Creative Accounting and Generative Artificial Intelligence Advice as Reporting Gray Areas: Shar'i Trichotomy and Maqasid Criteria

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Abstract

This study aims to formulate the *Trikotomi Syar'i* and *maqasid* criteria for assessing creative accounting as a gray area in financial reporting, including when mediated by generative artificial intelligence (GenAI) advice. This normative-conceptual library research examines the Qur'anic text (QS. Al-Baqarah: 282), Islamic ethical principles (*amanah, sidq, 'adl*, and the prohibition of *tadlis* and *gharar*), and the classical hierarchy of *maslahah* (*dharuriyyat, hajiyyat, tahsiniyyat*) alongside contemporary literature on reporting ethics and GenAI. The findings formulate the *Trikotomi Syar'i*, which classifies financial reporting into three zones: Zone I (Legitimate Professional Judgment), Zone II (Creative Accounting as a Gray Area), and Zone III (Fraud). Five documented Zone II techniques are assessed using the *maqasid* hierarchy through the operational distinction between *wasilah* and *hilah*. The findings affirm that formal legality does not automatically guarantee *shar'i* validity, establishing the boundary of "permissible under standards, prohibited under maqasid." GenAI advice is positioned as a contemporary *wasilah* that does not create a new zone, with the *locus taklif* remaining fully attached to the human subject. This study contributes theoretically by repositioning the gray area within the map of *taklif* and provides practical guidance for accountants, Sharia Supervisory Boards, and standard-setting regulators.

Keywords: Creative Accounting; Maqasid Syariah; Trikotomi Syar'i; Gray Area in Financial Reporting; Generative Artificial Intelligence.

Introduction

Within the framework of Islamic epistemology, financial reporting constitutes a manifestation of *amanah* (trust) encompassing both vertical (*hablum minallah*) and horizontal (*hablum minannas*) dimensions simultaneously (Hasna & Nazar, 2026). The vertical dimension entails accountability to Allah SWT, whereas the horizontal dimension requires transparency toward users of financial statements. The trust embedded in financial reporting cannot be reduced merely to administrative compliance with formal accounting standards. Since financial reporting constitutes part of *taklif shar'i*, accounting standards cannot be treated as value-free technical instruments. Every accounting policy choice and estimation remains bound by Islamic ethical consequences. Formal compliance with financial accounting standards (SAK) does not, in itself, fulfill the *amanah* when the economic substance presented instead obscures reality. The technical neutrality of standards, from the perspective of Islamic accounting, therefore cannot be maintained.

The flexibility inherent in principles-based standards provides room for creative accounting practices as a gray area in financial reporting (Abed et al., 2022; Horaicu et al., 2026). Such practices exploit methodological choices or estimation flexibility to arrange figures in financial statements. These practices remain legally permissible under positive law and applicable standards, yet possess a high potential to mislead users regarding the substance of the information presented. Formal legality does not automatically guarantee the substantive validity of financial statements. This gray-area domain must be clearly distinguished from fraud, whose prohibition is explicitly established in Islamic law (Rahmatika et al., 2020). Fraud involves unlawful acts and the fabrication of fictitious data, which are categorically prohibited, whereas creative accounting operates within a domain that is formally permitted by accounting standards.

The dilemma of gray areas in financial reporting is currently becoming increasingly complex with the emergence of generative artificial intelligence (GenAI) technology. Lehner et al. (2022) position AI as a mediator of accounting decisions that does not fully possess the necessary ethical antecedent conditions. Sinha and Derichs (2026) demonstrate that the space of ethics in professional work is shifting as a result of AI intervention, while ethical criteria in the mainstream literature remain predominantly grounded in secular frameworks. Sugahara and Kano (2026) identify how advice generated by ChatGPT may encourage aggressive reporting, such as recommending the non-consolidation of a loss-making entity by exploiting gaps in the interpretation of accounting standards. Meanwhile, Albuquerque and dos Santos (2026) demonstrate that GenAI is unreliable when confronted with complex professional judgment. The gray-area domain of financial reporting is therefore no longer confined to the internal decisions of human accountants but has become intertwined with recommendations generated by machine algorithms.

