

How to complete a Statement of Shareholders' Equity in Georgia

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

What this form is for

This form tracks all changes in your company's equity accounts over a reporting period, typically one year. Banks require it to verify your ownership structure, understand distributions to owners, and confirm that equity balances match your balance sheet.

Before you start

- Prior period's Statement of Shareholders' Equity or your opening balance sheet showing equity account balances at the start of the period
- General ledger detail for all equity accounts including common stock, additional paid-in capital, retained earnings, treasury stock, and accumulated other comprehensive income
- Documentation of any stock issuances, repurchases, or redemptions during the period with dates and amounts
- Net income or loss figure from your income statement for the period
- Records of all dividends or distributions declared and paid to shareholders with dates and amounts

Step-by-step

1. Enter the beginning balance for each equity component in the first row. These should match the ending balances from your prior period statement or your opening balance sheet.
2. Complete the common stock column by recording par value of any new shares issued during the period. For Georgia corporations, note any changes resulting from authorized share increases or stock splits.
3. Fill in the additional paid-in capital column with amounts received above par value for any stock issued, reduced by issuance costs.
4. In the retained earnings column, add net income from your income statement or subtract net loss. Then deduct any dividends declared to shareholders during the period.
5. Record treasury stock transactions if you repurchased any of your own shares. Show the cost of shares bought back as a negative number reducing total equity.
6. Complete the accumulated other comprehensive income column only if you have items like foreign currency adjustments or unrealized investment gains. Most small businesses leave this blank.
7. Calculate the total for each transaction row by adding across all equity component columns. Verify your arithmetic on each line.

8. Sum each column vertically to arrive at ending balances. These ending figures must tie exactly to the equity section of your current period balance sheet.

9. Review that total equity increased by net income minus distributions, adjusted for any capital transactions. This reconciliation catches most errors.

What lenders look for

- Banks scrutinize distributions to owners because excessive withdrawals relative to profits signal cash flow problems and weaken your borrowing base. Keep distributions reasonable and documented.
- Negative retained earnings are a red flag suggesting cumulative losses. Be prepared to explain your turnaround plan if this applies to your business.
- Ensure your ending equity balances match your balance sheet exactly. Mismatches between financial statements suggest poor accounting controls and will delay your loan approval.