



General Accounting

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Basic Accounting Equation

- Commercial transactions that do not produce results do not cause any change in the internal structure (shareholders' equity) even though they cause a change in the total structure of the enterprise.
- The commercial transactions that produce results, on the other hand, cause a change in both the overall structure and the internal structure, namely the owner's equity of the enterprise.



Basic Accounting Equation

Basic accounting equation is the monetary section of a business at any moment.

This equation shows the financial situation of the business in terms of currencies.

Assets = Liabilities + Shareholders' Equity

Basic accounting equation is the basis of traditional accounting system. Basic accounting equation is also called “basic accounting model”.



Basic Accounting Equation

Assets: Economic values of the company at the date of preparation of the equation. Assets are also called "economic structure of the business"

Liabilities are also called "the financial structure of the business" or "the legal structure of the business"



Basic Accounting Equation

Assets should meet these two criteria:

1-These values should be under the control of the enterprise.

2-An entity should be able to use or sell these values in the near future. Thus, it should be able to provide an increase in operating assets.



Basic Accounting Equation

Business; it can take debts (external resources) as money, as well as in the form of promissory notes, automobiles, buildings.

The historical cost at the date of issue is more important than the form of the asset item from which the loan is made. Because debts are included in the accounting system with historical costs, in other words, with their acquisition costs.



Basic Accounting Equation

Shareholders' equity consists of the capital actually brought by the partners and the undistributed profits left in the enterprise for additional investment.



Examples of Basic Accounting Equation

Example 1: Mr. A founded Business A with a cash capital of 500,000 TL.

Representation with Basic Accounting Equation:

$$500,000 = 500,000$$



Examples of Basic Accounting Equation

Example 2: Entity A has purchased a building for a cash price of 280,000 TL.

Representation with Basic Accounting Equation:

$$220,000 + 280,000 = 500,000$$



Examples of Basic Accounting Equation

Example 3: Entity A purchased 200,000 TL of commercial property, half in cash and half in futures.

Representation with Basic Accounting Equation:

$$120,000 + 280,000 + 200,000 = 100,000 + 500,000$$



Examples of Basic Accounting Equation

Example 4: Entity A sold 120,000 TL of commercial property for 180,000 TL, half in cash and half in futures.

Representation with Basic Accounting Equation:

$$210,000 + 280,000 + 80,000 + 90,000 = 100,000 + 560,000$$



Examples of Basic Accounting Equation

Operating results of the enterprise will be determined at the end of the period.

Equity at the end of the period - Equity at the beginning of the period = The result of the period

If the result of the period is positive, the operating period has completed profitably. If the result of the period is negative, it indicates that the business has lost a loss in the relevant period.