on requirements of Islamic finance practices	Generic, mostly not industry specific
All encompassing	Type-specific
Accounting, auditing, governance, ethics and *Sharia*	Accounting

Appendix 2

Table AII. Classification of accounting standards for IFI's: highlighting the coexistence of the AAOIFI standards and the IFRS

First case	Second case	Third case
AAOIFI standards are issued because IFRS cannot be entirely adopted by Islamic financial institutions E.g. AAOIFI's FAS 1 (general presentation and disclosure in IFIs' financial statements) covers IAS1 (Presentation), 7 (cash flow), 18 (Revenue), etc.	AAOIFI standards are specifically issued for Islamic banking and financial practices that are not covered by IFRS/IAS E.g. AAOIFI's FAS 2 (*Murabaha*), FAS 7 (*Salam* and Parallel *Salam*)	IFRS that can be adopted by IFI's E.g. IAS 10 (events following balance sheet publication date), IAS 24 (related party disclosure)

Appendix 3

The following are striking examples of major differences:

(1) Investment account funds in Islamic Financial Institution (IFI):
   - An IFI's major source of funds is "unrestricted" investment account funds from its customers.
   - These funds are generally managed by the IFI, based on *Mudharaba* investment management profit-sharing agreement.
   - Under *Mudharaba* investment management, the IFI is not liable to loss arising from investments (except because of IFI's misconduct, negligence, etc.) – based on the AAOIFI *Sharia* standard.

- The AAOIFI accounting standards require "unrestricted" investment account funds to be presented in statement of financial position, as a separate item between the liabilities and the owners' equity.
- Inversely, based on IFRS, these would be presented as liabilities (along with other deposits).

(2) Ijara (Leasing):

- An IFI's major financing mechanisms are Operating *Ijarah* and *Ijarah Muntahia Bittamleek* (a leasing contract that ends up with the transfer of asset ownership to the lessee).
- Regarding both cases, the asset ownership remains with the IFI throughout the lease term.
- In the *Ijarah Muntahia Bittamleek* contract, there must be an independent contract for the transfer of the asset ownership.
- The AAOIFI accounting standards require both Operating *Ijarah* and *Ijarah Muntahia Bittamleek* to be treated on a similar basis as the Operating Lease.
- On the contrary, based on the IFRS, both of the Operating *Ijarah* (especially if lease term is for major part of the lease asset economic life) and *IjarahMuntahia Bittamleek contract* (because of the transfer of asset ownership by end of lease term) would normally be classified and treated as Financial Lease.

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