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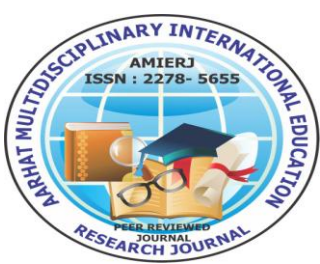
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**APPLICATION OF FINANCIAL MANAGEMENT IN NAVI MUMBAI DEGREE
COLLEGES**

Dr Ashok D. Wagh

Vice-Principal and Head,

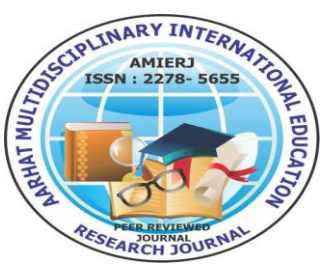
P. G. Dept. of Accountancy,

B.N.N. College, Bhiwandi.

Dist. Thane-421302 (Maharashtra)

Abstract:

Higher education given in conventional degree colleges such as Arts, Science and Commerce is the source of churning the cream of intellects from the society and supplying the same to management, planning, design, teaching and research. Scientific and technological advancements and economic growth of a country is dependent on higher education. Higher education involves financial activities though their chore activity is catering education to their students. Hence, it is certain that every educational institution requires an effective financial management scheme as a tool to operate and control its financial operations. The Arts, Science and Commerce colleges in Navi Mumbai affiliated to University of Mumbai are selected in this paper for the present study. On the basis of the collected information, assumptions are drawn regarding Financial Management in the sample colleges. Navi Mumbai is another and modern version of Mumbai which is turning into a major educational hub for the younger generation residing in the said arena. Also, it is attracting major flow of people towards it as it is a well-planned area. The present paper, therefore, attempts to throw light upon the application of Financial Management in the conventional colleges of Navi Mumbai. Also, an attempt is made to evaluate the information collected through a questionnaire, interviews and interactions with the stake-holders of these colleges regarding the importance of Financial Management in preparation of financial plan, its approval, its communication, monitoring, recording financial transactions, comparison with planned one and ascertaining variation if any All colleges prepare financial plan either in the nature of flexible or fixed financial plan. Most of the Colleges apply mechanism of Financial Management. Further, an attempt is also made to make certain suggestions and recommendations in order to conquer the discrepancy in



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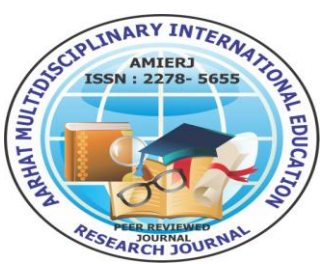
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preparation of financial plan and application of Financial Management efficiently by these colleges.

Key words: *Financial Management, variance analysis, operational planning*

Higher education is generally envisaged covering, teaching-learning process, research and extension. Higher education plays various roles in society as it is the major mechanism which deals with the institution of education and the youth in the society. Higher education is the source of churning the cream of intellects from the society and supplying the same to management, planning, design, teaching and research. Scientific and technological advancements and economic growth of a country are dependent on the higher education system. Development of indigenous technology and capabilities in agriculture, food security and other industrial areas are possible because of higher education in the country. Higher education also provides opportunities for lifelong learning, allowing people to upgrade their knowledge and skills from time to time based on the societal needs. Further, it enables an individual and a group to be self-reliant and strong both physically and economically. Subsequently, in the modern scenario the diverse roles that are being performed by higher education are multiple. However, the system has been struggling with several problems like funds, equity, ethics, teaching-learning process and academic standards of the students.

The fundamentals of any educational institution depend on management of its institution. The effectiveness of a management or an administration depends upon the achievement of the objectives of the educational institution. Its basic objective is to achieve the effective and quality education which is obviously attained through financial planning. Hence, it is certain that every educational institution requires an effective financial management scheme as a tool to operate and control its financial operations. Therefore, financial management scheme plays a key role in every educational institution. The present research attempts to study the functioning of financial management in higher educational institutions, especially, the degree colleges with special reference to Arts, Science and Commerce colleges of Navi Mumbai educational block affiliated to University of Mumbai.

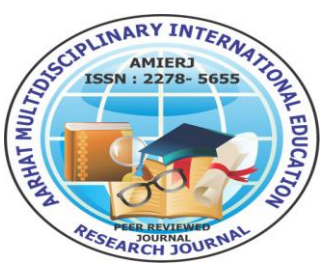


Financial management and responsibility accounting are the prime parts in the educational institutions. The use of financial planning in controlling operations is known as financial management scheme. Such scheme takes place by means of financial reports that compare actual results with the planned targets. Generally, financial management scheme consists of formulation of financial plan, recording of actual transactions and comparison of planned and actual, calculation of variation between planned and actual, analysis of reasons for variations, reporting of reasons of variations to top management, taking decisions on report and taking appropriate corrective measures, if necessary.

