18-9

The shareholders’ equity of Kramer Industries includes the data shown below. During 2012, cash dividends of $150 million where declared. Dividends were not declared in 2010 or 2011

|  |  |
| --- | --- |
|  | $ in millions |
| Common Stock | $200 |
| Paid-in capital—excess of par, common | 800 |
| Preferred stock, 10%, nonparticipating | 100 |
| Paid-in-capital—excess of par, preferred | 270 |

Require:

Determine the amount of dividends payable to preferred shareholders and to common shareholders under each of the following two assumptions regarding the characteristics of the preferred stock.

**Assumption A** – The preferred stock is noncumulative

**Assumption B –** The preferred stock is cumulative