

A corporation has 10,000 shares of 10%, \$50 par, **noncumulative** preferred stock outstanding and 20,000 shares of no-par common stock outstanding.

At the end of the current year, the corporation declares a dividend of \$120,000.

How is the **dividend allocated** between preferred and common stockholders?

Preferred: $\$50 \times 10\% \times 10,000 \text{ shares} = \$50,000$

Common: $\$120,000 - \$50,000 = \$70,000$

What is the **dividend per share** for preferred shares and for common shares?

Preferred: $\$50 \times 10\% = \$5 \text{ per share} \times 10,000 \text{ shares} = \$50,000 \text{ total};$

Common: $\$120,000 - \$50,000 = \$70,000 / 20,000 \text{ shares} = \3.50

A corporation has 15,000 shares of 10%, \$50 par **cumulative** preferred stock outstanding and 25,000 shares of no-par common stock outstanding. Dividends of \$37,500 are in arrears.

At the end of the current year, the corporation declares a dividend of \$120,000.

What is the dividend allocated between preferred and common shareholders?

Preferred: $\$50 \times 10\% \times 15,000 \text{ shares} = \$75,000 \text{ current year} + \$37,500 \text{ in arrears} = \$112,500$

Common: $\$120,000 - \$112,500 = \$7,500$

What is the dividend per share for preferred shares and for common shares?

Preferred: $\$50 \times 10\% \times 15,000 \text{ shares} = \$75,000 \text{ current year} + \$37,500 \text{ in arrears}$
 $= \$112,500 / 15,000 \text{ shares} = \7.50

Common: $\$120,000 - \$112,500 = \$7,500 / 25,000 \text{ shares} = \0.30

A corporation has 15,000 shares of 10%, \$50 par, **noncumulative** preferred stock outstanding and 25,000 shares of no-par common stock outstanding. No dividends were declared in 2008. At the end of 2009, the corporation declares a dividend of \$150,000.

What is the dividend allocated between preferred and common shareholders?

Preferred: $\$50 \times 10\% \times 15,000 \text{ shares} = \$75,000$

Common: $\$150,000 - \$75,000 = \$75,000$

Prepare entries for the following transactions.

Dec. 5 The corporation declared the required cash dividend for \$45,000 of \$100 par, 6% cumulative preferred stock, 7,500 shares issued.

Dec. 5 The corporation declared a \$.40 dividend on 130,000 shares of common stock.

Dec. 20 The corporation paid the dividends declared on December 5.

Dec. 31 The corporation sold 5,000 shares of \$10 par value common stock for \$20 per share.

Date	Account	Debit	Credit
Dec. 5	Retained earnings	45,000	
	Dividends payable		45,000
Dec. 5	Retained earnings	52,000	
	Dividends payable (0.4×130000 shares)		52,000
Dec. 20	Dividends payable	97,000	
	Cash (45000+52000)		97,000
Dec. 31	Cash (5000× 20)	100,000	
	Common stock (5000 ×10)		50,000
	Paid in capital in excess of par - common		50,000

The stockholder's equity section for Harris Corporation as of December 31, 2010 is as follows:

Stockholders' Equity December 31, 2010

Preferred stock, 6%, \$100 par, cumulative, 10,000 shares authorized, 6,500 shares issued	\$ 650,000
Common stock, \$10 par, 200,000 shares authorized, 120,000 shares issued	1,200,000
Paid-in capital in excess of par - common	420,000
Total paid-in capital	2,270,000
Retained earnings	467,000
Total stockholders' equity	\$2,737,000

For each of the following transactions, indicate the amount of the effect of each transaction on common stock, paid-in capital in excess of par - common, and retained earnings. If appropriate, write "no effect".

Dec. 1 The corporation declared the required cash dividend on the preferred stock and a \$1.15 dividend on the common stock.

Dec. 11 The corporation paid the dividends declared on December 1.

Dec. 15 The corporation sold 5,000 shares of common stock for \$19 per share.

Date	Common Stock	Paid in capital in excess of par-common	Retained earnings

Date	Common Stock	Paid in capital in excess of par-common	Retained earnings
Dec. 1	No effect	No effect	(\$177,000)*
Dec. 11	No effect	No effect	No effect
Dec. 15	\$50,000	\$45,000	No effect

* $6,500 \times \$100 \times .06 = \$ 39,000$

$\$1.15 \times 120,000 = 138,000$

Total dividends $\$177,000$

On January 1, 2010, a corporation issued 25,000 shares of 10%, \$50 par, **cumulative preferred stock** and 50,000 shares of \$30 par common stock. Cash dividends declared by the board were as follows.

Determine the amount of total dividends and dividends per share for preferred stockholders and common stockholders.

2010	none
2011	\$100,000
2012	\$275,000
2013	\$305,000
2014	\$355,000

Year	Total Preferred	Per Share Preferred	Total Common	Per Share Common
2010				
2011				
2012				
2013				
2014				

Year	Total Preferred	Per Share Preferred	Total Common	Per Share Common
2010	\$0	\$0	\$0	\$0
2011	\$100,000	\$4.00	\$0	\$0
2012	\$275,000	\$11.00	\$0	\$0
2013	\$125,000	\$5.00	\$180,000	\$3.60
2014	\$125,000	\$5.00	\$230,000	\$4.60

A corporation reports the following stockholders' equity as of December 31, 2010.

Preferred stock 10%, \$50 par, cumulative , 100,000 shares authorized, 90,000 shares issued	\$ 4,500,000
Paid-in capital in excess of par - preferred	945,000
Common stock, \$10 par, 200,000 shares authorized, 200,000 shares issued	2,000,000
Paid-in capital in excess of par - common	800,000
Total paid-in capital	8,245,000
Retained earnings	3,400,000
Total stockholders' equity	<u>\$11,645,000</u>

- What was the average issue price per share of common stock?
- What was the average issue price per share of preferred stock?
- The board of directors declares dividends of \$1,900,000 in 2010. No dividends were declared in 2011 and there were no dividends in arrears prior to 2011. What is the amount per share each class of stock will receive?
 - $(\$2,000,000 + \$800,000) / 200,000 = \$14.00$
 - $(\$4,500,000 + \$945,000) / 90,000 = \$60.50$
 - Preferred - $(\$4,500,000 \times 10\% \times 2) / 90,000 = \10.00
Common - $(\$1,900,000 - (90,000 \times \$10.00)) / 200,000 = \$5.00$