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# About this Book

The Accountancy Master Guide 2026 by Exam Waves is designed for JKSSB FAA aspirants, covering all key topics in simple language. It ensures clear concepts, quick revision, and exam-focused preparation to help students achieve better results.

## Our Vision

Our vision is to provide simple, reliable, and exam-focused study material that helps every JKSSB FAA aspirant understand concepts clearly, prepare smartly, and achieve success with confidence in competitive exams.

## Key Features of This Book

- Complete syllabus covered in one place
- Simple language for easy understanding
- Based on latest JKSSB FAA 2026 pattern
- Short notes for quick revision
- Covers both basic and advanced topics
- Exam-focused and important concepts only
- Helps improve speed and accuracy
- Easy to read and remember format
- Designed by experienced team
- Best for last-minute revision and practice
- Saves time by avoiding unnecessary topics

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## History of Accounting

- Ancient civilizations like Babylon, Egypt around 4000 B.C
- They recorded transactions of payment of wages and taxes on Clay Tablets.
- Romans used daybook where receipts and payments were recorded.
- In 13<sup>th</sup> to 15<sup>th</sup> centuries, more systematic record keeping methods were developed
- Double Entry records first appeared in Genoa in 1340 AD

### LUCA PACIOLI 1494

- Published book "The collected knowledge of Arithmetic, Geometry, Proportion and Proportionality" This book contains a chapter on Double – Entry System For this he is known as Father of Accounting
- Accounting became important for Title and Professional License of the Certified Public Accounts after 1896

### Modern Accounting

- Formal accounting profession emerged in Scotland in 1854 When Queen Victoria granted Royal Charter to Institute of Accounts in Glasgow, creating a profession of Charter Accountant
- First National US Accounting Society was set up in 1887
- Cost Accounting as a specialized field was developed during industrial Revolution
- Cost Accounting was first used by Josiah Wedgwood

## Definition

- Accounting is the process of Identifying, ~~Recording~~ **Recording**, Classifying, Interpreting and Communicating financial information to its users for decision making.
- ~~According~~ **According** to American Institute of Certified Accounts
- ~~Accounting~~ **Accounting** is the art of ~~signifying, measuring and summarising~~ **signifying, measuring and summarising** money, transactions and events which are, in part at least, of a financial character, and interpreting the result thereof."
 

Father of Accountancy: **Luca Pacioli**
- He developed
- Double entry system.
- 

## Functions of Accounting

### 1) Identifying

- Identifying business transactions of a financial character from source documents
- Measure them in terms of money.

### 2) Recording

- Recording of transactions in chronological order (Journal, C.B., P.B.).

### 3) Classifying –

- Classifying the transactions of similar type at one place; ledger.

### 4) Summarising

- Classified information is used to prepare P&L and Balance Sheet

### 5) Analysing

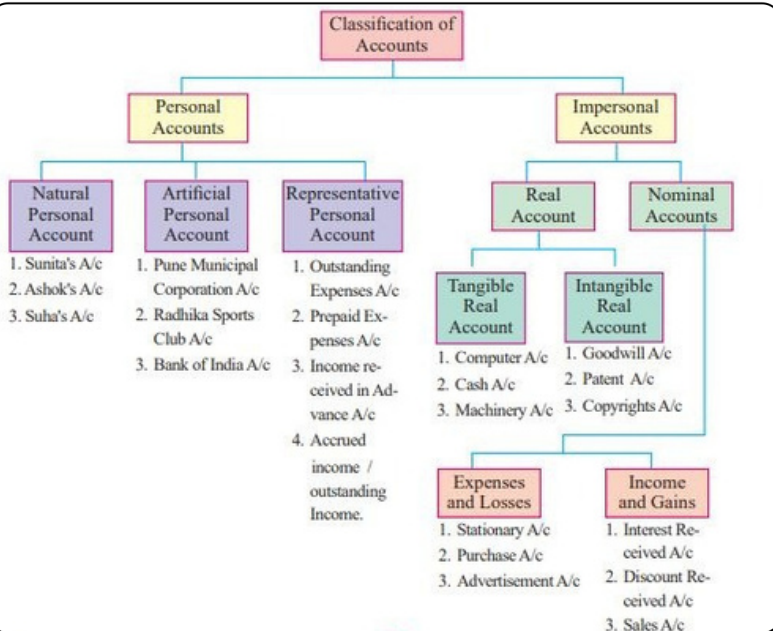
- To identify the financial strength and weakness of business.