In the Islamic accounting literature, the values of honesty (*sidq*), justice (*'adl*), and accountability (*amanah*) have been established as foundations of financial reporting (Hasna & Nazar, 2026). However, much of the existing literature on Islamic reporting ethics remains philosophical and abstract or is limited to zakat institutions (Fahrudin, 2007.; Alfiyyah et al., 2022; Hasna & Nazar, 2026). Philosophical discussions have successfully formulated conceptual meanings but have not yet provided operational criteria for evaluating specific accounting techniques. Meanwhile, the closest body of research examining creative accounting from an Islamic perspective generally employs the approach of *sadd al-dhari'ah* (Istiariani et al., 2024). The *sadd al-dhari'ah* principle, which is oriented toward closing the means to harm, tends to produce generic decisions that prohibit all forms of creative accounting comprehensively, even when such practices remain within the legitimate flexibility permitted by accounting standards.

Previous studies have applied the Maqasid Syariah approach to evaluate BAZNAS (Alfiyyah et al., 2022) and to formulate a hierarchy of the objectives of Islamic financial reporting through *dharuriyyat*, *hajiyyat*, and *tahsiniyyat* (Birton, 2015). However, the use of *maqasid* in these studies has focused on organizational macro-objectives rather than on the micro-level of accounting techniques. Similarly, Western ethical literature that distinguishes among the terms creative accounting, earnings management, and fraudulent accounting (Hlawiczka et al., 2021) provides only a spectrum of terminological classification (white-grey-black) without a framework for *shar'i* normative assessment. Bachtijeva and Tamulevičienė

(2022) confirm the conceptual overlap among these terms. Arifian and Chariri (2025) distinguish fraudulent reporting from misconduct within the gray area, but their analytical framework does not yet extend to the domain of Islamic legal *taklif*. Sugahara and Kano (2026) evaluate aggressive reporting through the dilemma between deontological and consequentialist approaches, which does not yet reflect the values of justice embedded in Islamic law.

Based on this mapping of the literature, two main research gaps are identified. First, no existing study has systematically operationalized the *Trikotomi Syar'i* to distinguish legitimate professional judgment (Zone I), the gray area (Zone II), and fraud (Zone III). Without the *Trikotomi Syar'i*, gray-area practices risk escaping Islamic oversight because they are considered legal, or conversely, all legitimate flexibility within accounting standards may be prohibited unjustly through generic prohibition based on *sadd al-dhari'ah*. Second, no existing study has applied the classical hierarchy of Maqasid Syariah (*dharuriyyat-hajiyyat-tahsiniyyat*) using the operational distinction between *wasilah* and *hilah* to evaluate specific techniques within Zone II. Without *maqasid*-based criteria, the boundary between legitimate flexibility within accounting standards and reporting *hilah* cannot be clearly established. Integrating the phenomenon of GenAI-generated advice into this framework constitutes a derivative aspect intended to ensure that machine-generated recommendations remain subject to assessment under Islamic law.

To address these academic gaps, this study aims to formulate the *Trikotomi Syar'i* and Maqasid Syariah criteria for evaluating creative accounting and GenAI advice as gray areas in financial reporting. Specifically, this study formulates two main research questions: (1) How can creative accounting be conceptualized as an object of Islamic legal-ethical assessment through the *Trikotomi Syar'i* (Zones I, II, and III)? (2) How should Zone II creative accounting techniques and documented GenAI advice be assessed using the classical hierarchy of Maqasid Syariah? This study makes two main theoretical contributions: operationalizing *shar'i* assessment of the gray area that distinguishes legitimate discretion from *hilah* and fraud, and establishing *maqasid* criteria as an evaluative instrument for accounting techniques that is responsive to developments in artificial intelligence technology.

Methods

This study employs a library research design using a normative-conceptual approach within the disciplines of Islamic law and Islamic accounting. This conceptual design was selected because the primary focus of the study lies in repositioning the legal object, establishing criteria for *shar'i* assessment, and constructing a theoretical framework, rather than empirically measuring the behavior of accounting professionals in the field. Accordingly, field data collection methods such as interviews, questionnaires, and observations were not employed. This methodological genre is consistent with the tradition of conceptual studies in Islamic accounting developed by Birton (2015), Istiariani et al. (2024), Nuranisya et al. (2025), and Hasna and Nazar (2026). The fundamental distinction of this manuscript lies in its unit of analysis and analytical lens: the unit of analysis focuses on Zone II techniques and documented GenAI advice, while the analytical lens applied is the *Trikotomi Syar'i* and the hierarchy of Maqasid Syariah, rather than the generic *sadd al-dhari'ah* approach.

