



Department of Education  
**SCHOOLS DIVISION OF CITY OF MEYCAUAYAN**  
Pag-asa St., Malhacan, City of Meycauayan, Bulacan



Senior High School

**12**

# Activity Sheet in Fundamentals of Accountancy, Business and Management 2

**Statement of Changes in Equity**  
**ABM\_FABM12-Ie-9**



GOVERNMENT PROPERTY  
**NOT FOR SALE**

## STATEMENT OF CHANGES IN EQUITY



### LET US KNOW

Owners' equity is the **residual interest** of the owner of the assets of the entity (Palma, 2014). All initial contribution by owners to the business, additional assets during the year and income are accounted as an increase to the owner's equity or capital account. In this activity we will recall the features of a **Statement of Changes in Equity** and its step-by-step procedures in preparation of this financial report,



### LET US REVIEW

Use the matrix below to list down the difference between Statement of Comprehensive Income-single step and Statement Comprehensive Income-Multi Step .Write your answer on separate sheet of paper.

#### Comprehensive Income-Single-Step vs Statement Comprehensive Income-Multi-Step

1	1
2	2
3	3
4	4
5	5



## LET US STUDY

Financial Statement are interrelated with each other, for that reason we need to make sure that we prepare the correct data and follow the right format of financial report. In our previous discussion we define **equity as a residual interest of the owner's net asset**. Financial users are concern in this report for its specifically feature the changes or movement in owner's capital. From the book Accounting 101 book of Michelle Cagan, she illustrated equity in acquiring a property which is as an asset on the part of the buyer. Yet, the author also emphasized that a property acquired through bank financing give the bank a claim on through mortgage. A mortgage is a long-term liability that once not paid on time, the owner's equity is at risk. Statement of Changes in Equity is also known as Statement of Changes in Partners Equity for Partnership form of business and Statement of Changes in Stockholders Equity for corporation. It is a report that features the movement of owner's residual claim in the business.

### Preparing a Statement of Changes in Equity for Sole Proprietor

**Statement of Changes in Equity** reflect the movements in the elements or components of the equity.

1. **Heading** refers to the business name ,title of the report and the accounting period it was reported.

<b>Ventura-Palad Trading</b>
<b>Statement of Changes in Equity</b>
<b>For the Year Ended December 31,2019</b>

2. **Beginning Capital** is the owners initial capital or investment to open owner's equity account.
3. **Additional Investment** pertains to any capital that was acquired during the operation.
4. **Net Income or Net Loss** is the amount earned or loss by an entity for the year reflected on the **Statement of Comprehensive Income**

and extended in Statement of Changes in Equity. Net income will be added.

5. **Drawing or withdrawal** represent the cash or non-cash assets taken by the owner of the business for personal use. It is a deduction from the owners capital.
6. **Ending Capital** is the amount refers to the total change or movement in owners capital.

Take note that we need to follow the correct format in of Statement of Changes in Equity, **we cannot interchange the order of the elements** for proper disclosure of the report. Statement of Changes in Equity reflects the net profit or net loss of Statement of Comprehensive Income and the total amount of the report is linked with Statement of Financial Position owner's equity portion.



### LET US PRACTICE

Ana Marie Bautista, is a bookkeeper who will prepare the Statement of Changes in Owner's Equity of their top client Nelson Salon. Copy the matrix below and reformat to correct the presentation of Statement of Changes in Equity. Compute for the unknown amount to complete the report. Write your answer on the 12-column worksheet.

