

## ASPECTS REGARDING QUALITY INTEGRATION INTO ACCOUNTING AND FINANCING OF HIGHER EDUCATION INSTITUTIONS

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### **Abstract:**

My preoccupations with the complexity of economic activities, particularly in the field of accountancy and financing, have stirred my interest regarding the possibilities of accountancy to reflect the quality of higher education processes. As a result, my scientific approach informs my Ph.D. thesis entitled: *Integration Mechanism of Education Process Quality in the Accountancy and Financing of Higher Education in Romania*. My thesis is structurally organised around the following question: *To what extent and through what mechanisms can the quality of the educational process be integrated into higher education accountancy and financing?* We have resorted to the scientific measurement and examination of the ways in which education and research quality can be integrated into the financing of higher education in our country with a view to establishing the theoretical and methodological concepts regarding accounting's potential to reflect the quality of the higher education process. *1.1- Accountancy is the primary source of information that allows for the measuring of the qualitative aspects of the higher educational process;* Through such accounts plan administration, accountancy may represent the primary source of information that enables quality measuring of higher education processes and their contribution to HE financing in our country. *1.2- Management accounting can represent an operational measurement and control instrument for the quality aspects pertaining to the higher educational process;* For all the above considerations and the arguments presented in the thesis, we consider that, through its field of activity, management accounting can represent an operational measurement and control instrument for the quality aspects pertaining to the higher educational process, given the information it provides. *1.3- Higher education quality measurement makes it possible to pass from statements of principles to materialization of quality efforts;* This differentiation mechanism of funding and stimulating quality efforts gears the academic management to a proactive policy in the field of quality in order to avoid activity reduction and underfunding. This is the argument that validates the working hypothesis set out above. *1.4 - The higher state education financing system represents both the cause and effect of the higher education quality processes.* Firmly embedded in the results of the scientific research we have conducted, the causal link between the quality of higher education and the financing of higher education in our country is presented below.

**Keywords:** Mecanism, integrare, indicatori, calitate, contabilitate, finanțare.

**JEL classification:** H00, I00, I20

### **1. Generally Introduction or Background**

My preoccupations with the complexity of economic activities, particularly in the field of accountancy and financing, have stirred my interest regarding the possibilities of accountancy to reflect the quality of higher education processes. As a result, my scientific approach informs my Ph.D. thesis entitled: *Integration Mechanism of Education Process Quality in the Accountancy and Financing of Higher Education in Romania*. My thesis is

structurally organised around the following question: *To what extent and through what mechanisms can the quality of the educational process be integrated into higher education accountancy and financing?*

Our working hypotheses, based on known related facts, have contributed an answer to this question.

We have resorted to the scientific measurement and examination of the ways in which education and research quality can be integrated into the financing of higher education in our country with a view to establishing the theoretical and methodological concepts regarding accounting's potential to reflect the quality of the higher education process. We started from the idea that no methodological and theoretical approach can be made without practical validation. In the above-mentioned context, our scientific approach aims to provide answers to the following hypotheses:

*1.1 Accountancy is the primary source of information that allows for the measuring of the qualitative aspects of the higher educational process.*

*1.2 Management accounting can represent an operational measurement and control instrument for the quality aspects pertaining to the higher educational process.*

*1.3 Higher education quality measurement makes it possible to pass from statements of principles to materialization of quality efforts.*

*1.4 The higher state education financing system represents both the cause and effect of the higher education quality processes.*

*1.1 Accountancy is the primary source of information that allows for the measuring of the qualitative aspects of the higher educational process.*

The Economic Information System whose main function is to provide the data necessary for the economic activities conducted within a patrimonial unit includes accountancy, as well. For that purpose, one of accountancy's aims is to provide all the information necessary for the planning of economic programs, drafting of income and expenses budget, processing of patrimony data as well as for the elaboration of synthetic documents and accounting reports.

Likewise, accountancy also provides information about the patrimony's structure and dynamics, financial balance and obtained results necessary for decision-making. In order to obtain operative, relevant and credible information throughout the entire process of economic activities, the continuous improvement of this function becomes imperative.

The qualitative aspects of education and research processes of state higher education institutions can be reflected by applying the quantitative value component of financial resource development.

Along these lines, Romanian state higher education institutions "receive" their financial resources from the state budget through a mechanism determined both by quantitative elements, represented by tuition free students, and qualitative elements, represented by the quantity and quality of scientific research, absorption degree of graduates on the labour market, and so on.

