

Accounting Equation: A Way to Take Care of the Accounting Transaction

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Abstract & Purpose of the Study:

The financial position of any business, large or small, is assessed to support two important components of the balance sheet: assets and liabilities. Equity of shareholders, or equity of shareholders, is the third category in the record. Accounting can be an indication of how these three important factors relate to one another. An accounting equation is also called an important accounting equation or equation. While assets represent valuable resources controlled by the company, liabilities represent its obligations. Both the debt and the equity of shareholders illustrate how the organisation's assets are financed. If it is funded, it will be seen as a debt, and if it is funded by issuing shares to investors, it will be reflected in equity shares. (Ulfah, et al., 2021) Understanding the accounting balance of two parties i.e. between the left side (assets) and the right side (liabilities) so that the change arising from financial performance and therefore the balance is maintained. Accounting Equation is the basis of all accounting systems. In fact, all accounting concepts and frameworks are supported by accounting. An accounting estimate compares a company's assets with its liabilities and equity. This shows that all of the company's assets are derived from debt or cash. The present paper is an attempt to showcase the significance of accounting equation as tool of accounting.

Keywords: Accounts, Accounting, Accounting Equation.

Introduction:

Accounting is often called, and appropriately, the language of business. It is because the purpose of accounting is to inform the financial statements of the results of the entity's operations and because of various assets and liabilities. Accounting facilitates the preparation and presentation of information to users by formulating various types of decisions. Accounting statements and reports are required from various groups such as shareholders, lenders, potential investors, newspaper writers, owners, suppliers, lenders, bankers etc. In addition, debt rating agencies and various research organizations including government agencies require accounting data to compile data, analytical reports, etc. (Ehtesham & Aghdasjafarimotlagh, 2013). Accounting statistics are considered to promote double accounting. In the company's record, it shows that the company's total assets are sufficient for the company's debt and equity of shareholders. Supporting this double-entry system, the accounting equation ensures that the record remains "rated," and that all entries made in accounting must be accompanied by a corresponding input (or cover) in the accounting. (Jason,

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2020)

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Assets: Assets include cash and cash equivalents or assets, which may include the Treasurer's debts and deposit certificates. Accounts receivable is the amount of money that companies owe to their customers to sell the product and its repairs. Property is regarded as property.

Debts/ Liabilities: Debts are what a company owes or owes to keep the business running. Debt, including long-term debt, can be a debt, such as rent, taxes, utilities, salaries, wages and benefits payable.

Shareholder Equity: Shareholder equity can be the sole asset of a company with its full liabilities deducted. Shareholder money represents the amount of money that can be refunded to shareholders if all assets are disposed of and all company debt is paid.

The retained revenue is part of the shareholders' shares and is sufficient for the total amount of revenue not paid to shareholders as dividends. Think of savings as savings because they represent the accumulated amount of profits that are stored and forgotten or reserved for future use.

Accounting Equation formula and calculation

Assets = Liabilities + Owner Equity

The record contains the concept of accounting equation:

- Find complete company assets on record for that amount.
- The sum of all debts, which should be a separate list on the record.
- Find the shareholders' shares and add the total amount to the total debt.
- Total assets will be equal to the total amount of debt and the total balance.

The two perspectives are that "for every deduction, there is a debt". Everything that is done should have the effect of two sides reaching the same value. This view has led to an accounting estimate which means that at any given time the assets of any business must be equal (financially) to all owner's debt and external debt (Ehtesham & Aghdasjafarimotlagh, 2013). In other words, accounting equity can be a statement of equity between assets and therefore sources that support assets and are expressed as:

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Assets = Resources

Goods can also be caught e.g. land, building, plant, machinery, equipment, furniture, funds, cash, bank, stock, debtors etc or intangible e.g. patents, trademarks, favors etc.

Sources include internal capital which is the capital provided by the owner and external liabilities. Debts are business obligations to third parties. The above figure is enlarged.

Assets = Debts + Capital

All transactions define income, expenses, losses and gains, the equation is usually extended as follows:

Assets + Costs = Debts + Income + Owner equity

Or

Assets = Liabilities + (Income - Expenses) + owner's money

Or

Assets = Debts + owner's money + and owner's equity

(Income) eventually becomes

Assets = Liabilities + Owner Equity

What previous studies have presented about the accounting equation?

