SEVERAL COORDINATES ON BASIC ACCOUNTING FOR NON-SPECIALISTS HOLDING A MANAGERIAL POSITION IN UNIVERSITIES

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Abstract:
Any corporate entity, can function only with its accounting, as an objective requirement of financial management, the order and discipline being requirements of law, but also of their own status. In this paper, aim to present main issues for basic accounting you need to know a non-specialist occupying a leading position in higher education institutions in Romania. In this respect, we selected main issues: concept, features, principles of basic accounting; characteristics of financial-accounting information; basic accounting equations; the role of cost information in decision making.

Keywords: financial resources management; financial-accounting information; basic accounting equations; cost information

1. Introduction

The financial position of a university is influenced by economic resources it controls, its financial structure, its liquidity and solvency and the capacity to adapt to changes in operating environment. Information about economic resources controlled by the university or it can have and its past ability to change these resources are useful to predict the strength of the university to generate cash or cash equivalents in the future.

When it comes to improving university management, a particularly important role is the financial resources management. The non-economists teachers in management positions of higher education institutions are able to effectively use financial-accounting information, having regard the interdependence "decision - financial and accounting information", only when they understand order and role of accounting university.

We believe that the key aspects of basic accounting for non-specialists of universities can be considered:
The presentation of accounting information as an essential component of information systems at the university level, specifying the concept, the functions and principles of accounting.

Indication the role of financial-accounting information for the evaluation and presentation of heritage and university results, through the basic documents and summary documents.

The construction of a “database,” based on accounting fundamental equations, is used to identify the rules to be followed in decisions made by the university.

The relationship between allocated and consumed resources and their purposes, considering the decisions and costs of universities models.

2. Accounting - an essential component of the economic information system

According to the Explanatory Dictionary of Romanian Language accounts are "all recording and filing operations for material and financial funds of an enterprise or institution, based on special rules". Accounting Act define accounting as "the activity specializes in measuring, evaluation, knowledge, management and control of assets, debts and capitals, also of the results of activity of legal entities and individuals" which "should provide chronological and systematic recording processing, publication and preservation of information on financial position, financial performance and cash flows, both for their internal requirements, and present relations with investors and potential financial and commercial creditors, customers, public institutions and other users" (Romanian Accounting Law 82/1991, republished in 2008).

For non-specialists, accounting definition make them understand the role of accounting, but penetrate into the mysteries of accounting often scares. So, accounts should be regarded as an art, science, technique, language and social game, with particularly important role in decisions on any organization.

Mode and manner of application of knowledge, methods and techniques, presentation of economic events can generate action growing within the entity's performance. In that case, accounting is an art. Accounting is a science because has an object of study (with essential elements such as economic resources, economic and legal relations processes) and own method of research. With specific tools that allow appropriate interpretation and processing of financial-accounting information, accounting is a technique. Symbols, terminology and vocabulary used in accounting assigned its significance of a communication language. In their practice exist a relationship between demand (users of financial-accounting information) and supply (financial-accounting statements), that gives accounting the signifiance of a social game (See "What is accounting?").

Through the knowledge of basic accounting concepts, the leaders of higher educational institutions will be able to understand and effectively use financial-accounting information. These leaders rely on the accounting functions (See Matiș
The recording and data processing function - records the value or worth of a company or organization, adhering to the principles and rules of processes and economic phenomena that occur within the organization.

The information function - provides information (inside and outside the organization) on the structure and dynamics of assets, financial positions, and results obtained for grounding decisions.

The managing control function - checks with the accounting information help regarding the manner of storage and use of the material and monetary values, the resource management, and monitoring the compliance with the financial discipline, etc.

The legal function – focuses on that information provided by accounting and evidence documents that are used as proofs in court to prove the existence of some economic operations and to establish the liability for pecuniary damage.

The estimate function - assumes that accounting information related to an already completed period can be used to determine the trends of future economic phenomena and processes.

Inside the university, in all its operational mechanism, the functioning organization of accounting is a management issue. With many implications, the university commits resources (material, human, financial, information). Under the current legal provisions, the responsibility for organizing and keeping the accounts belongs to the manager, credit officer or any other person who is liable of entity management.