	Case 1	Case 2	Case 3	Case 4	Case 5
Nelson's, Beginning Capital	₱311,750	₱223,445	₱123,456	₱ 246,800	?
Additional Investment	₱ 80,000	₱ 50,000	₱ 75,000	?	₱ 100,000
Net Income (Loss)	₱ 91,340	?	₱35,660	₱ (5645)	₱ (50,675)
Nelson's Capital End	?	₱ 285,664	₱ 180,750	₱ 225,670	₱ 465,997
Withdrawals	₱ 60,000	₱120,000	?	₱ 90,000	₱ 75,000



### LET US REMEMBER

- ✓ **Statement of Changes in Equity** reflects the movements in the elements or components of the equity.
- ✓ **Heading** refers to the business name, title of the report and the accounting period it was reported.
- ✓ **Beginning Capital** is the owners initial capital or investment to open owner's equity account.
- ✓ **Additional Investment** it pertains to any capital that was acquired during the operation.
- ✓ **Net Income or Net Loss:** is the amount earned or loss by an entity for the year reflected on the **Statement of Comprehensive Income** and extended in Statement of Changes in Equity. Net income will be added.
- ✓ **Drawing or withdrawal** represent the cash or non- cash assets taken by the owner of the business for personal use . It is a deduction from the owners capital.
- ✓ **Ending Capital** it is the amount refers to the total change or movement in in owners capital.
- ✓ Do not **interchange the format of** Statement of Changes in Equity .
- ✓ **Double rule** the final amount computed.



### LET US APPRECIATE

Copy the table below to compute for your **Personal Equity**. List down all your assets with their acquisition price. List also your liabilities or debts from Parent, friends, relatives, and neighbor. Deduct the total amount of asset to your total amount of liabilities to determine your personal equity. Submit your answer in power point presentation.

# My Personal Equity

ASSET- LIABILITIES = OWNERS EQUITY				
ASSET	AMOUNT	LIABILITIES	AMOUNT	TOTAL PERSONAL EQUITY
<b>Total Assets</b>		<b>Total Liabilities</b>		<b>Total Personal Equity</b>



## LET US PRACTICE MORE

Read and analyze the following problem given and prepare the Statement of Changes in Owner's Equity of Donnaliza Kakanin and Bakeshop .Write your answer on the 12-column worksheet.

### Problem 3: Donnaliza Kakanin and Bakeshop

Donnaliza Kakanin and Bakeshop is owned by Donnaliza Deuda. As of January 1, 2019, she started her business with an initial capital of ₱100,000. She made an additional investment of ₱50,000 worth of baking materials and equipment's. Since it was her first year in the business, her Statement of Comprehensive Income shown a net loss of ₱25,000. She did not make any withdrawal for the year. How much is Donnaliza Deuda ending balance as of December 31, 2019.



## EVALUATION

Read and analyze the following problem given and prepare the Statement of Changes in Owner's Equity of the entities. Write your answer on the 12-column worksheet.

### **Problem 1. Gems and Jewels Trading**

In 2019, Markus Crisostomo of Gems and Jewel Trading invested in his business a cash of ₱50,000 and ₱100,000 worth of jewelries. During the year he acquired repair machine for jewelries amounting to ₱25,000 and his business earned ₱150,000. But he made a ₱20,000 withdrawal for personal use. Prepare a Statement of Changes in Equity for Markus Crisostomo.

### **Problem 2. Steve Yanzon Law Office**

The Steve Yanzon Law Office started his business with a capital of ₱200,000. During the year, his office earned ₱300,000 and withdrew ₱100,000 for personal use. How much is Steve Yanzon capital balance as of December 31, 2019?





**All Rights Reserved**  
**2020**

## **ACKNOWLEDGEMENT**

**CAROLINA S. VIOLETA, EdD**  
Schools Division Superintendent

**JERRY D. CRUZ, PhD, CESE**  
Asst. Schools Division Superintendent

**DOMINADOR M. CABRERA, PhD**  
Chief, Curriculum Implementation Division

**EDWARD C. JIMENEZ, PhD**  
Education Program Supervisor- LR Manager

**JOCELYN A. MANALAYSAY, PhD**  
Education Program Supervisor- Mathematics

**CHARMAINE S. TUMANGAN**  
Developer- Meycauayan National High School