(Ulfah, et al., 2021) Understanding the accounting balance of two parties, i.e. between the left side (assets) and the right side (liabilities), so that the change arising from financial performance and therefore the balance is maintained. Accounting Equation is the basis of all accounting systems. In fact, all accounting concepts and frameworks are supported by accounting. An accounting estimate compares a company's assets with its liabilities and equity. This shows that all of the company's assets are derived from debt or cash. For example when a new company is formed, the first asset purchased comes from investments or loans. The use of accounting estimates for business transactions, namely in the financial statements, bookkeeping, profit calculation and calculation of interest on investments.

(Jason Gordon, 2020) Accounting, also called the basic accounting equation or equation, can be the accounting principle that establishes the relationship between an asset, liability and equity of a private or business entity. Accounting can be a major component of a double account and is part of a record. The accounting statement states that all the assets of an individual or an entity are equal to the amount of debt and equity. In the case of confidentiality, all assets are equal to the value of the liability and equity of the owners, and in the case of a business, the total value of the assets is equal to the amount of the debt and securities of the stockholder. The additional author has highlighted the importance of the equation account which equation accounting is important because it enables the accuracy of the individual business recordings made by the relevant books or accounts. This allows for an accurate assessment of the financial position of any business with its own record.

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(Warsono, 2017) This paper proposes the idea of replacing the DEB, called "financial law." This is in contrast to Paton's DEB concept, which was developed using working language, because financial law is based on syntactic language. The concept of finance is unpredictable and multi-faceted, but it remains to be seen that expenditure remains the same as its resources. Integrated language theory is often developed using mathematical formulas. Therefore, this paper actually uses the mathematical concept to formulate DEB theory and to promote the rationale for debts and debts.

(Fernando Juarez, 2015) Coincides with the result, when using material with a financial definition, accounting equation inequality. The result should be understood within the limit of pure mathematics when applied to algebraic performance. The analysis focuses on a fixed union, which can be considered to be almost identical to the algebraic sum, how. The use of pure axiomatic calculations consistent with the concept of the predicate has led to the conclusion that accounting equation inequality. Although there are strategic limitations, these findings have certain implications for the basics of record and accounting. This result requires more research to be concluded. However, it is part of a business financial research project, in which the analysis of the basics of financial accounting and, in particular, the accounting equation, has many approaches. These methods include the use of axiomatic pure mathematics, predict logic and other types of concepts, in various forms of mathematical analysis. They all led to the same results.

(Ehtesham and Aghdasjafarimotlagh, 2013) Assets are recognized internally where they are expected to use revenue, otherwise such assets that do not promise future revenue are ineffective and far from reporting within the financial statements. Debts are created from past transactions and are repaid in the future. Intangible assets are purchased (from external sources) or made internally. In accordance with the International Accounting System (IAS 38), all intangibles created internally should be treated as an expense - no capitalization is allowed, except in cases where clear evidence is available about future cash inflows to the business. External intangible assets (e.g., purchases, etc.) are often classified as intangible assets to report within the financial statements when it is assumed that future cash flows to the business are predicted. Accounting practices, meetings and opinions contribute to accurate reporting of business transactions and therefore value-value users also benefit from relying on information because information comes from verified accounts and recorded evidence; the auditors confirm the accuracy of the information provided within the periodic financial statements. The fact is that the position disclosed is only for a certain day and has no comments for full-time performance.

(Phillips & Heiser, 2011) Financial accounting books present the process of journalism in a variety of ways. Some texts emphasize accounting, others do not. Some start with a limited set of activities that affect only recording accounts, while others start with an extended set of activities that affect recording and profit history accounts. In The Scaffolding Theory, the authors explored the potential effects of such changes in students' learning. They conducted a field study that randomly assigned students to at least one of the six different learning areas the need to record the results of the accounting equation (before or after the introduction of each journal, or not) and therefore the transaction size (limited compared to extension). Analysis showed that students initially became

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more effective at writing transactions when they clearly looked at the results of the accounting equation, but these benefits lasted within a week. Also, students are first informed of transaction limits and are very successful in writing transactions involving recording accounts. These immediate benefits have helped students over time in writing complex transactions that include recording and earnings report accounts; the first advanced teaching was compensated by a little practice with more complex elements.