### 6) Interpreting

- It should be useful for the users to take correct decisions.

### 7) Communicating

- The result is finally communicated to the concerned parties.



**Classification of Accounts**

Each type of account is explained below with examples:

**1) Personal Accounts**

Personal Accounts represent persons or groups of persons with whom the business deals.

**Types of Personal Accounts**

**a) Natural Person's Account**

- Accounts relating to individual human beings
- Examples: Muzaffar's A/c

**b) Artificial Person's Account**

- Accounts of organizations or institutions created by law
- Examples: JK Bank A/c
- ABC & Co A/c

**c) Representative Personal Account**

- Accounts representing a person or group indirectly
- Related to outstanding and prepaid items
- **Examples:** Outstanding Rent A/c
- Income Received in Advance A/c
- Prepaid Wages A/c

**2) Impersonal Accounts**

Impersonal Accounts do not relate to persons. These are divided into:

**1. Real Accounts**

- Represent assets and properties of the business

**a) Tangible Real Account**

- Assets that can be seen, touched, and felt
- **Examples:** Machinery A/c
- Stock of Goods A/c

**b) Intangible Real Account**

- Assets that cannot be seen or touched, but have value
- **Examples:** Goodwill A/c

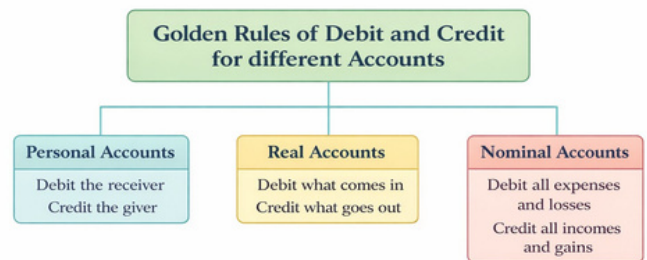
**2. Nominal Accounts**

- Accounts related to expenses, losses, income, and gains

**Examples:**

- Wages A/c
- Stationery A/c

**CLASSIFICATION OF ACCOUNTS (TRADITIONAL APPROACH)**



## TOPIC-4 JOURNAL

- Word **"Journal"** has been derived from French word **"Jour"** means **Day**
- Also called book of original entry.
- Journal is a subsidiary book in which all transactions are recorded in chronological order
- In it each transaction affects 2 accounts.

### Format of Journal

Date            column  
Particulars   L.F   Dr  
amount            Cr  
amount

Date	Part	L.F	Dr	Cr

- Below the account title a brief description of transaction is generally given called narration.

### L.F – Ledger Folio

#### Journalising :

- The Process of recording transactions in journal is called journalizing
- Any entry recorded in journal which contains one debit / one credit is called simple entry.

### SIMPLE ENTRY

- In this only two accounts are affected one debit and one credit

Date	Part	L.F	Dr Amt	Cr Amt
	Furniture A/c Dr	L.F	5000	
	To Cash A/c			5000

### Compound Entry

- In this Journal entry two or more accounts are affected on the same day there may be more than one debit and one credit

Date	Part	L.F	Dr	Cr
	Salary A/c Dr		1000	
	Conveyance To Cash A/c		500	1500

### Recording of Journal Entries

#### Goods Account:

- Goods are items purchased by a businessman for resale.
- They include Purchase A/c, Sales A/c, Purchase Return (Return Outward) and Sales Return (Return Inward).
- They also include goods withdrawn, free samples, and goods lost, damaged, destroyed or stolen.

#### Purchase Account :

- It is an account for recording all purchase of goods for trading/producing activity

There are two types of purchases

- i) Cash Purchases
- ii) Credit Purchases

#### Cash Purchases:

- Goods bought and payment made immediately by cash or bank.
- **Example:** Purchased goods from Mr. Muzaffar for Rs. 2000.

