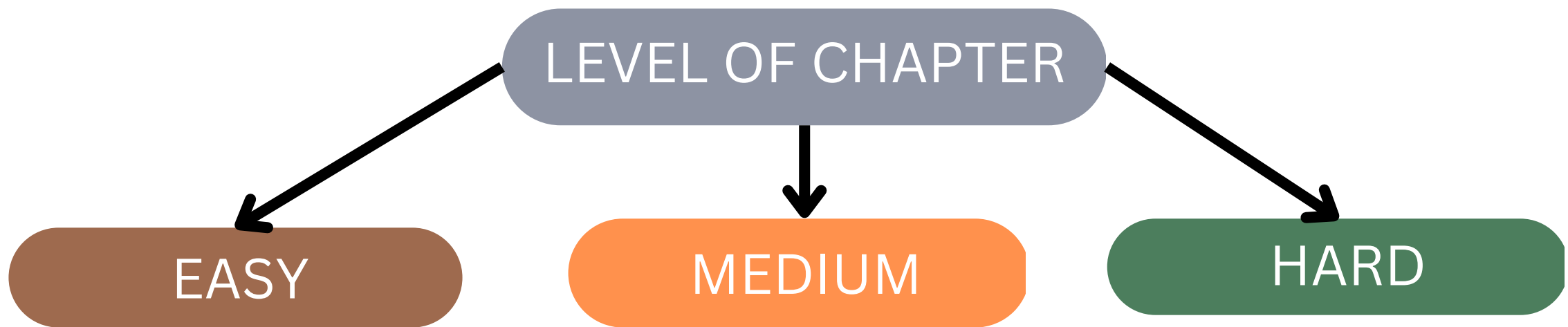
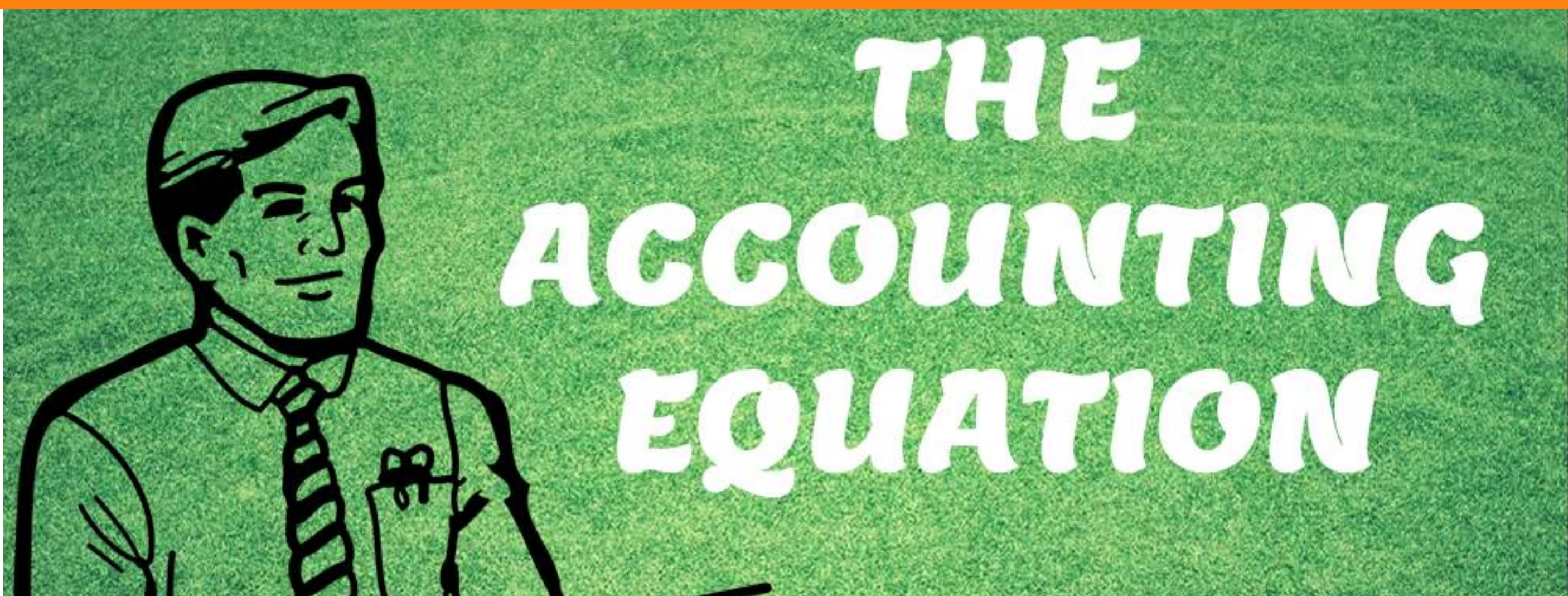


ACCOUNTING EQUATIONS

6





Accounting Equation:

The accounting equation is the basic element of the balance sheet and the primary principle of accounting. It helps the company to prepare a balance sheet and see if the entire enterprise's asset is equal to its liabilities and stockholder equity. It is the base of the double-entry accounting system.

Double-entry accounting is a system that ensures that accounting and transaction equation should be equal as it affects both sides. Any change in the asset account, there should be a change in related liability and stockholder's equity account. While performing journal entries accounting equation should be kept in mind.

$$\text{Assets} = \text{Liabilities} + \text{Shareholder's Equity}$$

The Basic Accounting Equation