For each institution, their prime objective is to solve all their financial problems, this places a particularly importance on accounting policies. They are based on principles, bases, conventions, rules and practices specific to the ongoing activities of preparing and presenting relevant and pertinent financial statements. Applying of appropriate accounting policies for higher education institutions can provide a real "professional reasoning" a true "quality judgement" and a real "materiality". In this regard, the 10 "commandments" in accounting are (Source: Ord. M.F.P. nr.1752/2005, M.Of. nr.1080/30 nov.2005; "Reglementări contabile conforme cu Directiva a IV-a a Comunității Economice Europene" published by the Romanian Parlament; Drăgan C.M., „Contabilitatea instituțiilor publice armonizată cu standardele internaționale", Ed. A.S.S.C.,București, 2005):

- The Going Concern Principle - the university continues its normal operation in a predictable way without going to be unable to continue its activity or without significant reduction of it (the activity continuity or closure must be understood in financial meaning).

- The Consistency Principle – it is mandatory to continue applying the same rules and regulations on assessment, accounts recording, and property elements and results presentation, while ensuring the accounting information compatibility, over time.

- The Conservatism Principle – it is not allowed to overestimate the assets and incomes, respectively to underestimate the liabilities and costs, taking into account
the depreciations, the risks and potential losses arising from the current or prior year’s activity.

- **The Independence Principle** – it will consider all relevant incomes and expenditures for that financial year reporting, without taking into account the date of receipt or payment amounts (accrual accounting).

- **The Separation Principle** - to determine the total amount associated to balance sheet items, each item’s value will be estimated individually. Each individual component of assets or liabilities, regardless of its economic content, market predictable evolution, consequences are evaluated this way.

- **The principle of the inviolability** - the opening balance of the financial year must correspond with the closing balance of previous year, except for corrections required by the application of international accounting standards.

- **The no offset principle** – the values of elements included as assets can not be offset by the amounts of elements included as liabilities, except the compensations allowed by International Accounting Standards (amended accounts).

- **The prevalence of the economic over the legal** - The information presented in the financial statements should reflect the economic reality of events and transactions, not just their legal form.

- **The materiality principle** - any item that has a significant value should be presented separately in the financial statements.

- **The Accrual Principle** – The transactions and events are recorded in accounting when they occur and not when the amounts are paid or received.

**3. The financial-accounting information – necessity and utility**

Under the current provisions enforced, the public or private universities are legal persons of public interest, with a non-profit nature, are non-political and promote education and research as public goods. *Public universities being public institutions with partial funding from the state budget, lead and organize accounting after the special rules of public institutions’ accounting.*

To understand the place and role of financial-accounting information at higher education institutions levels, we first of all clarify the **basic concepts used in public institutions’ accounting**: allocation; budget allocations; budget year; budgetary commitment; legal commitment; budget article; good financial management; revenue and expenditure budget; the multiannual budgetary expenditures; budgetary classifiers; economic classifiers; functional classifiers; co-financing; budget appropriations; loans for multiannual actions; commitment loan; budget deficit; opening of budget appropriations; donation; budget balance; budget surplus; budget execution; public finance; budget reserve fund; revolving fund; special funds; means of balancing the budget; the annual budget law; the budget rectification law; expenses realisation; authorizing officer; expenditures authorizing; expenditure payments; cash payments; net cash payments; budgetary process; amounts broken down; transfers; treasury; state treasury; payment; budget revenues; transfer of budget appropriations.
Clarifying each basic concept used in the university accounting, will enable the layman to understand: how to draw up consolidated financial statements; the patrimony elements and their way of coverage in summary records; the particularities of each category of assets; aspects regarding depreciation; inventories assessment; the relationships with suppliers and customers; the institution relationships with employees; the payment and collection means available to entity; institution specific documents; essentials about equity funds, debt; institution specific typology of revenues and expenditures; the procedures for public acquisitions; how to conduct the discharge from administration; year end results bookkeeping, etc..

In any field, to be effective, **information must meet qualities such as:** accuracy, complexity, opportunity, relevance, suitable presentation, ability to be integrated in the system, ease of development and management, utility (Tabâră N., Neagu A., Rusu A. "Rolul informației contabile în procesul decizional", Journal "Finanțe publice și contabilitate", No. 11-12 nov.-dec. 2009, Bucharest, , pp. 17-22).

