

Lesson 3

3. Tim, Inc. contributes \$34,500 to its defined contribution plan. Which one of the following journal entries properly records this transaction?

a. DR Pension expense 34,500
CR Minimum pension liability 34,500

b.

DR Pension expense	34,500
CR Pension liability	34,500

c.

DR Pension expense	34,500
CR Cash	34,500

d.

DR Minimum pension liability	34,500
CR Cash	34,500

4. The assets and liabilities of the pension plan itself are included in the financial statements of the plan:

_____ a. administrator.

_____ b. beneficiary.

_____ c. sponsor.

_____ d. trustee.

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7. What is the deferred gain or loss from the return on plan assets for Year 7?
- ☐ a. \$0
 - ☐ b. \$500 deferred gain
 - ☐ c. \$500 deferred loss
 - ☐ d. Unknown from information provided
8. What is the deferred gain or loss from the return on plan assets for Year 8?
- ☐ a. \$0
 - ☐ b. \$1,200 deferred gain
 - ☐ c. \$1,200 deferred loss
 - ☐ d. Unknown from information provided
9. To compute amortization on the cumulative unrecognized gains and losses in a pension plan, the corridor is computed as 10% of the:
- ☐ a. average of the beginning balances of the plan assets and the projected benefit obligation.
 - ☐ b. greater of the beginning balances of the plan assets or the projected benefit obligation.
 - ☐ c. greater of the beginning market-related value of the plan assets or the projected benefit obligation.
 - ☐ d. lesser of the beginning market-related value of the plan assets or the projected benefit obligation.

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13. TRM Corporation established a defined benefit pension plan in Year 5. In Year 8, the following information is available. Service cost = \$45,000. Interest cost = \$60,000. Actual return on plan assets = \$35,000. Expected return on plan assets = \$40,000. Net amortization of unrecognized losses = \$15,000. If the company contributes \$65,000 cash to the pension plan trustee, which one of the following journal entries properly records the payment?

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|----------|----------------------------------|--------|--------|
| _____ a. | DR Pension expense | 45,000 | |
| | DR Prepaid pension cost | 20,000 | |
| | CR Cash | | 65,000 |
| _____ b. | DR Pension expense | 60,000 | |
| | DR Prepaid pension cost | 5,000 | |
| | CR Cash | | 65,000 |
| _____ c. | DR Pension expense | 65,000 | |
| | CR Cash | | 65,000 |
| _____ d. | DR Pension expense | 80,000 | |
| | CR Cash | | 65,000 |
| | CR Unfunded accrued pension cost | | 15,000 |

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QUESTIONS 14 THROUGH 17 ARE BASED ON TABLE 3-2.

Table 3-2

Brunson Corporation Pension Plan
Information for Current Fiscal Year

Beginning balance of plan assets at market value	\$1,560,000
Actual return on plan assets	210,000
Employer's contribution	150,000
Distribution to beneficiaries	75,000
Service cost	125,000
Interest cost	156,000
Changes in benefits and assumptions	35,000
Beginning balance of the PBO	1,580,000

14. What is the ending balance of plan assets?

- ___ a. \$1,770,000
- ___ b. \$1,845,000
- ___ c. \$1,920,000
- ___ d. \$1,955,000

15. What is the ending balance of the projected benefit obligation (PBO)?

- ___ a. \$1,730,000
- ___ b. \$1,821,000
- ___ c. \$1,896,000
- ___ d. \$1,971,000