The unit of analysis in this study is divided into two main groups. The first group consists of recurring creative accounting techniques identified in the financial accounting

literature, including revenue shifting, aggressive capitalization, flexible cookie-jar reserves for bad debts or employee benefits, off-balance-sheet financing, and misleading disclosure choices in the notes to financial statements (Abed et al., 2022; Horaicu et al., 2026; Rahman et al., 2023; Istiariani et al., 2024). The second group comprises documented phenomena involving GenAI-based financial reporting advice identified in the literature, particularly the dilemma concerning the consolidation of affiliated loss-making entities (Sugahara & Kano, 2026) and the reliability of ChatGPT responses to ethical dilemmas faced by professional accountants (Albuquerque & dos Santos, 2026).

The data sources consist of primary and secondary sources. Primary sources include the texts of the Qur'anic revelation, particularly QS. Al-Baqarah: 282 concerning the principles of record-keeping and justice (Nuranisya et al. (2025); *fiqh mu'amalah* principles concerning the prohibition of *tadlis* and *gharar*; and the classical hierarchy of *maslahah* (*dharuriyyat*, *hajiyyat*, and *tahsiniyyat*) formulated by Al-Ghazali and Al-Syatibi, as analyzed by Auda (2008) and Birton (2015). The use of Maqasid Syariah as a normative evaluative system refers to Auda (2008), Dusuki and Abdullah (2007), Farikhin and Mulyasari (2022), and Hasna and Nazar (2026). The operational distinction between legitimate flexibility (*wasilah*) and manipulation that undermines the objectives of Islamic law (*hilah*) draws on Auda's (2008) theory of *maqasid*. Secondary sources are limited to a corpus of reputable scholarly literature comprising indexed international journals, primary *maqasid* textbooks, and financial accounting standards (AAOIFI and PSAK) referred to through previous literature reviews (El-Halaby et al., 2023).

The data analysis procedure consists of seven chronological steps. First, creative accounting techniques and the phenomenon of GenAI advice are inventoried from the corpus of secondary literature. Second, the criteria distinguishing the *Trikotomi Syar'i* are formulated to separate Zone I (Legitimate Professional Judgment), Zone II (Gray Area), and Zone III (Fraud) based on indicators of intent/substantive purpose, flexibility of standards, misleading potential, informational rights, positive legal status, and *shar'i* status (Hlawiczka et al., 2021; Abed et al., 2022; Arifian & Chariri, 2025; Horaicu et al., 2026). Third, accounting techniques are classified into the three zones. Fourth, Zone II techniques are analyzed using the hierarchy of *dharuriyyat* (their impact on *hifz al-mal* and *hifz al-din*), *hajiyyat* (assessing *wasilah* versus *hilah*), and *tahsiniyyat* (evaluating disclosure honesty) (Auda, 2008; Birton, 2015; Dusuki & Abdullah, 2007). Fifth, the normative boundary of "permissible under accounting standards, prohibited under *maqasid*" is formulated. Sixth, the framework is applied to GenAI advice by establishing that artificial intelligence constitutes a *wasilah* that does not alter the locus of human *taklif*. Seventh, an internal analytical audit is conducted to ensure that all conceptual determinations remain grounded in Islamic legal principles and the available literature.

Results

Operationalization of the Trikotomi Syar'i in Financial Reporting (RQ1)

The first analytical finding formulates operational criteria for the *Trikotomi Syar'i* to map all forms of discretion and financial reporting techniques into three independent assessment zones. This trichotomy is designed to enable creative accounting to be analyzed as a distinct object of Islamic legal-ethical assessment within Zone II, without being forcibly classified into Zone I (as ordinary professional judgment) or Zone III (as equivalent to fraud). The formulation of these criteria provides a clear normative foundation, given that previous

literature, such as Hlawiczka et al. (2021), provides only a spectrum of terminological classifications (white-grey-black) without criteria for determining Islamic legal *taklif*.

