

B-14.04

Krull Corporation presented the following selected information. The company has a calendar year end.

Before considering the effects of dividends, if any, Krull's net income for 20X7 was \$2,500,000.

Before considering the effects of dividends, if any, Krull's net income for 20X8 was \$3,000,000.

Krull declared \$750,000 of dividends on November 15, 20X7. The date of record was January 15, 20X8. The dividends were paid on February 1, 20X8.

Stockholders' equity, at January 1, 20X7, was \$5,000,000. No transactions impacted stockholders' equity throughout 20X7 and 20X8, other than the impact of earnings and dividends on retained earnings.

- (a) Prepare journal entries, if needed, to reflect the dividend declaration, the date of record, and the date of payment.
- (b) How much was net income for 20X7 and 20X8?
- (c) How much was total equity at the end of 20X7 and 20X8?
- (d) Is total "working capital" reduced on the date of declaration, date of record, and/or date of payment?