

How to Create a Statement of Owner Equity

Definition: A statement of owner equity is a financial statement, created for the most part from information found in a business's balance sheet(s) and income statement(s), which analyzes how a farmer's or business owner's net worth changed between two balance sheets.

Net worth, also called **owner equity**, is a measure of the basic monetary value of a business or an individual, figured by subtracting total liabilities from total assets.

The following table lists the six steps for creating a statement of owner equity.

Creating a Statement of Owner Equity	
Step	Procedure
1	Record the beginning net worth found on the current balance sheet
2	Add Net Farm Income (or subtract net losses) found on the income statement
3	Add any contributions to the business (e.g., cash)
4	Subtract any distributions from the business
5	Add or subtract asset valuation changes (e.g., fluctuations in real estate values) Note: It is rare to have to make these adjustments and making them incorrectly can distort greatly the picture of a business's profitability. If asset values have changed significantly, seek the advice of a financial advisor.
6	Calculate ending net worth (total of figures from steps 1-5)