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Modern methods for underlying the revenue and expenses budget in higher education institutions from Romania based on the criteria of cost-efficiency

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Abstract

Providing the financial resources for higher education has been a particularly sensitive issue, which influenced the achievement of many goals, but also economic and social mission entrusted by the universities. As a result, the primary objective of the budget is to improve the economic and financial performance of the universities.

Analyzing the manner how the Romanian university system has responded so far to the challenges of current social and economic context, this study proposes an original overview regarding the modern methods for underlying the revenue and expenses budget in higher education institutions from Romania based on the criteria of cost-efficiency.

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1. Introduction

With all uncertainties that includes, the knowledge society represents a great and new promise of progress and welfare, of exceeding the underdevelopment, of reducing social and economic differences all over the world. The social-economic life is being based nowadays, more than anytime, on scientific knowledge, a resource having an endless “deposit” in unlimited human intelligence.

Understanding the coordinates the society and economy is developing within nowadays, the EU concerns are directing towards creating “an Europe of knowledge” in which people should be able to live and work in a competitive climate based on knowledge the person educated in the spirit of creating, understanding and using of different types of knowledge to become the social “archetype”. Within this context, education, on the whole and more specifically the university education will play the propulsive role of a new economy, because recognizing the society we live transforms the way of teaching and studying, the nature of knowledge and principles transmitted, the ways of evaluation and appreciation of the educational process results, the relationship between students and teachers with which we have got used to over the last decades.

Through vocation and operations, the university is the best placed to contribute to the construction and affirmation of the new society, based on knowledge and studying. The higher education occupies a privileged role

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and at the same time supports a great responsibility through the fact that the experience and activity of an university, does not perpetuate a state of already existing things, but the university is an important factor for society progress. Covering this area of issues, the European ministers of education have agreed upon some common important strategies for a coherently and harmoniously development of the European higher education, a fact officially decided through the signature of the Bologna Declaration and through starting in the same time of the Bologna Process. Since this process started, Romania as a signatory country of Bologna documents, has committed itself to join to the other European countries in their common effort to create an European Area of Higher Education and Research. The improvement of higher education quality represents one of the key elements for developing the European space of higher education.

Creating the instruments or methods contributing to implementing the management systems of quality in the higher education has become one of the priorities defined at the Bologna process since its first developing stages. Investment in education has always been needed and achieved with a significant consumption of financial resources. Supplying the financial resources for the higher education system has been a special sensitive problem which has influenced the achievement of countless objectives, but also the social and economic tasks that universities are invested with. Therefore, the main objective of the budget consists in improving economic and financial performances of public institutions with framing within the approved budgetary provisions, in other words, the budget is becoming a short term plan including an assigning of resources tightly connected to the assigning of responsibilities, in order to achieve the objectives desired by the public institutions.

By analyzing the manner in which the Romanian university system has replied so far to the challenges launched by the present social economic context, this study proposes an original vision regarding the modern methods to ground the revenue and expenditure budget in higher education institutions from Romania based on the criterion of cost – efficiency.

In this study it will be analyzed the coverage of the cost and management accounting, theoretical and methodological principles of cost calculation in higher education and student equivalent cost analysis, as a financial education management tool.

2. The notion and area comprehending of management accounting

A public institution is more interesting and becomes more attractive if it is capable to correctly base its budget, to argue its fund requirement if it is engage to require and get finances for its programs and if it gives the scientific and legal support to dimension and correlate the own income from taxes, connected activities, collateral resources and if it correctly knows to manage its expenses, also correctly balancing necessities and resources and all these within a context in which efficiency and perspectives should not be omitted.

The recording of production expenses in bookkeeping is made depending on production destination and importance, types of expenses and their particularities to satisfy economic management requirements with the help of management accounting.

The management accounting can be defined as having a main objective the registration of all collecting and repartition operations of expenses on destinations, respectively on products, works, services, orders, manufacturing stages, activities, departments, the obtaining the production settlement as well as the calculus of manufactured products production cost, of achieved works and services , including the production in course of execution.

The way of organizing the management accounting is left at every company's judgment, depending on the specific features of every activity, respectively on the activity object, technology and production organization particularities, production type, enterprise organizational structure, the character of production process, as well as on the information necessities of decision making bodies, having from this point of view a higher broadening than the general financial accounting which is strictly regulated legally.

We can say that, if we refer to management accounting, the exploiting expenses are classified into four groups, from the point of view of calculations, namely expenses of purchasing, production, sales, administration and management and as production expenses concerns, their delimitations and batch processing are to be done firstly on each department of auxiliary and basic emergence. Further on, these expenses location can be deeper, following the space criterion on workshops, stages, orders, products even on production places or on groups of machines with similar features depending on the calculus method of costs applied by the enterprise. Thus, one can be insured that

only the production afferent costs are included in the production cost of a product, depending on the production places through which it covered the production flow.

