

Diploma In Islami Banking (DIB)

Part-I

Paper:103 Principles of Accounting

First Edition: April 2025
Second Edition: August 2025
Third Edition: April 2026
Fourth Edition: August 2026

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Suggestion

- Read 4 star and 5 star marked chapter if you have time shortage to read all chapter.
- Must read short notes from all chapter.
- MetaMentor Center suggest to read whole note to find 100% common in exam. We cover everything in our note.

Important	Details	Number of Question common in previous years
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*****All short note and Different from all chapter and end of note *****		

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Syllabus

Module-1: Basic Concepts of Accounting- Definition and Scope of Accounting, Its role and Function, History of Accounting, Purpose Nature, and Users of Accounting Information; Branches of Accounting - Nature of Business organization and Accounting system, Fundamental Concept; Generally Accepted Accounting Principles (GAAP); Assumptions; Accounting Standards and Regulations.

Module-2: Accounting Process - Double-Entry Accounting System, Single entry System, Transaction- Golden Rules of Debit and Credit, Analysis of Transaction - Accounting Cycle - Recording of Transaction - Journal Entry - Posting of Transactions to the Ledger - T-Form and Multi-Column Ledger- Preparation of Cash Book : Single Column, Double Column and Triple Column - Preparation of Trial Balance, Suspense Accounts - Rectification of Errors- Adjusting Entries and Closing Entries - Accrued and Deferred Revenue Expenses - Bank Reconciliation.

Module-3: Financial Statements: Concept, Purpose, Importance, Limitations, Preparation of Financial Statements, Complete Set of Financial Statement, balance sheet, income statements, Manufacturing Account, statement of changes in equity, cash flow statement, and notes; comprising summary of accounting policies and other explanatory notes, Supplementary Statements/Schedules. Preparation of Financial Statements according to Nature of Business. Preparation of Financial Statements according to Legal Form of Business - Sole-proprietorship, Partnership Firms, Company and other organizations.

Module-4: Accounting for Fixed and Intangible Assets: Plant Assets; Determining the Cost of Plant Assets, Land and Land Development, Buildings, Equipment, Depreciation -Factors in Computing Depreciation, Depreciation Methods, Depreciation and Income Taxes, Reversing Periodic Depreciation. Intangible Assets - Patents, Copyrights, Trademarks and Trade Names, Franchise and Licenses, Goodwill. Reconciliation.

Module-5: Measuring and Reporting Inventories: Recording and measuring inventory, types of inventory, perpetual inventory system, Periodic inventory system, Inventory cost flow assumptions, Methods of determining Inventory cost (FIFO, LIFO, and Average etc), Taking a physical Inventory, Inventory management.

Module -6: Accounting for Banks and financial institutions: Accounting for Bank as per Bank companies Act 1991, Statutory requirements, full particulars of book debts, prescribed forms of profit and loss Account and Balance Sheet, and limitations. Preparation of financial statements of banks and compliance of disclosure requirements.

Module-7: Islamic Accounting System for Banks: Financial Accounting Standards for Islamic Banks - Accounting and Auditing organization for Islamic Financial Institutions(AAOIFI), Accounting and Auditing Standards for Islamic Financial Institutions.

Module: One

Basic Concepts of Accounting

Q-01. Define Accounting and explain its scope. (Apr-2018, Apr-2020, Nov-2025)

Or, What do you mean by Accounting? State its meaning and scope. (Oct-2019, Oct-2021)

Or What is accounting? (May-2026)

Accounting is the systematic process of identifying, recording, classifying, summarizing, and interpreting financial transactions of a business or organization. It helps to measure the financial performance and position of a business over a specific period. Accounting provides essential financial information to various users such as owners, managers, investors, creditors, and regulatory bodies to make informed decisions. It ensures proper control over income, expenses, assets, and liabilities. Through financial statements like the balance sheet and income statement, accounting shows how much profit a business has earned or how many resources it owns. Accounting is often called the “language of business” because it communicates the financial health of an organization clearly and accurately.

According to the American Accounting Association (AAA), “Accounting is the process of identifying, measuring, and communicating economic information to permit informed judgments and decisions by users of the information.”

