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**A PERSPECTIVE OF COLLEGE ACCOUNTING CONVENTIONS IN MUMBAI
SUB-URBAN DISTRICT**

Research paper in Accountancy

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Abstract:

Higher education, it is said, is the seat of learning where majority of younger generation spends much time availing education through various courses and degrees. Thus, higher education becomes a major industry which creates skilled and qualified human resources. Higher education, especially given through colleges and universities involves financial activities though their chore activity is catering education to their students. Financial transactions, methods and systems of accounting used by these colleges invoke interests in the minds of many academicians and people concerned with accounting and finance. The Arts, Science and Commerce colleges in Mumbai Sub-Urban District which are affiliated to University of Mumbai and are also aided by the UGC are selected in this paper to collect the data. On the basis of the collected information, inferences are drawn regarding the use of accounting principles and conventions practiced by the sample colleges. The present paper attempts to throw light upon the prevailing accounting practices in the conventional colleges. Also, an attempt is made to evaluate the data gathered through questionnaire regarding the maintaining of accounts with respect to curricular activities, co-curricular activities and extra-curricular activities in colleges.

Arts, Science and Commerce colleges follow certain accounting principles and conventions while preparing their budget for the financial year keeping in view the activities that the institute designs to conduct throughout the year. Some colleges prefer to adopt computerized accounting system whereas few colleges maintain their accounts manually.

Key words: Colleges, accounting conventions, computerized accounting, financial reporting.

It becomes necessary to have a purview of higher education in India and its importance. Higher education is a process of teaching and learning in colleges and universities which produces qualified human resources. Thus, higher education becomes input to the growth and development of business and industry in particular and society in general. It caters a mechanism for qualified scientists and researchers who would continuously develop the frontiers of knowledge. Also, higher education flourishes an efficient management of teaching provision. Many educationists strongly believe that teaching is the base of educational institutions. According to Ronald Barnett, "The terms higher education includes college and university teaching learning towards which students' progress to attain higher educational qualification. Higher education imparts in-depth knowledge in different walks of life (subject domains). It is about knowing more and more about less and less. It develops the student's ability to question and seek truth and makes him/her competent to critique on contemporary issues. It broadens the intellectual power of the individual within a narrow specialization, but also gives him/her a wider perspective of the world around."(Barnett: 1992:240)However, the system has been struggling with several problems like funds crunch, equity, reorientation of programmes, ethics, value associated to delivering education, teaching-learning process, assessment and accreditation of institutions, academic standards of the students, quality of research, innovativeness and creativity in the curricula and the syllabi as well as research. Such factors are directly or indirectly connected with the conventions of accounting in higher education.

The present paper aims to explore and explicate the accounting conventions and accounting principles aspractised by Arts, Commerce and Science colleges in Mumbai Sub-Urban District affiliated to University of Mumbai. Further, to enlist the conclusions and suggest the possible measures to improve in the areas of applications of the accounting principles and conventions used there under, to strengthen and make the financial management of the college

administration, more effective and efficient, by Arts, Commerce and Science colleges in Mumbai Sub-Urban District which are comes under the jurisdiction of the University of Mumbai.

The present paper attempts to study accounting principles and conventions as tools for effective and efficient implementation of management functions, and, to assess its impact on policies and procedures practiced by the colleges in achieving their objectives by selecting some sample colleges in Mumbai Sub-Urban District affiliated to University of Mumbai. Mumbai is the largest metropolitan city of Western India, and is also considered the gateway to India. Mumbai Sub-Urban District is considered as a district of Maharashtra in Konkan Division. Today, Mumbai municipality includes both districts, namely, Mumbai city and Mumbai Suburban. The city's area covers 67.7 sq. km. approximately

In Mumbai Suburban District majority of colleges are affiliated to University of Mumbai. At the undergraduate level, BA, B.Sc., and B.Com are popular courses in these colleges. Along with these conventional courses, many colleges also offer professional courses which concentrate on a specialized field. In Mumbai Suburban District 187 colleges are affiliated to University of Mumbai, of which 101 colleges have full-fledged streams of Arts, Science and Commerce in isolation or in combination and the remaining includes Natural Science, Fine Arts, Physical Education, Education, Engineering Colleges, Management Studies, Law, and B.Sc. Marine. Recently, many of these colleges have started the self-funded courses like Banking and Insurance, Computer Science, Information Technology, Accounts and Finance and Bachelor of Management Studies to cater to the need of the modern generation

Accounting principles and conventions used in colleges:

