97. Pension data for Goldman Company included the following for the current calendar year:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$100,000</td>
</tr>
<tr>
<td>PBO, January 1</td>
<td>750,000</td>
</tr>
<tr>
<td>Plan assets, January 1</td>
<td>800,000</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>6,000</td>
</tr>
<tr>
<td>Amortization of net loss</td>
<td>2,000</td>
</tr>
<tr>
<td>Unrecognized transition cost</td>
<td>0</td>
</tr>
<tr>
<td>Discount rate, 8%</td>
<td></td>
</tr>
<tr>
<td>Expected return on plan assets, 10%</td>
<td></td>
</tr>
<tr>
<td>Actual return on plan assets, 12%</td>
<td></td>
</tr>
</tbody>
</table>

Required:
Determine pension expense for the year.

Answer:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>$100,000</td>
</tr>
<tr>
<td>Interest cost (8% x $750,000)</td>
<td>60,000</td>
</tr>
<tr>
<td>Expected return ($800,000 x 10%)</td>
<td>(80,000)</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>6,000</td>
</tr>
<tr>
<td>Amortization of net loss</td>
<td>2,000</td>
</tr>
<tr>
<td>Pension expense</td>
<td>$88,000</td>
</tr>
</tbody>
</table>

*(12% x $800,000) - (10% x $800,000)*

98. Large Corporation has a defined benefit pension plan. Large received the following information for the current calendar year:

Projected benefit obligation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Service cost</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Interest cost</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(8,000,000)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$117,000,000</td>
</tr>
</tbody>
</table>

Plan assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, January 1</td>
<td>$60,000,000</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Contribution</td>
<td>16,000,000</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(8,000,000)</td>
</tr>
<tr>
<td>Balance, December 31</td>
<td>$75,000,000</td>
</tr>
</tbody>
</table>

The expected long-term return on plan assets is 10%. There were no other relevant data for the year.

Required:
1. Determine Large Corporation's pension expense for the year.
2. Prepare the journal entry to record the pension expense and funding for the year.

Answer:

1) Service cost (in millions) $15
   Interest cost 10
   Expected return (60 x 10%) (6)
   Pension expense 19

2) Pension expense 19
   Prepaid (accrued) pension cost
   Cash

3) 16
93. The following information relates to Compto Company's defined benefit pension plan during 2000:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan assets at fair value, January 1</td>
<td>$500,000,000</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>50,000,000</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>40,000,000</td>
</tr>
<tr>
<td>Contributions to the pension fund (end of year)</td>
<td>80,000,000</td>
</tr>
<tr>
<td>Amortization of unrecognized loss</td>
<td>0</td>
</tr>
<tr>
<td>Pension benefits paid (end of year)</td>
<td>12,000,000</td>
</tr>
<tr>
<td>Pension expense</td>
<td>60,000,000</td>
</tr>
</tbody>
</table>

**Required:**
Determine the balance of pension plan assets at fair value on December 31, 2000.

**Difficulty: Medium**

**Answer:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan assets beginning of 2000</td>
<td>$500</td>
</tr>
<tr>
<td>Actual return</td>
<td>40</td>
</tr>
<tr>
<td>Cash contributions</td>
<td>80</td>
</tr>
<tr>
<td>Retiree benefits</td>
<td>(12)</td>
</tr>
<tr>
<td>Plan assets end of 2000</td>
<td>$608</td>
</tr>
</tbody>
</table>

120. What are the six possible components of pension expense? Which of these elements would exist in every plan?

**Difficulty: Medium**

**Answer:**

1) service cost 2) interest cost 3) actual return on plan assets (adjusted for gain on the plan assets) 4) amortization of prior service cost 5) amortization of net loss or gain 6) amortization of transition liability (or asset).

Since virtually all pension funds have plan assets and a PBO, #s 1, 2, & 3 would always exist.

Item 4 would only be required if prior service cost is created by plan amendments.

Item 5 would probably be present in every plan unless actual and expected returns were equal and there were no changes in factors affecting the PBO computation.

Item 6 is only applicable due to the transition to SFAS 87.

113. Discuss the accounting for postretirement benefits prior to 1993 and under SFAS No. 106.

**Difficulty: Medium**

**Answer:**
Prior to 1993, postretirement costs were accounted for on a pay-as-you-go basis, meaning the expense each year was simply the amount of insurance premiums or medical claims paid, depending upon the way the company provides health care costs for retirees. SFAS 106 requires a completely different approach. The expected future health care costs for retirees now must be recognized as an expense over the years necessary for employees to earn the benefits. This is the accrual basis which is also used for pension accounting.
108. Ornate Corporation offers a variety of stock-based compensation plans to employees. Under its restricted stock award plan, the company, on January 1, 2000, granted 2 million of its $1 par common shares to various division managers. The shares are subject to forfeiture if employment is terminated within 4 years. The common shares have a market price of $20 per share on the award date.

