

# An Investigation into the Importance of Accounting Information in the Administration of Higher Education Institutions

Ashish Chauhan<sup>1</sup>, Lukhad Dev<sup>2,3</sup>, Mishra Ashvini<sup>3</sup>

Asst. Professor<sup>1</sup> and SYBCOM<sup>2,3</sup>

Uttar Bhartiya Sangh's Mahendra Pratap Sharda Prasad Singh College of Commerce & Science, Mumbai, Maharashtra

**Abstract:** *Accounting must remain current and continuously adjust to the changing nature of modern society within the framework of globalization, since it acts as the main provider of dependable and highly useful economic data in the decision-making process.*

*Academic education plays a vital role in the knowledge-based society, a fact that is widely recognized at both the EU and worldwide levels. The evolution of Romania's public accounting system and the accounting practices of public higher education institutions have progressed together, however there is still potential for further advancement and enhancement in the present context of increasing alignment with global standards*

**Keywords:** Accounting in Higher Education Institutions (HEIs), financial data, stakeholders, and university management

## I. INTRODUCTION

In order to uphold financial management objectives, as required by law and the institution's own regulations, any organization must work together with its accounting department. These objectives aim to ensure order and discipline inside the institution.

Public universities must establish accounting departments that systematically and chronologically record, process, and distribute information regarding their financial position, financial performance, and cash flows. This is necessary to meet the needs of university management and to respond to information requests from external users. Similarly, the accounting department must provide the approving officers with information regarding the actual revenues and expenditures of the budget, as well as the outcomes of implementing the budget, the management of university property, the financial outcome, and the approved funding for various programs. Managing the accounting activity's functioning throughout the entire system is a managerial concern in higher education institutions (HEIs) that has significant ramifications and resource implications (including human, financial, material, and informational resources). As per current regulations, the responsibility for planning and executing the accounting activity is with the authorized officer or another designated party responsible for managing the institution.

The primary objective of HEI Accounting is to furnish information:

The primary objective of accounting, widely recognized, is to provide information that enables interested parties to make informed decisions. It is important to acknowledge that consumers with different characteristics have diverse requirements for information. After evaluating the institution's capacity to offer compensation and career prospects, employees and their representative's express apprehension regarding the employer's stability. Meanwhile, current investors, whether they are the state and its institutions or private investors, prioritize the return on their investments. Customers, however, are interested in information regarding the institution's continuity, especially if they have a longstanding connection or reliance on it. Providers and suppliers, who are trade creditors, aim to recover the funds owing to them for delivering goods, completing work, or providing services at maturity. Financial creditors request payment when their obligations and corresponding interests reach their maturity date. However, the community desires to continue receiving exceptional government services that ensure its educational well-being.

In general, accounting information is the basis for determining indicators for all economic and financial processes, ensuring the necessary assurance to make precise estimates. The financial condition and performance of the institutions, as well as their utilization of resources, and their relevance for both internal and external information needs, are all determined by the financial and accounting information provided to treasury, credit institutions, trade partners, tax bodies, and other interested parties.

Higher education accounting in public institutions primarily focuses on the implementation of budgets for revenues and expenses, as well as the budgetary result, property under management, patrimonial result, and the cost of approved programs. The state budget's yearly execution account is created at the same time as the university accounting data.

The role of HEI accounting data in decision making:

Financial accounting information and managerial accounting information. This aligns with the theories proposed by certain accounting experts. The first report is disseminated through quarterly and annual summaries and is primarily targeted towards external university stakeholders (such as parents, governing bodies, commercial partners, financial creditors, and the general public) in order to facilitate their comprehension of the institution's economic activities. The second option is specifically tailored for university management, providing them with the capability to assess and forecast cash flows and probable outcomes in terms of magnitude and risk.

Accounting information is a valuable resource for university administrators, providing them with insights into the economic and financial condition of the institution. This information helps them make informed decisions, especially in the challenging context of limited resources and the search for additional funding.