While maintaining the accounts, the colleges have to follow certain rules and regulations having a wider acceptability. The financial documentation should be preserved, communicated and updated from time to time. The colleges under study follow the conventions of accounting with certain accounting rules and regulations. These rules and regulations are the standards of accounting, accounts reporting issued by the Institute of Chartered Accountants of India (ICAI). Hence, it becomes necessary to invoke the definition of accounting principle and conventions. *The Dictionary of Accounting Terms* states the definition of accounting principles as: "Accounting principles are the necessary assumptions, conditions or postulates upon which the accounting is based. They are developed to facilitate communication of the accounting and

financial information to all the readers of the Financial Statements, so that all readers interpret the statements in the same meaning and context.” (Joel, G. 2000: 07)

Along with the accounting principles the colleges also follow the accounting conventions which are yet again a requirement for following the accounting system in the colleges. *The Dictionary of Accounting Terms* traces accounting conventions: “Agreement or statement, expressed or implied, that is used to solve given types of problems. Conventions allow a standardized approach to problem solving and behavior in certain situations. An example of a convention is placing debits on the left side and credits on the right side of an account. The accountant performs daily functions by following conventions such as format guidelines in the preparation of financial statements.” (Joel, G. 2000: 07)

The data stated in the table below is derived through the questionnaire and interviews by interviewing and interacting with the stake holders of higher education—Principals and Registrars—which shows the status of maintaining financial records as per the applicable rules and regulation in the sample colleges. Nearly a quarter of colleges are selected and the data gathered from them is analyzed in this paper.

The Observance of Concepts and Conventions:

Variable	Response-1		Response-2	
	No.	%	No.	%
Does your College maintain financial records as per applicable rules and regulations/ principles and conventions?				
Yes	25	100.00	25	100.00
No	Nil	00.00	Nil	00.00
Total	25	100.00	25	100.00

(Response-1- Principal and Response-2- Superintendent)

From the above table it is observed that all sample colleges maintain their financial records as per the applicable rules and regulations, according to the widely accepted principles and conventions. It is, therefore, concluded that all the colleges meticulously follow the principles and conventions of accounting while maintaining their transactions.

Computerized accounting system:

In the era of technological advancements, any information is obtained on a spur of moment with the help of computerization. Colleges being the seats of higher education need to cope up with the advancements in technology, and at the same time, keep pace with the techno-savvy modern world. In the twenty-first century where every official correspondence is becoming paperless, accounting required to be computerized.

For this the definition of computerized accounting by Meigs and Mary is evoked. These scholars in their book, *Financial Reporting* define computerized accounting system as: “A computerized accounting system as a system that uses computers to input, process, store and output accounting information inform of financial reports. He adds that accounting system records all transactions that routinely deal with events that affect the financial position and performance of an entity.” (Meigs and Mary. 1998: 75)

Marvic, a scholar in accounting emphasizes the mechanized process of facilitating financial information inflows as well as the automation of accounting tasks such as database recording and report generation. Marivic adds that keeping accurate accounting records is a vital part of any organization. Apart from helping it to keep its float financially and legal, it is a requirement of funding bodies or donors. However computerized accounting system involves the use of computers to handle large volume of data with speed, efficiency and accuracy aimed at overcoming fundamental challenges which do not change the principle. The principle of accounting remains the limitations of many accounting and hence producing quality and reliable work.

The information tabulated below states the present scenario of computerized accounting system in the sample colleges. The colleges under study have both systems of accounting-computerized and manual. Majority of colleges in Mumbai Suburb District have installed the required software for maintaining their accounts. This signals that they are pacing with the modern techno-savvy world, catering to the demands of the factors related to the colleges, which the following table amplifies.

The Status of Computerization of Accounting System:

Variable	Computerized						Manual	
	Fully		Partially		Total			
Whether the Accounting System is Computerized or Manual? If computerized, Fully/partially?	Nos.	%	Nos.	%	Nos.	%	Nos.	%
		18	78.26	05	21.74	23	92	02
Total (100%)	18	72	05	20	23	92	02	08

There are 23 (i.e. 92%) out of 25 respondent colleges, which follow Computerized Accounting System out of these 18 (i.e. 78.26%) colleges have fully computerized accounting system, whereas 05 (21.74%) colleges practice it partially. As compared to the total respondent colleges, 72% colleges have fully computerized accounting system whereas 20% colleges follow partially computerized accounting system. There are 02 (i.e.08%) out of 25 respondent colleges, which do not have computerized accounting system but they maintain their accounts manually. The data indicates that majority of colleges have a computerized accounting system. At the same time, there are some colleges which practice partial computerized accounting system and some of them maintain their accounts manually.

