Issues in Corporate Accountability and Governance: An Islamic Perspective

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Introduction

Corporate power in the twentieth century has clearly emerged as a dominant social institution in the lives of citizens all over the globe. The joint stock company has been a great invention through its ability to create wealth, build economies, generate jobs, and even change societies. The scope of corporate power is considerable. Many modern corporations have produced income even larger that the gross national products of some respectable nations. The significance of this power, as argued by some commentators, is the extent to which the corporation has even replaced the church as the dominant social institution in the lives of citizens of industrialized nations.[1]

However, there are serious concerns over the excessive power of modern corporations.

> Corporate power, clearly, is the predominant power in the society and the problem is how to limit it. The concern for public policy, summed up in the phrase "social responsibility": derives from the growing conception of a commercial society and the controls which a polity may have to impose on economic ventures that generate unforeseen consequences far beyond intentions, or power of control, of the initiating parties.[2]

> Thus, when corporations rape the environment or abuse us as guinea pigs, suddenly we awaken to the realities of our individual powerlessness and our dependence on their smooth and presumably benign func-

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tioning. Then our frustrations and resentments surface with a rush, in the demand that corporate power be brought to heel and that corporate officials be made accountable.[3]

The ideological foundations of the business society are being severely shaken. Business is no longer able to articulate its objectives in a way that will command support. Many businessmen are no longer willing to assert profit maximization as the overriding goal of the corporation. Business now is in search of an ideology that will embrace not only the drive for profit but social responsibilities business has increasingly assumed. With the erosion of confidence in the ideological foundations of the business society the legitimacy of the corporation as an institution has been challenged.[4]

Several pertinent questions will be addressed in this paper. First, by what right does the corporate entity manage and exercise their power? Second, what means do corporate regulators have to ensure corporate powers are exercised in accordance with some generally accepted notion of public interest? Third, what precisely do corporate accountability and governance involve? Fourth, what are the different issues and features of accountability and governance in a completely different culture and value systems such as Islam?

Modern Corporations and Accountability

The classical economic view formulated in the nineteenth century expounded perfect market competition based on the premise that (1) economic behavior is separate and distinct from other types of behavior, (2) the objective function is to maximize profits; and (3) the criterion of business performance is economic efficiency and progress.[5] In the classic economic view, there is only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.[6]

This view has dominated western economic and business thought for a long time. A general view holds that an individual should be allowed to pursue his or her own interest. As advocated by Adam Smith, "by pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it."[7] This leads to the notion that corporate executives may not know the social interest and are not appointed to serve social interest. The corporation can be viewed as a creation of the shareholders who own it and decide its course. Friedman argues, "is it tolerable that these public functions of taxation, expenditure and control be exercised by the people who happen to be in charge of particular enterprises, chosen for those posts by strictly private groups?"[8]

The public is coming to view corporate organizations as citizens and expects them to be good corporate citizens.[9] This development clearly arose from the need to control the overwhelming effects of large corporate entities on society and to involve them in correcting some of society's ills.[10] Thus, corporate accountability which encompasses the whole relationship between corporations and their environment has become a critical concept.

Accountability is generally viewed as a relationship involving "the giving and demanding of reasons for conduct."[11] It assumes that some individual, small group, or organization has a certain "right" to make demands of another and to seek reasons for actions taken.[12] Thus, corporate accountability implies the right of individuals, small groups, organizations, or the public at large, which may be affected over activities and policies, to make demands as well as seek reasons for actions taken by the corporations.

Corporations should exercise adequate accountability because only with assurances of accountability will they be able to claim legitimacy. An important basis for the concept of corporate accountability is this idea of organizational legitimacy. Since an institution wields practical power which compels men's wills or behavior, a corporation must be accountable for its purposes and its performances by criteria not in the control of the institution itself.[13] The corporation receives its permission to operate from the society; therefore, it is ultimately accountable to the society for what it does and how it does it.

The development of modern corporations, however, with many shareholders who cannot directly control the professional managers in charge, gives rise to the first concern about the shareholders. The separation of ownership and control means that managers not only run corporations but essentially are not controlled by the shareholders; hence, managers can use corporate assets to their own rather than shareholders' advantage. Corporate managers have discretion to use the shareholders' resources in the ways that do not benefit the shareholders. The question is whether and to what extent the managers have the power to do more than act in the interests of the shareholders.

