

Handout Problem No. F-280

Instructions: Question Number 4(a) consists of 10 items. Select the **best** answer for each item. Use a No. 2 pencil to blacken the appropriate ovals on the Objective Answer Sheet to indicate your answers. **Answer all items.** Your grade will be based on the total number of correct answers.

The following information pertains to Sparta Co.'s defined benefit pension plan.

Discount rate	8%	
Expected rate of return	10%	
Average service life	12 years	
At January 1, 1992:		
Projected benefit obligation	\$600,000	
Fair value of pension plan assets	720,000	
Unrecognized prior service cost	240,000	
Unamortized prior pension gain	96,000	
At December 31, 1992:		
Projected benefit of obligation	910,000	
Fair value of pension plant assets	825,000	
During 1992:		
Unexpected loss from change in projected benefit obligation, due to change in actuarial predictions	172,000	{added to problem}

Service costs for 1992 was \$90,000. There were no contributions made or benefits paid during the year. ~~Sparta's unfunded accrued pension liability was \$8,000 at January 1, 1992.~~ Sparta uses the straight-line method of amortization over the maximum period permitted. Unexpected loss from change in projected benefit obligation, due to change in actuarial predictions

Required:

- For items 1 through 5, calculate the amounts to be recognized as components of Sparta's unfunded accrued pension liability at December 31, 1992. To record your entry, write the number in the boxes on the Objective Answer Sheet and blacken the corresponding oval below each box. These items cannot be graded if you fail to blacken the ovals.

Amounts to be calculated:

- Interest cost.
 - Expected return on plan assets.
 - Actual return on plan assets.
 - Amortization of prior service costs.
 - Minimum amortization of unrecognized pension gain.
- For items 6 through 10, determine whether the component increases (I) or decreases (D) Sparta's unfunded accrued pension liability and blacken the corresponding oval on the Objective Answer Sheet.

Items to be answered:

- Service cost.
- Deferral of gain on pension plan assets.
- Actual return on plan assets.
- Amortization of prior service cost
- Amortization of unrecognized pension gain.

Complete the attached Pension Worksheet