Scope of Accounting: The scope of accounting is broad and dynamic. It covers all activities related to the identification, measurement, recording, analysis, and communication of financial information. The major areas are:

1. **Identifying Transactions:** Accounting begins with recognizing business transactions that can be expressed in monetary terms.
2. **Recording:** Each transaction is recorded systematically in the books of original entry (Journal) following the double-entry system.
3. **Classifying:** Recorded transactions are grouped under proper heads in the Ledger to show their combined effect.
4. **Summarizing:** The classified data are summarized by preparing the Trial Balance, Income Statement, and Balance Sheet to present the overall results and financial position.
5. **Analyzing:** The financial statements are analyzed to identify trends, relationships, and performance indicators.
6. **Interpreting:** Accounting information is interpreted to understand what the figures mean and to help users make judgments and decisions.
7. **Communicating:** The results of accounting are communicated to management, owners, investors, creditors, and regulatory authorities through various financial reports.
8. **Assisting in Planning and Control:** Accounting provides essential information for budgeting, cost control, and forecasting, helping management plan for the future.

Q-02. What are the objectives of Accounting? (Apr-2019, Nov-2024)

Or, State the main purposes of Accounting. (Oct-2023)

Or Define Accounting. What are the purposes of Accounting? (May-2023, May-2024)

The purposes of accounting include:

1. **Financial Reporting:** The main purpose of accounting is to give clear financial information to people like investors, creditors, regulators, and the public. This is shown through financial statements such as the **balance sheet**, **income statement**, and **cash flow statement**, which show the financial condition and results of the business.

2. **Decision-Making:** Managers use accounting data to make smart decisions about daily operations, investments, and future plans. It helps them see what is working well and what needs improvement.
3. **Compliance:** Accounting ensures the business follows laws and rules like tax laws and financial reporting standards. Proper records help avoid fines and legal problems.
4. **Performance Evaluation:** Accounting helps measure how well the company, its departments, and staff are performing by using ratios like profitability, liquidity, and efficiency.
5. **Planning and Budgeting:** Accounting information helps prepare budgets and plan for the future by predicting risks and opportunities.

Q-03. Why is Accounting called the language of business? (Apr-2020)

Or Accounting is called the language of business". Justify. (Apr-2019)

Or Why is Accounting considered the language of business? (Apr-2018, Oct-2023)

Accounting is called the language of business because it communicates the financial results and position of a business to different users such as owners, managers, investors, creditors, and government authorities. Just as language is used to express ideas and feelings, accounting expresses business activities in monetary terms and reports them through financial statements.

1. **Communication of Information:** Accounting records, classifies, and summarizes business transactions and presents them in financial statements like the Income Statement and Balance Sheet. These statements communicate how the business is performing.
2. **Uniform Method of Expression:** Accounting follows standard rules and principles such as GAAP or IAS/IFRS, which make financial information uniform and understandable to all users.
3. **Measurement of Business Performance:** Accounting measures the profit or loss of a business over a specific period and explains the reasons for such results.
4. **Decision-Making Tool:** Managers, investors, and other stakeholders use accounting information to make informed decisions about investment, expansion, and cost control.
5. **Accountability and Transparency:** Accounting ensures that all financial activities are recorded and reported accurately, creating transparency and maintaining public confidence.

Q-04. Describe Accounting Concepts, Principles and Assumptions. (May-2022, May-2023)

Or, Briefly explain any four accounting assumptions, concepts and principles. (Oct-2018, Nov-2024)

Or, Describe in brief the Accounting Concepts, conventions and Principles (Apr-2020, Oct-2023).

Or, Explain the fundamental concepts or assumptions underlying Accounting. (Apr-2020, Nov-2022).

Or, Briefly describe the accounting assumptions. (Oct-2018, Oct-2019).

Accounting concepts, principles, and assumptions are the fundamental guidelines that ensure accounting information is recorded and presented in a uniform and reliable manner. They help maintain consistency, comparability, and accuracy in financial reporting.

Accounting Concepts: Accounting concepts are the basic ideas that guide the recording of financial transactions.

1. **Business Entity Concept:** A business is treated as separate from its owner, and all transactions are recorded from the business point of view.
2. **Money Measurement Concept:** Only those events which can be expressed in monetary terms are recorded.
3. **Going Concern Concept:** It is assumed that the business will continue its operations for a long time in the future.