In the modern western corporate environment, several limitations have been placed on managers to act in other than the interest of shareholders. The first limitation is rooted in the basic goal of western capitalism itself, i.e., the concern of managers to maximize shareholders' wealth. As there is a separation between ownership and control of the corporation, most managers own only a small proportion of the shares and work merely for satisfactory profit. This type of dysfunctional managerial behavior directs shareholders' resources to the managers, since they will benefit more as managers than they lose as shareholders. The market for managerial services will also limit managerial discretion through competition for jobs. A manager market value can only be enhanced by a good "track record" and not by shareholder satisfaction.

Second, concerns with the market for goods and services will constrain managerial actions. This may be due to the fact that consumers care only for the benefits they get from the goods or services they purchase. Whether or not the managers or owners of the enterprises that supply the products work in lavish offices, treat workers well, or are charitable or respectful toward the environment is rarely of interest to consumers.

The third imposed limitation is the system of internal and external control and monitoring. This includes internal accounting systems and external financial reporting and auditing. Accounting systems and financial control will only aim at presenting and achieving economic efficiency through monetary gains and benefits. In addition, external auditors and published financial statements serve to monitor and control the actions of managers. Thus, the managers will ensure that these control mechanisms serve their interests. The managers will also benefit from this monitoring since, lacking these procedures, they would be able to command lower direct compensation.

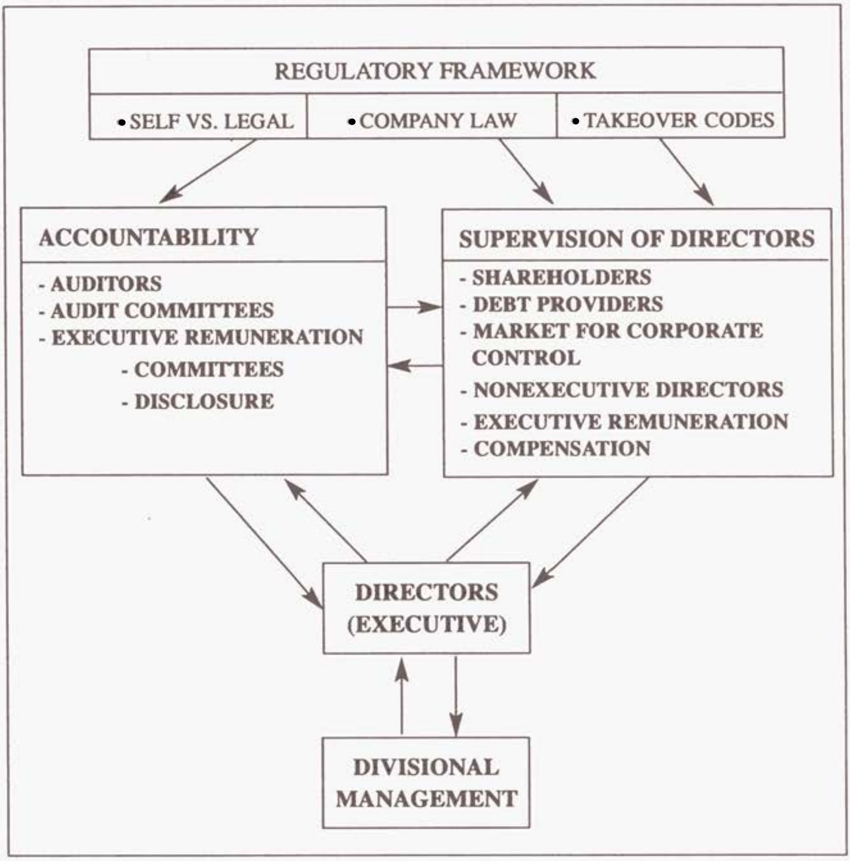
It can be concluded that corporate managers have little discretion to act other than in the interests of the shareholders. However, this does not imply that they, within their limitations as outlined above, are hostile to or uninterested in actions labeled as "socially and morally responsible." The philosophy or the accepted system of the western commercial capitalist society in which they are involved does not serve the interest of the other interested parties in the company's activities. This development indicates the influence of classical economic thought on the practices of modern corporations. Their activities are directed toward maximizing return to shareholders. They are also concerned with the interest of employees, customers, and creditors who are directly involved in their activities and policies. However, such concern does not extend to the general public.

