PENSIONS

1. The vested benefits of an employee in a pension plan represent
   A: Benefits to be paid to the retired employee in the current year.
   B: Benefits to be paid to the retired employee in the subsequent year.
   C: Benefits accumulated in the hands of an independent trustee.
   D: Benefits that are not contingent on the employee's continuing in the service of the employer.

2. An employer offered for a short period of time special termination benefits to some employees. The employees accepted the offer, which provided for immediate lump-sum payments and future payments at the end of the next 2 years. The amounts can be reasonably estimated. The amount of expense recognized this year should include
   A: One-third of the lump-sum payments and one-third of the present value of the future payments.
   B: Only the lump-sum payments.
   C: The lump-sum payments and the total of the future payments.
   D: The lump-sum payments and the present value of the future payments.

3. The present value of pension benefits accrued to date using assumptions as to future compensation levels is the
   A: Prior service cost.   C: Projected benefit obligation.
   B: Accumulated benefit obligation.   D: Accrued pension cost.

4. A necessary condition for the recording of a pension liability is present when
   A: Projected benefit obligation exceeds accumulated benefit obligation.
   B: The market-related asset value exceeds accumulated benefit obligation.
   C: Accumulated benefit obligation exceeds the fair value of plan assets.
   D: Projected benefit obligation exceeds pension plan assets.

Defined benefit pension plan

5. For a defined benefit pension plan, the discount rate used to calculate the projected benefit obligation is determined by the

	A.	B.	C.	D.
Expected return on plan assets	es	No	Yes	No
Actual return on plan assets		No	No	Yes

6. The following information pertains to Seda Co.'s pension plan:

Actuarial estimate of projected benefit obligation at 1/1/10	$72,000
Assumed discount rate	10%
Service costs for 2010	18,000
Pension benefits paid during 2010	15,000

   If no change in actuarial estimates occurred during 2010, Seda's projected benefit obligation at December 31, 2010, was
   A: $64,200   C: $79,200
   B: $75,000   D: $82,200

7. Kent, Inc., a calendar-year company, established a defined benefit pension plan in December 2008. The following data relate to this plan at December 31, 2010:

Projected benefit obligation	$4,700,000
Accumulated benefit obligation	4,000,000
Total fair value of plan assets	3,000,000

   In its December 31, 2010 balance sheet, Kent should report a liability relating to the pension plan of
   A: $4,000,000   C: $1,000,000
   B: $1,700,000   D: $0

8. An employer sponsoring a defined benefit pension plan is subject to the pension liability recognition requirement. A pension liability must be recorded equal to the unfunded
   A: Accumulated benefit obligation plus the previously recognized accrued pension cost.
   B: Accumulated benefit obligation less the previously recognized accrued pension cost.
   C: Projected benefit obligation less the fair value of plan assets.

D: Projected benefit obligation less the previously recognized accrued pension cost.

[9]. The following data relates to Nola Co.'s defined benefit pension plan as of December 31, 2010:

Unfunded accumulated benefit obligation	$140,000
Unrecognized prior service cost	45,000
Accrued pension cost	80,000

What amount should Nola report as excess of additional pension liability over unrecognized prior service cost in its statement of stockholders' equity?

A: $ 15,000 C: $ 95,000
B: $ 35,000 D: $0

[10]. On June 1, 2008, Ward Corp. established a defined benefit pension plan for its employees. The following information was available at May 31, 2010:

Projected benefit obligation	$14,500,000
Accumulated benefit obligation	12,000,000
Unfunded accrued pension cost	200,000
Plan assets at fair market value	7,000,000
Unrecognized prior service cost	2,550,000

To report the proper pension liability in Ward's May 31, 2010 balance sheet, what is the amount of the adjustment required?

A: $2,250,000 C: $4,800,000
B: $4,750,000 D: $7,300,000

[11]. Which of the following components should be included in the calculation of net pension cost recognized for a period by an employer sponsoring a defined benefit pension plan?

	A.	B.	C.	D.
Interest cost	Yes	Yes	No	No
Actual return on plan assets	No	Yes	Yes	No

[12]. Which of the following components should be included in net pension cost by an employer sponsoring a defined benefit pension plan?

	A.	B.	C.	D.
Amortization of unrecognized service costs	Yes	Yes	No	No
Fair value of plan assets	No	Yes	Yes	No

[13]. In the calculation of pension expense recognized for a period by an employer sponsoring a defined benefit pension plan, which components will not be included?