Where the information provided to the universities leadership are financial-accounting related they should not allow the occurrence of information system deficiencies (distortion - unintentional modification of the information content during collection, processing and transmission from the transmitter to destination; filtering – the intentional change of the information’s content, before they reach the receiver; redundancy - the recording, transmission and repeated processing of a similar information content; information circuits overload - transmission of an excessive volume of information from the transmitter to receiver, without taking into account the receiver’s proficiency).

As the financial side is found in all the parts of the business management of universities (in all the management functions, in all the management system), the financial manager should conduct an assessment of financial-accounting information, depending on time allocation, content and form as follows:

- time dimension (planning, actuality, frequency, period of time);
- content dimension (accuracy, relevance, completeness, brevity, purpose);
- form dimension (clarity, detail, order, presentation, media).

The syntax of the whole mechanism of representation and computation of the patrimony situation and the results obtained in a university is formed by the **chart of accounts** being used: Class 1 - Capital accounts; Class 2 - Fixed assets accounts; Class 3 - Inventories and work-in-progress accounts; Class 4 - Third party accounts; Class 5 - The State Treasury and commercial bank accounts; Class 6 – Expense accounts; Class 7 - Financing and Revenue accounts; Class 8 - Special accounts; Class 9 - Off balance sheet transactions.

Using accounting data for the management process requires their regular centralization and summarization. This requirement shall respond to the summary records and/or financial statements. Through these record or financial statements, the data is recorded by a system of accounts that are consolidated and presented as a whole, under the form of economic financial indicators.

Usually, **at university level, the summary documents include:**

- Essential elements that require coordination and follow-up.
- Consolidated financial statements.
- Summary records.
- Institutional documents related to financial and accounting information.

These documents allow for the strategic planning of the university, the economic and financial management, and the operational control.
Balance sheets (noncurrent assets, current assets, noncurrent liabilities, current liabilities, equity);

The patrimonial result accounts (operating revenues, operating expenses, income from operating activities, financial revenues, financial expenses, financial income, current income, extraordinary revenues, extraordinary expenses, extraordinary income, the patrimonial result of the financial year);

The statement of cash flows (cash from operating activity, cash from investment activity, cash from financing activity, net growth - net decrease in cash and cash equivalents, cash and cash equivalents at beginning of year, cash and cash equivalents at the end of the period, deposits);

The liquidity statement of flows carry out through commercial banks;

Aggregate indicators on budget execution;

The execution account of revenues (indicators, annual budgetary provisions, entitlements established; receipts made; other ways of compensation than receipts, receivables from entitlements established). The university’s activities determine the presence of the following revenues categories: revenues from core funding, revenues from additional funding, own revenues of the higher education institution, own revenues of scientific research, own revenues from microproduction activities, own revenues from hostels and canteens activities, revenues from projects external funding.

The execution account of expenditures (indicators, budget appropriations, budget commitments, legal commitments, payments, legal commitments to pay, incurred expenses). The financial resources of the institution of higher education are used for: personnel expenses, goods and services expenses, social aids expenses, students’ scholarships expenses, student transportation expenses, hostels and canteens expenses; capital expenditures.

The content of expenses on sources of funding;

Report regarding the preventive financial control activity;

Liquidities from special purposes funds;

Payments on sources of funding;

The statement of shares held by public institutions to private companies;

The statement of changes in net assets/equity;

The statement of depreciable fixed assets;

The statement of non-depreciable fixed assets;

The statement of assets and debts of public institutions.

4. Basic accounting equations

The patrimony of a university is composed of all the rights and obligations over the goods belonging to the institution. The patrimony of a university includes social assets (patrimonial rights, real rights or bills law) and social liabilities (patrimonial obligations, contractual and non-contractual).
The accounting system at the university level must respond to the six fundamental interests, namely: management, investment, fiscal, legal, wage related and informational. In this respect, the structure of the juridical, economic, and financial assets, and liabilities should provide an integrative overview, respectively (See Ristea M., „Contabilitatea societăților comerciale”, Ed. CECCAR, Bucharest, 1995, pp. 26-28):

- Assets reveals: in legal terms – the grouping of goods as objects of rights and obligations, as real estate and movable property, from an economic perspective-resource grouping according to their use, as in permanent uses, temporary uses and uses loss; in financial terms - assets are grouped according to their liquidity, in fixed assets, operating assets, short term assets, existing assets and results incurred as losses.
- The liabilities shows separately the resources grouped according to their origin (permanent resources, temporary resources, results) and by their chargeability (equity, long-term debt, short-term debt, results).
- The liabilities structure show the financing resources of the assets and their chargeability.
- For the activities organisation and accounting are used expenses and revenues accounts.