4. **Cost Concept:** Assets are recorded at their original cost instead of current market value.
5. **Dual Aspect Concept:** Every transaction has two sides—debit and credit—keeping the accounting equation balanced.

Accounting Principles: Accounting principles are the general rules which provide a framework for preparing financial statements.

1. **Revenue Recognition Principle:** Revenue is recognized when it is earned, not when cash is received.
2. **Matching Principle:** Expenses are recorded in the same period as the revenues they help to generate.
3. **Full Disclosure Principle:** All necessary and material information must be presented in the financial statements.
4. **Consistency Principle:** The same accounting methods should be followed from year to year for comparability.
5. **Conservatism or Prudence Principle:** Probable losses should be recognized immediately, but gains only when realized.

Accounting Assumptions:

1. **Going Concern Assumption:** The business will continue operating in the foreseeable future; assets and liabilities are measured on this basis.
Example: Machinery is depreciated over its useful life, not valued for immediate sale.
2. **Accrual Basis Assumption:** Transactions are recorded when they occur, not when cash is received or paid.
Example: Record sales revenue when goods are delivered, even if cash comes later.
3. **Time Period (Periodicity) Assumption:** The life of a business is divided into artificial periods (month/quarter/year) for reporting.
Example: Salary for December is reported in the December period.
4. **Monetary Unit (Stable Currency) Assumption:** Only transactions measurable in money are recorded; purchasing power is treated as stable.
Example: Record the cost of inventory in taka; do not record staff morale.
5. **Economic Entity (Separate Entity) Assumption:** Business activities are kept separate from owners or other entities.
Example: Owner's personal expenses are not recorded as company expenses.
6. **Materiality Assumption:** Information that could influence user decisions must be reported; trivial items may be simplified.
Example: Small stationery purchases may be expensed immediately.

Q-05. Explain the importance of Generally Accepted Accounting Principles (GAAP). (May-2022)
Or, What are Accounting Principles? Discuss the necessity of following GAAP. (Nov-2022)
Or, GAAP. This note also cover short note on (Nov-2025)

Accounting principles are the basic rules and guidelines that provide a foundation for recording and reporting financial information. They ensure that **financial statements** are prepared in a consistent, **reliable, and comparable manner** so that users can understand the true financial position and performance of a business.

According to the Generally Accepted Accounting Principles (GAAP), financial statements must be prepared following a uniform set of rules. The main accounting principles include:

1. **Revenue Recognition Principle:** Revenue should be recorded when it is earned, not when cash is received.
2. **Matching Principle:** All expenses should be matched with the revenue of the same accounting period.

3. **Full Disclosure Principle:** All relevant information that affects users' understanding of financial statements should be disclosed.
4. **Consistency Principle:** The same accounting methods and procedures must be followed every year for comparability.
5. **Conservatism (Prudence) Principle:** Expected losses should be recorded immediately, while gains should be recorded only when realized.

The necessity of following GAAP arises for several important reasons.

1. **Uniformity:** It ensures that all organizations follow the same accounting rules, making their financial statements comparable.
2. **Reliability:** GAAP-based financial information is trustworthy and helps in making correct business decisions.
3. **Transparency:** It ensures that the financial position and performance are presented clearly and fairly to all users.
4. **Legal Compliance:** GAAP maintains consistency with national and international accounting standards, ensuring proper reporting.
5. **Investor Confidence:** It helps build trust among investors, creditors, and regulators by providing a true and fair view of the business.

Q-06. Who are the users of Accounting Information? Why do they need it? (Oct -2021, Nov-2022, Oct-2023, Nov-2024, Nov-2025).

Or, Short Note: Users and Uses of Accounting Information (Oct-2018)

Or, Who are the users of accounting information and how? (May-2026)

Accounting information is used by various individuals and groups to make financial decisions. These users can be divided into **internal** and **external** users.

Internal Users:

1. **Management:** Managers use accounting information to plan, control, and make decisions about daily operations, future investments, and business strategies. They study financial reports like the income statement, balance sheet, and cash flow statement to measure performance and improve efficiency.
2. **Employees:** Employees use accounting information to know about the company's financial strength, which helps them decide about job security, salary expectations, and future opportunities.
3. **Owners:** Owners use accounting reports to see if the business is making a profit and to decide on expansion, new investment, or selling part of the business.

