The amount reported on the balance sheet in the retained earnings account represents the amount the firm has
a. accumulated over the years because it chose to retain some interest that was owed to creditors to reinvest these funds in the firm to achieve growth.
b. available to invest in capital budgeting projects in the current year.
c. accumulated over the years because it chose to retain income, which could have otherwise been paid out as dividends to common stockholders, to fund growth.
d. in its cash account, which can be paid as dividends in the current period.
e. None of the above is correct.

The retained earnings account represents income that the firm has not paid out, but could have been paid, as dividends to common stockholders during the firm’s life. The amount reported in retained earnings does not represent cash or funds that can be spent in the current period; rather, the funds were invested in assets during previous years.