#### Entry:

Purchase A/c Dr.  
Cash A/c Cr.  
(Goods come in, cash goes out)

Date	Particulars	L.F.	Debit Amount (₹)	Credit Amount (₹)
Year Month/ Date	Purchase A/c.....Dr. To Cash A/c (Being purchased goods for cash)		2,000	2,000

- It is a statement, not an account. It is an
- arithmetical check under double entry system. It verifies both aspects of every
- transaction have been recorded accurately or not. It is prepared for a particular date. Normally prepared at end
- of every accounting year. It can be
- prepared monthly, quarterly etc.

**Purpose**

- To locate errors.
- To help in preparation of final accounts.
- To check equality of debits and credits.
- If Trial Balance agrees we assume books are correct

**FORMAT**

Particulars	L.F.	Debit (₹)	Credit (₹)
Cash A/c		10,000	
Furniture A/c		5,000	
Purchases A/c		8,000	
Capital A/c			15,000
Sales A/c			8,000
<b>Total</b>		<b>23,000</b>	<b>23,000</b>

**Methods of Trial Balance**

**1) Total Method**

- In this method , we take total of both Debit and Credit side of all ledger accounts.

**2) Balance Method**

- under this method , we take the Balance of Debit and Credit of of ledger accounts.
- under this all accounts are first balanced.

**Types of Errors**

**Omission**

- When a transaction is completely or partially omitted from the books.

**Commission**

- when a transaction is recorded in the correct class of account but in the wrong person's account.

**Principle**

- when a transaction violates accounting principles.

**Compensating error**

- when two or more errors cancel each other out.

**Debit Side**

- Assets
- Debit Balance
- Expenses
- Losses
- Opening stock

**Credit Side**

- Credit Balance
- opening stock
- Capital
- Incomes and gains
- Purchase Return

- **If account shows zero balance it is not necessary to record it in T.B.**

- It is the statement of financial position of a business at a given time.
- It is not an account.
- It is prepared from real and personal accounts which are not transferred to Trading A/c or P/L A/c.
- Its headings are Assets and Liabilities.
- Left side is **Liabilities** and right side is **Assets**
- It is the summary of all ledger accounts which have not been closed by Trading A/c and P/L A/c.

**Marshalling**

- It is the arrangement in which assets and liabilities are shown in the balance sheet.

**Methods**

**1) Permanency Preference Method**

- Assets and liabilities are shown in order of their permanence. **Example:**

Liabilities	Assets
Capital Long-term loan	Goodwill Patent

**2) Liquidity preference method**

- Assets and liabilities are shown in order of their liquidity.

**Example:**

Liabilities	Assets
Bills Payable	Cash in Hand

Liabilities	Assets
<p><b>Current Liabilities</b></p> <ul style="list-style-type: none"> <li>• Bills payable</li> <li>• Outstanding expenses Bank overdraft</li> </ul> <p><b>Non-Current Liabilities</b> Long-term loans (more than 1 year)</p> <p><b>Contingent Liabilities</b></p> <ul style="list-style-type: none"> <li>• Normally mentioned in foot note below B.S</li> </ul>	<p><b>Current Assets</b></p> <ul style="list-style-type: none"> <li>• Cash in hand</li> <li>• Cash at bank Bills receivable Sundry debtors Prepaid expenses Closing stock Accrued income</li> </ul> <p><b>Non-current Assets</b></p> <ul style="list-style-type: none"> <li>• Land &amp; Building</li> </ul> <p><b>Fictious Assets</b></p> <ul style="list-style-type: none"> <li>• Preliminary expenses</li> <li>• Discount on issue of shares</li> <li>• Deferred revenue expenditure</li> </ul>

**Statement of Affairs:**

- It shows the final position of the company at a specific point of time It is emphasizes
- current assets and current liabilities It provides information on cash flow It can be
- prepared for a specific purpose It is
- prepared under **Single Entry system** It is
- not reliable because it based on
- incomplete records

## Financial Institutions

- They collect resources by accepting deposits from individuals and institutions.
- They lend these funds to those who need them.
- They buy and sell financial instruments.
- They accept deposits, grant loans, and invest in securities.

