Journal of Positive School Psychology http://journalppw.com
2022, Vol. 6, No. 3, 2375–2379

Analysis of the Effect of Business Transactions on the Accounting Equation

Hanifah Ramadhani Sembiring[1], M. Husni Sinulingga[2], Iskandar Muda[3]
[1,2,3]Universitas Sumatera Utara, Medan, Indonesia

Abstract

The researcher conducted this study with the aim of comprehensively analyzing the effect of business transactions on the accounting equation. The accounting equation is an equation that shows the balance between assets, liabilities and equity and understands the accounting records so that debits and credits are balanced. Accounting equations can also be used to see the effect of income, expense, expense, and private transactions. The basic accounting equation is the main basis in making financial statements. The formula for calculating the basic accounting equation is asset = liability + equity. While business transactions are all activities that can be reviewed through money and have an impact on the financial position of a company. The relationship between the two is said to be relevant because

Keywords : Accounting equations, business transactions, liability, equity

1. INTRODUCTION

On the basis of accounting has a cycle called the Accounting System as follows:

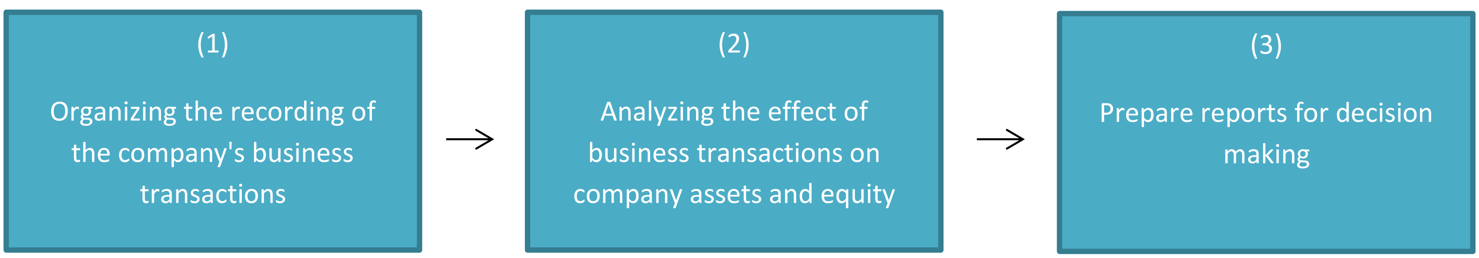

Figure 1. the Accounting System

The Company's Business Transactions are profit-oriented institutions so that the company produces goods and services which are distributed to consumers for profit. Business transactions are grouped into 2, namely Internal Transactions (transactions that occur within the company) and External Transactions or transactions that occur outside the company (Le et al, 2022). All company business transactions will affect 3 components, namely assets, liabilities and equity. In the basic accounting equation, resources have institutions named assets, liabilities and equity (Olibe et al., 2022). Assets are resources owned by the company to provide economic benefits in the future. Liability is a simple form of debt, debt can be in the form of borrowing money, purchase of merchandise on credit to meet company needs. Equity is the owner of all assets in the company.

2. LITERATURE REVIEW

Carry out the Learning objective, to analyze the integral with respect to the impact of commercial transactions in the accounting equation. The formulation in the calculation of the basic accounting equation is **active** = **commitment** + **equity**. All commercial transactions of the company will be related to 3 components, namely assets, liabilities and equity liabilities are simple debt securities, the debt can be in the form of borrowed money, credit purchases of credit to meet the needs of the company. This study was validated by the authors because analyzing the impact of transactions in the accounting equation is very important in an institution compared to IFRS tend to have less comprehensive accounting and disclosure requirements than GAAP IFRS (Burniv et al., 2022). in the transaction process.

3. METHOD

In this analysis, the author uses descriptive and qualitative methods by analyzing the institution to be studied using real events and taking into account the effect of commercial transactions on company X. The author uses the name of person X, which is used as a sample material to conduct company analysis.

