

Arizona State University

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Arizona State University Analysis

Introduction

The purpose of this paper is to analyze and review the financial statements of Arizona State University. This paper will discuss the employee pension plan of the university and its compliance according to the proposed changes of GASB. The impact of economic conditions the future growth of the university will be analyzed. Furthermore, federal grants provided by the state will be discussed and the endowments of the university according to the GASB requirements.

Discussion

Employee Pension Plan for Arizona State University

Arizona State University has disclosed the defined benefit plan for their employees in the financial statement of 2013. According to the description of the plan it covers the health insurance premium in the plan, long-term disability, death, retirement and survivor. The plan works according to the policy of the university. In the plan of 2013, the active members of the university are required to contribute 11.14% which is 10.9% for the retirement and 0.24% for the long-term disability plan. The university required to contribute 11.14% in the plan for which 1.025% is for retirement, 0.65% is for health insurance premium and 0.65% for long-term disability. The evaluation of the defined benefit plan in the financial statement of 2013 is in accordance to the above rate and deduction for the year 2013 (GASB, 2011).

GASB Proposed Changes in Financials of University

The new changes in the pension plan by GASB require that the university should include the following in the plan:

- Benefit earned each year by the employees
- At the inception pension liability interest rate should be calculated
- If any changes are made in the term of pension plan they should be communicated with the retirees
- Projected earnings on the plan investments should be identified
- Identification of the changes in plan assets and other investments
- The assumed demographic and economic factors should be determined in order to calculate the difference for the non-government workers

The university has clearly provided the detailed discussion of the pension plan for the use of current and retired employees. The evaluation of 2013 is up to the requirement of GASB and the changes are been distributed evenly (ASU, 2013).

Impact of Economic Condition

There are many serious issues relating to the education system of Arizona State. And this system is affecting the University of Arizona likewise. The first is the lack of financial resources which are affecting the level of government grants by the state. These state universities are not the tax payer of the state and hence do not contribute toward the tax income of Arizona. The university is running and providing education to the student on the basis of grants provided by the federal government. If the current economic condition persists, there will be difficulty in holding as many scholarship and they currently does. This will directly impact on the market values and the growth of the university (AMER, 2014).

Analysis of Federal Grants for the University

According to the financial report of the university, the total grants provided by the government for the year 2013 were 16% of the total financial sources for the university. The

distribution of the government grants is divided into Pell and supplemental grants. The direct student expenses provided by the government as Pell grants are \$65.9 million in which admission process charges, registrar's fee, counseling, student activates, career guidance, health services, financial aid administration is included. The scholarship and fellowship expense of the students is \$112.4 million which included merit awards to the students, need-based scholarships and the scholarship allowance. The supplemental grants include the academic administration and technological support for the university (ASU, 2013).

Treatment of endowments as per GASB Requirements

The endowment spending rate policy of the university states that the university is allowed to make entire new investments. This required analysis of the short-term and long-term needs of the university and then making investment according to them. According to the requirement of GASB, the investment made on land and real estate should be accounted for on historic cost rather than fair value since the land and real estate are not included in the accounting and financial reporting for certain investment scope 31. The calculation made by the university is not according to the requirement of GASB as they did not calculate the endowment as per requirement of GASB (GASB, 2007).

Conclusion

The University of Arizona is one of the largest universities on USA. The financial report of the university is well complied according with the requirements of GASB except for the endowment factor. The university runs on government grants and various other sources of funds. And the pension planning of the university is well complied according with GASB.

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