To get an accurate picture of the patrimony, the financial-accounting information contained in the summary documents should be presented by considering the fundamental equations of accounting. Based on these equations, the objective of university accounting consists in recording, calculation, analysis, and control of exchange relations between destinations and origins, resource use and economic value of patrimonial items, in order to disclose the financial statement, results and changes in financial position of the entity.

Through these equations is sought: a legal and economic approach to university accounting; An explanation of the double-entry accounting system, assets representing the economic side of the patrimony and funds, the legal side of it; an overview of the exchange relations regarding financial situation/ financial position of the university; identification of internal activities’ specific balance; Establishment of funding sources of patrimonial items; an indication of the patrimonial items intended use during the activities being held.

**Accounting main equations** are:
- Economic goods = Rights + Obligations
- Wealth = Capital
- Wealth = Funds
- Asset - Debts = Equity
- Revenues - Expenses = Result
- Changes in net assets = The net assets from "n" - The net assets from "n-1"
- Permanent resources – Permanent utilizations = Temporary utilizations – Temporary resources
- Asset – Liabilities = Patrimony Net Assets
The financial-accounting information, presented through these equations, will represent the "database" of university management in decision making, by identifying the rules to be followed in decision making (Budugan D., Georgescu I., Berhea I., Bețianu L., „Contabilitate de gestiune”, Ed. CECCAR, Bucharest, 2007, pp. 390-392):

- **The rule of Estimated Monetary Value** - The estimated monetary value is calculated as a weighted average of the results (expressed in currency) with the probabilities of each of these results. Thus, the basis for the decision to follow these steps are: target selection, identification of possible actions, identification of relevant events, determining the likelihood of achieving the relevant events, and identifying possible results in case of each relevant event.

- **The Maximin rule** - is a preventive decision rule based on maximizing the minimization of loss that can occur (the best of bad options)

- **The Maximax rule** - is an optimistic decision rule based on maximizing the maximum that can be obtained (the best of the best options).

- **The Regret Minimization rule** – it is the rule of decision that involves minimizing the regret (loss of the opportunity by taking a decision, under certain conditions) that would result from choosing a certain strategy.

By selecting the optimal choice in decision making, the financial manager of the university will have to present to the Rector and the University Senate Office the financial-accounting information with regard to historical cost accounting and current values accounting (accounting for inflation), under the conditions of currency depreciation in which were expressed the facts and economic processes undertaken in the past, and the following ones.

We argue on that point by revealing the advantages and disadvantages of the historical cost accounting and fair value accounting:

- **Historical cost accounting - Advantages:** Maintaining the patrimonial structures and those of results at the entry price level of the patrimony items; Straightforward aggregation of the values needed for achieving or procuring the concerned goods or services; The possibility of subsequent accuracy control.

- **Historical cost accounting - Disadvantages:** The underestimation of some patrimony items, simultaneously with overvaluation of other patrimony items; Patrimony decapitalisation from the economic point of view; The excess of overstatements; The non-homogenous information from the annual accounts; Prejudices to the fair presentation and prudence principles.

- **Current values accounting (inflation accounting) - Advantages:** A better reflection of reality, through the annual accounts, which contain elements expressed at the value from the restatement moment; Avoiding decapitalization in current values; Providing realistic and relevant information to the management team for decisions making and setting realistic programs; Accurately assessing the unit’s performances and its management; Comparability over time and space; Highlighting the risks; Close relationship between accounting and current economic theories.

- **Current values accounting (inflation accounting) - Disadvantages:** Application of auxiliary calculations when running their operations or at the end of the
financial year; The relatively high cost of the information obtained; The increased time to obtain the accounting information; Distortions in the input values of the patrimony items.