Corporate Governance Framework

Modern corporate governance is concerned with two key elements: supervising and monitoring management performance and ensuring accountability and other stakeholders.[14] These two aspects of governance and accountability are closely interrelated and introduce both efficiency and stewardship dimensions to corporate governance.[15] It is of interest to see whether the present corporate governance framework is adequate to serve these two very important tasks (see Figure 1).

The first issue that arises is how the present structure of corporate governance framework will motivate those in control to increase corporate wealth. Good corporate governance should motivate managerial behav-

Figure 1: Corporate Governance Framework.



ior toward improving the business as with directly controlling the behavior of managers. The above framework shows that appropriate executive remuneration and compensation is one of the most effective means of motivation. A further method is to link compensation to the performance of the organization. Performance-related pay is designed to align and reduce the direct need for monitoring, assuming that the owners are involved in the design of the reward system. However, in recent times it rarely seems to have been the case. The concern is heightened with recent events in both the UK and the US where there have been large increases in executive pay that have not been matched by corporate performance.[16]

The need for supervision and accountability of directors arises because of the separation between ownership and control in large modern corporations. The corporate governance framework emphasizes the key role of third parties, especially auditors and nonexecutive directors, in ensuring the accountability of directors and management.[17] The role of external auditors is crucial to ensuring credibility of financial information, which underpins any system of corporate governance. At present, a considerable debate surrounds the role of auditors in ensuring that financial information meets the needs of stakeholders.[18] The existence of a gap between what auditors are legally required to do and what society expects them to do is one manifestation of the problem.

The above framework also shows that the supervision and accountability aspects of corporate governance take place within a wider regulatory framework. According to Keasey and Wright, this notion forms the third major part of the present framework, and it includes elements of self-regulation and statutory rules.[19] However, this Anglo-American model has been suffering from a number of weaknesses. The spectacular increase in unexpected business failures' such as Polly Peck, Bank of Credit and Commerce (BCCI), the Maxwell companies, and recently, Barings, has suggested a failure of corporate governance.

Unexpected business failures nominally involve criticism of weak auditing and accounting practices. The possible contributing factors include the limited role of external auditors provided by the statutes, the roles played by the institutional investors in generating excessive short-term perspectives to the detriment of long-term economic performance, and the development of "creative accounting" methods. All these reinforced anxieties about the effectiveness of governance framework have intensified the debate about corporate accountability and governance issues.

Islam and Corporations

Islam as a way of life reveals a moral code of behavior that has the potential to be advanced to modern corporations. Since Islam is believed (by Muslims at least) to advocate a complete code of human conduct, it may contain a number of basic principles which may be applicable to the conduct of corporate affairs. History has also shown that trade has a special place in Islamic civilization.[20] The Qur'an encourages trade. However, trade and business have been considered as very tempting activities that can cause the economic entity to forget his moral duty: "O you who believe, when the call is proclaimed to prayer (on Friday), hasten earnestly to the remembrance of Allah and leave off business."[21]

The notion of corporation has existed since the time of the Prophet Muhammad, when many people pooled their resources in commercial ventures which operated on principles akin to these modern corporations. For example, joint stock companies resemble the limited partnerships *(al-'inan)* in Islam.[22] A limited partnership is where two or more partners contribute to a capital fund, share profits in an agreed manner and bear losses equal to their proportion of mutual contribution. The liability of the members is limited and the board of directors, as representative of the shareholders, supervise their work. The shareholders, whenever they wish, may sell their shares in the market like transferable property.

In addition, the structure of a modern joint stock company is more or less a variation of the Islamic concept of *mudharabah*.[23] The *mudharabah* is a relationship between two or more persons such that one or more persons supply capital and others run the business on their behalf at an agreed rate of profit. The modern corporation has many similarities with the *mudharabah*. The notion of separation of ownership and control can also be found in the principles of *mudharabah*. This means that those who invest money do not take over day-to-day operation of the business. There is also no restriction on the number of shareholders in *mudharabah*, and the transfer of shares by one person to another does not dissolve the company.

