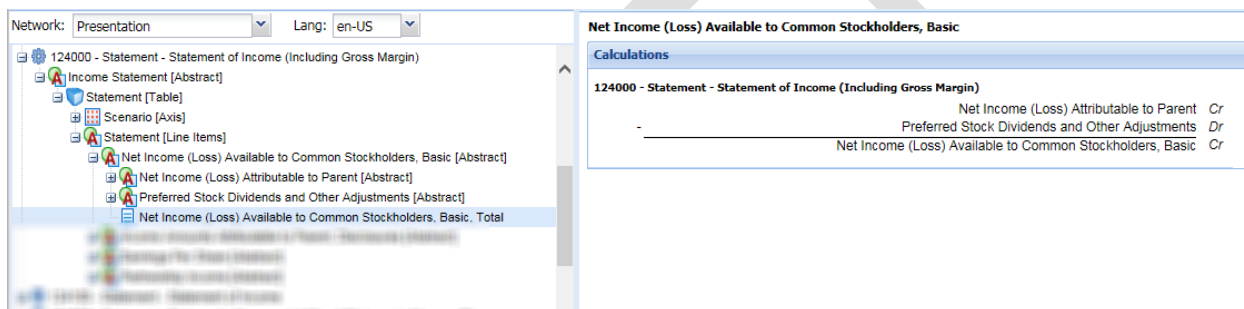# Preferred Stock Dividends and Other Adjustments

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The US GAAP XBRL Taxonomy represents the relationship between "Net Income (Loss) Attributable to Parent" and "Net Income (Loss) Available to Common Stockholders, Basic" as follows in the US GAAP XBRL Taxonomy within the network 124000 – Statement – Statement of Income (Including Gross Margin):
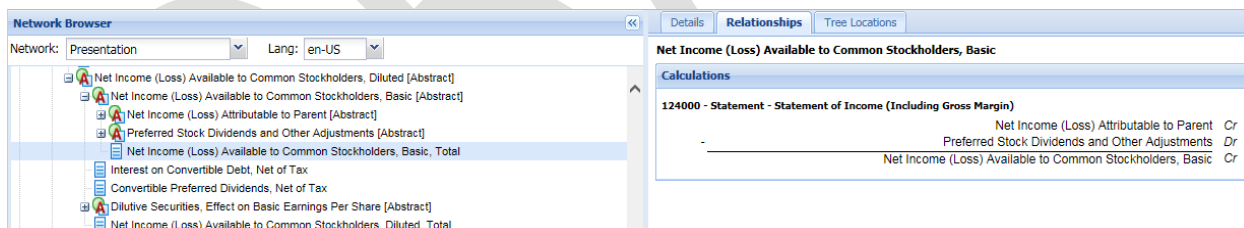
(See http://goo.gl/S4hifv)



This same relationship is represented again in the network 780000 – Disclosure – Earnings Per Share:

(See http://goo.gl/q0RTkm)



But then in Network 780000 – Disclosure – Earnings Per Share, the concept "Preferred Stock Dividends and Other Adjustments" is represented as a PART of a larger WHOLE, "Participating Securities, Distributed and Undistributed Earnings (Loss), Basic" as follows"

(See http://goo.gl/e8jdIs)

On further piece of information helpful in this analysis is the list of concepts which further details the PARTS of "Preferred Stock Dividends and Other Adjustments" which is articulated consistently the same in both network 124000 – Statement – Statement of Income (Including Gross Margin) and network 780000 – Disclosure – Earnings Per Share as such:

(See http://goo.gl/lRpj7c from network 124000 – Statement – Statement of Income (Including Gross Margin))



The next important piece of information for this analysis is that public companies report high-level earnings per share information in at least one of two common locations: (1) on the income statement and (2) within the notes to the financial statements, such as the earnings per share note.

For example, here is one public company that presents this information on the face of the income statement:

DIGITALGLOBE, INC

http://www.sec.gov/Archives/edgar/data/1208208/000155837016003536/0001558370-16-003536-index.htm