External Users:

1. **Investors:** Investors use financial data to judge whether investing in the company's shares or bonds will be profitable.
2. **Creditors:** Creditors use accounting information to check if the company can repay loans and whether it is safe to lend money.
3. **Government Agencies:** Government departments use financial data to check compliance with tax laws, labor laws, and other regulations.
4. **Customers:** Customers use accounting information to ensure the company is stable and reliable before making big purchases or long-term deals.
5. **Suppliers:** Suppliers review accounting information to decide whether to offer credit or sign long-term supply contracts.
6. **Competitors:** Competitors use financial data to understand the company's strengths and weaknesses and to plan their own strategies.

Q-07. What is Accounting Information? Mention the salient features and users of Accounting Information. (Nov-2024, May-2025, Nov -2022, Oct-2019)

Users of accounting information need it to make informed financial, managerial, and economic decisions. The main reasons are:

1. **To Know Financial Position:** It helps users understand the company's assets, liabilities, and owners' equity at a given date through the balance sheet.
2. **To Measure Profitability:** Accounting information shows how efficiently the business earns profit over a period through the income statement.
3. **To Make Decisions:** Managers, investors, and creditors use accounting data to plan, invest, and lend safely.
4. **To Ensure Control and Accountability:** Management and owners use accounting reports to monitor operations and prevent misuse of funds.
5. **To Comply with Legal Requirements:** Governments, tax authorities, and regulators need reliable financial records to verify tax dues and compliance with laws.
6. **To Forecast Future Performance:** Accounting information helps in budgeting, planning, and predicting the future financial trend of the business.

Accounting Information refers to the data derived from accounting records that show the financial position and performance of a business. It includes details about assets, liabilities, revenues, expenses, and equity, which help users make informed financial and managerial decisions. In simple terms, accounting information is the **final product** of the accounting process used for planning, control, and evaluation of business activities.

Salient Features of Accounting Information:

1. **Relevance:** The information must be useful and meaningful for decision-making.
2. **Reliability:** It should be accurate, free from bias, and based on verifiable evidence.
3. **Comparability:** It should allow comparison of performance over time or between firms.
4. **Understandability:** The information must be clearly presented and easy to interpret by users.
5. **Timeliness:** It should be made available at the right time for effective decisions.
6. **Completeness:** All material facts must be included to avoid misleading conclusions.
7. **Consistency:** The same accounting methods should be followed over periods for fair comparison.

Q-08. What are the branches of Accounting? Explain briefly. (May-2023)

Or State the various branches of Accounting. (Apr-2020, Nov-2022)

Accounting has different branches to meet the needs of various users. The main branches are:

1. **Financial Accounting:** Records business transactions and prepares financial statements like income statement and balance sheet for external users such as investors, banks, and regulators.
2. **Cost Accounting:** Helps in calculating the cost of products or services. It supports pricing, budgeting, and controlling production costs.
3. **Management Accounting:** Provides financial and non-financial information to managers for planning, decision-making, and performance evaluation.
4. **Tax Accounting:** Focuses on preparing tax returns and ensuring compliance with tax laws and regulations.
5. **Auditing:** Involves examining financial records to ensure accuracy and fairness. Can be internal or external.
6. **Forensic Accounting:** Uses accounting to investigate fraud and financial crimes. Often used in legal matters.

Q-09. Discuss the qualitative characteristics of accounting Information (Apr-2024, Nov 2025)

Qualitative characteristics are the attributes that make accounting information useful, meaningful, and reliable for users in making economic decisions. These characteristics ensure that financial statements reflect a true and fair view of a company's performance and position.

The major qualitative characteristics are as follows:

1. **Relevance:** The information should help users in decision-making by showing the impact of past, present, or future events.
2. **Reliability:** The information must be accurate, free from bias, and verifiable through proper evidence and records.
3. **Comparability:** Financial statements should allow users to compare results across different periods and with other organizations.
4. **Understandability:** The information must be presented in a clear, simple, and systematic way so that users can interpret it easily.
5. **Timeliness:** Information should be made available to users at the right time for effective decisions.
6. **Consistency:** The same accounting methods and principles should be followed from one period to another for fair comparison.
7. **Completeness:** All relevant and material facts should be included so that users get a full and accurate picture of the financial situation.