Although the concept and the practice of the modern corporation have some resemblance to the Islamic concept of corporation such as *al-'inan* and *mudharabah*, the modern corporate system may not be in full compliance with Islamic beliefs, values, and the *Shari'ah*. In order for the modern corporation to be acceptable in Islam, (1) the Companies Act must be redrafted in light of Islamic law[24] and (2) the aim of the corporation should not be profit alone; the activities of the corporation should be to promote overall goodness to society. The preceding sections will discuss a perspective on the possible reform of modern corporate accountability and governance in accordance with Islamic morality and traditions.

Facets of Islamic Morality

The concept of *tawhid* (unity of God) is central to Muslim belief.[25] The basic concept establishes the thought on the premise that absolute truth (which only belongs to God) is the basis, source, and ultimate destiny for the whole universe. The universe is argued to exist for a serious purpose, and the final destiny of the universe is with God alone, who has no partner or equal.

Man is unique and God has created him and honored him with free will and responsibility over the universe on the basis of truth and justice.[26] Following this basic principle and derived from it are the principles of the unity of creation, the unity of truth and knowledge, the unity of life and humanity, and the complementary nature of revelation and reason.

The concept of *tawhid* is also directly related with another important concept, namely, *khilafah* (vicegerency). This concept means that man is a trustee on this earth, and this requires him to act as a guardian and deputy of God in dealing with the universe and its environment, wealth, and other creatures. This also refers to the concept of wealth and the rules governing the possession and disposal of property. Man has the right to own wealth and property, and this right is protected as long as the means of acquisition is lawful. The right to use and benefit from one's wealth and property must not be exercised at the expense of the interest of the community. However, this right is not absolute, since God is the ultimate owner of all wealth.[27] Islam advocates that human beings cannot achieve their purpose and fulfill their roles in life unless they continually act and make decisions concerning the management of their environment based on truth and justice.

In addition, Islam also developed its own concept of accountability. The concept of *taklif* (accountability) means that everyone is accountable for his actions or inactions on the day of judgment.[28] *Taklif* is clearly differentiated from its non-Islamic counterparts by insisting that each person is responsible for his own deeds. Accountability in Islam also means that people must accept all the duties and liabilities as well as the benefits of any ownership or responsibility. However, neither the Prophet nor other humans have the right to decide what is right or wrong for humanity or to define the rightful behavior in life; only God can do that. If Man uses his will and ability for any purpose other than those for which they were created, he will have failed in his responsibility, violated the honor of his duties, and missed the purpose of his existence.

Islamic Institutions: A Review of Literature

A review of Islamic literature provides us with a number of institutions that have been practiced by Muslim civilizations that we can relate to the debates on corporate accountability and governance. This paper will review three dominant Islamic institutions, namely, *shura, hisba,* and religious audit, and explain their functions.

The Institution of Shura

The institution of *shura* or the shuratic decision-making process explains how business or other types of decision making can meet Islamic moral values. The Qur'an clearly states that any decision involving more than one party should be based on consensus. Islam encourages the participants to work together freely and frankly in arriving at a decision; if a mistake is committed, then the responsibility is shared by all.[29]

The reasons behind this shuratic process are that, first, if a decision affects two or more persons, it has greater likelihood of not being accepted by the participants if a single individual makes the decision.[30] On ethical grounds and in accordance with the basic Islamic precept of justice, it is not appropriate for one person to look at only the benefits to be accrued by other individuals in making a decision. Even the Prophet Muhammad consulted his companions on community-related matters and consented to decisions that contradicted his own opinion.

Second, in most situations where a single individual makes the final decision, there can be basically two causes for him to impose his opinion in a group decision-making situation. Either he wants to override others rights for his selfish motives, or he considers himself very "high" and regards other individuals' opinions as unimportant. In Islam both positions are deplorable.

Third, Islam considers it a great responsibility to make a decision that affects the right and benefits of a group of individuals. A God-conscious individual, realizing he is accountable to God for any improper act, will not dare to undertake such a decision without consultation. Thus, Islam emphasizes truthfulness, justice, and the spirit of consensus seeking among participants during group decision making.

