ILLINOIS · STATE-AWARE GUIDE

How to complete a Statement of Shareholders' Equity in Illinois

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 shows lenders how ownership value in your corporation changed over a reporting period, typically one year. Banks require it to verify that distributions, stock transactions, and retained profits reconcile with your balance sheet and that the equity accounts match your articles of incorporation filed with the Illinois Secretary of State.

Before you start

- Prior-period ending balance sheet showing last year's total equity broken down by component
- Current-period balance sheet with ending balances for all equity accounts
- Net income or net loss figure from your income statement for the period
- Records of all stock issuances, buybacks, or retirements during the period with share counts and dollar amounts
- Documentation of any dividends or distributions declared and paid, including board resolutions and payment dates

Step-by-step

1. Enter the beginning balance for each equity component in the first row: common stock at par value, additional paid-in capital, retained earnings, treasury stock if applicable, and accumulated other comprehensive income. These must match your prior balance sheet exactly.

2. Record any common stock issued during the period on a separate line. Split the total proceeds between par value (posted to common stock column) and the premium above par (posted to additional paid-in capital column). Include the number of shares issued.

3. Show net income or net loss for the period in the retained earnings column only. Pull this figure directly from your income statement bottom line.

4. Enter dividends or distributions as a negative figure in the retained earnings column. Include the per-share amount and total shares outstanding if your lender requests detail.

5. Record any treasury stock purchases as a negative amount in the treasury stock column, reducing total equity. Illinois corporations must have sufficient earned surplus under 805 ILCS to make lawful distributions.

6. Post any other comprehensive income items, such as unrealized gains or losses on investments, to the accumulated other comprehensive income column.

7. Calculate ending balances for each column by adding or subtracting all activity from the beginning balance. Double-check your math on each component.

8. Total the ending balances across all columns to arrive at total shareholders' equity. This must match the equity section of your ending balance sheet exactly or your statements will be rejected.

What lenders look for

- Banks scrutinize retained earnings closely because negative retained earnings signal accumulated losses and may trigger loan covenants or violate Illinois statutory restrictions on distributions, making your business higher risk.

- Reconcile every dollar of change in equity; unexplained gaps between beginning and ending balances suggest accounting errors, unreported transactions, or misclassified owner withdrawals that raise red flags during underwriting.

- Ensure stock transactions are supported by corporate minutes and comply with your shareholder agreement, as lenders verify that equity structure matches governance documents before closing.