Lastly, we can say that qualitative characteristics make accounting information useful, credible, and comparable, helping different users—such as managers, investors, and creditors—make informed and confident decisions.

Q-10. Discuss the role of Accounting in creating values and accountability in modern business. (Apr-2020)

Or, Describe the role of Accounting in business decision-making. (Nov-2024)

Accounting plays a very important role in business decision-making because it provides accurate and reliable financial information that helps managers, owners, and other stakeholders make the right decisions. The main roles are described below:

1. **Planning and Forecasting:** Accounting helps management to plan for the future by using past financial records. It provides data for preparing budgets and setting future goals.
2. **Controlling Business Operations:** Accounting compares actual performance with budgeted targets and helps management identify areas where improvement or cost control is needed.
3. **Measuring Performance:** It helps evaluate the profitability and efficiency of the business and different departments by showing the results of operations.
4. **Investment Decisions:** Accounting provides information about profitability and liquidity, which helps investors and management decide where and how to invest.
5. **Pricing Decisions:** By analyzing cost and profit data, accounting helps in fixing the proper selling price of products or services.
6. **Financing Decisions:** It helps in deciding how much capital is needed and from which sources (equity, loan, etc.) it should be collected.
7. **Evaluating Financial Position:** Accounting provides reports like the Balance Sheet and Income Statement that show the financial health and stability of the business.
8. **Supporting Management Decisions:** It supplies necessary data for making decisions regarding expansion, cost reduction, or closing unprofitable sections.

Q-11. Briefly explain the following accounting concepts and principles.

i. Going Concern Principle ii. Conservatism iii. Matching Principle iv. Business Entity Concept v. Cost Concept. (Nov-2022) i. Going Concern Principle (May-2025)

The Going Concern Principle assumes that a business will continue to operate for the foreseeable future and will not be liquidated or closed down soon. Based on this assumption, all assets and liabilities are recorded at their **historical cost** rather than their sale or liquidation value. This principle provides a stable basis for preparing financial statements and helps avoid frequent revaluation of assets.

It gives confidence to investors, creditors, and other stakeholders that the business will continue its normal operations and meet future obligations. The Going Concern Principle ensures reliability, continuity, and long-term decision-making in financial reporting.

ii. Conservatism (Prudence) Principle (May-2025)

The Conservatism or Prudence Principle advises accountants to be cautious while recording income and expenses. It requires that all possible losses should be recognized immediately, while profits should be recorded only when they are actually earned. The famous rule is “anticipate no profit but provide for all possible losses.”

For example, if the recovery of a debt is doubtful, a provision for doubtful debts should be created. This principle prevents overstating income or assets and ensures a fair presentation of financial statements. It promotes honesty, transparency, and responsible financial reporting.

iii. Matching Principle (May-2025) (May-2022,Oct-2019 May-2026

The Matching Principle is a fundamental rule of accounting that ensures all expenses are recorded in the same period as the revenues they help to generate. It follows the accrual basis of accounting, where income and expenses are recognized when they occur, not when cash is received or paid.

The Matching Principle states that all expenses must be recorded in the same accounting period as the revenues they help to generate. This ensures that income and costs are properly matched, giving an accurate measure of profit or loss for the period.

For example, if a salary expense belongs to December, it must be recorded in December's accounts even if payment is made in January. The Matching Principle forms the foundation of accrual accounting, providing a true reflection of business performance and ensuring meaningful comparison between periods.

iv. Business Entity Concept (May-2025)

The Business Entity Concept treats the business and its owner as two separate entities. All transactions are recorded from the business's point of view. When the owner invests money, it is treated as capital, and when withdrawn, it is treated as drawings.

This separation ensures that only business-related transactions appear in the financial records, not the owner's personal affairs. It helps in determining true profit or loss, maintaining accountability, and presenting a clear financial position of the business.

v. Cost Concept (May-2025)

The Cost Concept states that all assets should be recorded at their original purchase price, including all necessary expenses to make them ready for use, such as transport, installation, and testing costs. Subsequent changes in market value are ignored because the cost provides an objective and verifiable measure.

This principle ensures consistency, reliability, and comparability in financial statements over time. It avoids manipulation of asset values and allows users to rely on factual, document-based information, such as invoices or receipts, rather than estimates or opinions.