## Organized Financial System

- Regulated by authorities such as RBI and SEBI.
- Unorganized or Informal Sector

## Includes:

- Individual lenders
- Non-banking financial institutions
- Chit fund companies
- Pawn brokers etc.

## Formal Financial System Components

1. Financial Institutions – Banks and non-bank institutions
2. Financial Markets – Money market and capital market
3. Financial Instruments – Term loans etc.
4. Financial Services – Fund-based and fee-based services

## Classification of Financial Institutions

### 1) Banking Institutions

- They extend credit while lending money.
- They supply as well as create credit.
- They collect money from the public as deposits.
- Interest is paid on deposits.

## Banks

### Commercial Banks

Main functions:

- Accept deposits
- Lend loans

## Types of Deposits:

- Current deposits
- Savings deposits
- Recurring deposits
- Fixed deposits

## Types of Loans:

- Overdraft
- Cash credit
- Term loans
- Discounting of bills

## Financial Institutions (NBFI)

- IFCI – 1948
- IDBI – July 1964
- ICICI – 1955
- LIC – 1956
- GIC – 1972

## 2) Non-Banking Institutions

- They also lend financial resources.
- They lend funds but do not create credit like banks.
- **Examples:** LIC, UTI etc.

## Financial Markets

- It deals with financial securities and financial services.
- In this market, money as well as monetary claims are traded.
- Example: Purchase of bonds.

## Classification of Financial Markets

### 1) Money Market

- A market where short-term funds are borrowed and lend.
- It deals with short-term monetary assets with maturity of one year or less.

## Examples:

- Treasury Bills
- Also known as T bills
- These are promissory Notes issued by government.
- They are without the risk factor
- Maturity period less than 1 year.

## Call Money

- Loan for one day.
- Usually no collateral securities are required.

## Notice Money

- Money borrowed for more than 1 day but less than 14 days.

#### 4) IGST (Integrated GST)

- Levied on inter-state supply (between two different states).
- Levied and collected by the Central Government.
- Later distributed between Centre and States.

#### Taxes Subsumed Under GST

##### Central Taxes

- Central Excise Duty
- Additional Excise Duty
- Service Tax
- Central Sales Tax
- Cesses and Surcharges

##### State Taxes

- State VAT
- Sales Tax
- Luxury Tax
- Entry Tax / Octroi
- Entertainment Tax
- Taxes on lotteries, betting and gambling

#### Taxes Outside GST

- Customs Duty
- Stamp Duty
- Motor Vehicle Tax
- Surcharge on Customs Duty
- VAT on Petroleum Products
- VAT on Tobacco Products
- Anti-Dumping Duty
- Toll Tax

#### GST Council

##### Article 279A

- The President constitutes the GST Council to recommend and govern GST.

#### Composition

- Chairman: Union Finance Minister
- Members: Finance/Tax Ministers of each State or their nominees

#### Voting Structure

- Central Government: 1/3rd voting power
- State Governments: 2/3rd voting power
- Decision requires 3/4th majority.

#### Functions

- Decides GST rates, exemptions, and policies.
- Recommends tax structures and special provisions for states

#### CAG Role

- CAG (Comptroller and Auditor General) checks financial records and ensures proper use of public funds.

#### National Anti-Profitteering Authority (NAA)

- A statutory body under the GST Act (2017).
- Ensures benefits of reduced tax rates or input tax credit are passed on to consumers.

#### GST Tax Slabs

- 0%
- 5%
- 12%
- 18%
- 28%

#### As on 2026 slabs of GST

##### 0% (Nil Rate)

- Milk, fruits, vegetables, fresh food items.

##### 5% Essential goods and basic consumption

- items.

##### 18%

- Electrical goods and many standard products.

##### 40%

- Luxury goods, tobacco products, and sin goods.

#### Laffer Curve

- Invented by Arthur Laffer.
- It shows the relationship between tax rates and the tax revenue collected by the government.
- The curve is inverted U-shaped, indicating that both very low and very high tax rates may generate less revenue, while a moderate rate maximizes revenue.

## Try this booklet for great Success in FAA 2026

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