

FA Module 14: Employee pensions and share-based compensation – homework assignment

(The attached PDF file has better formatting.)

Homework assignment: Defined benefit pension plan

A defined benefit pension plan has the following entries for 20X1.

!	Employer contributions	80
!	Current service costs	10
!	Past service costs	30
!	Discount rate used to estimate plan liabilities	6%
!	Benefit obligation at beginning of year	5,000
!	Benefit obligation at end of year	4,800
!	Actuarial loss due to increase in plan obligation	50
!	Fair value of plan assets at beginning of year	4,500
!	Actual return on plan assets	280
!	Expected rate of return on plan assets	8%

Compute the following for 20X1:

- A. What is the total service cost?
- B. What is the interest cost on the benefit obligation?
- C. What are the pension benefits paid during the year?
- D. What is the periodic pension cost?
- E. What is the fair value of the plan assets at the end of the year?