Q-12. Is there any difference between Book keeping and Accounting ? If any ,mention in brief (Apr-2024)

Or, Describe difference between Book-keeping and Accounting.(Oct-2021)

Yes, there is a clear difference between book-keeping and accounting. Book-keeping refers to the process of recording daily financial transactions of a business in a systematic and orderly manner. Accounting, on the other hand, is a broader process that not only includes book-keeping but also

involves classifying, summarizing, analyzing, and interpreting financial data to prepare financial statements and assist management in decision-making.

Differences between Book-keeping and Accounting:

Basis of Difference	Book-keeping	Accounting
1. Nature	It is a part of accounting that records daily transactions systematically.	It is a complete process that summarizes, analyzes, and interprets recorded data.
2. Objective	The main aim is to maintain accurate records of all financial transactions.	The main aim is to determine financial results and position and assist in decision-making.
3. Scope	Limited to recording and posting of transactions.	Broader; includes recording, classifying, summarizing, and reporting.
4. Stage	It is the first stage of the accounting process.	It is the next stage that begins after book-keeping.
5. Skills Required	Requires basic knowledge of accounting rules and record-keeping.	Requires analytical, interpretative, and decision-making skills.
6. Reports Prepared	No final statements are prepared.	Prepares financial statements like the Balance Sheet and Income Statement.

Lastly, we can say that book-keeping provides the **foundation** for accounting, while accounting transforms that data into **useful financial information** for business decision-making.

Q-13. State the key differences between GAAP and IFRS as related to the recording process for fixed assets. (Oct-2019)

Basis of Difference	GAAP (Generally Accepted Accounting Principles)	IFRS (International Financial Reporting Standards)
1. Definition	GAAP is a U.S.-based accounting framework with detailed rules and industry-specific guidelines.	IFRS is a globally accepted principle-based system emphasizing transparency and comparability.
2. Revaluation of Assets	Revaluation of fixed assets is generally not allowed; assets are recorded at historical cost.	Revaluation is permitted; assets can be shown at fair value if reliably measurable.
3. Depreciation Method	Allows different methods (e.g., straight-line, declining balance) but often rule-based.	Focuses on the useful life and pattern of benefit derived from the asset.
4. Component Accounting	Not mandatory to depreciate significant parts separately.	Requires component-wise depreciation for major asset parts.
5. Impairment Reversal	Once impaired, asset value cannot be reversed.	Allows reversal of impairment losses if asset value recovers.

Q-14: What is cash book ? State in brief , the necessity of a cash book in a business organization. Why petty Cash Book is prepared ?(Apr-2019, Oct -2018) May-2026

Meaning of Cash Book: A Cash Book is a special journal used to record all cash receipts and cash payments of a business. It serves the purpose of both a journal and a ledger account for cash transactions. The balance of the cash book always shows the amount of cash in hand or at bank at any given time.

Necessity of a Cash Book: The Cash Book is necessary in a business organization for several reasons:

1. It provides a **complete record** of all cash receipts and payments.
2. It helps the business to **know the cash position** on any particular date.
3. It acts as a **control device** to prevent misuse or misappropriation of cash.
4. It simplifies the preparation of **final accounts** since cash transactions are already classified and recorded systematically.
5. It provides reliable evidence in case of any audit or dispute.

Why Petty Cash Book is Prepared: A **Petty Cash Book** is maintained to record **small and frequent cash payments**, such as postage, stationery, carriage, and minor office expenses. It is handled by a **petty cashier** under the **imprest system**, where a fixed amount is given at the beginning of a period. When the petty cash is spent, vouchers are prepared for each small payment, and the total is reimbursed to restore the imprest amount.

This system helps to:

- Reduce the workload of the main cashier.
- Maintain better control over small cash transactions.
- Ensure proper accounting and verification of minor expenditures.

Thus, a **Petty Cash Book** ensures **accuracy, efficiency, and accountability** in managing small daily payments within a business organization.

Q-15. Accounting is an information system, justify (Oct-2018)

Or, Why accounting is called an information system? (Nov-2025)

Accounting is called an **information system** because it identifies, measures, records, processes, and communicates financial information to help users make informed decisions. Like any other information system, it converts raw financial data into useful reports.

