

How to complete a Statement of Shareholders' Equity in Texas

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 corporation's equity accounts over a reporting period, showing lenders exactly how owner investments, profits, dividends, and other transactions altered your capital structure. Banks require it to verify your net worth is accurate and to confirm you have not stripped equity before requesting financing.

Before you start

- Balance sheet from the start of the period showing opening balances for common stock, additional paid-in capital, retained earnings, treasury stock, and accumulated other comprehensive income
- General ledger detail for all equity transactions during the period including stock issuances, repurchases, dividends declared and paid, and net income transfers
- Documentation for any stock transactions such as board resolutions authorizing new shares, buyback agreements, or dividend declarations
- Prior year Statement of Shareholders' Equity if this is a comparative multi-year presentation
- Texas franchise tax reports to cross-check your stated par value and authorized shares match state filings

Step-by-step

1. Enter the beginning balance for each equity component in the first row, pulling figures directly from your prior period ending balance sheet.
2. Record common stock activity by showing shares issued during the period at par value in the common stock column and any amount received above par in the additional paid-in capital column.
3. Document treasury stock transactions by entering share repurchases as negative amounts in the treasury stock column at cost, which reduces total equity.
4. Transfer net income from your income statement into the retained earnings column as a single line item, using the exact figure from your bottom line.
5. Subtract dividends declared during the period as a negative entry in the retained earnings column, even if not yet paid in cash.
6. Record any other comprehensive income items such as unrealized gains or losses on investments in the accumulated other comprehensive income column.

7. Calculate the ending balance for each column by adding or subtracting all activity from the beginning balance, then verify each column independently.
8. Total across all columns horizontally for both beginning and ending rows to show total shareholders' equity at each point, ensuring your ending total matches your current balance sheet equity section exactly.

What lenders look for

- Banks scrutinize dividend history and large equity withdrawals in the 12 months before your loan application because excessive distributions suggest you are prioritizing owner payouts over business stability and may lack cash reserves for debt service.
- Negative retained earnings are a red flag that signals cumulative losses, so be prepared to explain the path to profitability and whether fresh capital injections are sustainable or one-time events.
- Texas banks verify your stated par value and share counts against your Texas Secretary of State franchise tax account to catch discrepancies that indicate sloppy recordkeeping or potential commingling of personal and business funds.