The Institution of *Hisba*

Hisba is another important social institution that has been practiced by the Muslim society since the early period of Islam until the beginning of the western occupation.[31] *Hisba* is an institution where there is a divine code of approved social behavior in a community. The *muhtasib* (active participle of *hisba*) will enforce this code. The first *muhtasib* is the Prophet Muhammad, who fully institutionalized the perpetuation and preservation of this code. Subsequently when the Islamic community expanded, he appointed his companions as *muhtasib*s in various places under Islamic rule.

The typical *muhtasib* was a Muslim with a high degree of integrity, insight, reverence, and social status. He was knowledgeable in Islamic jurisprudence, with a high degree of in-depth knowledge of the local customs and mores. Ibn Taymiyah defined the rights of the *muhtasib* as having to do with public duties where he is charged with ordaining that which is good and proper and forbidding the improper. Their functions could be classified into three categories:

- those relating to (the rights of) God;
- those relating to (the rights of) people; and
- those relating to both.

The first covers religious activities such as prayers and fasting. The second category relates to community affairs and behavior in the market, such as accuracy and honesty of business dealings. The third relates primarily to affairs relating to municipal administration, such as public goods and services like public transport, road, and preventing business activities that could damage the community interests.

The economic duties of a *muhtasib* can be further expanded into five more duties that relate to corporate and business affairs:

- to let people have the right weights and measures in business dealings or, in other words, a fair trading transaction in the market, and this is in line with many verses of the Qur'an which order one to trade fairly;
- to check business frauds and, therefore, to report any irregularities in corporate affairs;
- to audit illegal contracts including the contracts of usury and hazard;
- to keep the market free (e.g., it is unlawful to buy goods before they reach the market, thereby undercutting competitors);
- to prevent necessities from being hoarded and, therefore, they are entitled to compel people to sell their stocks of necessities for fair value when urgently needed by the community.[32]

Religious Audit

Since Islamic law *(Shari'ah)* has a different legal philosophy and different procedures than the modern and western secular law, Islam has its own laws to regulate corporation and business dealings.[33] This also creates the need for Islamic enterprises to have procedures for religious auditing in order to establish a control mechanism to monitor their performance. The functions of Islamic religious auditing, which should be spelled out in the articles of association, lie in three main areas:

- provision of advice (ex-ante auditing);
- monitoring performance (ex-post auditing); and
- the audit of Islamic tax *(zakah)*.[34]

Ex-ante auditing, in providing service, represents the role of the religious auditing body as consultative organ, which involves advising the board of directors and the managing director of the enterprise's operations, contracts, and procedures to ensure that all are in conformity with the Islamic code. Ex-post auditing checks that executive management has complied with Islamic principles and with the advice which it has given. The purpose of both functions is to inform the shareholders that their business is run Islamically. The audit of the Islamic tax or *zakah* fund is necessary to ensure that *zakah* on the enterprise's net assets is properly calculated and the fund is properly administered. This fund should be religiously and financially audited at the end of the fiscal year and the results should be reported in the annual report.

There are two forms of religious audit reporting.[35] In the direct form, the religious auditor prepares a special report that is published alongside the financial auditor's report in the annual report. The religious auditor indicates whether or not he was able to gain access to all financial records and documents which he deemed necessary in exercising his auditing duties and states whether the balance sheet and the profit and loss account were in compliance with Islamic law.

In the indirect form, the religious audit report is prepared and made available to the financial auditor, who testifies accordingly whether the company is in compliance with the Islamic law. The financial auditor must state clearly in his report whether or not the company's operations and results reflected in the balance sheet and profit and loss account comply with the company's article of association and whether there had been any violation of the articles during the audited year. Since the company's articles of association stipulate that the business should run in accordance with Islamic law, the auditor's report will testify, implicitly, as to the extent of adherence to these principles.