The contribution of each category of elements to the budgetary allocation distribution is established by the Ministry based on the strategic objectives for the development of this field of activity.

The universities' financial resources are retained in Class 7 synthetic accounts; Group 70, Symbol 751.01.00.33.10.05 (*Order of Delegate Minister for Budget nr.2021/2013 regarding amendment and completion of the Methodological Norms on Organising and management of public institutions accounting. Accounts Plan for public institutions and instructions for their use approved by Order of Minister of Public Finances nr.1917/2005*) and they do neither reflect accurately nor explicitly the contribution of the

qualitative component of institutional financing, in what regards core funding and supplementary funding 2.

For a better indication of some education processes qualitative aspects in state HE institutions' accountancy, it is, in our view, useful and relevant to introduce several income accounts in the General Accounts Plan in which budgetary allocations are registered with the destination of core funding and supplementary funding 2 as per qualitative elements. Thus, all incomes obtained from each income source can be separately accounted, representing a good information source for future decision-making in academic management with a view to increasing the contribution of the qualitative component to financial resources development. Through such accounts plan administration, accountancy may represent the primary source of information that enables quality measuring of higher education processes and their contribution to HE financing in our country.

*1.2. Management accounting can represent an operational measurement and control instrument for the quality aspects pertaining to the higher educational process.*

Management accounting provides analytic, detailed information regarding the efficient use of all operational factors in state higher education institutions. Based on this accounting, all product, work and service costs as well as their analytic results may be determined, including costs determined as per responsibility centers and/or various functions.

Management accounting administration allows higher education institutions to obtain information regarding higher education organization and performance, particularly regarding the resource allocations as per responsibility centers and services, in our case, educational and research services, as well as the obtained results.

For all the above considerations and the arguments presented in the thesis, we consider that, through its field of activity, management accounting can represent an operational measurement and control instrument for the quality aspects pertaining to the higher educational process, given the information it provides.

*1.3- Higher education quality measurement makes it possible to pass from statements of principles to materialization of quality efforts.*

The qualitative aspects of the higher education process examined from the perspective of financing education through its qualitative component intended for core funding and supplementary funding<sup>2</sup> represents a permanent challenge for academic management. Thus, quality indicators (used to determine the level of allocations from public funds intended for core and supplementary 2 funding), also known as the qualitative component, are calculated by the Ministry of National Education (M.E.N.) and the National Council for Higher Education Financing (C.N.F.I.S.) (C.N.F.I.S.) based on information, data, figures submitted by the universities at the beginning of each academic year with regard to the quantitative and qualitative aspects of higher education.

Based on data provided by state higher education institutions of our country with regard to the quantitative and qualitative aspects of the educational and research process of the allocation mechanism of budgetary funds, the Government allocates to each state university the core and supplementary funding<sup>12</sup>, differentiated in relation to the quantity, particularly qualitative, aspects taken into account. This differentiation mechanism of funding and stimulating quality efforts gears the academic management to a proactive