A: Interest cost on the projected benefit obligation.
B: Actuarial present value of benefits attributed by the pension benefit formula to employee service during that period.
C: Amortization of the unrecognized net obligation (and loss or cost) or unrecognized net asset (and gain) existing at the date of transition.
D: Excess of accumulated benefit obligation over the fair value of the plan assets.

[14]. Visor Co. maintains a defined benefit pension plan for its employees. The service cost component of Visor's net periodic pension cost is measured using the

A: Unfunded accumulated benefit obligation.
B: Unfunded vested benefit obligation.
C: Projected benefit obligation.
D: Expected return on plan assets.

[15]. Interest cost included in the net pension cost recognized for a period by an employer sponsoring a defined benefit pension plan represents the

A: Shortage between the expected and actual returns on plan assets.
B: Increase in the projected benefit obligation due to the passage of time.
C: Increase in the fair value of plan assets due to the passage of time.
D: Amortization of the discount on unrecognized prior service costs.

[16]. The following information pertains to Gali Co.'s defined benefit pension plan for 2010:

Fair value of plan assets, beginning of year	$350,000
Fair value of plan assets, end of year	525,000
Employer contributions	110,000
Benefits paid	85,000

In computing pension expense, what amount should Gali use as actual return on plan assets?

A: $ 65,000
B: $150,000
C: $175,000
D: $260,000

17. On January 1, 2010 Brokaw Company granted retroactive credit for prior service pursuant to a defined benefit pension plan which is noncontributory. The plan amendment increased the projected benefit obligation. The prior service cost resulting from the plan amendment should be

A: Included in pension expense entirely in 2010.
B: Disclosed in a note to the financial statements only.
C: Amortized by assigning an appropriate amount to each future period of service and including this amortized amount in pension expense for each future period of service.
D: Ignored.

18. The following information relates to the 2010 activity of the defined benefit pension plan of Lindy Corp., a company whose stock is publicly traded:

Service cost	$150,000
Return on plan assets	40,000
Interest cost on pension benefit obligation	82,000
Amortization of actuarial loss	15,000
Amortization of unrecognized net obligation	35,000

Lindy's 2010 pension cost is

A: $322,000
B: $287,000
C: $242,000
D: $158,000

19. Cey Company has a defined benefit pension plan. Cey's policy is to fund net periodic pension cost annually, payment to an independent trustee being made 2 months after the end of each year. Data relating to the pension plan for 2010 are as follows:

Net pension cost for 2010	$190,000
Unrecognized prior service cost, 12/31/10	150,000
Accumulated benefit obligation, 12/31/10	480,000
Fair value of plan assets, 12/31/10	500,000
Projected benefit obligation 12/31/10	500,000

How much should appear on Cey's balance sheet at December 31, 2010, for pension liability?

	A.	B.	C.	D.
Current	$0	$0	$190,000	$190,000
Noncurrent	$480,000	$330,000	$150,000	$0

20. West Company adopted a defined benefit pension plan on January 1, 2010. West amortizes the prior service cost over 16 years and funds prior service cost by making equal payments to the fund trustee at the end of each of the first 10 years. The service (normal) cost is fully funded at the end of each year. The following data are available for 2010:

Service (normal) cost for 2010	$110,000
Prior service cost:	
Amortized	41,700
Funded	57,200

West's prepaid pension cost at December 31, 2010, is

A: $0
B: $15,500
C: $41,700
D: $57,200

21. Parker Co. amended its pension plan on January 2 of the current year. It also granted $600,000 of unrecognized prior service costs to its employees. The employees are all active and expect to provide 2,000 service years in the future, with 350 service years this year. What is Parker's unrecognized prior service cost amortization for the year?