Table 1. Operational Criteria of the Trikotomi Syar'i for Financial Reporting

Distinguishing Criteria	**Zone I: Legitimate Judgment**	**Zone II: Gray Area**	**Zone III: Fraud**
Purpose of Economic Substance	Presenting a fair position	Arranging figures according to targets	Concealing/fabricating
Function of Standards Flexibility	*Wasilah* to remove hardship	Exploiting legal loopholes	Violating standards/law
Misleading Potential	Low (transparent)	Present at the substantive level	Very high (intentional)
Status of Informational Rights	Fully preserved	Threatened/obscured	Completely violated
Positive Legal Status	Lawful and legal	Formally legal	Contrary to law (illegal)
Status of *Shar'i Taklif*	Permissible (*mubah*)	Problematic (*tadlis/gharar*)	Absolutely prohibited (*haram*)
Typical Example in the Literature	Transparent method selection	Revenue shifting	Fictitious revenue

Source: Synthesis of the literature analysis (2026), based on Abed et al. (2022), Horaicu et al. (2026), Rahmatika et al. (2020), and Ifadah & Senjani (2020).

As presented in Table 1, Zone I encompasses accounting policy choices that function as legitimate *wasilah* for removing hardship (*raf' al-haraj*) in representing business realities. Method choices are fully disclosed (*full disclosure*), consistent with the principles of *'adl*, *sidq*, and *amanah* (Nuranisya et al., 2025; Hasna & Nazar, 2026). In contrast, Zone II represents creative accounting in which the flexibility of standards is used aggressively to arrange figures. Although such practices do not formally violate positive law, Zone II practices contain elements of *tadlis* (misleading conduct) and *gharar* (distortion of information) that threaten the informational rights of financial statement users. Meanwhile, Zone III constitutes a clear boundary represented by fraud involving deliberate manipulation and unlawful conduct that is absolutely prohibited (*haram*) (Ifadah & Senjani, 2020; Rahmatika et al., 2020).

Table 2. Classification of Financial Reporting Techniques within the Trikotomi Syar'i

Financial Reporting Technique	**Zone Classification**	**Analytical Function within the Trichotomy Framework**
Transparent Depreciation Methods & Estimates	Zone I	Benchmark for legitimate flexibility (*wasilah mubah*)
Revenue Shifting	Zone II	Core of gray-area evaluation
Aggressive Capitalization of Expenses	Zone II	Core of gray-area evaluation
Cookie-Jar Reserves	Zone II	Core of gray-area evaluation
Off-Balance-Sheet Financing	Zone II	Core of gray-area evaluation
Misleading Disclosure of Notes	Zone II	Core of gray-area evaluation
Recording Fictitious Transactions	Zone III	Fraud boundary (*haram* fraud)
Deliberate Concealment of Liabilities	Zone III	Fraud boundary (*haram* fraud)

Source: Processed from Abed et al. (2022), Horaicu et al. (2026), Istiariani et al. (2024), and Rahmatika et al. (2020).

Table 2 confirms that the five main creative accounting techniques fall precisely within Zone II as the core object of Islamic assessment. The presence of Zone I techniques serves as a

benchmark for preserving legitimate discretion, whereas Zone III techniques function as a boundary to prevent the gray area from being equated with criminal conduct.

Evaluation of Maqasid Syariah Criteria for Zone II Techniques (RQ2)

The second analytical finding evaluates the five Zone II techniques using the classical hierarchy of Maqasid Syariah (*dharuriyyat, hajiyyat,* and *tahsiniyyat*). This evaluation aims to distinguish operationally when the flexibility of standards functions as an allowable *wasilah* and when it transforms into *hilah* (legal manipulation that undermines the objectives of Islamic law) (Auda, 2008). The *maqasid* evaluation matrix is summarized in Table 3.