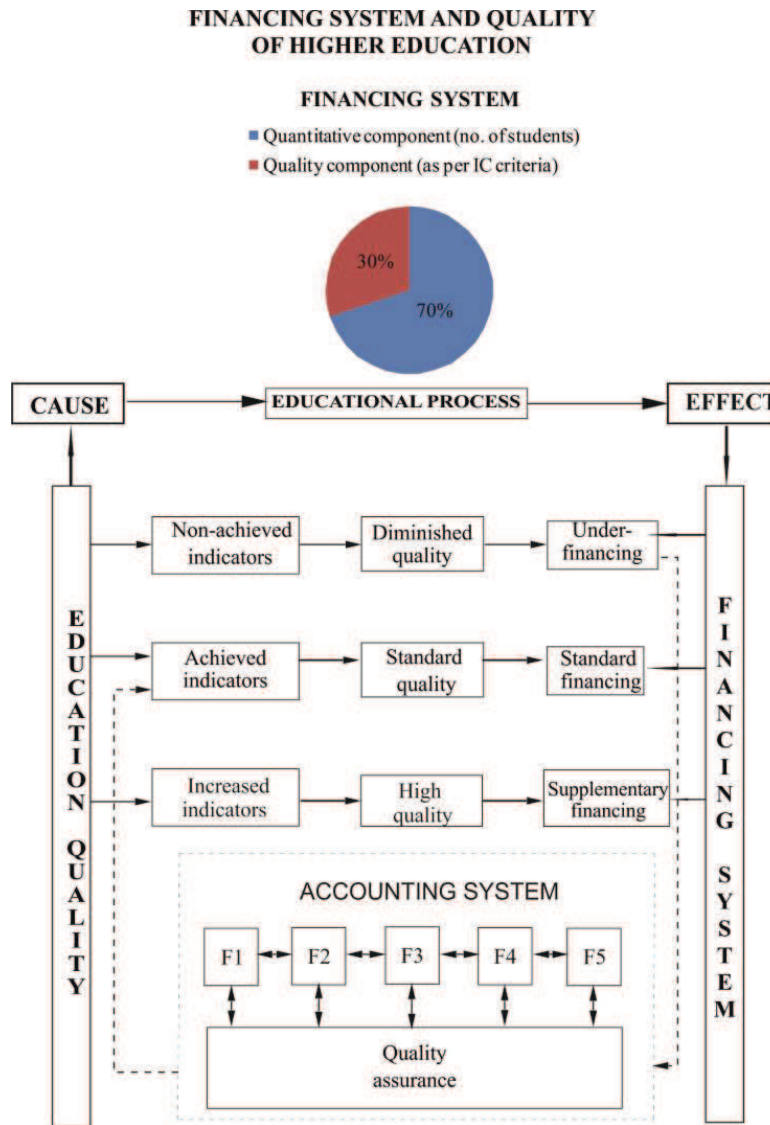
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<sup>12</sup>Law on National Education nr.1/2011 and the Official Monitor nr.18/10.01.2011

policy in the field of quality in order to avoid activity reduction and underfunding. This is the argument that validates the working hypothesis set out above.

1.4 *The higher state education financing system represents both the cause and effect of the higher education quality processes.*

The financing mechanism for higher education in Romania has demonstrated the importance of reaching the minimum standards of quality indicators which determine the allocation of resources from public funds intended as core and supplementary funding<sup>13</sup> through its qualitative component. Based on our data and information analysis, we can state that the financing mechanism of higher education represents the cause and effect for higher education quality. Firmly embedded in the results of the scientific research we have conducted, the causal link between the quality of higher education and the financing of higher education in our country is presented below.



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<sup>13</sup>Law on National Education nr.1/2011 and the Official Monitor nr.18/10.01.2011

<sup>14</sup>Personal contribution

where:

F1 – data registration and processing function

F2 – information function

F3 – management control function

F4 – legal function

F5 – planning function

The quality of the educational process represents an essential requirement for the organisation, functioning and development of higher education institutions' education and research activities.

For the stimulation and development of a pro-quality academic culture, the identification of the mechanisms and tools to ensure the integration of quality in the accounting and financing of these educational institutions is necessary. In this context, the integration mechanism of quality into funding must include a set of indicators that are both apt to measure the quality of education, development and research and to provide the basis for the differentiated financing of higher education from public funds, according to the performance and excellence achieved by each institution. In addition to this set of indicators, we consider it necessary to also assign weightings to each indicator so that, by aggregation, the percentage share related to the core funding allocated on the basis of indicators can be attained.

Moreover, for stimulating and rewarding universities that achieve outstanding results in the field of quality, we propose that the funds allocated on the basis of quality indicators should be distributed only to universities that have achieved quality indicators above the national average. Those universities that have not reached these standards are not to benefit from the public funds allocated for this purpose.

As far as the integration of quality into accounting organization and management is concerned, the implementation mechanism consists in organizing and managing the accounting through the use of income accounts that reflect the value generated by the quality aspects of the educational process.

Our scientific research is not intended to be exhaustive and analytical in treating any assumptions; however, I have pursued the presentation of a vision, way of thinking, positive attitude and possible solutions, all necessary in the current budgetary context of our country.

#### **References:**

1. *Order of Delegate Minister for Budget nr.2021/2013 regarding amendment and completion of the Methodological Norms on Organising and management of public institutions accounting. Accounts Plan for public institutions and instructions for their use approved by Order of Minister of Public Finances nr.1917/2005.*
2. *Law on National Education nr.1/2011 and the Official Monitor nr.18/10.01.2011*
3. *Personal contribution*