Recording of Expenses as per Nature:

These colleges maintain their accounts on the nature of expenses incurred. These expenses vary further on the basis of regular fixed expenses and variable expenses. The regular expenses are the expenses like the salaries of the staff, maintenance expenses and the non-regular expenses like purchase of equipments, construction of buildings, and purchase of land.

Hence, one needs to see the definition of the various types' expenses incurred by the colleges: "Fixed Cost is the cost which does not vary with the change in the volume of activity in the short run. These costs are not affected by temporary fluctuation in activity of an enterprise. Variable Cost is the cost of elements which tends to directly vary with the volume of activity. Semi Variable Costs contain both fixed and variable elements. They are partly affected by fluctuation in the level of activity. "Capital Expenditure consists of expenditure, the benefit of

which is not fully consumed in the accounting period but spread over several periods. Revenue Expenditure are incurred for carrying on business and maintains assets in their existing conditions as it is used in the sense of immediate or short term importance. Deferred Revenue Expenditure involves a heavy expenditure of revenue nature and it is not prudent and desirable to write it off from the profit of one financial year and hence a part is taken to profit and loss account and the balance is shown on the assets side of the balance sheet.

The recurring expenditures are the expenses that are incurred every year: for instance, expenditure on teaching and non-teaching staff salary. The non-recurring expenditure is incurred, generally, once for all: for instance, expenditure on of construction a building and purchasing equipments. Recurring expenditure may be referred to as baseline expenditure. On the other hand, non-recurring expenditure is incurred on buildings, for instance, payments paid for the purchase of schools, colleges/ other institutions' buildings.

In any educational enterprise, various inputs of recurring nature have very close relationship with the output of educational institutions. Thus, the recurring cost is the cost incurred by an institution during an academic session. In simple words, recurring or recurrent costs are simply those costs which re-occur frequently to run any development activity or production process.

The recurring cost of an education enterprise essentially includes the salaries (teachers and other supporting staff), consumables, equipment repair and maintenance during the period of one year. On the other hand, capital cost of any given project, be it a school or a road or a dam, is usually incurred over a period of time, generally, more than one year. The non-recurring or capital costs are costs incurred on the purchase of land, buildings, furniture, fixtures, equipments, etc. to be used in the production of goods or the rendering of services. In other words, all those costs which are being made in fixed assets in order to bring a project to a commercially utilizable status fall in the category of capital costs.

The following tabulated information states the present status of maintenance of financial records in the colleges under study. The practices in record keeping as stated below the variety in maintaining financial statements:

The Maintenance of Financial Records as per nature of Expenditure at Colleges:

Variables	Response					
	Yes		No		Total	
	No.	%	No.	%	No.	%
Do you consider behaviour and nature of the expenditure while maintaining accounts for your college?	24	96	01	04	25	100
Do you keep separate financial record for fixed and variable expenses?	24	96	01	04	25	100
Does your college keep separate financial record for recurring and non-recurring expenses?	25	100	NIL	-	37	100
Does your college maintain separate costing record?	01	04	24	96	25	100

Out of 25 respondent colleges, 24 colleges consider behaviour and nature of the expenditure while maintaining account whereas 01 respondent college does not consider behaviour and nature of the expenditure while maintaining account. Out of 25 respondent colleges, 96% colleges maintain separate financial record for fixed and variable expenses whereas, 04% respondent colleges do not maintain their financial records separately. It is also seen that all the respondent colleges keep separate financial records for recurring and non-recurring expenses.