| Condensed Consolidated Statements of Operations - USD ($) shares in Millions, $ in Millions | 3 Months Ended | | | | | | | | 12 Months Ended | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Dec. 31, 2015 | Sep. 30, 2015 | Jun. 30, 2015 | Mar. 31, 2015 | Dec. 31, 2014 | Sep. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2015 | Dec. 31, 2014 | Dec. 31, 2013 |
| **Condensed Consolidated Statements of Operations** | | | | | | | | | | | |
| Revenue | $ 181.7 | $ 173.3 | $ 178.0 | $ 169.4 | $ 185.7 | $ 154.6 | $ 157.8 | $ 156.5 | $ 702.4 | $ 654.6 | $ 612.7 |
| **Costs and expenses:** | | | | | | | | | | | |
| Cost of revenue, excluding depreciation and amortization | 34.1 | 34.3 | 37.2 | 39.3 | 38.9 | 40.9 | 41.1 | 39.5 | 144.9 | 160.4 | 175.3 |
| Selling, general and administrative | 47.5 | 49.6 | 52.9 | 57.0 | 54.3 | 55.8 | 58.4 | 53.0 | 207.0 | 221.5 | 257.3 |
| Depreciation and amortization | 74.3 | 70.4 | 68.7 | 67.3 | 65.6 | 57.7 | 57.6 | 58.8 | 280.7 | 239.7 | 224.8 |
| Restructuring charges | 6.0 | 0.4 | 0.4 | 2.2 | | | | 1.1 | 9.0 | 1.1 | 40.1 |
| Income (loss) from operations | 19.8 | 18.6 | 18.8 | 3.6 | 26.9 | 0.2 | 0.7 | 4.1 | 60.8 | 31.9 | (84.8) |
| Interest expense, net | (5.3) | (5.6) | (5.4) | (12.7) | (7.1) | | | | (29.0) | (7.1) | (3.4) |
| Loss from early extinguishment of debt | | | | | | | | | | | (17.8) |
| Other (expense) income, net | (0.5) | 1.2 | | | 0.4 | 0.1 | | 0.1 | 0.7 | 0.6 | 0.2 |
| Income before income taxes | 14.0 | 14.2 | 13.4 | (9.1) | 20.2 | 0.3 | 0.7 | 4.2 | 32.5 | 25.4 | (105.8) |
| Income tax benefit (expense) | (3.4) | (4.6) | (5.4) | 4.2 | (8.0) | 0.6 | 4.3 | (3.8) | (9.2) | (6.9) | 37.5 |
| Net income | 10.6 | 9.6 | 8.0 | (4.9) | 12.2 | 0.9 | 5.0 | 0.4 | 23.3 | 18.5 | (68.3) |
| Preferred stock dividends | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (1.0) | (4.0) | (4.0) | (3.6) |
| Net income less preferred stock dividends | 9.6 | 8.6 | 7.0 | (5.9) | 11.2 | (0.1) | 4.0 | (0.6) | 19.3 | 14.5 | (71.9) |
| Income allocated to participating securities | 0.4 | 0.4 | 0.3 | | 0.5 | | 0.1 | | 0.8 | 0.6 | |
| Net income (loss) available to common stockholders | $ 9.2 | $ 8.2 | $ 6.7 | $ (5.9) | $ 10.7 | $ (0.1) | $ 3.9 | $ (0.6) | $ 18.5 | $ 13.9 | $ (71.9) |
| **Earnings (loss) per share:** | | | | | | | | | | | |
| Basic loss per share (in dollars per share) | $ 0.13 | $ 0.12 | $ 0.09 | $ (0.08) | $ 0.14 | $ 0.00 | $ 0.05 | $ (0.01) | $ 0.26 | $ 0.19 | $ (1.00) |
| Diluted loss per share (in dollars per share) | $ 0.13 | $ 0.12 | $ 0.09 | $ (0.08) | $ 0.14 | $ 0.00 | $ 0.05 | $ (0.01) | $ 0.26 | $ 0.18 | $ (1.00) |
| **Weighted average common shares outstanding:** | | | | | | | | | | | |
| Basic (in shares) | | | | | | | | | 71.0 | 74.9 | 71.8 |
| Diluted (in shares) | | | | | | | | | 71.5 | 75.9 | 71.8 |

Note the line item "Income allocated to participating securities" which makes use of the concept "us-gaap:UndistributedEarningsLossAllocatedToParticipatingSecuritiesBasic".

And such, while information can be presented within the face of the income statement or presented within a note to the financial statements such as the earnings per share note; the disclosure of information is represented in exactly the same. Thus, there is an inconsistency between what the US GAAP XBRL Taxonomy represents for the disclosure between the income statement and the earnings per share note.

