Unit 6 — The Accounting Equation



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Accounting equation

the foundation of double entry accounting which shows that all assets are either financed by borrowing money or paying with the money of the company's shareholders

"The accounting equation was the first thing I learned on the bookkeeping course I went on."

Capital

the total financial value of all assets, less any liabilities

"After three years trading the capital of the company had increased to $100m."

Contingent liabilities

a potential obligation that may be incurred depending on the outcome of a future event

"The management accountant estimated a contingent liability of $45,000 on the purchase of the new property."

Thank you for your interest!

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