

**MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**THIRD YEAR FIRST SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM305**

**COURSE TITLE : PENSION ACCOUNTING**

**DATE: 13th May 2016 Time: 8.30am – 10.30am**

**INSTRUCTIONS**

Answer questions in  **ONE** and any other  **THREE** questions.

***This paper consists of four printed pages. Please turn over.***

**Part A. Compulsory question (25 marks)**

**QUESTION ONE**

On January 1, 2014, Stine Co. had the following balances:

Projected benefit obligation $3,700,000

Fair value of plan assets 3,700,000

Other data related to the pension plan for 2014:

Service costs 140,000

Unrecognized prior service cost -0-

Contributions to the plan 224,000

Benefits paid 200,000

Actual return on plan assets 222,000

Settlement rate 9%

Expected rate of return 6%

Required:

1. Determine the projected benefit obligation at December 31, 2014. There are no net gains or losses **(7marks)**
2. Determine the fair value of plan assets at December 31, 2014

**(5 marks)**

1. Calculate Pension Expense for 2014 **(5 marks)**
2. Prepare the journal entry to record pension expense and the contributions for 2014. **(8 marks)**

**Part B Answer any 3 questions (15 marks each)**

**QUESTION TWO**

Reese Co. had the following selected balances at December 31, 2014:

Projected benefit obligation $4,700,000

Accumulated benefits obligation 4,500,000

Fair value of plan assets 4,340,000

Unrecognized prior service cost 120,000

Accrued pension cost 50,000

Required:

1. Calculate the additional pension liability **(9marks)**
2. Prepare the journal entry to record the additional pension liability. There was no additional pension liability balance at the beginning of the year. **(6 marks)**

**QUESTION THREE**

As concerns characteristics of Pension Accounting, discuss the following in details giving relevant examples in each case;

Distinctions between;

1. Funded and Unfunded Pension Plans **(5 marks)**
2. Defined and Undefined Pension Plans **(5 marks)**
3. Contributory and Non Contributory Pension Plans **(5 marks)**

**QUESTION FOUR**

Discuss the following ideas related to pension assets:

1. Market-Related Asset Value **(4 marks)**
2. Actual Return on Plan Assets **(4 marks)**
3. Expected Return on Plan Assets **(4 marks)**
4. Unexpected gains and losses on plan assets **(3 marks)**

**QUESTION FIVE**

Write in details about each of the following as used in Pension Schemes:

1. Service Cost **(5 marks)**
2. Interest Cost **(5 marks)**
3. Prior Service Cost **(5 marks)**

**THE END**