**Statement of Changes in Equity**

The statement of changes in equity is an accounting report prepared by a company.

It shows the main changes that have taken place in the equity items of a balance sheet.

The statement of changes in equity shows:

* The profit for the period
* Net income directly adjusted in equity e.g. gain on revaluation of assets
* Changes in the balances of share capital, other reserves and retained earnings

**Statement of changes in equity – an alternative presentation**

For the year ended 30 June 2010

(Tabular layout: Implementation Guidance Model)



**An alternative presentation of SOCE as per text page 32:**



**Statement of Financial Position**

The balance sheet lists assets, liabilities and equity of the company.

The term ‘Statement of financial position’ is an alternative term for Balance Sheet.

By classifying assets and liabilities it enables users to evaluate:

* Value of the company
* Stability ( a comparison of external debt and owner’s equity will determine leverage or gearing which is a measure of stability)
* Liquidity (the capacity of the business to meet its obligations as they fall due)

AASB 101 does not prescribe a specific format, giving companies some latitude in presentation, as long as they satisfy disclosure requirements.

The Implementation Guidance offers examples, one of which is:

A Balance Sheet format which follows the equation:

**(CA +NCA) – (CL+NCL) = Net Assets = Equity**

*Refer page 33 & 35 Accounting 3B*

**Notes to the Balance Sheet**

Notes explain entries contained in the Balance Sheet.

This syllabus requires notes on:

* Property, Plant and Equipment
* Share Capital
* Other Reserves
* Dividends

**Property, Plant and Equipment**

This shows a breakdown of the different classes of non-current assets. It shows details of cost or fair value of non-current assets and subtracts its accumulated depreciation.

*Refer to page 36*

**Share Capital**

This note shows:

* Type and number of shares issued
* Issue price
* Share issue costs
* Total Share Capital for each class of shares

Example:

|  |  |
| --- | --- |
| **Note 4: Share Capital** |  |
| 131,000 ordinary shares of $1 fully paid, less share issue costs of $2,800 | $128,200 |

**Other Reserve**

These are reserves *other than* Retained Earnings e.g.

* General reserve
* Asset revaluation reserve

Example:

|  |  |
| --- | --- |
| **Note 5: Reserves** |  |
| Asset revaluation | $26,000 |
| General | 9,000 |
|  | $35,000 |

**Dividends**

This note shows:

* Dividends in cents per share
* Dollar amount of dividends recommended and paid

Example:

**Note 2. Dividends**

Interim dividend was declared and paid as follows:

Ordinary shares, 7 cents per share $14,000

The directors have recommended a final dividend for the year ended 30 June 2010.

Ordinary shares, 5 cents per share $10,000

**Balance Sheet presentation**

Figures summarized into totals to make it easier for users to read.

|  |  |
| --- | --- |
| **Current Assets** | **Items** |
| Cash and cash equivalents | Cash at bank  Bank overdraft (negative balance)  Bank Term deposits or bonds(maturing within 3 months) |
| Trade and other receivables | Accounts receivable less allowance for doubtful debts  Accrued income |
| Prepaid Expenses | Prepaid insurance, prepaid rent etc. |
| Inventories | Inventories  Supplies e.g. stationery and office supplies |
| **Non-current assets** |  |
| Property plant and equipment | Physical non-current assets, less accumulated depreciation:  Land  Buildings  Motor vehicles  Shop Fittings |
| Other intangible assets | Assets which do not have a physical form:  Patents  Copyrights  Goodwill\* |
| Investments | Shares in companies |
| **Current Liabilities** |  |
| Trade and other payables | Accounts Payable  Accrued expenses |
| Unearned income | Unearned fees income etc. |
| **Equity** |  |
| Share Capital | Ordinary Share Capital  Preference Share Capital |
| Other reserves | General reserve  Asset Revaluation Reserve |

\*Goodwill - The additional amount paid by a purchaser for the profit earning advantages the purchased business has e.g. loyal customers, good location and trained staff.