

404(a) practice problems

Problem 6

DATA (4 points)

(Modified EA-2A question 2003-18)

Plan type: Multiemployer

Plan effective date: 7/1/2008

Plan year: 7/1 – 6/30.

Tax year: 1/1 – 12/31.

Actuarial cost method: Attained age normal.

Valuation interest rate: 7% per year.

Credit balance in funding standard account as of 6/30/2014: \$25,000.

Valuation results as of 7/1/2014:

Normal cost	\$45,000
Unfunded liability	450,000

The deductible limit for any tax year is the deductible limit determined on the basis of the plan year beginning in that tax year.

QUESTION

In what range is the deductible limit for 2014?

- (A) Less than \$120,000
- (B) \$120,000 but less than \$125,000
- (C) \$125,000 but less than \$130,000
- (D) \$130,000 but less than \$135,000
- (E) \$135,000 or more

404(a) practice problems

Problem 7

DATA (4 points)

(Modified EA-2A question 2003-43)

Plan type: Multiemployer

Plan effective date: 1/1/2010.

Actuarial cost method: Frozen initial liability.

Valuation interest rate:

Before 2013 8% per year
After 2012 7% per year

Initial accrued liability: 220,000.

Selected valuation results as of 1/1/2013:

	<u>8%</u>	<u>7%</u>
Normal cost	18,000	21,000
Entry age normal accrued liability	140,000	160,000

The contribution for each year before 2013 was paid on 12/31 of that year in an amount equal to the deductible limit for that year.

QUESTION

In what range is the deductible limit for 2013?

- (A) Less than \$54,800
- (B) \$54,800 but less than \$55,800
- (C) \$55,800 but less than \$56,800
- (D) \$56,800 but less than \$57,800
- (E) \$57,800 or more

404(a) practice problems

Problem 8

DATA (4 points)

(Modified EA-2A question 2003-43)

Plan type: Multiemployer

Plan effective date: 1/1/2010.

Actuarial cost method: Frozen initial liability.

Valuation interest rate:

Before 2013 8% per year
After 2012 7% per year

Initial accrued liability: 220,000.

Selected valuation results as of 1/1/2013:

	<u>8%</u>	<u>7%</u>
Normal cost	18,000	21,000
Entry age normal accrued liability	140,000	160,000

The contribution for each year before 2013 was paid on 12/31 of that year in an amount equal to the minimum contribution for that year.

QUESTION

In what range is the deductible limit for 2013?

- (A) Less than \$54,800
- (B) \$54,800 but less than \$55,800
- (C) \$55,800 but less than \$56,800
- (D) \$56,800 but less than \$57,800
- (E) \$57,800 or more

2003

Data for Question 33 (4 points)

Plan year: 1/1 – 12/31.

Tax year: 7/1 – 6/30.

Actuarial cost method: Entry age normal.

Valuation interest rate: 7% per year.

Credit balance in funding standard account as of 12/31/2001: \$5,000.

Selected valuation results:

	<u>1/1/2002</u>	<u>1/1/2003</u>
Normal cost	\$50,000	\$52,000
IRC section 412 net amortization charges	10,000	13,000
IRC section 404 net amortization charges	15,000	17,500

Contribution for the 2002 plan year made on 6/30/2002: \$50,000.

Contribution for the 2002 plan year made on 12/31/2002 to be deducted in tax year ending 6/30/2003: \$10,000.

IRC section 404 deductible limits are based upon the plan year beginning within the employer's tax year.

Question 33

In what range is the deductible limit for the tax year ending 6/30/2003?

- (A) Less than \$73,000
- (B) \$73,000 but less than \$74,300
- (C) \$74,300 but less than \$75,600
- (D) \$75,600 but less than \$76,900
- (E) \$76,900 or more

404-REG-26