After studying the vast literature and available content research has been found accounting equation is an old concept but in survival now also. The learning of a business management, Commerce and Accounting scholar is incomplete till he or she learns about the accounting equation concept of double entry bookkeeping system.

Objective of the Study:

The objective of this article is to showcase the reviews and currents relevance of the concept. It also attempts to present the significance of accounting equation concept in handling the business transactions.

Discussion & Conclusion

Economic activities or conditions that directly change the economic status of an entity or that directly affect operating outcomes are called business transactions. All business operations can be termed by changing items in the equation accounting. Here are some of the accounting applications for business transactions:

Financial statements: The basic accounting application that is not left out is in the financial statements. This report covers many things and is not just an organization report. The financial statements include the amount of cash flows. The two points must be the same in order to comply with the basic principles of accounting. The use of financial statements itself is used for a variety of needs and by different groups such as schools, shops and homes.

Accounting: Accounting statistics are used in accounting. Accounting itself remains the responsibility of each company to obtain a balance of company account statements between expenses and income over a period of time. With proper bookkeeping, the company will know the details of the data that will be used to respond to the company's actions in a timely manner. Often, this restores the structure of the commitment report to ensure a clear and transparent withdrawal.

Revenue: The use of the accounting calculation involves calculating the profit generated by the entity during the financial year. Profit is often defined as the cost of deducting income. The profits made by the company are to be expected. That calculating a company's total profit is not an easy problem. New company profits are often calculated using the accounting equity service. This equation makes it easier for companies to calculate all the profits that should be made. If the value of the benefit is not equal to the rate then this is often questionable. Is there a mistake in recording or storing the books, or are there those who are committing fraud.

Investment: Accounting is also related to calculating the amount of profits from a return on

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investment. Investing can be a process of investing and making a profit over a period of time. In investing it is very necessary to use this basic figure to calculate the value of the return on investment returns. The expected value of the investment may exceed the value of the investment made when you make an investment. (Weygandt, JJ, Kimmel, PD, & DE, 2010)

An accounting calculation is a basic accounting equation, representing the connection between the liability, assets, and equity of the business owner. is the promotion of the principle of final accounting for accounting. The principle of double deposit indicates that all debts are sufficient for all credit for any transaction. Enter a rule where, the figure indicates that each business asset is funded by the instruments or by the shareholders of the company. also known as record equation. The mathematical saying of equation accounting is: $Assets = Debts + Equity$ or $A = L + E$. is usually recorded, the final budget of the organization. a formal form of corporate representation, indicating that all company assets are sufficient for all liabilities and equity of shares. The record can be a complex manifestation of this figure, presenting all the company's assets sufficient for the entire debt and equity of the owner. in line with the double booking process, all business transactions have an equal effect on each side of the equation. From this figure, the formula can also be rearranged to apply one among the unknown problems such as debt or equity ownership. For example, it is often referred to as $Debt = Assets - Equity$ of Owners, $Debt and Owners Equity = Assets - Debts$, seeking ownership equity. (Accountants' Day, 2018)

Accounting Equation Applications

An accounting calculation is a basic accounting equation, representing the connection between the liability, assets, and equity of the business owner. Is the promotion of the principle of final accounting for accounting?Applies to the following accounting statements and plans:

Financial Statements: The Accounting Standard is used to prepare a budget with a recorded name. It is an annual report that is sometimes updated quarterly and is available directly from the accounting accounts used for accounting practices.

Dual Entry System: This figure plays a very important role within the framework of a dual storage system. It ensures that company accounts are always rated.

Income and savings: it is not uncommon to calculate income and savings. This calculation is also an important module for understanding, computing, and analysing the company's financial statements. In other words, it allows the business to generate revenue and revenue.

Company Worth: Indicates which part of the company is owned and the total amount paid. Preparing a record that corresponds to accounting allows owners to measure the total value of a business. Investment is a function of determining the value of a company's profits. Through this process it provides valuable information to investors to think about an application or investment within the company. Within the forefront, it is important to pay attention to the statement that accompanies the accounting. Otherwise, your financial reports will not be heard. You will not be able to track your financial transactions again. (Accountants' Day, 2018)

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Finally it can be conclude that the significance of accounting equation is still in existence as many researchers has presented new aspects in this area but the concept has kept its importance all above the other.

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