Toward an Islamic Corporate Governance Framework

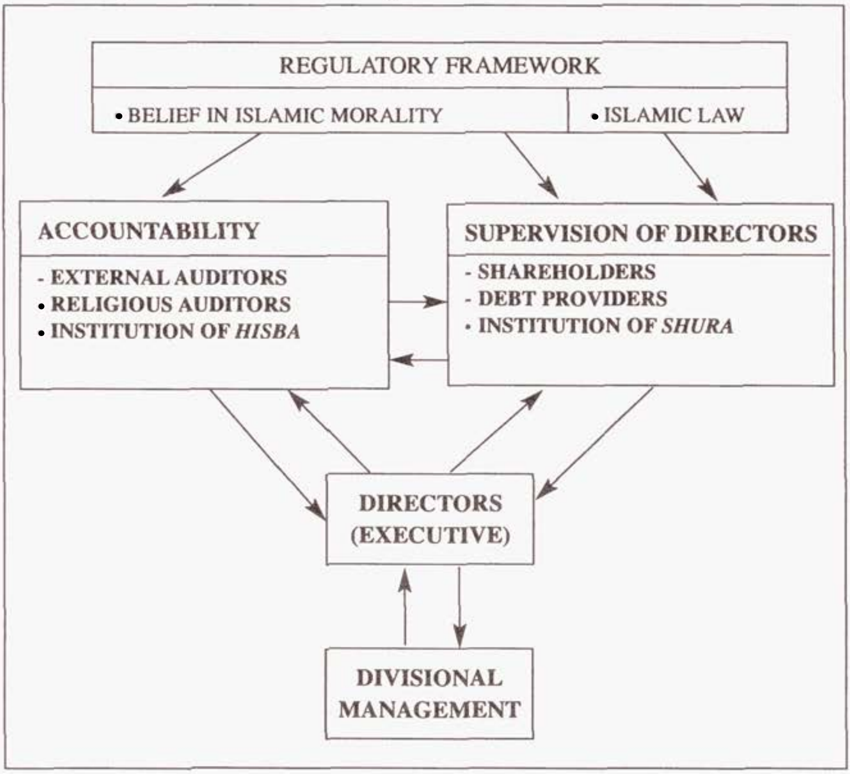
There is a need for modern corporate governance to have a more comprehensive framework which takes into account both regulatory and moral aspects. If there is an Islamic corporate governance framework, the framework should integrate both the regulatory aspect that is based on Islamic law (*Shari'ah*) and Islamic moral precepts as its core structure. In addition, the framework will utilize the Islamic institutions that can help to monitor and ensure that Islamic morality and law is upheld by the corporation. Figure 2 illustrates the possible Islamic corporate governance framework.

In Islam, corporate managers should not only rely on monetary rewards or human monitoring. Rather, they should be aware of their actions or inactions in relation to Islamic morality and law, which also has implications for their reward in the hereafter. The above framework assumes that corporate managers must accept their accountability to shareholders, debt providers and the public, which may be directly affected by corporate activities and policies. Ultimately, corporate managers should be aware that they are accountable to God.

The institution of *shura* can act as a measure to supervise directors and executives. The shuratic decision-making process requires directors to listen to the advice of other executives before making any decision. Perhaps *shura* members, as far as possible, should include representatives of shareholders, employees, customers, and other interested parties. This is in line with the spirit of Islam that all Muslim shareholders must take a personal interest in the management of each one of the organizations in which their funds are invested.[36] This type of involvement attempts to ensure that any corporate activities and policies are properly discussed and that a consensus decision-making process is followed.

Modern corporate governance has been criticized for the lack of wider ethical and societal concerns. Elements of governance have been developed piecemeal, so that these wider factors and interrelationships have

Figure 2: An Islamic Corporate Governance Framework.



not been fully considered. An Islamic corporate governance framework promotes wider ethical and societal concerns through the establishment of the institution of *hisba*. Its main objective is to ensure the right conduct and forbid unethical behavior in the wider social concern. Their public duties cover religious activities, community affairs, and encouraging ethical behavior in business dealings. The western commentator may see a confusion between private and public affairs, but the nature of Islam is to deal with humanity and human affairs in total. The institution of *hisba* offers a framework of social ethics, and this framework may also be relevant to monitor the corporations.

Islamic religious auditing provides an institution to solicit advice (ex-ante auditing) and also to monitor performance (ex-post auditing) to ensure that a company operates as a strictly Islamic concern. This institution might be able to provide a solution to western companies to adhere their activities beyond economic efficiency. Both the corporations and corporate regulators have made little attempt to broaden their accountability and rely almost entirely upon the compliance audit. The extension of auditing to embrace social and moral responsibility with efficiency factors as provided by Islam offers some guidance for western corporate regulators.

