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速成教育
SPEED UP EDUCATION



BUS 321

Intermediate accounting

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SFU Week 10 Class | 2022/7/16

S P E E D U P E D U C A T I O N

Pension

- An arrangement where an employer provides benefits (payments) after retirement for services provided while working
- Company or employer sponsors the plan: incurs costs and makes contributions
- The fund is a separate legal entity: receives the contributions, administers the assets, makes payments
- Assets that are transferred become the assets of the fund; they are not company assets
- Contributory plans: employees pay part of the cost or volunteer additional payments to increase benefits
- Non-contributory plans: employer bears the full cost

Defined Contribution Plan

- Once required contributions are made, no further obligation on the part of the employer
- Amounts paid in attributed to individuals
- Contributions are a fixed sum or based on salary
- Employee assumes economic risk

Defined Benefit Plan

- Specifies either the benefits to be received by an employee, or the method of determining the benefits
- Most complex type plan provides benefits that vest based on the employee's length of service
- Entitlement to benefit increases with length of service
- Employer assumes the economic risk

Pension Expense

- Current service cost: cost for benefits earned during the current period
- Net interest on the net defined benefit liability/asset
- Past service cost, curtailments, and settlements: plan amendments instantly change employer's obligation
- Actuarial gains and losses: changes in actuarial assumptions and experience adjustments

Defined benefit obligation (D B O)

1. Increases as employees provide further services and earn additional benefits (current service cost)
2. Increases as interest is added to the outstanding discounted liability (interest cost)
3. Decreases as benefit payments are made to retirees (benefits paid to retirees)
4. Increases or decreases as plans are amended (past service costs)
5. Increases or decreases as the actuarial assumptions change (actuarial gains and losses)

Example

	2019	2020	2021
Fair value of plan assets, first of year	\$100,000	\$111,000	\$134,100
Defined benefit obligation (DBO) (assumed to equal the DBO for funding purposes under ASPE)	100,000	112,000	212,700
Current service cost for year	9,000	9,500	13,000
Interest or discount rate on the DBO/plan assets	10%	10%	10%
Cost of past service benefits granted January 1, 2020	–0–	80,000	–0–
Actual earnings on plan assets for year	10,000	11,100	12,000
Employer contributions for year (funding)	8,000	20,000	24,000
Benefits paid to retirees by trustee for year	7,000	8,000	10,500
Actuarial loss due to change in actuarial assumptions	–0–	–0–	28,530
Plan assets, end of year	111,000	134,100	159,600
DBO, end of year	112,000	212,700	265,000
Surplus (deficit), end of year—over (under) funded	(1,000)	(78,600)	(105,400)

General ledger shows these balances

	A	B	C	D	F	G
		General Journal Entries			Memo Record	
	Items	Annual Pension Expense	Cash	Net Defined Benefit Liability/Asset	Defined Benefit Obligation	Plan Assets
1	Balance, Jan. 1, 2019			-0-	100,000 Cr.	100,000 Dr.
2	(a) Service cost	9,000 Dr.			9,000 Cr.	
3	(b) Net interest/finance cost	-0-			10,000 Cr.	10,000 Dr.
4	(c) Contribution		8,000 Cr.			8,000 Dr.
5	(d) Benefits paid				7,000 Dr.	7,000 Cr.
6	Expense entry, 2019	9,000 Dr.		9,000 Cr.		
7	Contribution entry, 2019		8,000 Cr.	8,000 Dr.		
8	Balance, Dec. 31, 2019			1,000 Cr.	112,000 Cr.	111,000 Dr.
9						
10						
11						

Not in corporation's general ledger accounts: off balance sheet

Pension Expense	9,000	
Net Defined Benefit Liability/Asset		9,000
Net Defined Benefit Liability/Asset	8,000	
Cash		8,000

	A	B	C	D	F	G
1		General Journal Entries			Memo Record	
2	Items	Annual Pension Expense	Cash	Net Defined Benefit Liability/Asset	Defined Benefit Obligation	Plan Assets
3	Balance, Jan. 1, 2020			1,000 Cr.	112,000 Cr.	111,000 Dr.
4	(e) Past service cost	80,000 Dr.			80,000 Cr.	
5	(f) Service cost	9,500 Dr.			9,500 Cr.	
6	(g) Net interest/finance cost	8,100 Dr.			19,200 Cr.	11,100 Dr.
7	(h) Contribution		20,000 Cr.			20,000 Dr.
8	(i) Benefits paid				8,000 Dr.	8,000 Cr.
9	Expense entry, 2020	97,600 Dr.		97,600 Cr.		
10	Contribution entry, 2020		20,000 Cr.	20,000 Dr.		
11	Balance, Dec. 31, 2020			78,600 Cr.	212,700 Cr.	134,100 Dr.
12						

Closing balances from 2019

Pension Expense

97,600

Net Defined Benefit Liability/Asset

97,600

Net Defined Benefit Liability/Asset

20,000

Cash

20,000

	A	B	C	D	F	G
1		General Journal Entries			Memo Record	
2	ASPE Items	Annual Pension Expense	Cash	Net Defined Benefit Liability/Asset	Defined Benefit Obligation	Plan Assets
3	Balance, Jan. 1, 2021			78,600 Cr.	212,700 Cr.	134,100 Dr.
4	(j) Service cost	13,000 Dr.			13,000 Cr.	
5	(k) Net interest/finance cost	6,660 Dr.			21,270 Cr.	14,610 Dr.
6	(l) Remeasurement loss on plan assets	2,610 Dr.				2,610 Cr.
7	(m) Contribution		24,000 Cr.			24,000 Dr.
8	(n) Benefits paid				10,500 Dr.	10,500 Cr.
9	(o) Actuarial loss	28,530 Dr.			28,530 Cr.	
10	Expense entry, 2021	50,800 Dr.		50,800 Cr.		
11	Contribution entry, 2021		24,000 Cr.	24,000 Dr.		
12	Balance, Dec. 31, 2021			105,400 Cr.	265,000 Cr.	159,600 Dr.
13						

Closing balances from 2020

Adjust interest to actual

Occurred on July 1

Pension Expense

50,800

Net Defined Benefit Liability/Asset

50,800

Net Defined Benefit Liability/Asset

24,000

Cash

24,000

	A	B	C	D	E	F	G
1	General Journal Entries				Memo Record		
	IFRS	Remea- surement (Gain) Loss OCI	Annual Pension Expense	Cash	Net Defined Benefit Liability/ Asset	Defined Benefit Obligation	Plan Assets
2	Items						
3	Balance, Jan. 1, 2021				78,600 Cr.	212,700 Cr.	134,100 Dr.
4	(j) Service cost		13,000 Dr.			13,000 Cr.	
5	(k) Net interest/ finance cost		6,660 Dr.			21,270 Cr.	14,610 Dr.
6	(l) Remeasurement loss on plan assets	2,610 Dr.					2,610 Cr.
7	(m) Contribution			24,000 Cr.			24,000 Dr.
8	(n) Benefits paid					10,500 Dr.	10,500 Cr.
9	(o) Actuarial loss	28,530 Dr.				28,530 Cr.	

Closing balances from 2020

Adjust
interest
to actual

Occurred on July 1

Pension Expense

19,660

Re-measurement Loss (O C I)

31,140

Net Defined Benefit Liability/Asset

50,800

Net Defined Benefit Liability/Asset

24,000

Cash

24,000