

**Diploma in Islamic Banking Examination, November-2022**

**103: Principles of Accounting**

**Part : I                      Full Marks: 100**

**Time: 3 Hours              Pass Marks: 45**

**(N.B.: Answer any five of the following questions. The figures in the right margin indicate full marks.)**

1. a) What is Accounting Information? Who are the users of accounting information and why do they need it? 7
- b) What are the steps of Accounting Cycle? Discuss each step briefly? 7
- c) What are the various types of Accounts? How debit and credit of Personal, Real and Nominal Accounts are identified? 6
2. a) Briefly explain the following accounting concepts and principles: 5x2=10
  - i. Going Concern Principle ii. Conservatism Principle iii. Matching Principle
  - iv. Business Entity Concept v. Cost Concept.
- b) Journalize the adjusting entry needed on 30 June 2021 the end of the current accounting period for each of the following independent cases affecting ABC Constructing Company: 10
  - i. The company pays its workers each Thursday their weekly wages. The amount of the wages is Tk.5200/- for a five day week and the daily wages amounts are equal. The current accounting period ends on Wednesday (June 30, 2021)
  - ii. The company has invested some money, during the current year, the company has earned accrued profit revenue for Tk.1,500/- that will be received next year.
  - iii. The company received Tk.62,000/- cash from a client, which was recorded as Unearned Service Revenue. The accounts of the company estimates that the business has earned one quarter of the total amount during current year.
  - iv. Depreciation on Office furniture for the current year is Tk.2,100/-
  - v. The beginning balance of supplies was Tk.3,800/- . During the year the company purchased supplies costing Tk.8,500/- and at June 30, 2021 the inventory of supplies on hand is Tk.2,700/-
3. a) Explain the Accounting Equations and effects of transactions on accounting equations. 4
- b) What is Inventory Management? 2
- c) Mr. Latif has recently opened shop at Newmarket, Dhaka. He sells books and magazines as well as some stationery. He also sells foods and drinks. Can you categorize the following purchases for him as Capital or Revenue Expenditure? 5
  - i. Purchase of magazine and books.
  - ii. Purchase of shop fittings.
  - iii. Purchase of a cash register.
  - iv. Purchase of stationery.
  - v. Purchase of a refrigerator.
- d) Mr. Arif is an owner of a grocery shop at Kawran Bazar, Dhaka. He prepares his own accounts and then sent his accountant to check. He calculates the profit for the month of September 2022 is Tk.80,000/-. Mr. Arif confused some accounting treatment needs advice about how to treat the following transactions: 3
  - i. Mr. Arif paid his son school tuition fee Tk.6,000/- and residential electricity bill of Tk.3,000/- and consider its as business expenses. 3
  - ii. Mr. Arif is certain one of his regular customer will buy some grocery items from him for Tk.20,000/- next month. He has included the sale revenue for the month of September-2022. He considers Cost of sale 90% of sale revenue. 3

- iii. Mr. Arif chose to value some of his inventory at net realizable value of Tk.25,500/-. The cost of the inventory is only Tk.20,600/-. 3

**Consider the above information calculate profit for the month of September 2022**

4. a) What is Triple/Three Column Cash Book. 3  
 b) What are the advantages and disadvantages of cash book? 5  
 c) From the following particulars, prepare a three column cash book of M/s Habib Traders: 12

| Date         | Particulars   |
|--------------|---|
| Jan 01, 2022 | Cash in hand Tk.80,000 (debit balance), Cash at bank Tk.50,000 (debit balance)        |
| Jan 05       | Cash Deposit into bank Tk.25,000/-  |
| Jan 10       | Paid by Cash to Jamil Tk.11,750/- and discount received from him Tk.250/-             |
| Jan 15       | Cash Purchase Tk.20,000/- and credit Purchase Tk. 30,000/-                            |
| Jan 20       | Cash Sale Tk.40,000/ and Credit Sale Tk.35,000/-                                      |
| Jan 22       | Collection through Cash from Mr. Rashed Tk.5,000/- as a full settlement of Tk.6,000/- |
| Jan 25       | Paid by Cash Tk.2,000/- for rent and Tk.5,000/- for Salary                            |
| Jan 30       | Withdraw from the Bank Tk.15,000/-  |

5. a) Why depreciation is important to maintain tangible assets? 4  
 b) What are the essential factors to be considered for computing depreciation? 4  
 c) Anik Furniture Ltd. A furniture Wholesaler, acquired a new equipment at a cost of Tk.20,00,000/- at the beginning of the year. The equipment has an estimated economic life of 04 (Four) years and estimated salvage value of Tk.2,00,000/-. The president of the company has requested for information regarding alternative depreciation method.