1. **Identification:** Accounting first identifies business transactions and events that are financial in nature, such as sales, purchases, and payments.
2. **Recording:** It records these transactions systematically in books of original entry and ledgers to maintain accuracy.
3. **Classification:** The recorded information is classified under appropriate heads to make it easy to summarize and analyze.
4. **Summarizing:** It summarizes financial data into statements like the Trial Balance, Income Statement, and Balance Sheet.
5. **Analysis and Interpretation:** Accounting interprets the summarized data to evaluate profitability, liquidity, and overall performance.
6. **Communication:** Finally, the processed financial information is communicated to users such as management, investors, and creditors for decision-making.

Q-16: What is Ethics? Why is it important for Accounting profession? (Oct -2018)

Ethics refers to the set of **moral values, principles, and standards** that govern an individual's or profession's behavior. In accounting, ethics means performing duties with honesty, objectivity, and confidentiality, while ensuring that financial information is presented truthfully and accurately.

Importance of Ethics in Accounting Profession:

1. **Accuracy and Honesty:** Accountants must record all transactions truthfully, without hiding or changing facts.
2. **Public Trust:** Investors, banks, and regulators rely on financial statements. Ethical accounting builds their confidence.
3. **Legal Compliance:** Ethics helps accountants follow laws, standards, and professional codes.

4. **Avoiding Fraud:** Unethical practices like misreporting income or hiding expenses lead to fraud and legal penalties.
5. **Professional Responsibility:** Accountants must stay neutral and not be influenced by pressure from management or clients.

Q-17: What are the differences between IAS and IFRS? Describe the uses of them for preparing financial statements in Bangladesh. May-2026

Differences between IAS and IFRS

Basis	IAS	IFRS
Full Form	International Accounting Standards	International Financial Reporting Standards
Issued By	International Accounting Standards Committee (IASC)	International Accounting Standards Board (IASB)
Period	Issued before 2001	Issued from 2001 onwards
Nature	Older standards	New and updated standards
Scope	Covers specific accounting issues	Broader and more comprehensive reporting framework

Uses of IAS and IFRS in Bangladesh

1. Ensure uniformity in financial reporting.
2. Improve transparency and reliability of financial statements.
3. Facilitate comparison of financial statements nationally and internationally.
4. Increase investor and creditor confidence.
5. Help comply with international accounting practices.
6. ICAB has adopted IAS and IFRS for preparing financial statements in Bangladesh.

Conclusion: IAS and IFRS provide a common framework for preparing financial statements and help ensure accuracy, transparency, and global comparability of financial information.

Q-18: How is a Cash Book different from a Cash Flow Statement?

Difference between Cash Book and Cash Flow Statement

Basis	Cash Book	Cash Flow Statement
Meaning	Records daily cash and bank transactions.	Shows cash inflows and outflows during a period.
Nature	Book of original entry.	Financial statement.
Preparation	Prepared daily.	Prepared at the end of the accounting period.
Purpose	To know cash and bank balance.	To analyze cash movement and liquidity position.
Scope	Records individual cash transactions.	Summarizes operating, investing and financing cash flows.

Short-Note:

Q-01.Forensic Accounting (Apr-2019, Oct-2021 Apr-2024, May-2025)

Forensic Accounting is a specialized branch of accounting that combines accounting, auditing, and investigative techniques to detect, examine, and prevent financial fraud and white-collar crimes. It helps uncover irregularities such as **embezzlement, money laundering, corruption, and securities fraud.**

Forensic accountants work with law enforcement, regulators, and courts to provide evidence in financial disputes or criminal cases. This branch uses technology and data analysis to trace financial transactions and ensure compliance with laws. Forensic accounting plays a vital role in **maintaining financial integrity, transparency, and trust in business operations.**

Q-02. IFRS & IAS (Oct-2018, Apr-2019, Oct-2021 , May-2023, Apr-2024, Nov-2024)

International Financial Reporting Standards (IFRS) and **International Accounting Standards (IAS)** are globally accepted rules for preparing and presenting financial statements. They ensure consistency, transparency, and comparability of financial information across countries. In Bangladesh, the **Institute of Chartered Accountants of Bangladesh (ICAB)** has adopted IFRS and IAS to align local practices with international norms.

IFRS focuses on fair presentation of assets, liabilities, income, and expenses, while IAS provides detailed guidelines for specific areas. These standards strengthen investor confidence and improve global acceptance of financial statements.