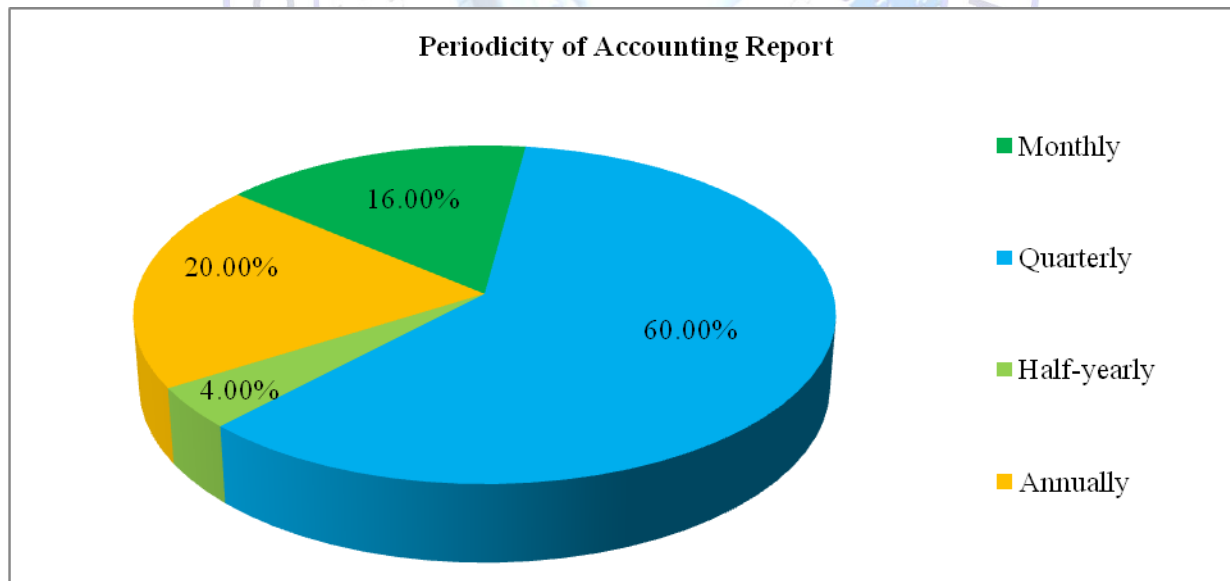
It is traced that out of 25 respondent colleges, only 01 colleges (i.e. 04%) maintain separate costing record whereas 24 (i.e. 96%) respondent colleges do not maintain their costing records separately. It is observed that colleges maintain their financial records according to the nature of expenditure. However, they do not maintain the cost record separately.

Reporting and its Periodicity:

Periodic reporting of financial statements to the higher authority is an integral process of the system. Hence, the office staff reports the day-to-day financial activities to the principal. The principal reports the same to the respective management monthly/quarterly/half-annually/annually, as has been decided. Accounting reporting creates awareness on the persons

involved. Similarly, it creates responsibility on the parties involved in the process. This process also establishes an internal check on the employees. Similarly, reporting the financial statements to the higher authority at some fixed intervals of time caters both allocation of resources and the control on expenditure. *Contabilitatefinanciara* traces the definition of financial reporting as, “The general framework for preparing and presenting financial statements indicate that their main objective is to supply a basis for presenting general financial statements in order to be able to ensure comparability over time with the financial statements of the entity for the previous periods and comparability in space with the financial statements of other entities. The financial statements must reflect the entire unfolded activity, as well as the situation at a given moment, the size of the real and monetary flows derived from the relationships with the outside and from internal activity, should “show the results of the entity’s management, including their management of the resources allotted to them.” (Todea, N, 2009:133) The following figure highlights the process of financial reporting system and its frequency generally practised by the principal and staff in their respective college for further comparison.

The Periodicity of Accounting Reports in Colleges:



There are 04 (i.e. 16%) of the respondent colleges have monthly accounting reporting system. Out of 25 respondent colleges, 15 (i.e. 60%) follow quarterly accounting reporting system. Only 01 (i.e. 5.40%) of the respondent college does practise half-yearly accounting

reporting system. And the rest 05 (i.e. 20%) of the respondent colleges have annual accounting reporting system.

The study exhibits that more than 50% of the colleges report their financial activity quarterly through their principal to the managing committee. Hence, one can state that quarterly reporting of financial activity would be healthy and common practice in colleges.

Suggestions:

The colleges registered under the Indian Societies Registration Act, 1860 prepare their financial statement as per the provisions of the Maharashtra Co-operative Societies Act, 1960 as well as according to Rule-65 of the Maharashtra Co-operative Society Rule, 65 i.e. in 'N' form. There should be a unique method of preparing financial statements which will be acceptable to the Director of Higher Education, the University authorities and the management of the said educational institution. Further, it should be accepted at international level by implementing Accounting Standards for preparation of financial statements.

Accounting Standards issued by the ICAI should be made mandatory to educational institutions. Fund based accounting may be introduced for Earmarked / Designated Funds. Taking into account the technological advancements in the twenty first century, it is suggested that all the colleges should go for computerized accounting system which will enable them to get the data as and when required on just a single click.

The colleges should prepare compulsorily periodic review of actual and budgeted performance so as to avoid the likely dangers that often take place in annual reviews. It will also help them in preempting the profitable activity which will give the college yield in future. Such activity can be focused, which further, may develop as a special feature of the institute. All the colleges should follow a unique practice of accounting reporting by preparing the reports at regular intervals- quarterly.

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