

$\text{Assets} = \text{Liabilities} + \text{Equity}$

Asset — an asset is a **resource controlled** by an entity as a result of a **past event / transaction** and from which **future economic benefits** are expected to flow to the entity.
— the asset does not need to be owned by the entity.

To recognize an asset, there are 2 conditions to satisfy:

- (1) It is probable that future economic benefits will be obtained from the item.
- (2) Can the cost of the ~~asset~~ item be measured reliably?

Liabilities — a **present obligation** of an entity arising from a **past transaction / event** the settlement of which is expected to result in an **outflow of resources** embodying economic benefits.

Equity = $\text{assets} - \text{Liabilities}$

represents residual interest of the assets of the company.

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