

ALE.16

Equity Accounts

Equity is the net total value of the owner's interest in the business. If there is only one owner then all of the equity in the business belongs to the one owner. If there is more than one owner then the total equity is the sum of each of their total interests in the business.

Owners investments increase owners equity. Owners draws decrease owners equity.

The term "Retained Earnings" is properly only used by corporations, but Quickbooks uses it for all types of businesses to represent total equity. The exact proper names of equity accounts changes depending on the legal form of ownership:

Sole Proprietorship

- Beginning Owners Equity
- Owners Contributions
- Owners Draws
- Ending Owners Equity

Partnership

- Beginning Partners Capital
- Partners Contributions
- Partners Draws
- Ending Partners Capital

LLC

- Beginning Members Capital
- Members Contributions
- Members Draws
- Ending Members Capital

S-Corporations

- Retained Earnings
- Shareholder Contributions
- Shareholder Distributions
- Special Tax Basis Accounts