A: $0
B: $ 2,000
C: $105,000
D: $600,000

22. Rice Corp. adopted a defined benefit pension plan on January 1, 2009. The plan does not provide any retroactive benefits for existing employees. The pension funding payment is made to the trustee on December 31 each year. The following information is available for 2009 and 2010:

	2009	*2010*

Service cost	$150,000	$165,000
Funding payment	170,000	185,000
Interest on projected benefit obligation	--	15,000
Actual return on plan assets	--	18,000
Experience gains or losses	--	--

In its December 31, 2010 balance sheet, Rice should report prepaid pension cost of

A: $20,000 C: $40,000
B: $25,000 D: $43,000

[23]. Jerry Corp., a company whose stock is publicly traded, provides a noncontributory defined benefit pension plan for its employees. The company's actuary has provided the following information for the year ended December 31, 2010:

Projected benefit obligation	$400,000
Accumulated benefit obligation	350,000
Plan assets (fair value)	410,000
Service cost	120,000
Interest on projected benefit obligation	12,000
Amortization of unrecognized prior service cost	30,000
Expected and actual return on plan assets	41,000

The market-related asset value equals the fair value of plan assets. Prior contributions to the defined benefit pension plan equaled the amount of net periodic pension cost accrued for the previous year-end. No contributions have been made for 2010 pension cost. In its December 31, 2010 balance sheet, Jerry should report a pension asset of

A: $203,000 C: $ 10,000
B: $121,000 D: $0

[24]. The following information pertains to Kane Co.'s defined benefit pension plan:

Prepaid pension cost, January 1, 2010	$ 2,000
Service cost	19,000
Interest cost	38,000
Actual return on plan assets	22,000
Amortization of unrecognized prior service cost	52,000
Employer contributions	40,000

The fair value of plan assets exceeds the accumulated benefit obligation. In its December 31, 2010 income statement, what amount should Kane report as pension cost?

A: $45,000 C: $67,000
B: $49,000 D: $87,000

[25]. ASC Topic 715 requires disclosure of certain weighted-average rates that were used for determining amounts disclosed for defined benefit pension plans. Which of the following weighted-average rates should be disclosed for defined benefit pension plans?

	A.	B.	C.	D.
Rate of compensation increase	Yes	No	Yes	Yes
Expected return on plan assets	Yes	Yes	Yes	No
Discount rate for benefit obligation	No	Yes	Yes	Yes

[26]. ASC Topic 715 requires disclosure of assumed health care cost trend rates for defined benefit postretirement plans. Assumed health care cost trend rates should be disclosed for the

	A.	B.	C.	D.
Following year	Yes	No	Yes	No
Years beyond the following year	Yes	Yes	No	No

[27]. Note section disclosures in the financial statements for pensions do **not** require inclusion of which of the following?

A: The components of period pension costs.
B: The amount of unrecognized prior service cost.
C: The differences in executive and nonexecutive plans.
D: A detailed description of the plan including employee groups covered.

[28]. An employer sponsoring a defined benefit pension plan should disclose the

	A.	B.	C.	D.
Amount of unrecognized service costs	No	No	Yes	Yes

Fair value of plan assets	No	Yes	Yes	No

[29]. In which of the following pension instances would the accumulated other comprehensive income account, pension liability adjustment (net of tax), be reported on the balance sheet for a particular year?

A: Only when there is an amendment to a defined benefit pension plan.
B: Only when the projected benefit obligation exceeds plan assets.
C: When the unrecognized prior service cost exceeds the additional pension liability required to be recognized.
D: When the additional pension liability required to be recognized exceeds the unrecognized prior service cost.

[30]. Kemp Company provides a defined benefit postretirement plan for its employees. Kemp adopted the plan on January 1, 2010, in accordance with the provisions of ASC Topic 715. Data relating to the pension plan for 2010 are as follows:

Service cost for 2010	28,000
Interest on the accumulated postretirement benefit obligation	5,000
Amortization of the unrecognized transition obligation	8,000

At the end of 2010, Kemp makes a benefit payment of $10,000 to employees. In its December 31, 2010 balance sheet, Kemp should record accrued postretirement benefit cost of

A: $35,000
C: $51,000
B: $31,000
D: $15,000

[31]. An employer's obligation for postretirement health benefits that are expected to be fully provided to or for an employee must be fully accrued by the date the

A: Benefits are paid.
C: Employee retires.
B: Benefits are utilized.
D: Employee is fully eligible for benefits.

[32]. What is the present value of all future retirement payments attributed by the pension benefit formula to employee services rendered prior to that date only?

A: Service cost.
C: Projected benefit obligation.
B: Interest cost.
D: Accumulated benefit obligation.

[33]. Which of the following methods is used in IFRS to account for defined benefit pension plans?