Analysis of all public companies which make use of the concepts ""us-gaap:UndistributedEarningsLossAllocatedToParticipatingSecuritiesBasic" or "us-gaap:ParticipatingSecuritiesDistributedAndUndistributedEarningsLossBasic" supports this notion that the correct relation (consistently and universally) for this information should be the following all locations within the US GAAP XBRL Taxonomy:

(+) Net Income (Loss) Attributable to Parent
(+) Participating Securities, Distributed and Undistributed Earnings (Loss), Basic
(=) Net Income (Loss) Available to Common Stockholders, Basic


And then the WHOLE, "Participating Securities, Distributed and Undistributed Earnings (Loss), Basic" is consistently and universally comprised of the following set of PARTS:

(+) Undistributed Earnings (Loss) Allocated to Participating Securities, Basic
(+) Preferred Stock Dividends and Other Adjustments
(=) Participating Securities, Distributed and Undistributed Earnings (Loss), Basic

The point here is NOT that every public company MUST report all of these line items. The point is simply that if information is to appear, it consistently and universally should appear with EXACLTY the same relations to other concepts. Said another way, concepts don't "move around" relative to other concepts. For example "Assets = Liabilities and Equity", the accounting equation, is fundamental, universal, and consistently the same. The same is true for other relations. If this notion is not true; then it is likely the case that different concepts should be created which articulate subtleties or important nuances. Where information is presented is a completely different question. The issue here is the representation of the information, NOT where information is presented.

And so, it seems to me that these two inconsistent structures should be "merged" into one consistent structure and provided only once in the US GAAP XBRL Taxonomy to reduce the risk of the two structures becoming inconsistent as the taxonomy is edited and otherwise maintained over the years.

What follows are examples of how public companies use concepts related to this analysis are actually being used within XBRL-based financial filings to the Securities and Exchange Commission.

Note that some of these examples provide additional nuances that should be taken into consideration when representing this disclosure information. We will not discuss these additional nuances here in order to focus on the bigger picture of these higher-level concepts.

EXAMPLE #1: TESSCO TECHNOLOGIES INC

http://www.sec.gov/Archives/edgar/data/927355/000155837016003088/0001558370-16-003088-index.htm

Consistent with analysis/expectation.

us-gaap:NetIncomeLoss

| Earnings Per Share | Period [Axis] | | | |
|---|---|---|---|---|
| | 2015-09-28 - 2015-12-27 | 2015-03-30 - 2015-12-27 | 2014-09-29 - 2014-12-28 | 2014-03-31 - 2014-12-28 |
| Earnings Per Share | | | | |
| Earnings per share - Basic | | | | |
| Net earnings | 2,886,700 | 7,330,300 | 1,681,200 | 8,866,200 |
| Less: Distributed and undistributed earnings allocated to nonvested stock | (8,000) | (20,000) | (9,000) | (48,000) |
| Earnings available to common shareholders – Basic | 2,879,000 | 7,310,000 | 1,672,000 | 8,818,000 |

us-gaap:ParticipatingSecuritiesDistributedAndUndistributedEarningsLossBasic

us-gaap:NetIncomeLossAvailableToCommonStockholdersBasic

EXAMPLE #2: PULTEGROUP INC/MI/

http://www.sec.gov/Archives/edgar/data/822416/000082241616000048/0000822416-16-000048-index.htm

This representation is an error because a PART and the WHOLE are both used as PARTS to reconcile the line items "Net income" with "Numerator for basic earnings per share". If this error is corrected, this representation is consistent with what is expected.

us-gaap:NetIncomeLoss

us-gaap:ParticipatingSecuritiesDistributedAndUndistributedEarningsLossBasic

| | | | | |
|---|---|---|---|---|
| Accounting Policies [Abstract] | | | | |
| Earnings Per Share Reconciliation [Abstract] | | | | |
| Numerator: | | | | |
| Net income | 228,027,000 | 107,769,000 | 103,324,000 | 494,090,000 |
| Less: earnings distributed to participating securities | | | | (755,000) |
| Less: undistributed earnings allocated to participating securities | | | | (2,448,000) |
| Numerator for basic earnings per share | | | | 490,887,000 |

us-gaap:UndistributedEarningsLossAllocatedToParticipatingSecuritiesBasic

us-gaap:NetIncomeLossAvailableToCommonStockholdersBasic

EXAMPLE #3: CONCHO RESOURCES INC

http://www.sec.gov/Archives/edgar/data/1358071/000135807116000026/0001358071-16-000026-index.htm

Consistent with expectation; however, filer entered value in using the wrong polarity. If this error is corrected, this is an example consistent with my observation.



EXAMPLE #4: First Connecticut Bancorp, Inc.

http://www.sec.gov/Archives/edgar/data/1511198/000157104915008897/0001571049-15-008897-index.htm

This is consistent with the expected relationship:

EXAMPLE #5: COMMUNITY WEST BANCSHARES /

http://www.sec.gov/Archives/edgar/data/1051343/000114036115039951/0001140361-15-039951-index.htm

This is an ERROR because the filer is using a PART (in red) and then the WHOLE "Preferred stock dividends and other adjustments" per the US GAAP XBRL Taxonomy. This representation is therefore illogical but if corrected would be consistent with the relations pointed out in this analysis.