3. The cost on equivalent student, an instrument of university financial management

The investment in education has always required and achieved an important consumption of financial resources. Providing the financial resources for the higher education system has represented a specially sensitive aspect which has influenced the accomplishments of countless objects and of economic –social tasks, the universities are invested with. Romania has available performance teaching staff, but without the proper financing, it cannot enhance their value at the level of the achieved qualitative professional assimilation. Sub financing of the Romanian higher education, even if it reflects an extremely serious situation and multiple lacks of balance in the opportunities of educational system development and renewal, does not represent a unique situation because for numerous current educational systems in developed countries, public funds are not enough compared to the necessities.

The real restructuring of Romania higher education cannot be achieved without an improvement of the financial system flexibility and efficiency.

Within this context, the financial management with its provision, organization, co-ordination, engaging and control-evaluation functions, has the duty to establish the financial effort of all actions which will be achieved within a given administration period of time to watch the way in which the income is managed, to provide and maintain the financial balance on short and long term according to the university needs.

The financial autonomy of the faculty is intended to increase the efficiency of resources involved in achieving the national strategy within the higher education and scientific research. The financial autonomy expresses itself through the right to manage funds, according to the law and personal responsibility no matter of the source of origin, through the right to establish the development priorities and investment necessities to use financial resources depending on priorities and own decisions and the right to establish the own indicators to assess financial performances.

The financing system of Romanian universities known by the name of “Global Financing” includes two components:

- the basic financing – for the current functioning within the activities of initial forming and
- the complementary financing.

The basic financing is achieved considering the equivalent number of students which leads to the cost on equivalent student. This financing indicator known as “budgetary benefit on equivalent student” has been representing and currently represents “the apple of discordance” between the Education and Research Ministry from Romania and universities, being considered the result of an unreal substantiation and from here, the conclusion that it does not reflect the real cost and the sub –financing of the Romanian higher education is a consequence.

3.1 Cost structure on equivalent student

The current work is trying to scientifically present the detailed procedure of establishing the cost on equivalent student, cost which can be calculated at the level of university and of its all structures.

This cost on equivalent student per year (C_{SE}) can be calculated with the relationship:

$$C_{SE} = A + B + C + D,$$

- Where:
- A - the cost of educational process on equivalent student/ year;
 - B - the cost of support services and materials on equivalent student/year;
 - C - expenses for development from own resources;
 - D - expenses for facilities from own resources (scholarship, transport, material aids etc).

The educational process cost on equivalent student/ year, A:

$$A = \frac{FS_T}{N_{SE}},$$

Where: FS_T - the total cost of teaching and auxiliary teaching staff salaries/year;
 N_{SE} - number of equivalent students calculated using the CNFIS methodology (The National Council for Higher Education Financing)

Remark: The calculus procedure of the cost on equivalent student /year on each university will take into account the N_{SE} of the university and for the calculus of the cost on equivalent student / year at the faculty level will take into consideration N_{SE} of the respective faculty.

Knowing the real cost on equivalent student /year represents a valuable instrument for improving the financial management of any academic structure. This also represents an indicator which can supply information regarding the weak points at the level of analysed structure and can be compared to the obtained results within other higher education institutions.

Based on this real cost, the expense and income budgets can be drawn up and scientifically proved so as to supply a clear and real image of the financial situation at the level of the analysed structure.

The official statement of the European Council, called “The role of universities in the Europe of knowledge“ points out the fact that “universities are unique” they being part of all three processes which the knowledge society depends on in order to develop: “the production of new knowledge, its spread through education and training, its dissemination through information and communication technologies.“

The university autonomy is a fundamental concept extremely complex and rich in significances which cannot be materialized just through a simple legislative article. In order to turn this generous idea into reality we need time and a series of measures such as: the change of the general framework of regulations and of conceptions as well in order to keep making the transfer of authority from the centre towards universities.

Conclusions

The investment in education was needed and always made a major consumer of financial resources. Providing financial resources for higher education has been a particularly sensitive issue, which influenced the achievement of many goals, but also economic and social mission entrusted by universities. This paper attempts to underlie a detailed procedure of setting up the equivalent cost per student, that can be calculated from the university and all its structures. Knowledge of the equivalent cost per student is a valuable tool for improving the financial management of any academic structures. This is also an indicator that can provide information about the weaknesses of the analyzed structure and it can be and compared with results obtained from other institutions of higher education. Based on this actual cost it may be underlined the revenue and expenditure budgets, so that to provide a clear and real financial situation at the analyzed structure.

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