

Pension Obligation – Actuarial Report

Beginning Projected Benefit Obligation	XX
+ Service Cost	X
+ Interest Cost	X
+ Prior Service Cost (from a plan amendment)	X
+ Actuarial Loss OR Actuarial Gain	X
- Payments to Retirees	<u>(X)</u>
Ending Projected Benefit Obligation	<u>XX</u>

Plan Assets – Trustee Report

Beginning FMV of Plan Assets	XX
+ Actual return on plan assets	X
+ Contributions from Company	X
- Payments to retirees	<u>(X)</u>
Ending FMV of Plan Assets	<u>XX</u>

Net Periodic Pension Cost (FAS 87) – Pension Expense

+ (1) Service Cost	X
+ (2) Interest Cost	X
- (3) Estimated return on Plan Assets	X
+ (4) Amortization of Prior Service Cost	X
+ or - (5) Amortization of Unrecognized Gain/Loss	X
+ or - (6) Amortization of Transition Obligation	<u>X</u>
TOTAL PENSION EXPENSE	<u>XX</u>

I. Pension Expense

Actuarial Report	
PBO, Jan. 1, 2000	\$1,300,000
Service Cost	350,000
Interest Cost (10%)	130,000
Plan Amendment (Jan. 1, 2000)	100,000
Actuarial Assumption Loss	60,000
Payments to Retirees	<u>(210,000)</u>
PBO, Dec. 31, 2000	<u>\$1,730,000</u>

Trustee Report	
Fair Value of Plan Assets, Jan 1, 2000	\$1,000,000
Contributions	300,000
Payments to Retirees	(210,000)
Actual Return on Plan Assets	<u>123,000</u>
Fair Value of Plan Assets, Dec. 31, 2000	<u>\$1,213,000</u>

Additional Information:

(1) Average remaining service years	10 years
(2) Expected return on plan assets	11%
(3) Unrecognized gain, Jan. 1, 2000	\$150,000
(4) Accrued pension cost on Jan. 1, 2000	\$ 25,000

Required:

- (1) Calculate pension expense for 2000.
- (2) Prepare the journal entry to record pension cost for 2000.
- (3) What amount of unrecognized gain/loss is carried forward to 2001?

II. Pension Liability

Company X began a defined benefit pension plan on January 1, 1998 for its employees. The plan gives credit for past service of current employees. The PBO on Jan. 1, 1998, was \$400,000 and the average remaining service years at that time was 8 years.

At December 31, 1999, Company X's fair value of its plan assets exceed the accumulated benefit obligation (ABO) as provided by the actuary. The accrued/prepaid pension cost account had a credit balance of \$10,000 on December 31, 1999. Information for years 2000-2002 is given below:

	2000	2001	2002
Pension Cost	\$ 500,000	\$ 520,000	\$ 550,000
Contributions	560,000	400,000	440,000
ABO, Dec. 31	2,000,000	2,500,000	3,100,000
FVPA, Dec. 31	1,700,000	2,300,000	2,950,000

Required: Prepare any necessary entries for 2000, 2001 and 2002.