Table 3. Maqasid Syariah Evaluation Matrix for Zone II Creative Accounting Techniques

Zone II Technique	Dharuriyyat Level	Hajiyyat Level	Tahsiniyyat Level	Maqasid Determination
Revenue Shifting	Obscures *hifz al-mal*	*Hilah* (not *hajiyyat*)	Undermines faith	*Hilah* (Prohibited)
Aggressive Capitalization	Threatens informational rights	*Hilah* (expense manipulation)	Reporting cosmetics	*Hilah* (Prohibited)
Cookie-Jar Reserve	Obscures actual profit	*Hilah* (income smoothing)	Misleading information	*Hilah* (Prohibited)
Off-Balance-Sheet	Undermines *hifz al-mal*	*Hilah* (concealing debt)	Not an enhancement	Rights Impairment / *Hilah*
Misleading Disclosure	Threatens informational rights	*Hilah* (obscuring facts)	Mere cosmetics	*Hilah* (Prohibited)

Source: Literature analysis based on Auda (2008), Birton (2015), Dusuki & Abdullah (2007), and Abed et al. (2022).

As shown in Table 3, at the *dharuriyyat* level, all Zone II techniques have the potential to undermine *hifz al-mal* (protection of wealth) in the form of protecting the informational rights of financial statement users, as well as to undermine *hifz al-din* (protection of religion) by disregarding the *amanah* of worship in *muamalah*. At the *hajiyyat* level, the use of standards flexibility in all five techniques no longer functions as a *wasilah* for alleviating operational difficulties but has shifted into reporting *hilah*, namely the use of formally legal means to circumvent the *maqsad* (objective) of reporting honesty (Auda, 2008). At the *tahsiniyyat* level, the presentation of manipulated figures and unclear disclosures does not constitute an ethical enhancement but merely reporting cosmetics that conceal economic reality.

Table 4. Islamic Legal Principles Supporting the Maqasid Evaluation Determination

Islamic Legal Principle	Operational Function in Technique Evaluation	Key Literature Reference
Amanah Principle	Affirms vertical-horizontal accountability	Hasna & Nazar (2026); Fahrudin (n.d.)
Prohibition of *Tadlis* & *Gharar*	Provides the basis for assessing the misleading potential of Zone II	Farikhin & Mulyasari (2022)
Concept of *Hilah* (Auda, 2008)	Distinguishes legitimate flexibility from prohibited manipulation	Auda (2008)
Hifz al-Mal & *Hifz al-Din*	Serves as a benchmark for protecting informational rights	Al-Ghazali & Al-Syatibi (in Auda, 2008)

Source: Synthesis of Islamic legal principles based on selected primary and secondary literature (2026).

Table 4 demonstrates that the determination of the legal status of Zone II techniques has a strong foundation in *muamalah* principles. From this matrix, the principal *shar'i* boundary is formulated: "permissible under standards, prohibited under maqasid." This means that formal compliance with SAK does not, in itself, negate substantive prohibition when the technique employed is proven to constitute a *hilah* that undermines the public's informational rights.

Application to Generative AI Financial Reporting Advice

The derivative finding applies the *Trikotomi Syar'i* and Maqasid Syariah frameworks to the phenomenon of GenAI-based financial reporting advice. The analysis confirms that artificial intelligence does not create a new "Zone IV." Algorithmic machines are not *mukallaf* (legal subjects) and therefore do not possess the capacity for *shar'i taklif*. Advice generated by GenAI constitutes a contemporary *wasilah* that falls into one of the three existing zones, depending on the substance of the recommendation provided.

Table 5. Application of the Trikotomi Syar'i and Maqasid Criteria to GenAI Advice

Documented GenAI Advice	Shar'i Zone	Maqasid Syariah Evaluation	Locus of *Shar'i Taklif*
Advice to consolidate according to substance	Zone I	Legitimate *wasilah* (preserving *dharuriyyat*)	Human user (accountant)
Advice to disregard entity consolidation	Zone II	*Hilah* at the *hajiyyat* level (misleading)	Human user (accountant)
Persuasive but subtle ethical response	Zone II	Cosmetics / threatens informational rights	Human user (accountant)

Source: Processed from Sugahara & Kano (2026), Albuquerque & dos Santos (2026), and Lehner et al. (2022).

Table 5 confirms that the GenAI recommendation not to consolidate a loss-making entity (Sugahara & Kano, 2026) is classified as Zone II and assessed as a prohibited *hilah*. *Shar'i* accountability (*locus taklif*) remains fully attached to the human accountant who makes the decision, rather than being transferred to the AI machine.

