THE IMPORTANCE OF THE ACCOUNTING INFORMATION IN HIGHER EDUCATION INSTITUTIONS MANAGEMENT

DRĂGUȘIN CRISTINA-PETRINA
ASSIST. PHD STUDENT, FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION, UNIVERSITY OF CRAIOVA, CRAIOVA, ROMANIA,
e-mail: cristina_dragusin29@yahoo.com

CRIVEANU MARIA
PROFESSOR PHD, FACULTY OF ECONOMICS AND BUSINESS ADMINISTRATION, UNIVERSITY OF CRAIOVA, CRAIOVA, ROMANIA,
e-mail: criveanu_maria@yahoo.com

Abstract

In the context of globalization, accounting, as main provider of credible and highly valuable economic information in the decision making process, must keep pace and be constantly adapted to the reality and evolution of the modern society.

The knowledge based society awards academic education with an essential role fully recognized at the EU and global level. Accounting of public institutions of higher education has evolved in parallel with the development of the Romanian public accounting system, but we still notice a significant potential of improvement and development in conditions under what a more stringent convergence towards globalization is felt.

Key-words: HEIs accounting, accounting information, informational users, university management.

JEL Classification: M41, H83, I23.

1. Introduction

Any institution can only work together with its accounting, as a financial management objective requirement aimed to ensure order and discipline provided both by the law and by its own statute.

Accounting organized in public institutions of academic education must provide diachronic and methodical recording, processing and dissemination of information about the financial position, financial performance and cash flows not only for internal university management requirements, but also for the external users information requests. Similarly, the accounting shall inform the authorizing officers about the budgets of revenues and expenditure execution, the result of the budget implementation, the university property under management, the patrimonial result and the cost of the programs approved through the budget.

In higher education institutions (HEIs), organizing the operation of the accounting activity in the wide system is a management problem with multiple implications and which implies various resources (human, financial, material, informational). Under current regulations, the responsibility for organizing and conducting the accounting activity returns to the authorizing officer or to other party responsible for managing the institution.

2. The Research Methodology

In the present work, we shall use the specific means of theoretical scientific research, using tools such as: documentation, observation, analysis, synthesis, induction, deductive reasoning and comparison. We shall outline the theoretical research through scientific documentation from rich references including: publications in the specialized literature, articles and studies, research papers, all these under the auspices of the legislation in force. The purpose of research is the theoretical knowledge of the concepts on the subject proposed for investigation, taking into account the opinions issued by the specialists in the domain.
3. The Primary Objective of HEIs Accounting: Providing Information

As it is fully known, the primary objective of accounting is to provide information to enable the interested parties substantiate relevant decisions.

We must take into account that the information needs vary in relation to different categories of users. While present investors (the state and its institutions or private investors, as the case) are interested in the return on their investments, employees and their representatives are concerned about the stability of the employer, following the evaluation of the institution's capacity to provide remuneration and career opportunities. On the other hand, customers are interested in information regarding the continuity of the institution, especially when they have a long-lasting collaboration or they are dependent on it. In turn, providers and suppliers (trade creditors) aim to collect at the maturity the amounts due to them from the delivery of goods, performance of work or services. Regarding financial creditors, they seek the reimbursement at the maturity of loans and related interests. Instead, the community is interested to continue receiving high quality public services that assure its educational welfare.

In general, the accounting information is the base of determining indicators regarding all the economic and financial transactions carried out, ensuring also the certainty necessary to produce reliable forecasts. [1]

The financial and accounting information characterizes the institutions’ financial position and performance, the use of resources, being relevant both for its own information needs, as well as for third parties (treasury, credit institutions, trade partners, tax bodies and others interested parties). [2]

Accounting of public institutions of higher education informs mainly on:
- the implementation of revenues and expenditures budgets;
- the budgetary outturn;
- the property under management;
- the patrimonial result;
- the cost of the programs approved through the budget.

Simultaneously, the university accounting information contributes to preparing the annual execution account of the state budget.