A: Projected-unit-credit method.
C: Accumulated benefits method.
B: Benefit-years-of-service method.
D: Vested years of service method.

1 .Answer D is correct. Vested benefits in a pension plan are benefits that are not contingent on an employee's continued service. The benefits are earned regardless of continued employment.
Answer A is incorrect because benefits to be paid in any particular year do not include all benefits earned by an employee. Answer B is incorrect because benefits to be paid in any particular year do not include all benefits earned by an employee. Answer C is incorrect because benefits in the hands of a trustee are funded benefits, not vested benefits.

2 .Answer D is correct. Per ASC Topic 712 (SFAS 88), an employer that offers for a short period of time special termination benefits to employees shall recognize a liability and an expense when the employees accept the offer and the amount can be reasonably estimated. The amount recognized shall include any lump-sum payments and the present value of any expected future payments. Answer D is correct because the employees accepted the offer and the amount can be reasonably estimated.
Answer A is incorrect. The entire expense should be recognized in the current period. Refer to the correct answer explanation. Answer B is incorrect. The entire expense should be recognized in the current period. Refer to the correct answer explanation. Answer C is incorrect. Future payments should be recognized at their present value. Refer to the correct answer explanation.

3 .Answer C is correct. The projected benefit obligation is the present value of pension benefits accrued to date using assumptions as to future compensation levels.
Answer A is incorrect because prior service cost is the increase in projected benefit obligation resulting from a pension plan amendment. Answer B is incorrect because the accumulated benefit obligation is the present value of pension benefits accrued to date based on present salary levels. Answer D is incorrect because accrued pension cost is the balance sheet liability resulting when pension expense recognized exceeds pension funding.

4 .Answer D is correct. ASC Topic 715 requires that if the projected benefit obligation exceeds the fair value of plan assets, a liability must be recognized in the balance sheet.

5 .Answer B is correct. Per ASC Topic 715, the assumed discount rate should reflect the rates at which pension benefits could be effectively settled. This rate is sometimes referred to as the “settlement rate.” To determine the settlement rate, it is appropriate to look at rates implicit in current prices of annuity contracts that could be used to settle the obligation under the defined benefit plan. The expected return on plan assets is not used to calculate the projected benefit obligation. The actual return on plan assets is also not used to calculate the projected benefit obligation.

6 .Answer D is correct. The projected benefit obligation is the actuarial present value of the pension obligation at the end of the period. Since there were no changes in actuarial estimates during the year, the end of period projected benefit obligation is computed as follows:

Projected benefit obligation, 1/1/10	$72,000
Service cost	18,000
Interest on projected benefit obligation (10% x $72,000)	7,200
Benefit payments	(15,000)
Pension benefit obligation, 12/31/10	$82,200

Service cost and interest on the projected benefit obligation increase the projected benefit obligation; benefit payments decrease the projected benefit obligation.

7 .Answer B is correct. ASC Topic 715 requires that a liability is recognized on the balance sheet if the projected benefit obligation exceeds the fair value of plan assets. Therefore, a liability of $1,700,000 ($4,700,000 – $3,000,000) must be recognized on the balance sheet.

8 .Answer C is correct. ASC Topic 715 requires that a pension liability is recognized on the balance sheet if the projected benefit obligation exceeds the fair value of plan assets.
Answer A is incorrect because the additional liability which must be recorded is the amount necessary to make the total liability equal to the unfunded accumulated benefit obligation (i.e., the accumulated benefit obligation less the fair market value of plan assets). Answer B is incorrect. ASC Topic 715 contains the rules for recognition of pension liability. Answer D is incorrect because the projected benefit obligation is not involved in the calculation of the pension liability.

9 .Answer D is correct. ASC Topic 715 outlines the reporting requirements for pension liabilities, and a pension liability is recognized on the balance sheet when the projected benefit obligation exceeds the fair value of plan assets. There is no longer an additional pension liability reported as part of stockholder's equity.
Answer A is incorrect. ASC Topic 715 contains the reporting requirements for pensions. An additional pension liability is no longer reported in the statement of owner's equity.

10 .Answer D is correct. ASC Topic 715 requires the recognition of pension liability if the projected benefit obligation exceeds the fair value of the plan assets. The adjustment needed is the amount to bring the liability equal to $7,500,000 ($14,500,000 less $7,000,000). There is currently $200,000 in the unfunded accrued pension cost (liability) account. Therefore, an adjusting entry is made for $7,300,000.

