

How to complete a Statement of Shareholders' Equity in Ohio

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

What this form is for

Corporations with multiple shareholders use this form to show how each component of equity changed during the fiscal year. Lenders require it to verify retained earnings, track distributions, and confirm that capital contributions and withdrawals are properly documented.

Before you start

- Your prior year-end balance sheet showing the opening balances for common stock, additional paid-in capital, retained earnings, treasury stock, and accumulated other comprehensive income
- Net income or net loss figure from your current-year income statement
- Records of any stock issuances, repurchases, or retirements during the year with dates and amounts
- Documentation of all dividend payments or distributions declared and paid to shareholders
- Any other comprehensive income items such as unrealized gains or losses on securities or foreign currency translation adjustments

Step-by-step

1. Enter the beginning balance for each equity component as of the first day of your fiscal year. These figures must match the ending balances from your prior year balance sheet exactly.
2. Record any common stock activity in the common stock column. If you issued new shares, add the par value here. Ohio corporations must maintain records showing authorized, issued, and outstanding shares.
3. Post additional capital contributions above par value in the additional paid-in capital column. When stock is sold for more than par, the excess goes here, not in common stock.
4. Add your net income from the income statement to retained earnings. If you had a net loss, subtract it instead.
5. Subtract any dividends declared during the year from retained earnings. Ohio law requires adequate retained earnings or surplus to legally distribute dividends, so verify compliance before recording.
6. Record treasury stock transactions separately. Shares repurchased reduce equity and appear as a contra-account. Use the cost method unless your accountant specifies otherwise.
7. Post any other comprehensive income items to the accumulated other comprehensive income column. These bypass the income statement but still affect total equity.

8. Calculate ending balances for each column by adding or subtracting the activity from beginning balances. Each column should reconcile vertically.
9. Total the ending balances across all columns to arrive at total shareholders' equity. This figure must match the equity section of your year-end balance sheet.

What lenders look for

- Banks scrutinize retained earnings trends to assess whether your business generates and retains profit or consistently distributes everything out. Negative retained earnings or heavy distributions raise red flags about cash discipline and borrowing capacity.
- Reconcile every line to source documents. Unexplained adjustments to equity, especially direct charges to retained earnings that bypass the income statement, trigger underwriter questions and delay approvals.
- Ohio corporations should confirm dividend distributions comply with Ohio Revised Code Section 1701.33 solvency requirements. Lenders may request board resolutions authorizing dividends and evidence of adequate surplus.