To understand the basics of accounting, it is important to look at its three main components and the terminology related to these components.Recorded on the right side of a company's balance sheet, liabilities include any payable amounts, loans, mortgages, earned premiums, deferred revenues and .accrued expenses Equity also known as shareholder's equity refers to the amount of money that a company must return to its shareholders after all of its assets are liquidated and all of its debt is paid off.Examples of a company's assets include investments, cash, inventory, accounts receivable, land, supplies, equipment, buildings and vehicles Liabilities refer to the legal financial obligations or debts that companies incur during business operations.Equity is calculated by subtracting a company's total assets .to its total liabilities Expenses refer to the costs of operations that businesses incur to generate revenue

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