11 .Answer B is correct. Per ASC Topic 715, both the interest cost and the actual return on plan assets (if any) should be included in the calculation of net pension cost recognized for a period by an employer sponsoring a defined benefit pension plan.

12 .Answer A is correct. Per ASC Topic 715, net pension cost includes amortization of unrecognized prior service cost but does not include the fair value of plan assets. The fair value of plan assets is, however, used to determine the amount of any additional liability which must be disclosed.

13 .Answer D is correct. Excess of accumulated benefit obligation over the fair value of the plan assets should not be included as a component of pension expense because it represents the unfunded accumulated benefit obligation which could require recognition of an additional minimum liability.
Answer A is incorrect because per ASC Topic 715, interest cost should be included as a component of pension expense. Answer B is incorrect because per ASC Topic 715, service costs determined by actuarial present value should be included as a component of pension expense. Answer C is incorrect because per ASC Topic 715, amortization of the unrecognized net obligation or unrecognized net asset should be included as a component of pension expense.

14 .Answer C is correct. Per ASC Topic 715, the service cost component recognized shall be determined as the actuarial present value of benefits attributed by the pension benefit formula to employee service during the period, which is known as the projected benefit obligation.

Answer A is incorrect because the unfunded accumulated benefit obligation is not related to the measurement of service cost. Answer B is incorrect because the unfunded vested benefit obligation is not related to the measurement of service cost. Answer D is incorrect because the expected return on plan assets is not related to the measurement of service cost.

15 .Answer B is correct. The interest expense on the projected benefit obligation is defined as the increase in the amount of the projected benefit obligation due to the passage of time.
Answer A is incorrect. The shortage between the expected and actual returns on plan assets represents an unexpected (deferred) asset loss component. Answer C is incorrect. The increase in the fair value of plan assets due to the passage of time represents the actual return on plan assets.

16 .Answer B is correct. The actual return on plan assets represents the return earned on accumulated pension fund assets. It is calculated as the difference in the fair value of plan assets at the beginning and the end of the period adjusted for contributions made to the plan and benefit payments made by the plan during the period. This calculation separates out the change in the FV of plan assets that is due to interest and dividends earned. The formula for determining the actual return is as follows:
Actual return = Ending plan assets – Beginning plan assets + Benefits – Contributions
\$150,000 = (\$525,000 – \$350,000) + \$85,000 – \$110,000

17 .Answer C is correct. Per ASC Topic 715, prior service cost should be amortized by assigning an appropriate amount to each future period of service of each employee who is expected to receive benefits under the plan at the date of the amendment. The amortized amount should be included in pension expense during those future service periods.

18 .Answer C is correct. Pension cost is a net amount calculated by adding or subtracting the factors as follows:

Service cost	\$150,000
Return on plan assets	(40,000)
Interest on P.B.O.	82,000
Amortization of actuarial loss	15,000
Amortization of unrec. net obligation	35,000
Pension cost	\$242,000

Service cost and interest on the projected benefit obligation always increase pension expense; return on plan assets almost always decreases pension expense. Amortization of actuarial loss and amortization of a net obligation both increase pension expense.

19 .Answer D is correct. The current liability for pensions at 12/31/10 consists of the 2010 net pension cost (\$190,000), which will not be paid until 2 months after year-end. There is no noncurrent liability. A noncurrent liability would exist if the projected benefit obligation (\$480,000) exceeds the fair value of plan assets (\$500,000). ASC Topic 715 requires the recording of a liability when the projected benefit obligation is greater than the fair value of plan assets. The unrecognized prior service cost (\$150,000) is not directly recorded as a liability. It is amortized to pension cost over future periods.

20 .Answer B is correct. Prepaid pension cost is the excess of the amount funded over the amount recorded as pension expense. The amount funded is \$167,200 (\$110,000 service cost + \$57,200 funding of prior service cost). Pension expense

is \$151,700 (\$110,000 service cost + \$41,700 amortization of prior service cost). Therefore, prepaid pension cost is \$15,500 (\$167,200 – \$151,700).

21 .Answer C is the correct answer. The requirement is to calculate the amount of unrecognized prior service cost amortization for the year. The amortization per service year is calculated as \$300 (\$600,000 prior service cost ÷ 2,000 service years). Answer C is correct because there are 350 service years in the current year, and 350 × \$300 = \$105,000 of amortization.