Compliance with all accounting principles and accurate application of methods, techniques and accounting procedures contribute to the volume of data and information needed to be processed into the knowledge necessary to make decisions at the highest level in an university. The task to process data and financial accounting information into knowledge about financial situation of the university is assigned to the financial-economic analysis and management of the patrimony situation. In this regard, it will pursue (See Bogdan I., "Management universitar", Ed. Universitară, Bucharest, 2004, p. 322) ensuring the economic and financial balance, improve profitability, the integrity of property and the patrimony development and modernization, the liquidity and solvency, creditworthiness, strengthen the economic, and financial management.

5. The cost information in decision making

The decision making is a difficult task for the manager of the university, the cost being the basic factor of the decision. In this regard, to make a given decision, the accounting management should provide information on costs and the chosen decisions should give answers to the following questions: What costs are influenced by the decision? How can we take action regarding costs? How will the costs change after a decision is being made? At what cost is waived when a decision is being made? After making a decision, the costs of the university will change, given the the following cost categories (Budugan D., Georgescu I., Berhea I., Bețianu L., "Contabilitate de gestiune", Ed. CECCAR, Bucharest, 2007, pp. 399-400):

- Reversible cost – the cost generation decision can be reversible; Irreversible cost - the cost generation decision can not be reversible, no matter of adopted solution.
- Controllable cost - the decision-maker has a total power over this cost occurrence, Given cost – it arise when it is imposed to decision-maker from outside the entity.
- Determined cost- there is a clear relationship between this cost and the obtained effect, Discretionary cost - cost relationship with outcome is more "discreet".
- Hidden cost – It is already generated (being a past cost) and can not be avoided, regardless of the action that the manager decides to perform, Visible cost - the decision-maker can know the amount of effective expenses being included in it.
- External cost (outsourced) - the cost being transferred to third parties, Internal cost - cost of the entity.
- Having these types of costs, in order to make decisions, management must take into account the costs which can be acted upon and those on which it cannot be acted upon:
Costs on which you cannot act upon are - imposed costs (external costs; mandated cost; irreversible cost);
Costs on which you can act upon are - formalized costs (direct cost; variable cost; total cost; marginal cost; standard cost; cost of rational attribution); unformalized costs (hidden cost; quality cost; discretionary cost; opportunity cost).

The scale of cost management issues depends on the higher education institution profile, its complexity and the overall management efficiency. In all discussed issues for an efficient management there is no place for waste and poor administration.

So, for achieving economicity, efficiency and effectiveness of financial resources can be considered following "golden rules" (a lot of rules are presented in work-paper Brookson S., "Totul despre management. Cum să gestionăm bugetele", Ed. Enciclopedia RAO, Bucharest, 2001):
- For an accurate forecast of costs it must consider each type, amount and terms of expenditure.
- Understanding of why such expenses are costs, can be estimated that are controllable.
- Cost terminology can be difficult, but it ruled.
- To estimate correctly the costs of current budget expenditure is necessary to be checked last, not forgetting some categories.
- Programming costs is crucial for proper cash flow forecast.
- Fixed and variable costs should be checked to ensure that there is a financial sense.
- Typically, costs are not only fixed or only variable, but a combination of them.
- Indirect costs should be used in assessing the true profitability of products or services.
- Cost behavior must be analyzed by the way is associated workload of the unit.
- It must be understood relationship between cause - effect reflected in costs.
- Understanding cost includes identifying the purpose or purposes for which they are incurred.
- Cost allocation must be made between goods, services and departments that use them.
- The budget prepared by the method of bottom-up, or zero-based budget examines cost-benefit relationship.
- Bottom-up budget is adequate support and discretionary costs.
- To generate accurate values and identify more precisely which products and services without cash resources, need to understand what determines the cost of a department.
- Evaluation of capital expenditure is crucial to the success of the entity.
- For budgeting it is necessary for managers assess why not reach the estimated values and what to do in the future to correct this.
All types of expenditure in the budget section must check detailed, deviations should be analyzed according to causes, remedies and impact of the remedy.

A good budget is drawn up only by pursuing a logic and structured model.

6. Conclusions

Sometimes it is difficult to understand accounting, because the language used is based on multiple technical aspects. On this paper, we try to present some important sides of basic accounting. By virtue of university autonomy, financial autonomy is the right university to design, approve, and execute a proper budget, in accordance with legal provisions and their objectives. Within this framework, financial-accounting informations are efficient tools for implementing strategic plans in universities.

Bibliography:

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