

# Economic entity assumption – what is it?

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Economic entity assumption is a fundamental accounting rule which helps the accountant to separate the business transaction which refers to the owner of the company from his or her personal transaction. However, it is not legally allowed to tell apart the only ownership from the proprietor himself or herself. This principle states that all the transactional info which belongs to the entity is not connected to the additional transactions related to the company's business partners of the owner

ECONOMIC ENTITY ASSUMPTION requires that the accounts of an entity will be kept separate from the entity of its owners.