

ACCOUNTANCY 422
SUPPLEMENTAL PENSION PROBLEM

Phillips Company
Corridor Method

The following information relates to the Phillips Company's noncontributory defined-benefit pension plan: The plan asset figures refer to the market-related value of plan assets.

	January 1 PBO	January 1 Plan Assets	Gain or (Loss)
2000	\$5,000,000	\$4,800,000	\$ 300,000
2001	5,500,000	5,600,000	(1,200,000)
2002	6,000,000	5,900,000	(400,000)
2003	7,000,000	6,900,000	700,000

The cumulative unrecognized gain or loss on plan assets (from prior years) as of January 1, 2000, was a net gain of \$600,000. The average remaining service life per employee in each year may be assumed to be 10 years.

Required: Using the corridor approach, for each year, compute (1) the cumulative unrecognized gain or loss and (2) the annual amortization.