4. RESULTS AND DISCUSSION

4.1. Results

Due to the effect of the transaction of purchasing equipment in cash, equipment (assets) increases, cash decreases if purchases of equipment on credit, equipment (assets) and liabilities increase, and finally if the owner's capital is paid in in the form of cash for the company, cash and equity increases. complete the transaction, it affects the basic accounting equations for liabilities, equity, and assets. Please note that there are types of transactions according to different groups as follows:

1. **Asset Based Transaction**
   Such as cash, accounts receivable, supplies and equipment.

2. **Asset and Debt Based Transactions**
   How to use personal money first and replace it with a responsible agency, for example buying ATK class equipment and being paid in cash the day after tomorrow.

3. **Capital and Asset Transactions**
   This is how you receive monthly payments from the responsible agency, for example, an employee who works in company Y receives a salary every month.

4. **Transactions Based on Debt and Equity**
   As a bill that must be paid by the responsible party according to the calendar.

4.2. Discussion

In this discussion the author describes the effect of business transactions through company X which is engaged in the food sector. Initially the owner of company X just operated the company on January 1, 2020.

- Transaction 1 (owner's capital investment) by depositing cash to company X in the amount of IDR 500,000,000.00 as initial capital.
- Transaction 2 (acquisition of assets from creditors) the owner feels that the money invested in the company is not sufficient so that the owner applies for a loan to Bank Y for Rp. 200,000,000.00 for 30 installments each month in installments of Rp. 5,000,000.00 + interest 600,000 per installment .
- Transaction 3 is known to have an influence on the purchase of equipment and expense expenses. In carrying out the activities of the owner company, the equipment purchased on credit is Rp. 10,000,000.00 for a period of 1 month, the details of the expenses issued for the January 2020 period are as follows:

- ❖ Vehicle maintenance IDR 10,000,000.00
- ❖ Rent a vehicle IDR 20,000,000.00
- ❖ Office rent IDR 5,000,000.00
- ❖ Employee salary IDR 20,000,000.00
- ❖ Miscellaneous expenses IDR 5,000,000.00

Total IDR 60,000,000.00

The three transactions will affect the basic accounting equation which is described as follows:

Asset	Obligation	Equity
Cash + Equipment	Notes Payable + Accounts Payable	Company owner's capital X
IDR 700,000,000,- + 10,000,000,-	IDR 200,000.00,-	IDR 500,000,000,-

Asset Expenditure Details :

a) Vehicle maintenance IDR 10,000,000.00
b) Rent a vehicle IDR 20,000,000.00
c) Office rent IDR 5,000,000.00
d) Employee salary IDR 20,000,000.00
e) Miscellaneous expenses IDR 5,000,000.00
Remaining Assets : IDR 640,000.00,-

Equity Expenditure Details :

a) Vehicle maintenance IDR 10,000,000.00
b) Rent a vehicle IDR 20,000,000.00
c) Office rent IDR 5,000,000.00
d) Employee salary IDR 20,000,000.00
e) Miscellaneous expenses IDR 5,000,000.00
Remaining Equity : IDR 440.000.000,-

Expense expenses do not cause new assets to increase and changes in liabilities to the company but have an impact on equity. Therefore, the expense is a decrease in the company's equity or a decrease in the company's capital.

- Transaction 4 is the use of equipment by the owner of company X in the amount of Rp. 5,000,000.00. This transaction is an example of an internal transaction.

Analysis of the existence of internal transactions will have a negative impact on the decline in equipment assets and company equity.

- Transactions of 5 companies X have cash collected from the sale of services carried out by the company worth Rp. 100,000,000.00

From transaction 5 the income received by company X will increase assets in other companies (mutually benefit) and the capital of company owners and other parties will also increase. If viewed from transactions 4 - 6, it can be learned that the company's expenses will decrease the value of the company's assets and owner's equity, while the company's income will increase the company's assets and owner's equity. The following applies to each type of business transaction:

1. The effect of each transaction is an increase or decrease in one or more elements in the basic accounting equation.
2. The two sides of the basic accounting equation must always be equal.