There are a number of similarities between the nature and the role of religious auditors and the role of external financial auditors in the Anglo-American context. In addition to checking the transactions undertaken by management, both parties publish a report for the owners of the business.[37] Both reports also verify that the financial statements fairly represent the results of the organization's operations. Both the religious and the external auditors must be perceived by users to be absolutely independent for their reports to be considered credible.

However, in performing their jobs, external auditors are governed by legal rules and professional codes of ethics, while religious auditors are guided by their moral beliefs and obligations to religious peers and the community. External auditors focus on compliance with accounting regulations whereas religious auditors focus on the institution's adherence to Islamic precepts to ensure its Islamic constituents that the report reflects a genuine commitment to Islamic principles. Commitment to religious values and obligations may provide religious auditors with strong incentives to be independent.[38] For an external auditor, the profit to be gained by audit services creates cynicism about the auditors' independence.

Conclusion

In the West, accountability involves a relationship in which one party delegates responsibility for performance, provides the necessary resources and authority to act, and requires confirmation from the other party.[39] Modern western accountability is seen only as a process that makes someone answerable for the outcome. Such a view of accountability considers only the shareholders' demands for accountability from their directors and for the stewardship that has been exercised over the business.

More recently, many commentators have demanded the idea of accountability to be broadened beyond the specific duty to be accountable to shareholders.[40] Many have argued that in some cases the directors have to recognize accountability to potential and future shareholders.[41] Some even claim that the duty extends much further. So-called stakeholder theory suggests that, because the modern company has significant power to affect the lives of many in different sectors of society, it has the responsibility to be accountable to each of them—to employees for continuity of employment, to customers throughout product life, to suppliers, to the community for environmental and social matters, and even to society at large for economic well-being.[42]

In Islam, the concept of corporate accountability combines the concepts of *tawhid*, *khilafah* and *taklif* on one hand, with the requirement of proper bookkeeping on the other. Compliance and control need to be matched with commitment. This also suggests adding another dimension. It is no longer enough for accountability to be required of a person or an entity; there needs to be an acceptance of an obligation by that person or that entity. In Islam, a corporate entity that would be accountable no longer considers it enough to meet the accountability standard imposed, it needs to consider what is in the other parties' interests.

The review of Islamic institutions provides new measures and venues to be considered by modern corporate regulators. The institution of *shura, hisba,* and religious audit (with some adaptations to the present corporate environment) should be seriously considered. The study on Islam provides a new dimension on morality that needs to be observed. The debate on corporate accountability and governance needs to start on values not on standards and on responsibilities not on rules. It is not enough to say that this is the way business is done in this culture, whatever the society we are talking about. The question is whether what business does is right.

Notes:

1. For example, see A.D. Shocker and S.P. Sethi, "An Approach to Incorporating Societal Preferences in Developing Corporate Action Strategies," *California Management Review* (Summer 1973): 97–105.
2. D. Bell, *The Coming of Post-Industrial Society* (Harmondsworth: Penguin, 1973), 5.
3. R.L. Heilbronner, *Controlling the Corporation,* in *In the Name of Profit,* ed. Heilbronner et al. (New York: Doubleday, 1972), 54.
4. N.C. Smith, *Morality and the Market* (London: Routledge, 1990), 18.
5. A.R. Belkaoui, *Socio-Economic Accounting* (New York: Quorom Books, 1985).
6. M. Friedman, "The Social Responsibility of Business to Increase Profits," *The Sunday Times Magazine,* (13 Sept. 1970): 32–33.
7. As quoted in Belkaoui, *Socio Economic Accounting.*
8. Friedman, "The Social Responsibility." This view is quite dominant in corporate management and finance literature where many authors assume that management's primary goal is to maximize the wealth of its shareholders.
9. Belkaoui, *Socio Economic Accounting;* R. Gray, D. Owen, and K. Maunders, *Corporate Social Reporting: Accounting, Auditing and Accountability* (London: Prentice Hall, 1987); McDonagh, *Social Reporting* (CA Magazines, 1992), 8–9.
10. A.G. Tower, "A Public Accountability Model in Accounting Regulation," *British Accounting Review* (1993): 61–85.
11. J. Roberts and R. Scapens, "Accounting Systems and Systems of Accountability," *Journal of Accounting, Organisation and Society* 10, no. 4 (1985).
12. These two aspects of accountability are also seen in the etymology of the word "account." As argued by R.J. Boland and U. Schultze, "Narrating Accountability and the Production of the Accountable Self," in *Accountability: Power, Ethos and the Technologies of Managing,* ed. R. Munro and J. Mouritsen (1996), in the Oxford English Dictionary we see that account comes from both the Old French "a conter," meaning "a story" and from the Late Latin "accomputare," meaning "to compute." Thus, accountability entails the giving of an account as in narration of what transpired (accounting of events in story form) and the giving of an account as in reckoning of money (a calculation of net balances of events in transaction form).
13. G.J. Benston, "Accounting and Corporate Accountability," *Journal of Accounting, Organisations and Society* 7, no. 2 (1982): 87–105.
14. R. Tricker, *Corporate Governance* (Vermont: Gower, 1984).