The general public, who benefits from educational services and contributes to decision-making on resource allocation, is kept informed about the outcomes attained by higher education institutions through regular quarterly and annual financial reports. Experts in the industry believe that accounting data should enable consumers to assess the university's capacity to generate advantages and, by extension, the efficiency with which its managers are utilizing resources.

Criteria for the qualitative content of accounting information

The quality of the accounting information provided to decision-makers through periodic summary reports greatly influences the quality of their decisions. Hence, we believe it is imperative for university administration to acquire top-notch financial and accounting data to bolster their decision-making process and steer the university towards the expected institutional progress.



According to IPSAS 1 "Presentation of Financial Statements," it is important to consider the four qualitative requirements when assessing the usefulness of information presented in financial statements. These requirements are: Intelligibility refers to the degree to which information may be readily comprehended by users.

Relevance - the quality of information that has the ability to impact the economic decisions of users due to its nature and/or significance; in addition, for information to be considered relevant, it must be delivered to users in a timely manner;

Credibility – the accounting information must accurately and objectively reflect all major events and transactions occurring inside the university, providing a complete and unbiased view of its financial status and results.

Comparability - accounting information should enable the evaluation of temporal patterns in the financial situation and performance of the university and facilitate the comparability of financial statements among different higher education institutions.

Characteristics of accounting information that pertain to its quality

## II. CONCLUSION

Financial accounting information undoubtedly has a crucial impact on the economic information systems of academic education institutions. In order to substantiate this assertion, we may provide several aspects as evidence. These factors include the accurate portrayal of the events and transactions occurring within the institution, the quantification of the volume of flows generated by these events, and the highest level of certainty and probative power.

In practical terms, the accounting of public academic institutions of higher learning offers important information to stakeholders, especially university management, regarding the execution of income and expenditure budgets, budget performance, managed assets, financial results, and the cost of approved programs within the budget. The utilization of this information should empower people to make informed decisions. In order to effectively oversee the financial resources of the university, the accounting information provided in periodic summary reports should facilitate accurate decision-making by university management. In order for financial and accounting information to be considered timely for decision-makers, it is necessary to achieve the objectives, ensuring that the benefits of storing this information outweigh any drawbacks. Concurrently, it is crucial to mitigate the deficiencies in the accounting information system, which are primarily caused by:

Distortions refer to inadvertent alterations of information that occur during the gathering, processing, and transfer of data from the sender to the recipient.

Filtering refers to the deliberate alteration of information's content before it is received by the intended recipient.

Redundancy involves the repetitive processing and transmission of information that has a similar content.

Information circuit overload occurs when a large amount of information is transmitted from the sender to the receiver, without considering the recipient's ability to handle it.

Accounting information plays a crucial role in university management by enabling the effective allocation of resources and informing decision-making.

## REFERENCES

- [1] Briciu, S., ș.a., Impactul informației contabile asupra deciziilor manageriale – Studiu empiric realizat la entitățile din industria ospitalității din România, *Economie teoretică și aplicată*, Volumul XX, No. 9 (586), pag. 26, 2013;
- [2] Dumitrescu, A.S., *Contabilitate creativă – De la idee la bani cu exemple practice*, Editura Economică, București, pag. 93, 2014;
- [3] Vătășoiu, C.I., ș.a., *Accounting Information – The Base of Financial Analysis in Investment Decisions*, *Analele Universității „Constantin Brâncuși” din Târgu Jiu, Seria Economie*, Nr. 4/2010;
- [4] Andronicănu, A., *Noutăți în managementul public*, Editura Universitară, București, pag. 126, 2008;
- [5] Cerne, S., ș.a., *Ghid financiar-contabil pentru instituțiile de învățământ superior*, Editura Paiadeia, București, 2001;
- [6] Ștefănescu, A., ș.a., *Contabilitate publică*, Editura ASE, București, 2013;
- [7] <https://www.ifac.org/sites/default/files/publications/files/ipsas-1-presentation-of-f-3.pdf>. Accessed 23 Sep 2014