Discussion

Summary of Main Findings and Analytical Orientation

This study has successfully constructed a comprehensive normative-conceptual framework for assessing creative accounting and generative artificial intelligence (GenAI) advice as gray areas in financial reporting. The first finding answers the first research question by formulating the *Trikotomi Syar'i*, which maps reporting practices into Zone I (Legitimate Professional Judgment), Zone II (Creative Accounting as a Gray Area), and Zone III (Fraud). This trichotomy clarifies legal boundaries, preventing all accounting discretion from being equated with criminal conduct while also preventing the gray area from being disregarded in the name of formal compliance. The second finding answers the second research question by operationalizing the classical hierarchy of Maqasid Syariah (*dharuriyyat, hajiyyat, tahsiniyyat*) using the operational distinction between *wasilah* and *hilah*. The evaluation of the five principal Zone II techniques demonstrates that, although these techniques are formally legal under financial accounting standards, most fall within the category of prohibited *hilah* because they compromise *hifz al-mal* (the informational rights of users) and *hifz al-din* (the *amanah* of

worship). The derivative finding confirms that GenAI advice constitutes a contemporary *wasilah* that does not alter the zoning framework or the *locus taklif*, which remains attached to the human accountant.

Epistemology of the Trikotomi Syar'i: Distinction from Terminological Trichotomy and Sadd al-Dhari'ah

The first epistemological novelty of this manuscript lies in the operationalization of the *Trikotomi Syar'i* as an instrument for evaluating *taklif*, rather than merely differentiating terminology. In the conventional financial accounting literature, Hlawiczka et al. (2021) map creative accounting, earnings management, and fraudulent accounting along a white-grey-black spectrum. However, the spectrum proposed by Hlawiczka et al. (2021) is descriptive and value-neutral and stops at terminological distinctions without providing *shar'i* evaluative norms. Similarly, Bachtijeva and Tamulevičienė (2022) highlight the conceptual overlap among these terms, while Arifian and Chariri (2025) distinguish the gray area from misconduct based on secular ethics. The *Trikotomi Syar'i* developed in this study takes this color spectrum as its object-level starting point and then transforms it into criteria of Islamic legal *taklif* (*mubah*, problematic/prohibited under *maqasid*, and absolutely *haram*).

This approach clearly distinguishes itself from the closest competing research in Islamic accounting, particularly Istiariani et al. (2024). Istiariani et al. (2024) evaluate creative accounting using the principle of *sadd al-dhari'ah* (blocking the means leading to harm). The use of *sadd al-dhari'ah* without sufficient precision produces generic determinations that prohibit all forms of creative accounting disproportionately, thereby also penalizing legitimate standards flexibility in Zone I. Conversely, the *Trikotomi Syar'i* formulated in this study preserves Zone I as transparent professional judgment that is necessary to represent business realities. At the same time, this framework also corrects the mainstream ethical view that often equates the gray area with fraud (Rahmatika et al., 2020) or disregards it because it is formally legal (El-Halaby et al., 2023; Michulek et al., 2024).

Operationalization of Maqasid Syariah: The Classical Hierarchy as an Analytical Lens for Accounting Techniques

The second epistemological novelty of this manuscript lies in shifting the application of Maqasid Syariah from the level of institutional macro-objectives to the level of micro-analysis of accounting techniques. Previous studies such as Birton (2015) have employed the *maslahah* hierarchy of Al-Ghazali and Al-Syatibi to formulate the objectives of Islamic financial reporting. Alfiyyah et al. (2022) applied it to BAZNAS, while Mergaliyev et al. (2021) and Soediro and Meutia (2018) directed it toward measuring performance indices of Islamic financial institutions. Sutainim et al. (2023) and Abdul Rahman et al. (2023) examined *amanah* in disclosure. Although all these studies utilize the *maqasid* framework, none has employed it as an analytical lens for evaluating discretionary financial reporting techniques.

