



PERSPECTIVES AND OBSTACLES OF THE INTERNAL REPORTING REFORM AT HIGHER EDUCATION INSTITUTIONS – CASE OF BOSNIA AND HERZEGOVINA, CROATIA AND SLOVENIA

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1. INTRODUCTION

- Higher education institutions are going through a **different reform processes that differ from country to country** - the common challenge of higher education institutions is to assure financial sustainability
- One of very important preconditions for **assuring financial sustainability is quality reporting system** that provide comprehensive and detail information about all aspect of higher education institutions and especially about the full costs of all their activities.
- **The need for internal reporting in the new public management** imposes further requirements of accounting data processing for the development of internal reporting, which will be methodologically harmonized with external reporting

2. LITERATURE REVIEW ABOUT REPORTING REFORM AT HIGHER EDUCATION INSTITUTIONS

- *The traditional accounting system of HEI's is primarily focused on external accounting reports for the state purpose, while the internal (managerial) reporting is underestimated, especially from the management and decision-making point of view (Pettersen & Solstad, 2007).*
- *Lilana, 2015 stresses that the majority of reporting reforms considering HEI's modernization of management process are oriented in making financial statements more comprehensive and accountable.*
- *Only few studies concentrate on management accounting in public HEI's, mostly Vašiček, Dragija (ed.); 2011, 28, Sordo et al., 2012, Mamontova & Novak, 2015.*
- In close connection with aforementioned issues regarding importance of internal reports for efficient management beside external reports, **it is necessary to mentioned implementation of full costing at HEI's**

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2. LITERATURE REVIEW ABOUT REPORTING REFORM AT HIGHER EDUCATION INSTITUTIONS

- In close connection with aforementioned issues regarding importance of internal reports for efficient management beside external reports, **it is necessary to mentioned implementation of full costing at HEI's.**
- According to EUA (2008) full costing provides benefits for universities, national governments and on a European level and among the benefits for universities are:
 - a more systematic approach to activity analysis and costing;
 - a more efficient internal resource allocation; improved strategic decision-making based on better understanding of investment decisions;
 - benchmarking possibilities within the sector and an enhanced ability to negotiate and price activities, which lead to higher cost recovery of project costs and contribute thus to financial sustainability

3. REPORTING SYSTEMS AT HIGHER EDUCATION INSTITUTIONS IN SELECTED COUNTRIES

Bosnia and Herzegovina

- Public HEIs are budgetary users
- Set of external reports as budgetary users
- **modified accrual basis (Federation of BIH), full accrual (Republic of Srpska)**
- Universities were part of international project IPA Reform of Higher Education in BIH 2012-2014, where universities representatives in cooperation with EU experts developed a computer program **to track the cost per student, but application of this program was on voluntary basis so it was never actually implemented in internal reporting systems as mandatory part**

Croatia

- While public HEI's are registered as budgetary users, private ones are registered either like non-profit organization or companies.
- **modified accrual basis**
- Presented reporting system of HEI's in Croatia can be described as a **general and not adapted to the specific activities of higher education**
- **Recent surveys have showed that internal reporting in Croatia is not sufficiently developed**
- Even though some reports are prepared for internal purpose, the quality of those reports is questionable due to the fact that Croatian public HEI's neither do not apply accrual basis of

Slovenia

- Public HEIs are budgetary users
- Set of external reports as budgetary users
- There are not normative requirements for the internal financial reporting and consequently they are left to individual entity.
- the public HEI report **on cash and accrual basis**, while private HEI report only on accrual basis.
- the external financial reports of both groups of HEI include **information on cost of depreciation and cost of other important categories**, which are useful to get information about full cost

4. OBSTACLES FOR DEVELOPMENT OF EFFICIENT INTERNAL REPORTING SYSTEM – EMPIRICAL RESEARCH

- In order to investigate is it necessary to improve existing accounting reporting system at HEI's in selected countries and implement cost accounting methodology as well as what are the main obstacles for aforementioned, the authors examined and tried to answer the following research question:
 - **RQ1:** Is it necessary to improve existing accounting system of internal reporting at HEI's in order to manage more efficiently?
 - **RQ2:** Is it necessary to implement full costing method that will allocate all direct and indirect cost final on services or programs?
 - **RQ3:** What are the main obstacles for development of efficient internal reporting system at your HEI's?
- The principal area of research is to present the current **opinion of accountants at HEIs in Bosnia and Herzegovina, Croatia and Slovenia** about the research questions.

