**E20-11 (Minimum Liability Computation, Entry)** The following information is available for McGwire

Corporation’s defined benefit pension plan for the years 2007 and 2008.

December 31,

2007 2008

Accrued pension cost balance $ –0– $ 45,000

Accumulated benefit obligation 260,000 370,000

Fair value of plan assets 255,000 300,000

Prepaid pension cost balance 30,000 –0–

Projected benefit obligation 350,000 455,000

Unrecognized prior service cost 125,000 110,000

**Instructions**

**(a)** Compute the amount of additional liability, if any, that McGwire must record at the end of each

year.

**(b)** Prepare the journal entries, if any, necessary to record a minimum liability for 2007 and 2008.

**E22-6 (Accounting Changes—Depreciation)** Kathleen Cole Inc. acquired the following assets in January

of 2005.

Equipment, estimated service life, 5 years; salvage value, $15,000 $525,000

Building, estimated service life, 30 years; no salvage value $693,000

The equipment has been depreciated using the sum-of-the-years’-digits method for the first 3 years for financial

reporting purposes. In 2008, the company decided to change the method of computing depreciation

to the straight-line method for the equipment, but no change was made in the estimated service life or salvage

value. It was also decided to change the total estimated service life of the building from 30 years to 40

years, with no change in the estimated salvage value. The building is depreciated on the straight-line method.

**Instructions**

**(a)** Prepare the general journal entry to record depreciation expense for the equipment in 2008.

**(b)** Prepare the journal entry to record depreciation expense for the building in 2008. (Round all computations

to two decimal places.)