This study places the *dharuriyyat-hajiyyat-tahsiniyyat* hierarchy directly at the heart of Zone II techniques. At the *dharuriyyat* level, financial statements are viewed as a means of protecting public wealth (*hifz al-mal*) through the truthful and fair fulfillment of informational rights (*'adl* and *sidq*). When techniques such as off-balance-sheet financing or revenue shifting are used to conceal actual financial risks, the informational rights of investors and creditors are

systematically impaired. At the *hajiyyat* level, standards flexibility should function as a *wasilah* for addressing transaction complexity (*raf' al-haraj*). However, when such flexibility is manipulated to achieve an engineered profit target, the *hajiyyat* function collapses and transforms into *hilah*. At the *tahsiniyyat* level, disclosures in the notes to financial statements are expected to represent an enhancement of faith and transparency, rather than merely reporting cosmetics (Abed et al., 2022) that confuse readers.

Wasilah versus Hilah in Financial Reporting Flexibility

The most crucial operational distinction in the *maqasid* evaluation undertaken in this study is the demarcation between *wasilah* (legitimate means) and *hilah* (legal manipulation) (Auda, 2008). In Auda's (2008) *maqasid* theory, a means that is formally legal but used to circumvent or undermine the objectives of Islamic law is categorized as a prohibited *hilah*. In the context of financial reporting, principles-based accounting standards deliberately provide flexibility in estimation so that accountants can present economic substance accurately according to the specific circumstances of an entity (El-Halaby et al., 2023). However, when such flexibility is employed with the intention of arranging figures, smoothing income, or concealing liabilities, the action transforms into reporting *hilah*. This study formulates a sharp normative boundary: "permissible under standards, prohibited under maqasid." This boundary provides an argumentative basis for asserting that legality under PSAK or IFRS does not automatically eliminate the sin of misleading conduct (*tadlis* and *gharar*) from the perspective of Islamic law (Farikhin & Mulyasari, 2022). Accordingly, Islamic accountants may not take refuge behind the pretext of formal standards compliance when the actions taken are demonstrably detrimental to substantive justice.

Position in Relation to Values, Worldview, and the Practice of Earnings Management in Islamic Entities

The conceptual analysis also clarifies its position in relation to the literature on ethics, the Islamic worldview, and empirical studies of earnings management in Islamic financial institutions. Hasna and Nazar (2026) and Sutainim et al. (2023) emphasize the importance of internalizing the values of *amanah* and *sidq* within accountants. Shahid et al. (2025) demonstrate the influence of the Islamic worldview on investment decisions, while Ifadah and Senjani (2020) examine religiosity as a moderator of fraud. This study incorporates these ethical foundations but does not claim to empirically test actor behavior because the research is normative-conceptual in nature.

In the empirical domain, Nurianah (2019) finds that although the level of earnings management in Islamic banks is relatively lower than in conventional banks, such practices remain present and have not disappeared entirely. This finding by Nurianah (2019) is reinforced by Aisyah et al. (2023) among Islamic issuers and by Muhfiatun et al. (2022) concerning the role of the Sharia Supervisory Board (DPS) and Islamic CSR in earnings management. These empirical findings demonstrate that an entity's Islamic label does not automatically exempt the company from reporting manipulation. This underscores the theoretical importance of the *Trikotomi Syar'i* and Maqasid Criteria formulated in this manuscript as an evaluative guide that is highly relevant to the Islamic accounting industry in practice.

Reconstructing GenAI Ethics: The Locus of Taklif and the Space of Ethics without a Machine Subject

Applying the trichotomy and *maqasid* framework to GenAI advice makes an important academic contribution to clarifying the current discourse on technology ethics. Lehner et al. (2022) identify five ethical challenges of AI—objectivity, privacy, transparency, accountability, and trustworthiness—and propose a division of accountability between humans and AI. Within the epistemology of Islamic law, the attribution of accountability to machines is explicitly rejected. Artificial intelligence is not *mukallaf*; it possesses neither moral consciousness, intention, nor the capacity to bear *taklif* under Islamic law. The *locus taklif* therefore remains entirely with the human subject (accountant, manager, auditor) who uses the advice.

