FA 18.1

Pension Expense: The Booker Corporation has a non-contributory defined benefit pension plan for its employees. The data for 20X6 is as follows:

Actual return (earned at end of year)	$210
Contributions made by employer (end of year)	525
Pension benefits paid (end of year)	375
Plan assets at fair market value, 1 January	2,350
Defined benefit obligation, 1 January	3,800
Current service cost	500
Actuarial loss, 31 December arising from changes to estimates on life expectancy of employee group	450
Past service cost, 1 January, plan enhancement	250
EPFE and ARSP, 1 January	10 years
Period until benefits vest	5 years
Discount rate	10%
Expected return on plan assets	9%

Required:

1. Compute the pension expense for 20X6.
2. Compute the net defined benefit obligation at 31 December 20X6.

FA 18.2

Pension Expense:

The following data relate to a defined benefit pension plan

Defined benefit obligation, 1 January 20X4	$187,500
Actuarial gain on plan assets, 2 January 20X4	35,250
Fair value of plan assets, 1 January 20X4	120,000
Past service cost from 1 January 20X4 plan amendment	75,000
Actual return on plan assets for 20X4 (earned at end of year)	15,000
Current service cost for 20X4 (accrued at end of year)	67,500
Contributions made by employer relating to 20X4 (made at end of year)	30,000
Pension benefits paid in 20X4 (made at end of year)	37,500
Expected return on plan assets	6%
Discount rate used for accrued benefit obligation	7%
EPFE and ARSP, 1 January 20X4	14 years
Period remaining until benefits vest	3 years

Required:

1. Compute the net defined benefit liability on the balance sheet at 1 January 20X4.
2. Compute the pension expense for 20X4.

FA 18.3

Pension Expense: The 20X5 records of Jax provided the following data related to its non-contributory, defined benefit pension plan (in $ thousands):

a. Defined pension obligation (report of actuary)

Balance, 1 January 20X5	$23,000
Current service cost	1,200
Interest cost	1,840
Pension benefits paid, 20X5	(400)
Balance, 31 December 20X5	$25,640
Market yields on high quality corporate bonds	6.75%
Discount rate used by actuary	7%.

b. Plan assets at fair value (report of trustee)

Balance, 1 January 20X5	$ 2,408
Actual return on plan assets	190
Contributions, 20X5	3,214
Pension benefits paid, 20X5	(400)
Balance, 31 December 20X5	$ 5,412
Expected long-term rate of return on plan assets,	7%.

c. 1 January 20X4, Jax amended its pension plan resulting in a past service cost from plan amendment of $20,000. The benefit from this past service cost vests in three years. The expected average remaining service life of the employee group is twelve years.

Required:

1. Compute 20X5 components of pension expense that would be recorded on the profit and loss statement.
2. Give the 20X5 entry(ies) for Jax Company to record pension expense and funding.
3. What term should be used to amortize past service cost from plan amendment? Explain.
4. Is the pension fund over-funded or under-funded from an accounting perspective?

FA 18.4
Pension Expense:
The following data relate to a defined benefit pension plan;

Defined benefit pension obligation, 1 January 20X5	$60,000
Initial total past service cost awarded 1 January 20X5 (relates to an employee group with an expected period to full eligibility of 10 years)	20,000
Reduction in pension liability due to changes in actuarial assumptions regarding longevity, measured at 31 December 20X5	18,000
Discount rate	8%
Experience gains and losses, net, gain on investments, 31 December 20X5	10,000
Current service cost, 20X5	14,000
Contributions, 20X5	16,000
Plan assets, 1 January 20X5	50,000
Actual return, 20X5	6,000
EPFE and ARSP, 20X5	15 years
Years until pension benefits vest	3 years

Required:

1. Provide the entry to record pension expense for 20X5.

FA 18.5

Pension Expense: Savory Corporation has *a* non-contributory, defined benefit pension plan. The accounting period ends 31 December *20X5*. Pension plan data to be used for accounting purposes in 20X5 are as follows *(in $* thousands):

a. Defined benefit obligation

Balance, 1 January	$ 80,000
Current service cost	48,000
Interest cost (discount rate - 8%)	6,400
Loss due to change in actuarial assumptions, as of 31 December, 20X5	400
Enhancement to the pension plan (increase to benefits) 31 December 20X5	20,000
Pension benefits paid	(960)
Balance, 31 December	$153,840

b. Pension plan assets

Balance, 1 January, at market value	$ 64,000
Actual return (expected return on plan assets 4%)	2,400
Contribution to the pension fund by Savory	51,200
Benefits paid to retirees	(960)
Balance, 31 December	$116,640

The period remaining until post retirement benefits vest is 4 years. The expected average remaining working lives of the employees participating in that plan is 24 years.

Required:

1. Calculate pension expense for 20X5.
2. Give the 31 December *20X5* entries to record pension expense and funding for Savory.