

B-14.05

Wiggins Corporation has 10,000,000 shares of \$1 par value common stock outstanding. This stock was originally issued at \$7 per share. The company also has 1,000,000 shares of \$50, 4%, cumulative preferred stock outstanding. The preferred stock was originally issued at par. During 20X5, the company experienced a significant business interruption and was unable to pay any dividends. Prior to 20X5, the preferred shareholders had always received the expected dividend. During 20X6, the company returned to profitability, and paid \$7,000,000 in dividends.

- (a) How much is the company's legal capital, additional paid-in capital, and total paid-in capital?
- (b) What accounting/disclosure is needed relating to the dividends in arrears on the preferred stock as of the end of 20X5 (i.e., should a liability be established)?
- (c) How would the 20X6 dividends be divided between common and preferred stock?