**You are requested to determine the annual depreciation expenses and schedule for 4 years as under:**

- i. Straight Line Method 4  
 ii. Sum of the Years Digit Method 4  
 iii. Reducing Balance Method. 4
6. Write short notes on any 5 (Five) of the following: 5x4=20
- Share Premium
  - Dividend Equalization Reserve
  - Fintech
  - Accrual vs. Cash Basis Accounting
  - Annuity Method
  - Compensating Errors
  - Non Banking Assets
  - Bank Reconciliation Statement

7. The Trail Balance of M/S Zahin Enterprise on 30 June 2021

**M/S Zahin Enterprise Trail Balance  
June 30, 2021**

| Particulars                         | Debit (Tk.)      | Credit (Tk.)     |
|-------------------------------------|------------------|------------------|
| Cash in Hand                        | 52,820           |                  |
| Cash at Bank                        | 1,23,000         |                  |
| Purchase Account                    | 40,765           |                  |
| Sales Account                       |                  | 2,10,000         |
| Wages                               | 11,200           |                  |
| Fuel & Power                        | 8,220            |                  |
| Stock in Hand (01.07.2020)          | 2,360            |                  |
| Salaries                            | 24,350           |                  |
| Preliminary Expenses                | 5,600            |                  |
| Building Under Construction         | 3,50,000         |                  |
| Plant & Machinery                   | 3,32,000         |                  |
| Land                                | 6,00,000         |                  |
| Software                            | 3,50,000         |                  |
| General and Administrative Expenses | 29,500           |                  |
| Trade Receivable                    | 29,600           |                  |
| Paid-Up Capital                     |                  | 6,50,000         |
| Share Money Deposit                 |                  | 9,50,000         |
| Accumulated Profit                  |                  | 1,84,000         |
| Vehicle running expenses            | 9,930            |                  |
| Special Audit fees                  | 40,655           |                  |
| Other Income                        |                  | 16,000           |
| <b>Total</b>                        | <b>20,10,000</b> | <b>20,10,000</b> |

**Additional Information:**

- i. Stock as on 30.06.2021 Tk.4,240/-
- ii. Plant and Machinery and Building are to be depreciated at the rate of 10% and Preliminary expenses to be written off at the rate of 20%
- iii. Salary for the month of June-2021 amounting to Tk.1850/- was unpaid.
- iv. Provision for Income Tax rate was 40%

**Required:**

- i. Prepare an Income Statement for the year ended June 30, 2021; 10
- ii. Prepare Balance Sheet as at June 30, 2021. 10

8. The following Trial Balance was extracted from the books of accounts of Insaf Islamic Bank Ltd. as on December 31,2021.

**Insaf Islamic Bank Ltd.**  
**Trial Balance**  
**As on December 31, 2021**

| Particulars  | Debit (Tk.)        | Credit(Tk.)        |
|--|--------------------|--------------------|
| Cash in Hand (Local Currency)                          | 250,000            |                    |
| Cash in Hand (Foreign Currency)                        | 50,000             |                    |
| Balance with Bangladesh Bank                           | 12,00,000          |                    |
| Balance with other Banks & Financial Institution       | 1,00,000           |                    |
| General Investment                                     | 80,00,000          |                    |
| Bills Purchased & Discounted                           | 2,00,000           |                    |
| Investment in Shares & Securities                      | 3,00,000           |                    |
| Paid-Up Capital (60,000 Shares @ Tk.10 each)           |                    | 6,00,000           |
| Al Wadeah Current Deposits                             |                    | 10,00,000          |
| Mudaraba Saving Deposits                               |                    | 34,00,000          |
| Mudaraba Term Deposits                                 |                    | 43,00,000          |
| Other Mudaraba Deposits                                |                    | 12,00,000          |
| Bill Payable   |                    | 1,00,000           |
| Investment Income                                      |                    | 6,00,000           |
| Income from investments in Shares & Securities         |                    | 20,000             |
| Commission, Exchange & Brokerage Income                |                    | 50,000             |
| Other operating income                                 |                    | 15,000             |
| Profit paid on Mudaraba Deposits                       | 3,50,000           |                    |
| Salary & Allowances                                    | 1,00,000           |                    |
| Rent, taxes, insurances, electricity etc.              | 12,000             |                    |
| Chief Executive Officer (CEO) Salary & Fees            | 1,000              |                    |
| Directors' fees & expenses                             | 500                |                    |
| Shari'ah Supervisory Committee's (SSC) fees & expenses | 300                |                    |
| Auditors' Fees   | 100                |                    |
| Depreciation and Repair to Bank's Assets               | 900                |                    |
| Zakat Expenses   | 350                |                    |
| Other Expenses   | 50                 |                    |
| Statutory Reserve                                      |                    | 1,00,000           |
| General Reserve  |                    | 60,000             |
| Retain Earnings  |                    | 40,000             |
| Land & Building  | 7,00,000           |                    |
| Other Assets   | 66,000             |                    |
| Branch Adjustment                                      | 1,53,800           |                    |
| <b>Total</b>   | <b>1,14,85,000</b> | <b>1,14,85,000</b> |

**Additional Information:**

- i. Proposed dividend Tk.12,000/-
- ii. Provision for General Investment Tk.15,000/- Provision Investment in Shares & Securities Tk.500/-
- iii. Provision for Income Tax Tk.50,000/-

**Required:**

- a) Prepare a Profit and Loss Account for the year ended December 31, 2021 and
- b) Prepare a Balance Sheet as on December 31, 2021.

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**Your answer must be in accordance with the guideline of First Schedule (Section-38) of the Bank Companies Act-1991 as amended and BRPD circular No.15 of November 2009, otherwise the answer will be considered disqualified for getting marks**

The End

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