EXAMPLE #6: BARNES & NOBLE INC

http://www.sec.gov/Archives/edgar/data/890491/000119312515395359/0001193125-15-395359-index.htm

This representation does not have the TOTAL "Preferred stock and other adjustments", but it does have several PARTS of that WHOLE; and THEN also uses the undistributed earnings concept. So, this is consistent with the expected relationship.

EXAMPLE #7: DIGITALGLOBE, INC.

http://www.sec.gov/Archives/edgar/data/1208208/000155837016003536/0001558370-16-003536-index.htm

This is consistent with the relationships, but it does add an additional subtotal. The additional subtotal does not break the other relationship, only provides additional information while not breaking anything.

Does the subtotal belong here? If so, then it is likely the case that this concept should be placed in this location within the US GAAP XBRL Taxonomy.



EXAMPLE #8: FARMER BROTHERS CO

http://www.sec.gov/Archives/edgar/data/34563/000003456316000085/0000034563-16-000085-index.htm

This representation is consistent; although the filings has an error. The filer entered the value for undistributed earnings with the reverse polarity of what should have been entered as pointed out by the fundamental accounting concepts relations validation (see the message below). Also note; it does not hurt anything but the net income (loss) concepts are in reverse order:

EXAMPLE #9: CH2M HILL COMPANIES LTD

http://www.sec.gov/Archives/edgar/data/777491/000155837016003349/0001558370-16-003349-index.htm

This representation is consistent with expectation.



EXAMPLE #10: SENECA FOODS CORP /NY/

http://www.sec.gov/Archives/edgar/data/88948/000008894816000046/0000088948-16-000046-index.htm

Consistent with expectation, using a PART OF preferred dividends and other adjustments (or the concept should be part of that); also, not sure "us-gaap:DividendsCash" is really the best concept. Also, this representation has the same subtotal as pointed out in EXAMPLE #7 above. This is additional evidence that this should perhaps be added to the US GAAP XBRL Taxonomy.

EXAMPLE #11: Testing of 6,734 Public Company Financial Filings

The XBRL-based financial filings of 6,734 public companies were examined and of those filings, a total of 6,712 or 99.6% were consistent with the following relation per testing:

(+) Net Income (Loss) Attributable to Parent
(+) Preferred Stock Dividends and Other Adjustments
(=) Net Income (Loss) Available to Common Stockholders, Basic

This filing for ADVANCED ENVIRONMENTAL RECYCLING TECHNOLOGIES INC shows that example:

http://www.sec.gov/Archives/edgar/data/849706/000117184315006378/0001171843-15-006378-index.htm

| Statement [Line Items] | Period [Axis] | | | |
| --- | --- | --- | --- | --- |
| | 2015-07-01 - 2015-09-30 | 2015-01-01 - 2015-09-30 | 2014-07-01 - 2014-09-30 | 2014-01-01 - 2014-09-30 |
| Net sales | 21,843,000 | 65,564,000 | 20,724,000 | 61,961,000 |
| Cost of goods sold | 16,503,000 | 52,249,000 | 15,639,000 | 48,682,000 |
| Gross margin | 5,340,000 | 13,315,000 | 5,085,000 | 13,279,000 |
| | | | | |
| Selling and administrative costs | 3,318,000 | 9,825,000 | 3,027,000 | 9,037,000 |
| Gain from asset disposition | | (1,000) | (50,000) | (64,000) |
| Operating income | 2,022,000 | 3,491,000 | 2,108,000 | 4,306,000 |
| | | | | |
| **Other income and expenses:** us-gaap:NetIncomeLoss | | | | |
| Other income | 2,000 | 12,000 | 12,000 | 11,000 |
| Gain from involuntary conversion of non-monetary asset due to fire | | | (500,000) | 345,000 |
| Net interest expense | (853,000) | (2,624,000) | (779,000) | (2,372,000) |
| Net income | 1,171,000 | 879,000 | 841,000 | 2,290,000 |
| | | | | |
| Dividends on preferred stock | (398,000) | (1,175,000) | (375,000) | (1,107,000) |
| Net income (loss) applicable to common stock | 773,000 | (296,000) | 466,000 | 1,183,000 |

us-gaap:NetIncomeLossAvailableToCommonStockholdersBasic

us-gaap:PreferredStockDividendsAndOtherAdjustments

Because there are so many public companies that use this relationship, it could perhaps be a good reason to provide for this specific income statement relation in the US GAAP XBRL Taxonomy:

**Net Income (Loss) Available to Common Stockholders, Basic**

| Calculations | |
| --- | --- |
| 124000 - Statement - Statement of Income (Including Gross Margin) | |
| Net Income (Loss) Attributable to Parent | Cr |
| - Preferred Stock Dividends and Other Adjustments | Dr |
| Net Income (Loss) Available to Common Stockholders, Basic | Cr |