Conceptos básicos de contabilidad: débitos y créditos explicados

eslvideo.com Quiz by: Kary Pedroza Vargas

1. Who is the presenter of the video?

○ a.) James

○ b.) John

○ c.) Jack

2. What is the main topic of the video?

○ a.) Accounting Basics

○ b.) Taxation

○ c.) Financial Planning

3. What should you do if you missed the first video?

○ a.) Watch it later

○ b.) Check the link in the description

○ c.) Ask a friend

4. What are Debits and Credits compared to?

○ a.) Apples and Oranges

○ b.) Heads and Tails on a coin

○ c.) Light and Dark

5. Are Debits and Credits considered good or bad?

○ a.) Yes, they are good

○ b.) Yes, they are bad

○ c.) No, they are neither good nor bad

6. What does Economic Benefit refer to?

○ a.) Money spent

○ b.) Potential for an asset to contribute to cash flow

○ c.) A type of investment

7. What do Credits represent?

○ a.) The destination

○ b.) The source

○ c.) The expense

8. What do Debits represent?

○ a.) The source

○ b.) The destination

○ c.) The revenue

9. Which of the following is NOT a destination for Economic Benefit?

○ a.) Cash

○ b.) Liabilities

○ c.) Expenses

10. What is the Accounting Equation?

○ a.) Assets = Liabilities + Equity

○ b.) Assets = Liabilities + Owner's Equity

○ c.) Assets = Liabilities + Equity + Revenue

11. What does Equity equal?

○ a.) Owner's Equity paid in plus Dividends

○ b.) Owner's Equity paid in less Dividends plus Retained Earnings

○ c.) Owner's Equity paid in plus Revenue

12. What is Retained Earnings made up of?

○ a.) Revenue less Expenses

○ b.) Assets less Liabilities

○ c.) Owner's Equity less Dividends

13. What do Debits increase when Debited?

○ a.) Assets

○ b.) Liabilities

○ c.) Owner's Equity

14. What do Credits increase when Credited?

○ a.) Assets

○ b.) Liabilities

○ c.) Expenses

15. What is the tip to remember the sides of the Accounting Equation?

○ a.) DEALER

○ b.) EQUALS

○ c.) CREDITS

16. What do Debits include?

○ a.) Liabilities and Revenue

○ b.) Dividends, Expenses, and Assets

○ c.) Owner's Equity and Cash

17. What do Credits include?

○ a.) Assets and Expenses

○ b.) Liabilities, Owner's Equity paid in, and Revenue

○ c.) Dividends and Cash

18. What happens to Debits when they are Credited?

○ a.) They increase

○ b.) They decrease

○ c.) They stay the same

19. What happens to Credits when they are Debited?

○ a.) They increase

○ b.) They decrease

○ c.) They stay the same

20. What should you do if you found the video useful?

○ a.) Share it with friends

○ b.) Give it a like

○ c.) Ignore it

Transcript

In this video I'm going to explain to you
what Debits and Credits aren't, define them, and show you why this... is going to help you out. [Music] Hey guys, my name's James and welcome back to another episode of Accounting Stuff!
This video is the second in a series that I'm creating on Accounting Basics. If you missed the first, check out the link that I am putting in the description below. This video is going to be all about the differences between Debits and Credits. Make sure you
stick around to the end because I've got a tip that I think is gonna help you loads! Exciting stuff, are you ready? Let's do this! To properly understand Debits and Credits I think it's important to make a couple of points clear so we can remove any misconceptions.
Debits and Credits are neither good, nor bad. Debits and Credits are not the same as adding
or subtracting. Debits and Credits are words used to reflect the duality or double-sided nature of all Financial Transactions. If you need an analogy to help you visualize this... then you can think of Debits and Credits as Heads and Tails on a coin, since there are equal and opposite sides to every transaction. In the world of finance money doesn't magically
appear or disappear. For money to go to one account it has to come out from another. Accountants
consider every transaction to involve a flow of "Economic Benefit" from a source to a destination.
Urgh.. what is Economic Benefit? Economic Benefit is the potential for an asset to contribute
either directly or indirectly to the flow of an entity's cash. I was saying that accountants consider every transaction to involve a flow of Economic Benefit from a source to a destination.
Well, Credits represent the source, and Debits represent the destination. Destinations that
Economic Benefit can flow to include Assets like Cash, Buildings and Amounts Owed to you
by others, but also Expenses where business pays a third party for a good or service they

have provided, and Dividends where a business distributes some of its cash to its owners.
On the other hand, sources that Economic Benefit can flow from include Owner's Equity, where
a businesses owners give their cash to the business, Liabilities such as Amounts Owed to a bank in exchange for a loan, or to suppliers for providing a good or service, and Revenue.
So let's bring back up that Accounting Equation that we discussed in the previous video, and
I'll prove this to you. Assets equal Liabilities plus Equity. Now we know that Assets are represented
by Debits and Liabilities by Credits, however Equity is a tricky one. To understand it properly
we have to expand it into the components that make it up. Now for disclosure here... we're
about to do some maths. Don't be afraid, we're just going to do some simple rearrangement
here. If maths isn't your thing, maybe watch this next section through a couple of times so you can wrap your head around it. You'll be okay. Equity equals Owner's Equity paid in less Dividends paid out plus Retained Earnings. I said in the previous video that we can think
of Retained Earnings as Profit Held for Future Use. Well, Profit is made up of Revenue less
Expenses. So let's replace Retained Earnings in our Accounting Equation with Revenue less
Expenses. We have... Equity equals Owner's Equity paid in less Dividends plus Revenue less Expenses, and now let's take this definition of Equity and break it out in our Accounting
Equation. Assets equal Liabilities plus Owner's Equity paid in less Dividends plus Revenue
less Expenses. And finally let's do a little rearrangement so we have... Dividends plus Expenses plus Assets equal Liabilities plus Owner's Equity paid in plus Revenue. The left-hand
side represents Debits these increase when Debited and decrease when Credited. The right-hand
side is the opposite, these are Credits. These increase when Credited and decrease

when Debited.
Now I mentioned at the start of the video that I have a tip for you to remember all this. "This is going to help you out". Well, here it is... "DEALER"... D E A L E R... "DEALER". If you are ever in doubt which side of the Accounting Equation these terms sit on then you only have to remember this one word. "DEALER". Right, I think we covered a lot there so let's
recap some of those main points. Debits and Credits are words used to reflect the duality
or double-sided nature of all Financial Transactions. Debits represent the flow of Economic Benefit
to the destination. Credits represent the flow of Economic Benefit from the source. Debits include Dividends, Expenses and Assets. Credits include Liabilities, Owner's Equity
paid in, and Revenue. This is reflected through the Accounting Equation which can be expanded
and rearranged to show as... Dividends plus Expenses plus Assets are equal to Liabilities
plus Owner's Equity paid in plus Revenue. An easy way to remember this is "DEALER" thank
you for watching today's video, if you found it useful give it a like. If you're interested in watching more don't forget to hit that subscribe button, that's all for today see you next time! [Music]