

How to complete a Statement of Shareholders' Equity in Florida

Roll-forward of shareholders' equity by component (common stock, APIC, retained earnings, treasury, AOCI) with beginning/ending balances.

What this form is for

The Statement of Shareholders' Equity is required when applying for commercial loans to show lenders how your corporation's ownership accounts changed over the past fiscal year. Banks use this to verify your retained earnings, capital contributions, distributions, and net income flow into equity balances.

Before you start

- Prior-year ending balances for common stock, additional paid-in capital, retained earnings, treasury stock, and accumulated other comprehensive income from your last audited or reviewed financial statement
- Current-year net income or loss from your Income Statement
- Documentation of any stock issuances, repurchases, or retirements during the year including board resolutions and stock certificates
- Records of all dividends or distributions paid to shareholders with dates and amounts
- Any other comprehensive income items such as unrealized gains or losses on investments or foreign currency translation adjustments

Step-by-step

1. Enter beginning balances for each equity component across the top row. These must match your prior year-end Balance Sheet exactly. Include columns for common stock at par value, additional paid-in capital, retained earnings, treasury stock, and accumulated other comprehensive income.
2. Create a row for net income and enter the amount in the retained earnings column only. This figure must tie to your Income Statement bottom line.
3. Add rows for any dividends or distributions declared during the year. Enter these as negative amounts in the retained earnings column since they reduce equity.
4. If you issued new shares, create a row showing the par value portion in the common stock column and any premium over par in the additional paid-in capital column.
5. Record any treasury stock transactions. Share repurchases appear as negative amounts in the treasury stock column, reducing total equity.
6. Enter other comprehensive income items in the appropriate column. These are gains or losses that bypass the Income Statement.

7. Calculate ending balances for each column by adding beginning balance plus or minus all activity rows. Use formulas or double-check arithmetic carefully.
8. Verify that the total ending shareholders' equity matches the equity section of your current Balance Sheet. Any mismatch indicates an error that will raise red flags.

What lenders look for

- Banks scrutinize retained earnings trends because consistent losses or heavy distributions signal cash flow problems and repayment risk. Florida corporations must follow statutory guidelines on dividend legality, so ensure distributions didn't impair capital.
- Treasury stock in excess of 10 percent of total equity may concern lenders because it suggests owners are pulling value out rather than reinvesting in growth.
- Reconcile every dollar of movement. Unexplained changes between beginning and ending balances will stall underwriting and require written explanations that delay approval.