

a. Dividends could have been paid in 2013, but they would have had to equal the earnings for the year is the only correct statement.

In accounting, retained earnings refers to the portion of net income of a corporation that is retained by the corporation rather than distributed to shareholders as dividends, or as the amount available to the corporation for distribution to shareholders. Similarly, if the corporation incurs a loss, then that loss reduces the corporation's retained earnings balance. If the balance of the retained earnings account is negative it may be called retained losses, accumulated losses or accumulated deficit, or similar terminology. Retained earnings and losses are cumulative from year to year.

That's why the dividends paid in 2013 would have had to equal the earnings for the year.