Solution:

The term could be easily understood if we understand the balance equation. The balance equation states that

$$Assets = Liabilities + Stockholders' Equity$$

This equation, implies that any change in any of these parameters, is often accompanied by a change in the other parameter, such that the sum remains same on both sides (may increase or decrease on either side, or even remain same).

Thus, if we consider any transaction that affects one of these, this will lead to an effect on the other term of the above equation to counter it.

Accountants around the world record the transactions that affect the above equation using a system that consists of two entries, which are opposite yet when they add up, they do so to balance the equation.

Thus, each transaction has two entries, one for main (intended) effect and other for the side effect (the consequence). This is why the current accounting system is called “double entry” system.

Significance? Well, the significance is that the double entry system allows the people to visualize the changes in the above equation and understand how transactions affect the company’s standing. It is logical and allows the company to track its own obligations towards the external factors (liabilities) as well as to their own investors and employees (stockholders’ equity).