

How to complete a Statement of Shareholders' Equity in Pennsylvania

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 shows how your corporation's ownership accounts changed during a specific period, typically a fiscal year. Lenders require it to verify your capital structure, track profit retention, dividend distributions, and confirm no undisclosed transactions eroded shareholder equity.

Before you start

- Prior-year balance sheet showing ending balances for common stock, additional paid-in capital, retained earnings, treasury stock, and accumulated other comprehensive income
- Current-year net income or loss from your profit and loss statement
- Records of any stock issuances, repurchases, or retirements during the period with dates and amounts
- Documentation of dividends declared or paid, including board resolutions if applicable
- Any other comprehensive income items such as unrealized gains or losses on investments or foreign currency translation adjustments

Step-by-step

1. Enter the beginning balance for each equity component as of the start of your reporting period. These must match your prior-year ending balances exactly. If this is your first year, beginning balances will be zero except for initial capital contributions.
2. Record new stock issuances in the common stock column at par value. Enter any premium over par value in the additional paid-in capital column. Pennsylvania corporations must comply with stated capital requirements under Title 15 Pa.C.S., so verify par value treatment with your incorporation documents.
3. Add current-period net income to retained earnings. If you had a net loss, enter it as a negative number or in parentheses to subtract from retained earnings.
4. Subtract any dividends declared or paid during the period from retained earnings. List cash dividends and stock dividends separately if both occurred.
5. If you repurchased company shares, record the cost in the treasury stock column as a negative number. Treasury stock reduces total equity.
6. Enter any changes to accumulated other comprehensive income, such as unrealized investment gains or pension adjustment items. Most small businesses will leave this column blank.

7. Calculate the ending balance for each column by adding or subtracting all transactions from the beginning balance. Double-check your arithmetic on each column.
8. Total the ending balances across all columns to arrive at total shareholders' equity. This figure must match the equity section of your balance sheet for the same date.

What lenders look for

- Banks scrutinize retained earnings trends because consistent losses or heavy dividend withdrawals signal cash-flow risk and weak reinvestment. Negative retained earnings are a red flag requiring explanation.
- Treasury stock reduces borrowing capacity since it represents capital returned to owners. Large repurchases without corresponding profit growth suggest the business is shrinking or owners lack confidence.
- Reconcile this statement to your balance sheet and tax return Schedule L before submission. Mismatches trigger immediate questions and delay credit decisions.