4. The Role of the Accounting Information of HEIs in Decision Making

As can be observed in Picture no. 1, by adapting the vision of some accounting specialists [3], we believe that in academic education institutions, the accounting information can be classified in two levels: financial accounting information and management accounting information. The first one is disseminated through quarterly and annual summary reports and is intended primarily to external university stakeholders (parents, government bodies, trade partners, financial creditors and public or community) so that they can appreciate the economic activity of the institution. The second one is intended primarily to the university managers, enabling them to assess and foresee cash flows and potentials in terms of size and risk.

![Picture no. 1 – The representation of the accounting information of public institutions of academic education in terms of recipients and utility](source)

In the pessimistic context in which macroeconomic developments reveal that university managers are facing increasing challenge of managing limited resources and the need to identify additional funding resources, the accounting information is a true tool available to university administrators, giving them knowledge of state economic and financial health of the institution of academic education and strong support in the substantiation of decisions.

In the opinion of Androniceanu A. (2008) the public management decisions relate to "the selection of a variant of several possible decisions in order to increase the satisfaction of the public interest general or specific." [4]

Through quarterly and annual financial statements, the results obtained by higher education institutions are disseminated to the public, which, as a beneficiary of educational services, will conduct feedback on the management of the resources and act accordingly. In this respect, practitioners in the field [5] believe that accounting information should enable users to assess the capacity of the university to produce benefits and implicit the ability of its leaders to use the resources in an efficient manner.

5. Qualitative Requirements of the Accounting Information

No doubt, the quality of the deciders’ actions depends heavily on the quality of the accounting information received through the periodic summary reports. [6]

Therefore, we believe it is imperative that, in the substantiation of the decisions, university managers are given financial and accounting information of high quality which help them to direct the university to the institutional progress expected.

In view of IPSAS 1 "Presentation of Financial Statements" [7], to assess the usefulness of the information disseminated through the financial statements, four main qualitative requirements should be taken into account, namely:

- intelligibility - the quality of information to be easily understood by the users;
- relevance - the quality of information to influence the economic decisions of the users by nature and/or significance; also to be relevant, information must reach the users in time;
- credibility – the accounting information must disclose fairly, completeness and unbiased manner both events and transactions occurring within the university in all significant respects, the financial position and its patrimonial result;
- comparability - accounting information should provide the opportunity to assess the temporal trends in the financial position and performance of the university and to ensure comparability of financial statements of different higher education institutions.

Besides these main qualitative characteristics are recognized also several secondary attributes such as: accurate representation, materiality, neutrality, prudence, completeness, and substance over form.

Picture no. 2 – Qualitative requirements of accounting information in vision IPSAS 1
Source: Own projection
After the transposition of IPSAS 1 in the national law, the latter only refers to the relevance and reliability of financial information, but credibility is understood as a faithful representation, neutrality, prudence and completeness.

6. Conclusions

Undoubtedly, in the economic information system of academic education institutions, financial accounting information has the primary role, assertion in support of that we can bring many reasons such as: provides an accurate representation of the events and transactions that take place in the university, characterizes the volume of the flows generated by them and has the highest degree of certainty and probative.

Practically, the accounting of public institutions of academic education offers to the stakeholders, and particularly to the university management, valuable information regarding the implementation of the budgets of incomes and expenditures, the budget outturn, the assets under management, the patrimonial result and the cost of the programs approved through the budget. This information should allow users to substantiate relevant decisions. In particular, the accounting information disseminated through the periodic summary reports must allow the university managers to substantiate accurate decisions in order to manage effectively the university budgetary and extrabudgetary resources.

From our point of view, to fulfill the objectives, financial and accounting information must be timely for the deciders, and the benefits from holding it should overtake the costs of obtaining it. Simultaneously, the deficiencies in the accounting information system must be prevented as being caused mainly by:

- **distortions** - unintentional changes of information during collection, processing and transmission from the transmitter to the receiver;
- **filterings** – content intended changes before the information reach the receiver;
- **redundancy** – the repeated processing and transmission of information similar through content;
- **information circuits overload** - sending a high volume of information from the transmitter to the receiver, neglecting the competence of the receiver.

We believe that the accounting information is a key lever to the university management, facilitating the efficient use of the resources under management, on behalf of the interdependence "accounting information - decision".

7. Bibliography

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