Owner's investment is an asset deposited by the owner into the company which is used by the company in carrying out company activities. In carrying out activities, companies usually generate income in one accounting period. This income usually comes from selling services, selling merchandise, leasing assets and lending money. Income derived from these activities will usually increase the company's assets. If illustrated the relationship between investment, income, expenses and owner's equity as follows:

Withdrawal = Load (-)
/Investment = Income (+)

Expenses are costs of assets consumed in the process of generating income. Expenses refer to the estimated cash outlays against the needs of an institution. In one accounting period, the company has income that is greater than the expense, the company will get a net income, while if the expense is greater than the income, the company will get a net loss. Every company that conducts transactions is required to make financial statements, the reports are classified into 4 types, namely:

1. Statement income report
2. Statement withholding income statement
3. Statement of financial position
4. Cash flow statement

Most agree on the need for a single accounting set on the grounds that multinationals view the rest of the world as their market. The combination of Fiat/Chrysler and Vodafane suggests that we will see more such business combinations in the future. Then the obstacles in the field of information technology continue to decline through technological advances. In 2002, the US Congress passed the Sarbanes-Oxley Act (SOX) which mandated certain internal controls for large public companies listed on US exchanges to comply with this additional layer of regulation. US regulators have recently eliminated the need for foreign companies trading shares in the US market under GAAP. The three business organizations presented are proprietorships, partnerships and corporations found in the US.

5. CONCLUSION

The conclusion is that business transactions on the accounting equation provide an overview of the effects of good and bad for an institution or a company. The US is also coordinating to eliminate foreign needs because it has a bad impact on their markets. Likewise, an investor who owns assets in a company calculates its liabilities and equity so that in the accounting records, the details of the needs are comprehensively recorded.

REFERENCE

Alam S. (2016). Economics for SMA and MA Class XII. Jakarta: Erlangga

Alfian, F, Purba, V,(2020). The Contingency Approaches to the Design of Accounting Systems. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 949-956. https://tojqi.net/index.php/journal/article/view/8207

Barniv, R. R., Myring, M., & Westfall, T. (2022). Does IFRS experience improve analyst performance?. *Journal of International Accounting, Auditing and Taxation*, *46*, 100443.

Harrison Jr. Walter T., Horngren, C. William Thomas, Suwardy T. (2013). Financial Accounting IFRS Edition, Eighth Edition, Volume 2. Erlangga, Jakarta.

Hasibuan, D.R.F, Islamiati, H, (2020). The Behavioral Effects of Accounting Information. *Turkish Online Journal of Qualitative Inquiry*. 11(4). 894-900. https://tojqi.net/index.php/journal/article/view/8202

Le, T., Tran, T., Nguyen, T., Dao, N., Ngo, N., & Nguyen, N. (2022). Determining factors impacting the application of IFRS in teaching: Evidence from Vietnam. *Accounting*, *8*(3), 323-334.

Olibe, K. O., Strawser, R. H., & Strawser, W. R. (2022). The information content of earnings for UK firms disclosing under UK GAAP and IFRS. *Journal of International Accounting, Auditing and Taxation*, 100449.

Purba, A.A, Sembiring, A.M, (2020). How to Account for Bond Transactions?. Turkish Online Journal of Qualitative Inquiry. 11(4). 868-873. https://tojqi.net/index.php/journal/article/view/8194

Bahri,S (2016). *Introduction to Accounting Based on SAK ETAP and IFRS*, Yogyakarta: Andi

Warren, Carl S, Reeve, James M., Duchac, Jonathan E. (2015)**.** *Introduction to Accounting*. Jakarta: Salemba Empat.