

Statement of Changes in Equity

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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
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- A decorative orange wavy line is located in the bottom-left corner of the slide, extending from the left edge and curving upwards and to the right.

FABM2: LESSON 4

Thank You

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