It becomes necessary to give a brief educational and geographical scenario of the proposed study area. Navi Mumbai is a newly developed and planned city, situated partly in the districts of Thane and Raigad. In fact, it was developed to act as a counter magnet to Mumbai—to absorb the excess population outside the city. It is a planned satellite township of Mumbai on the west coast of the Indian state of Maharashtra. It was developed in 1972 as a new urban township of Mumbai and is the largest planned township on the planet. Navi Mumbai has 83 colleges affiliated to University of Mumbai, of which 28 colleges have full-fledged faculty of Arts, Science and Commerce in isolation or in combination and the remaining includes Natural Science, Fine Arts, Physical Education, Education Engineering, Management Studies, Law, Pharmacy, Computer Science and B.Sc. Marine. This block has a larger stock of Management Colleges, Information Technology colleges, Medical and Dental colleges as well.

Financial Plan and Recording of Financial Transactions:

Every college has to make its provisional statement of receipts and expenditure for a year in advance. It is a financial plan, which functions as a parameter to measure, control and monitor the financial activities of an institute. The colleges taken for the present study prepare and follow such plan for their financial activities throughout a financial and academic year. This requires to see the definition of financial plan, as Meigs, Walter and Robert explained financial plan in their esteemed book titled *Financial Accounting*. They stated:



In educational institution, a financial plan can refer to the three primary financial statements such as balance sheet, revenue statement and cash flow statement created within an institutional plan. Financial forecast or financial plan can also refer to an annual projection of income and expenses for an institution, division or department. (Meigs, Walter and Robert: 1970: 187-188)

The select 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. While maintaining the accounts, the colleges have to follow certain rules and regulations which have a wider acceptability. 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 rules and regulations. *The Dictionary of Accounting Terms* states the definition of accounting rules and regulations as:

Accounting rules and regulations 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, Siegel and Jae: 2000: 07)

The data presented in tabulated form (which is gathered through a questionnaire from the Principals and the Registrars of the sample colleges) amplifies the factual analysis of the information collected from the sample colleges which highlight the functioning of financial plan and financial management scheme in the sample colleges.

Variables	Response					
	Yes		No		Total	
	No.	%	No.	%	No.	%
Does your college prepare Financial Plan,	14	100	NIL	-	14	100

every year? If Yes:	Flexible	13	92.85				
	Fixed	01	07.15				
Does Principal or the Financial Planning Committee submit the financial plan for approval, before Local Managing Committee and Governing Body?		14	100	NIL	---	14	100
If Yes:	Local Managing Committee	14	100	NIL	---		
	Governing Body	12	85.71	02	14.29		
Does your College maintain financial records as per applicable rules and regulations? (Principles)		14	100	NIL	-	14	100
Does your college record the transactions of Receipts and Payments based on Activities? (Activity-wise Account)		14	100	NIL	-	14	100
Do you consider nature of the expenditure while maintaining financial records for your college? (Type of Expenditure)		13	92.85	01	07.15	14	100

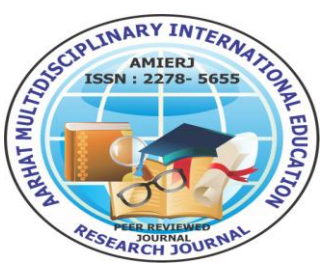
As preparation of financial plan is mandatory for colleges, in order to maintain and report their accounting, all colleges prepare financial plan. It is seen that majority of colleges prefer flexible financial plan. Of course, this is a symptom of healthy and innovative practice of accommodating changes in accounting that take place in the academic as well as accounting year. The Principal or the Financial Planning Committee of all the respondent colleges does send their financial plan proposals for necessary approval before the Local Managing Committee. However, only 85.71% of these respondent colleges send these financial plan proposals for its final approval before the Governing Body. All sample colleges maintain their financial records as per rules and regulations set up by ICAI. It is also found that all respondent colleges classify their transactions of receipts and payments based on variant activities in their respective colleges.

Out of all respondent colleges, 92.85% consider nature of the expenditure while maintaining account.

Financial Plan: Its Communication and Monitoring:

The administrator or the Financial Planning Committee of a college has to take into consideration the voices of the Teaching and Non-teaching staff working in the organization. Hence, financial plan proposals must be communicated by the same through a meeting. Along with preparation and communication of a financial plan, it is necessary for the management to monitor the activities of the personnel whether they are aligning with the financial plan or not. Once a financial plan is agreed, it is required to monitor how actual performance compares with what was planned. This applies to income, expenditure, savings and activity. Regular reviews highlight areas where action needs to be taken in order to keep finances on track and stay within the original plan. If a consortium plans to make a surplus in order to invest in a new service, an effective financial plan will ensure that this plan is possible. Through periodic reviews the principal or the financial plan committee monitors the actual functioning of the financial plan. The data given in the following table highlights the present scenario of financial plan communication and monitoring in the sample colleges selected for the research.

