## Quick Questions On Paying Dividends

The We'll Go Broke Corporation has 10,000 shares of \$5 par common stock and 1,000 shares of \$100 par 8% cumulative preferred stock outstanding. During the first three years of operation income was -\$20,000, \$10,000, and \$100,000 respectively. On December 15 of year three, the Board of Directors voted to pay their first-ever dividends. Payable on March 15th, to stockholders of record as of February 10, were preferred dividends, and a cash dividend to common stockholders of \$1.25 per share. Make the Journal Entries necessary to record the declaration and payment of these dividends and calculate the balance of Retained Earnings as of April 1 of year four.

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