Illustration of FASB No. 87
Accounting for the Cost of Pension Plans

Beltron Corporation sponsors a non-contributory defined benefit pension plan for its 100 workers. Within this group of 100 employees, it is expected that workers will retire or terminate at the rate of 5 per year for the next twenty years. Prior to 20X6, cumulative pension expense exceeded cumulative contributions by $30,000 resulting in a $30,000 balance sheet liability. As of January 1, 20X7, the company has agreed to amend their plan to include a retroactive provision to recognize prior service. The following data is available concerning the plan:

	1/1/20X6	1/1/20X7
Plan assets (at fair value)	$400,000	$455,000
Accum benefit obligation	460,000	640,000*
Projected Ben. obligation	550,000	819,500*
Rate of return on plan assets	9%	10%
Settlement rate	9%	10%
Unrecognized gain (loss)	-	(106,000)
Prior service cost amendment		(105,000)
Accrued pension cost	30,000	??

**Includes effects of amendment*

	12/31/20X6	12/31/20X7
Service cost	$125,000	$138,000
Employer's funding contr	125,000	260,000
Plan assets (at fair value)	455,000	760,000
Accumulated benefit obligation	570,000	710,000

REQUIRED:

A. Prepare a supporting schedule to determine the amounts to be reported as pension expense for 20X6 and 20X7. The company recognizes the minimum amount required for gains and losses. The company has decided to use the expected future years of service method to amortize the effects of the amendment.

B. Prepare the journal entries required for 20X6 and 20X7 with respect to the pension plan including any entry necessary to comply with the minimum liability requirement.

C. Indicate the pension related amounts that should appear in the company's financial statements prepared at the end of 20X6 and 20X7.

D. Assume that the accumulated benefit obligation at 12/31/20X7 was $810,000. How would this fact affect the adjustment for the minimum liability requirement.