**The accounting equation**

The accounting equation is just a simple way of expressing **how the SFP works**. It can also **aid understanding** of double entry bookkeeping.  
  
The SFP illustration showed the following:  
**Assets – Liabilities = Capital (Proprietor’s Interest)**  
  
The formula can be rearranged in different ways, such as:  
**Assets = Capital (Proprietor’s Interest) + Liabilities**  
  
Or:  
**Assets – Capital = Liabilities**  
  
However the equation is rearranged, it should always still **‘balance’**.