Variables	Response					
	Yes		No		Total	
	No.	%	No.	%	No.	%
Does Principal communicate the financial allocations to the Heads of the Departments or In-Charge of the various activities or programs?	14	100	Nil	--	14	100
Does the Principal/ financial Planning Committee monitor the activities and expenses thereon?	13	92.85	01	07.15	14	100



The Principals of all the respondent colleges communicate the financial allocations to the Heads of various Department or In-Charge of various activities or programs. However, 92.85% colleges monitor the expenses incurred by them as compared with the planned allocations. The study amplifies that almost all colleges communicate their financial plan to all stakeholders and also they monitor the expenses through periodic reviews by principals.

Financial Plan: Comparison and Variance Analysis:

Comparison of actual expenditure with planned expenditure is necessary for an organization in order to trace its present financial status. This is generally practised by an alert management so as to control and monitor the financial activities in the college. This facilitates the management for developing financial plans and also it enables to measure the performance of either a department or of an activity. Comparison between the planned expenditure with the actual one requires a detailed analysis of the intended expenditure with the actual expenditure and the changing prices and costs of the goods and services as the time and market situation change.

Generally, the comparison between the planned revenue and expenditure with the actual one is known as variance analysis. An organization, especially the administrator or the accounts department always prefers to have a regular practice of variance analysis through the comparison of planned and the actual expenses. Kathy Adams McIntosh in her resourceful book titled, *Accounting Budget vs. Actual* states variance analysis as:

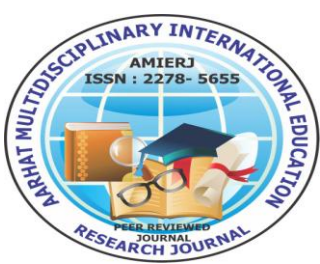
Companies prepare financial plans annually to estimate their future financial position. The accounting department creates monthly reports that show both the planned amounts and the realized amounts. Accountants use these reports to calculate the difference between the plan and actual amounts, called the variance. Accounting then works with individual departments to understand the variances. At the end of each period, the accounting staff runs budget variance reports that list the planned amount for the

period, the actual amount for the period and the variance. A favorable variance occurs when the actual expenses are lower than the planned amount or when the actual revenues are higher than planned. An unfavorable variance occurs when actual expenditures were higher than planned or the actual revenues are lower than expected. (Kathy, A.: e.how.com: Web.)

The information provided in the following table explicates the scenario of the sample colleges wherein the comparison between the planned expenditure with the actual expenditure takes place and traces the variance and the analyses of the same in the sample colleges.

Variables	Response					
	Yes		No		Total	
	No.	%	No.	%	No.	%
Does your college have a system to compare planned revenue and expenditure, with that of actual?	13	92.85	01	07.15	14	100
Does your Financial Management Scheme have a system to analyze the variances with a view to identify its reasons	12	85.71	02	14.29	14	100
Do you submit the report on reasons of variations in financial plan to the higher authority and whether necessary actions are taken to rectify the variations within a reasonable time by the higher authority?	12	85.71	02	14.29	14	100

The study indicates that the sample colleges compare their planned revenue and expenditure with the actual one. The study also points out that there is hardly a single sample



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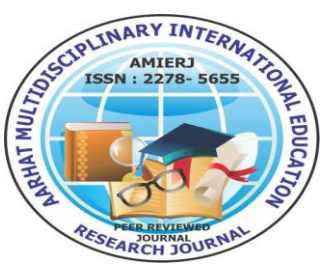
college which has not evolved a comprehensive financial management scheme to compare its planned revenue and expenditure with the actual one. This, of course, can be considered as an exceptional case. There are 85.71% of the respondent colleges where variation is found between the planned revenue & expenditure and, the actual revenue and expenditure incurred during the year and these colleges also analyze the reasons of such variations to take corrective actions. The Principal and the Financial Planning Committee of 85.71% of the respondent colleges submit the report of variances with reasons to their higher authority. The higher authorities of the said colleges take corrective measures for unfavorable variances after scrutinizing the report.

Conclusion:

It is observed that all the respondent colleges maintain their financial records as per the applicable rules and regulations to their institution as registered under the status of registration of parent body by which colleges are run. The Principal and/or the Financial Planning Committee of 85.71% of the respondent colleges submit the report of variances in financial plan to their higher authority, with reasons. Also, the higher authorities of the said colleges take corrective measures for unfavorable variances after scrutinizing the report. There are 92.85% of the respondent colleges which consider that with the help of Financial Management, they can trace the most expensive activity either from the curricular or co-curricular activity, which does not give performance in the ratio of expenditure.

Suggestions:

On the basis of the study made and the data collected certain inferences are drawn. Such as Accounting Standards issued by the ICAI should be made mandatory to educational institutions and 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. There should be classification of activities on micro level so as to amass the importance of the activity from academic, social and cultural point of view. Subsequently, the colleges should maintain their



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costing records separately so as to enable them to have activity-based costing records and monitor it as well as control the same if necessary. Though all colleges prepare and submit their annual report of accounts/ transactions to the parent body concerned, it is suggested that all colleges should publish their report of accounts/ transactions to the public just like a company or a firm, so that it will be transparent and will gain the confidence of the society. It is suggested that colleges should do activity based costing which will help them to generate revenue according to the requirement of the funds in the same.

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