The basic components of accounting are: Companies must identify a clear approach to record-keeping, before they begin the accounting process. 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. Examples of a company's assets include investments, cash, inventory, accounts receivable, land, supplies, equipment, buildings and vehicles. Expenses refer to the costs of operations that businesses incur to generate revenue. Common expenses include employee wages, payments to suppliers, equipment depreciation and factory leases. 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. It includes deductions and discounts for returned products.