

Statement of Changes in Equity



Statement of Changes in Equity

This statement tracks **changes in capital** resulting from additional investments, withdrawals by the owner, and the net income or loss for the year.

CORE PARTS

- **Capital:** An account representing the **owner's original and additional investments**, which increases with net income earned during the year.
- **Drawings:** Any **withdrawals** made by the owner in the form of cash or other assets.
- **Income Summary:** A temporary account used at the end of an accounting period **to close out income and expense accounts**. Its balance reflects the net income or loss before being transferred to the capital account.

Calculation

- Beginning Capital
- Add: Additional Investments and Net Income
- Less: Drawings (Withdrawals)
- Equals: Ending Capital

Thank you

