

If you wish to provide an additional source of return to shareholders, your team may elect to pay stock dividends. You can only pay dividends if you have sufficient Retained Earnings to cover the payment to all stockholders.

### **YOUR TASK**

In the Workspace, enter the amount of stock dividend you wish to pay. This amount is on a per share basis. Make sure to note the total payment.

### **DECISION TIP**

Investors are typically not looking for dividends in a startup business. Usually, they are able to withdraw their investment and profits when the company goes public on a stock exchange or when another firm acquires it. In some rare cases, a firm may earn sufficient profits that it could pay dividends at the end of the second year. If these are anticipated, then they can be budgeted into the cash flow planning.