NINJA NOTES

Financial Accounting & Reporting 2026

Introduction

Content Area Allocation

The following table summarizes the content areas and the allocation of content tested in the FAR Section of the Exam:

Area I	Financial Reporting	30% - 40%
Area II	Select Balance Sheet Accounts	30% - 40%
Area III	Select Transactions	25% - 35%

Skill Allocation

Remembering and Understanding	5% - 15%
Application	45% - 55%
Analysis	35% - 45%
Evaluation	0% - 0%

Scoring Weight

The table below presents the scoring weight of MCQs and TBSs

	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)
FAR – Core	50%	50%

Section Time and Question Type

The table below presents the design of the Exam by section time and question type.

	Section Time	Multiple-Choice Questions (MCQs)	Tasked-Based Simulations (TBSs)
FAR – Core	4 Hours	50	7

Content

FAR-24 Lease Accounting - Lessee

FAR-25 Equity

FAR-26 Partnership Accounting

FAR-27 Special Purpose Frameworks

FAR-28 Not-for-Profit Accounting

FAR-29 Governmental Accounting

NINJA NOTES

Financial Accounting & Reporting 2026

Fundamentals of Accounting & Conceptual Framework

Copyright & Disclaimer

Fundamentals of Accounting & Conceptual Framework

Accounting Universe

- Accounting Principles → Accounting Standards → Accounting Books → Financial Statements

Accounting Principles

- Accrual Principle and Matching Principle
  - Expenses are recorded in the period in which the benefit is received, regardless of when the cash is paid out.
  - Income is recognized when the service or product is provided, irrespective of when the cash is received.
- Monetary Principle
  - Only events that can be denoted in monetary value should be recorded in the financial statements.
- Periodicity Principle
  - Periodicity Principle requires that an entity's life be divided into artificial periods for reporting purposes, such as months, quarters, or years.
- Consistency Principle
  - Consistency Principle mandates the consistent application of accounting policies and principles from one period to the next.
- Conservatism Principle
  - According to Conservatism or the Prudence Principle, all estimated losses should be recorded before they occur, while estimated gains should not be recorded.
- Going Concern Principle
  - Going Concern Principle assumes that a business will continue to operate indefinitely, and assets are not intended to be liquidated in the near term.

Accounting Standards

- Rules and guidelines set by regulatory bodies to standardize the way financial transactions are recorded and reported.
- Types of Accounting Standards
    - US Generally Accepted Accounting Principles (US GAAP)
    - International Financial Reporting Standards (IFRS)

Accounting Books

- Journals
- Ledgers
- Trial Balance

Financial Statements

- Income Statement
- Statement of Comprehensive Income
- Balance Sheet
- Cash Flow Statement
- Statement of Changes in Equity
- Notes to Accounts

Accounting Process

- Journals → Ledger → Unadjusted Trial Balance → Record Adjusting Journal Entries → Adjusted Trial Balance → Financial Statements

Double Entry Accounting System

- Double-Entry Accounting System requires that for every Financial Transaction, there must be an equal and opposite effect in at least two different accounts.

Assets = Liabilities + Equity

Debits = Credits

- In the Double-Entry System, transactions are recorded as Debits and Credits.

Account Type	Balance Type	Increase	Decrease
Assets	Debit	Debit	Credit
Liabilities & Equity	Credit	Credit	Debit
Income & Gains	Credit	Credit	Debit
Expenses & Losses	Debit	Debit	Credit