Required:
1. Determine the total compensation cost from these restricted shares.
2. Prepare the appropriate journal entry to record the award on January 1, 2000.
3. Prepare the appropriate journal entry to record compensation expense on December 31, 2000.

Difficulty: Medium

Answer:
($ in millions)
1. $20 x 2 shares = $40

2. No Entry

3. Compensation expense ($40/4 yrs)
   Paid-in capital restricted stock

76. Value Corporation was organized on January 3, 2000. The firm was authorized to issue 100,000 shares of $5 par common stock. During 2000, Value had the following transactions relating to shareholders' equity:

Issued 10,000 shares of common stock at $7 per share.
Issued 20,000 shares of common stock at $8 per share.
Reported a net income of $100,000.
Paid dividends of $50,000.
Purchased 2,000 shares of treasury stock at $10 (part of the 20,000 shares issued at $8).

What is total shareholders' equity at the end of 2000?

Answer: C  Difficulty: Hard

Rationale:
Sale of stock (10,000 x $7) $70,000
Sale of stock (20,000 x $8) 160,000
Net income 100,000
Dividends (50,000) 50,000
Treasury stock (2,000 x $10) (20,000) 20,000

$260,000

98. In 2000, Anderson Delivery completed the treasury stock transactions described below.

January 2:
Reacquired 5 million shares at $16 per share.

February 15:
Sold 2 million shares at $20 per share.

September 20:
Sold 2 million treasury shares at $15 per share.

Anderson had issued 50 million shares of its $1 par common stock.

Required:
Record the above transactions, assuming that Anderson Delivery used...
In 2000, Anderson Delivery completed the treasury stock transactions described below.

January 2: Reacquired 5 million shares at $16 per share.
February 15: Sold 2 million shares at $20 per share.
September 20: Sold 2 million treasury shares at $15 per share.

Anderson had issued 50 million shares of its $1 par common stock for $18 several years ago.

Required:
Record the above transactions, assuming

($ in millions, except per share amounts)
January 2, 2000
Treasury stock (5 x $16) 2
Cash (5 x $16) 80
February 15, 2000
Cash (2 x $20) 40
Treasury stock (2 x $16) 32
Paid-in capital - share repurchase 8
September 20, 2000
Cash (2 x $15) 30
Paid-in capital - share repurchase 2
Treasury stock (2 x $16) 32

On January 1, 2000, Fascom had the following account balances in its shareholders' equity accounts.

Common stock, $1 par, 250,000 shares outstanding 250,000
Paid-in capital excess of par, common 500,000
Paid-in capital excess of par, preferred 100,000
Preferred stock, $100 par, 10,000 shares outstanding 1,000,000
Retained earnings 2,000,000
Treasury stock, at cost, 5,000 shares 25,000

During 2000, Fascom Inc. had several transactions relating to common stock.

January 15: Declared a property dividend of 100,000 shares of Slowdown Company (book value, $10 per share, market value $9 per share).
February 17: Distributed the property dividend.
April 10: A 2 for 1 stock split was declared on outstanding common stock and effected in the form of a stock dividend. The market value of the stock was $4 on this date.
July 18: Declared and distributed a 3% stock dividend on outstanding common stock; market value per share, $5.
December 1: Declared a fifty cents per share cash dividend on the outstanding common shares.
December 20: Paid the cash dividend.

Required:
Record the above transactions and events in journal entry format.

January 15, 2000
Loss on investment [(100,000 - ($10 - $9))] 100,000
Investment in Slowdown Co. 100,000
Retained earnings (100,000 x $9) 900,000
Property dividend payable 900,000

February 17, 2000
Property dividend payable 900,000
Investment in Slowdown Co. 900,000

April 10, 2000
Retained earnings [(250,000 - 50,000) x $1] 245,000
Common stock 245,000

July 18, 2000
Retained earnings [(3% x 490,000) x $5] 73,500
Common stock [(3% x 490,000) x $1] 73,500
Paid-in capital - excess of par 14,700
58,800

December 1, 2000
Retained earnings (504,700 x $.50) 252,350
Cash dividends payable 252,350

December 20, 2000
Cash dividends payable 252,350