Sinha and Derichs (2026) formulate the space of ethics in AI-mediated professional decision-making through Habermasian deliberation. This study fills that space of ethics with the values of *shar'i taklif* and *maqasid* criteria. When ChatGPT provides a recommendation not to consolidate a loss-making entity (Sugahara & Kano, 2026), that recommendation is not examined solely through the Western framework of deontology versus consequentialism but is assessed as a *hilah* falling within Zone II. Likewise, GenAI output that appears persuasive but contains hallucinated information (Albuquerque & dos Santos, 2026) is assessed as violating *dharuriyyat* when it misleads users. Human accountants cannot relinquish their moral-spiritual responsibility on the grounds that they merely followed recommendations generated by a GenAI algorithm.

Theoretical, Practical, and Policy Implications for Financial Reporting

The theoretical implication of this study is the repositioning of creative accounting within the map of Islamic legal *taklif* as an autonomous gray area. This study frees Islamic accounting from the trap of a rigid dichotomy (formal compliance versus fraud) while also freeing it from disproportionate generic prohibition. The *Trikotomi Syar'i* and Maqasid Criteria provide a conceptual analytical tool that can be used by future researchers to examine accounting discretion in a more measurable manner. In practical and policy terms, this study provides a valuable reference for the Accounting Standards Board for Islamic Accounting (DSAS-IAI), Sharia Supervisory Boards (DPS), and accounting practitioners. DPS should not merely examine the formal conformity of transactions with contractual structures (*akad*) but should also oversee financial reporting discretion that has the potential to become *hilah*. In Islamic accounting education, ethics curricula need to be expanded beyond merely prohibiting fraud toward a critical understanding of gray areas in financial reporting, including heightened vigilance in using generative artificial intelligence advice.

Research Limitations and Future Research Agenda

This study has three main limitations. First, as a normative-conceptual library research study, this manuscript does not capture actual professional judgment or behavioral data from accountants in the field. Second, the techniques assessed are limited to analytical units documented in the secondary literature. Third, this study does not empirically test accrual measurements or conduct direct prompt experiments with ChatGPT. Based on these limitations, future research may be directed toward: (1) empirical testing of the extent to which the

internalization of *amanah* and *sidq* values affects accountants' discretionary decisions in practice (Hasna & Nazar, 2026; Ifadah & Senjani, 2020); (2) behavioral experiments examining how accountants respond to GenAI advice when confronted with Zone II reporting dilemmas under *shar'i* framing versus conventional framing (Sugahara & Kano, 2026; Albuquerque & dos Santos, 2026); and (3) comparative studies of the effectiveness of DPS oversight of gray-area practices in Islamic financial institutions.

Conclusion

This study concludes that creative accounting from the perspective of Islamic accounting constitutes an independent gray area of financial reporting situated between legitimate professional judgment and fraudulent conduct. Through the formulation of the *Trikotomi Syar'i*, reporting practices are systematically mapped into Zone I (Legitimate Professional Judgment that is *mubah* and preserves informational rights), Zone II (Creative Accounting as a *shar'i*-problematic Gray Area), and Zone III (Fraud that violates the law and is absolutely *haram*). The application of the classical hierarchy of Maqasid Syariah (*dharuriyyat, hajiyyat, tahsiniyyat*), using the operational distinction between *wasilah* and *hilah*, demonstrates that the five principal Zone II techniques—revenue shifting, aggressive capitalization, cookie-jar reserves, off-balance-sheet financing, and misleading disclosures—constitute prohibited *hilah* that undermine *hifz al-mal* and *hifz al-din*. This study affirms the principal normative proposition: "permissible under standards, prohibited under maqasid," emphasizing that formal legality under accounting standards does not automatically guarantee *shar'i* validity. Furthermore, GenAI advice is positioned as a contemporary *wasilah* that does not create a new zone, while the locus of Islamic legal *taklif* remains fully attached to, and undivided from, the human subject.

The theoretical implication of this study is its successful repositioning of the gray area of financial reporting within the map of *shar'i taklif* while providing a precise normative analytical framework. Its practical implications provide concrete guidance for accountants, Sharia Supervisory Boards, and standard-setting regulators in identifying and limiting financial reporting manipulation disguised as standards flexibility, including when mediated by artificial intelligence technology. The limitations of the study, which focuses on a conceptual-library approach, open a future research agenda involving empirical behavioral testing of accountants and experiments on human-AI interaction in Islamic financial reporting decisions.

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