

Illustration 2 of FASB No. 158
Accounting for the Cost of Pension Plans
Cain Corporation

Cain Corp. sponsors a defined benefit pension plan for its employees. The following data relate to the operation of the plan for 20X1 and 20X2

	20X1	20X2
Plan assets (fair value and market related value), January 1	\$410,000	
Projected benefit obligation, January 1	650,000	
Pension asset/liability, January 1	240,000	
Prior service cost, January 1	160,000	
Service cost	40,000	59,000
Settlement rate	10%	10%
Expected rate of return	10%	10%
Actual return on plan assets	36,000	61,000
Amortization of prior service cost	70,000	55,000
Annual contributions	72,000	81,000
Benefits paid retirees	31,500	54,000
Increase in projected benefit obligation due to changes in actuarial assumptions	87,000	-0-
Accumulated benefit obligation at December 31	721,800	789,000
Average service life of all employees		20 years
Vested benefit obligation at December 31		464,000

Instructions

- (a) Prepare a pension worksheet presenting both years 20X1 and 20X2 and accompanying computations and amortization of the loss(20X2) using the corridor approach.
- (b) Prepare the journal entries (from the worksheet) to reflect all pension transactions and events at December 31 of each year.
- (c) For 20X2, indicate the pension amounts reported in the financial statements.

General Journal Entries

Memo Record

Other Comprehensive Income

Items	Annual Pension Expense	Cash	Prior Service Cost	Gains/Losses	Pension Asset/Liability	Projected Benefit Obligation	Plan Assets
Balance, Jan. 1, 20X1							
Service cost							
Interest cost							
Actual return							
Unexpected gain /(loss)							
Amortization of PSC							
Liability increase							
Contributions							
Benefits							
Accumulated OCI, Jan. 1, 20X0							
Balance, Dec. 31, 20X1							

Other Comprehensive Income

Items	Annual Pension Expense	Cash	Prior Service Cost	Gains/Losses	Pension Asset/Liability	Projected Benefit Obligation	Plan Assets
Balance, Jan. 1, 20X2							
Service cost							
Interest cost							
Actual return							
Unexpected gain /(loss)							
Amortization of PSC							
Amortization of gain/loss							
Liability increase							
Contributions							
Benefits							
Accumulated OCI, Jan. 1, 20X2							
Balance, Dec. 31, 20X2							

Journal entry for 20X1:

		<i>Debit</i>		<i>Credit</i>

Journal entry for 20X2:

		<i>Debit</i>		<i>Credit</i>