**Problem 17-58 Cumulative Spreadsheet Analysis**

This assignment is a detailed examination of Skywalker’s pension-related items. As of December 31, 2011, the $253 in “Other long term liabilities” reported by Skywalker included an amount for a net pension liability. In addition, Skywalker’s $456 in “Other operating expenses” for 2011 included an amount for net pension expense.

The following information relates to Skywalker’s pension plan as of December 31, 2011.

Fair value of pension funds………………………………………………………………………………………………………….. $200

Discount rate used in valuing the PBO……………………………………………….………………………………………. 7%

Long-term expected rate of return on pension fund assets…………………………………………..…………… 9%

Total annual pension payment earned by Skywalker’s employees so far…………………………………………. $50

Number of years that employees are expected to receive pension payments after retirement…..30 yrs

Number of years until first pension payment is to be received………………………………………………………11 yrs

Construct a spreadsheet to calculate the following:

1. Given the information above, compute the net pension liability that Skywalker will report as of December 31, 2011. (Note: be careful in computing the PBO; remember that the standard annuity formula yields the present value of the annuity one year before the first payment is received.)
2. Compute a forecast of Skywalker’s net pension liability as of December 31, 2012, and net pension expense for 2012 using the following information:

* By working an extra year in 2012, the total annual pension payment earned by Skywalker’s employees is expected to increase from $50 to $55.
* Skywalker’s employees will be one year closer to receiving the first pension payment.
* No pension benefits are expected to be paid to employees in 2012.
* Skywalker expects to contribute $50 to the pension plan during 2012.
* Skywalker’s best estimate is that the pension fund assets will earn in 2012 am amount equal to the long-term expected rate of return.

1. Repeat (1) and (2) using the following information:
   1. The discount rate is 8%, and the long-term expected rate of return on the pension fund assets is 12%.
   2. The discount rate is 5%, and the long-term expected rate of return on the pension fund assets is 11%.