15. K. Keasey and M. Wright, "Issues in Corporate Accountability and Governance: An Editorial," *Journal of Accounting and Business Research* 23, 91A (1993): 291–303.
16. G. Whittington, "Corporate Governance and the Regulation of Financial Reporting," *Journal of Accounting and Business Research*, 23, 91A (1993): 311–319.
17. Keasey and Wright, "Issues in Corporate Accountability," 291–303.
18. Gray, et al., *Corporate Social Reporting*.
19. Keasey and Wright, "Issues in Corporate Accountability."
20. W.M. Watts, *Influence of Islam on Medieval Europe* (London: Routledge Kegan Paul, 1972).
21. The Qur'an, *Surah al-Jumu'ah*, verse 9; S.O. al-Habshi, "The Role of Ethics in Economics and Business," in ed. A.H.M. Sadeq, A.H. Pramanik, and N.M. Nik-Hassan, (Malaysia: International Islamic University, 1987), argued that this verse specifically mentions business instead of other forms of activity to emphasize the importance of religious and moral duty and that one should not merely pursue material advancement in commercial activities.
22. See M. Afkalur-Rahman, *Economic Doctrines of Islam*, vol. I (Lahore: Islamic Publications Limited, 1982).
23. See M. Akram-Khan, "Types of Business Organization in an Islamic Economy," *Islamic Literature*, no. 8 (1971): 5–16.
24. The details and forms of Islamic law as they relate to corporations will not be discussed in this paper as the focus is on the issue of corporate accountability. The aim of this paper is to provide a skeletal structure to reform modern corporate governance.
25. Ismail Raji al-Faruqi, *Al-Tawhid: Its Implications for Thought and Life* (Herndon, VA: IIIT, 1982).
26. AbdulHamid AbuSulayman, *Crisis in the Muslim Mind* (Herndon, VA: IIIT, 1993).
27. The Qur'an: verses 6:165 and 57:7.
28. A.K. al-Safi, *Accountability: Islam Versus the Man-made Doctrines* (Kuala Lumpur: Darul Fikr, 1992).
29. M.A. Shaikh, "Ethics of Decision Making in Islamic and Western Environments," *The American Journal of Islamic Social Science* 5, no. 1 (1987).
30. Maududi, *An Understanding of Qur'an* (Pakistan: Urdu Digest Printers, 1974).
31. Ibn Taymiyah, *Public Duties in Islam*, trans. Mukhtar Holland (Leicester: UK Islamic Foundation, 1982).
32. T. Hayashi, *On Islamic Accounting: Its Future Impacts on Western Accounting* (Kyoto: International University of Japan Monograph Series, 1988).
33. M. Akram Khan, "Types of Business Organisation in an Islamic Economy," *Islamic Literature*, no. 8 (1971): 5–16.
34. R. Briston and A. El-Ashker, "Religious Audit: Could It Happen Here?" *Accountancy* (Oct. 1986): 120.
35. Briston and El-Ashker, "Religious Audit," 12.
36. T. Gambling and R.A. Karim, *Business and Accounting Ethics in Islam* (London: Blackwell, 1993).
37. R.A. Karim, "The Independence of Religious and External Auditors: The Case of Islamic Bank," *Journal of Accounting, Auditing and Accountability* 3, no.3 (1990).
38. Ibid.
39. Tricker, *Corporate Governance*.
40. Gray et al., *Corporate Social Reporting*.
41. McDonagh, *Social Reporting*.
42. Shocker and Sethi, *An Approach to Incorporating Societal Preferences*.