Q-03. Ethics in Accounting(Oct-2021, Oct-2023, Nov-2024, Nov-2025)

Ethics in accounting refers to the moral values and professional standards that guide accountants to act with honesty, fairness, and integrity. Ethical principles such as objectivity, confidentiality, and professional behavior ensure accuracy and reliability in financial reporting. Accountants must avoid manipulation of accounts and present truthful information to all stakeholders.

Failure to maintain ethics can cause fraud, loss of reputation, and legal action. Ethical behavior also builds public trust in the accounting profession and ensures accountability and credibility in financial information.

Q-04. Revenue vs. Capital Expenses (Apr-2019, Oct-2023,)

Revenue expenses are short-term expenses that help maintain daily business operations, such as wages, rent, repairs, or utilities. They are charged to the income statement in the same accounting period in which they occur.

Capital expenses, on the other hand, create or increase the value of long-term assets like machinery, buildings, or land improvements. They are recorded in the balance sheet and depreciated over time. Revenue expenses maintain earning capacity, while capital expenses enhance or create new earning capacity, both essential for business growth.

Q-05. Capital Expenditure vs. Revenue Expenditure (Oct-2021, May-2023)

Capital expenditure refers to expenses made for acquiring or improving fixed assets such as buildings, machinery, or vehicles that provide long-term benefits. It is shown as an asset on the balance sheet and depreciated over time.

Revenue expenditure is the cost incurred for running daily operations, such as salaries, repairs, and insurance, which benefit only the current period. These are shown in the income statement. Capital expenditure increases the business's productive capacity, whereas revenue expenditure maintains the existing earning potential.

Q-06. Accrual vs. Cash Basis Accounting (Oct-2019, Nov-2022)

Under the **accrual basis of accounting**, revenues and expenses are recognized when they are earned or incurred, not when cash is received or paid. This method provides a true and fair view of profitability and financial performance. In contrast, the **cash basis of accounting** records transactions only when cash is exchanged.

It is simpler but less accurate for long-term financial analysis. The accrual system is more suitable for large organizations because it matches income and expenses, giving a complete picture of business performance.

Q-07. Assumptions in Accounting (Apr-2020)

Accounting is based on several fundamental assumptions:

- ❖ **Going Concern:** The business will continue operating in the foreseeable future.
- ❖ **Accounting Period:** Financial results are measured for a fixed period.
- ❖ **Money Measurement:** Only transactions measurable in monetary terms are recorded.
- ❖ **Entity Concept:** The business and its owner are treated as separate entities.

These assumptions ensure consistency, comparability, and reliability in financial reporting and form the foundation for accounting principles and standards.

Q-08. Sunk Cost (Apr-2020)

A **sunk cost** refers to an expense that has already been incurred and cannot be recovered, no matter what decision is made in the future. Examples include past spending on research, advertising, or old machinery. These costs are irrelevant for future decisions, because they remain unchanged regardless of new business choices.

For instance, if money has already been spent on an unsuccessful project, it should not influence whether to start a new one. Managers should focus only on future costs and revenues that can affect outcomes. Understanding sunk costs helps in rational decision-making, cost control, and avoiding emotional or wasteful business judgments, leading to more effective planning and financial efficiency..

Q-09. Accrual Basis Accounting System (Oct-2018)

The Accrual Basis Accounting System records revenues when they are earned and expenses when they are incurred, regardless of when cash is received or paid. It follows the Matching Principle, which ensures that income and related expenses are recognized in the same accounting period. For example, if goods are sold on credit, the revenue is recorded when the sale occurs, not when the payment is received.

This method provides a true and fair view of a business's financial performance and position. It helps measure profitability more accurately by showing all income earned and expenses incurred during a specific period. The accrual system is widely used by large organizations and is recognized under both Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).

Q-10: Forensic Audit. (May-2026)

Forensic Audit is a specialized examination of financial records and transactions conducted to detect fraud, corruption, embezzlement, money laundering, or other financial irregularities. It involves collecting and analyzing evidence that can be used in legal proceedings. The primary objective of a forensic audit is to identify financial misconduct, determine the extent of loss, and provide reliable evidence for investigation and court action. It plays an important role in ensuring transparency, accountability, and good governance in organizations.

End of First Chapter

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