22 .Answer D is correct. Prepaid pension cost is the cumulative excess of the amount funded over the amount recorded as pension expense. In 2009, funding was \$170,000 and the only element of pension expense which applied was service cost (\$150,000), so prepaid pension cost was \$20,000 at 12/31/09. In 2010, pension expense was \$162,000 as computed below.

Service cost	\$165,000
Interest on P.B.O.	15,000
Actual return on plan assets	(18,000)
Pension expense	\$162,000

Therefore, the 2010 funding (\$185,000) exceeded pension expense (\$162,000) by \$23,000, increasing prepaid pension cost to \$43,000 (\$20,000 + \$23,000).

23 .Answer C is correct. Since prior contributions equaled the amount of net pension cost previously accrued, there is no prepaid/accrued pension cost at 1/1/10. 2010 pension expense is \$121,000, as computed below.

Service cost	\$120,000
Interest on PBO	12,000
Amort. of unrec. PSC	30,000
Return on plan assets	(41,000)
Pension cost	\$121,000

Although no 2010 contributions have been made, there is no liability at 12/31/10 because the plan assets exceed the PBO. Therefore, a pension plan asset of \$10,000 is recognized.

24 .Answer D is correct. 2010 pension expense, computed below, is recorded by debiting pension expense and crediting the prepaid/accrued account.

Service cost	\$19,000
Interest cost	38,000
Actual return on plan assets	(22,000)
Amort. of unrecognized PSC	52,000
Pension expense	\$ 87,000

25 .Answer C is correct. Weighted-average rates disclosed for defined benefit pension plans include (1) the discount rate used to determine the benefit obligation, (2) the expected rate of return on plan assets, and (3) the expected rate of compensation increase.

26 .Answer A is correct. Assumed health care cost trend rates should be disclosed for defined benefit postretirement plans for both the following year and for years beyond the following year.

27 .Answer C is correct. The differences in executive and nonexecutive plans are not required disclosures.

28 .Answer C is correct. ASC Topic 715 provides a list of disclosures which must be provided by employers sponsoring a defined benefit pension plan. Both the amount of unrecognized prior service cost and the fair value of plan assets are

among the required disclosures.

29 .Answer B is correct because ASC Topic 715 requires a pension liability to be recognized if the fair value of plan assets is less than the projected benefit obligation. An entry is made to accrue the liability and report it in OCI net of tax.
Answer A is incorrect because an amendment to an existing plan does not always cause the difference between the fair value of the plan assets and the projected benefit obligation.

30 .Answer B is correct. To determine the accrued postretirement benefit cost, the net periodic postretirement benefit cost must first be calculated as follows:

Service cost	$28,000
Interest on the accumulated postretirement benefit obligation	5,000
Amortization of the unrecognized transition obligation	8,000
Net periodic postretirement benefit cost	$41,000

An adjusting entry is required at year-end to record net periodic postretirement benefit cost and the cash benefit payments made to employees. An accrued postretirement benefit cost will be recorded if the net postretirement benefit cost exceeds the cash payments to employees. The journal entry would be

Postretirement benefit cost	41,000	
Cash		10,000
Accrued postretirement benefit cost		31,000

Therefore, the balance in the accrued postretirement benefit cost account would be $31,000.

31 .Answer D is correct. The requirement is to identify when benefits must be fully accrued. ASC Topic 715 requires that the employer's obligation for postretirement health benefits that are expected to be fully provided to or for an employee must be fully accrued by the date that the employee is fully eligible for benefits.

32 .Answer D is correct. Per ASC Topic 715, the present value of future retirement payments attributed by the pension benefit formula to employee services rendered prior to that date is the accumulated benefit obligation, which is based on current salaries.
Answer A is incorrect because service costs are components of pension expense for the period. Answer B is incorrect because interest costs are components of pension expense for the period. Answer C is incorrect because the projected benefit obligation is based on future salaries.

33 .Answer A is correct. IFRS requires the use of the projected-unit-credit method to calculate the present value of the defined benefit obligation (PV-DBO).
Answer B is incorrect because the benefit-years-of-service method is used in U.S. GAAP. Answer C is incorrect because this is not a method for reporting pension benefits. Answer D is incorrect because this is not a method for reporting pension benefits.