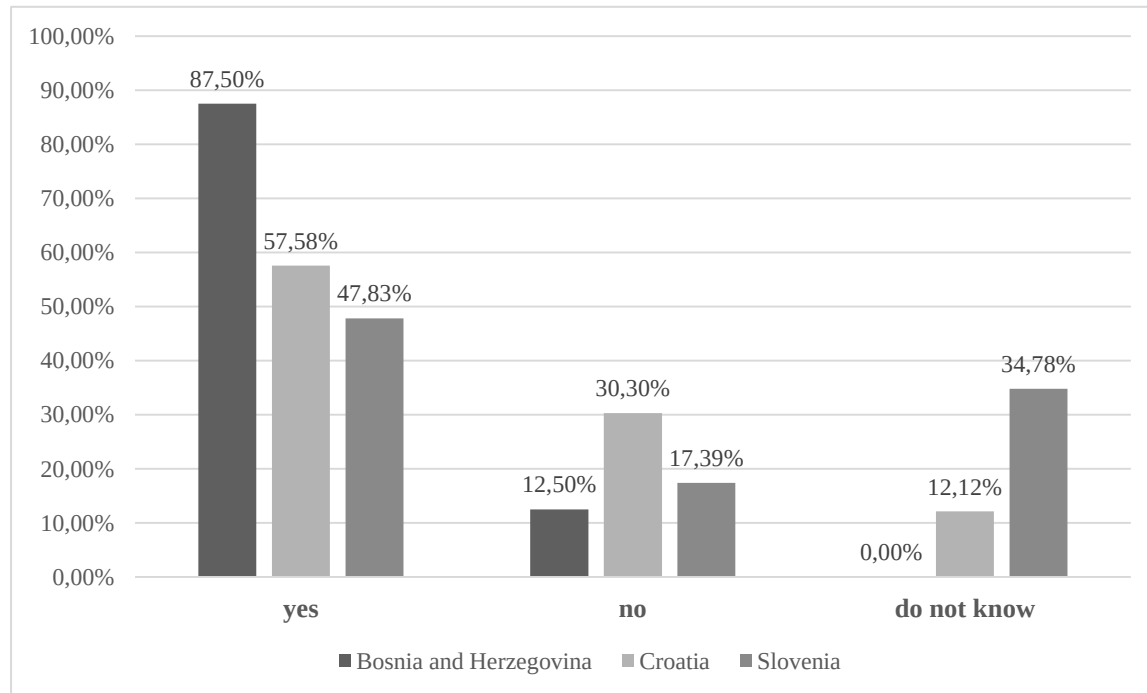
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- The questionnaires were **sent by email in an online form and as well by post to heads of accounting.**
 - a response rate for questionnaire in **Bosnia and Herzegovina** (Federation of Bosnia and Herzegovina and Republic of Srpska, District Brčko is not included) was **35%** (7 out of total 20 public HEI's),
 - a response rate for questionnaire in **Croatia was 34,61%** (36 out of total 104 public HEI's)
 - and response rate for questionnaire in **Slovenia was 46%** (23 out of 50 public HEI's).
Because of the big difference in the sample sizes in observed countries, we used descriptive statistics for answering on set research questions.
- Most of the questions included in the questionnaire were multiple choice, yes or no answers or answers on a five-point Likert scale ranging from 1 to 5, where 1 indicates full disagreement and 5 indicates full agreement or in some cases 1 corresponds to the lowest degree and 5 to the highest.

4. OBSTACLES FOR DEVELOPMENT OF EFFICIENT INTERNAL REPORTING SYSTEM – EMPIRICAL RESEARCH

- **RQ1:** Is it necessary to improve existing accounting system of internal reporting at HEI's in order to manage more efficiently?

Figure 1: Perception about the need to improve existing accounting system of internal reporting at HEI's in order to manage more efficiently

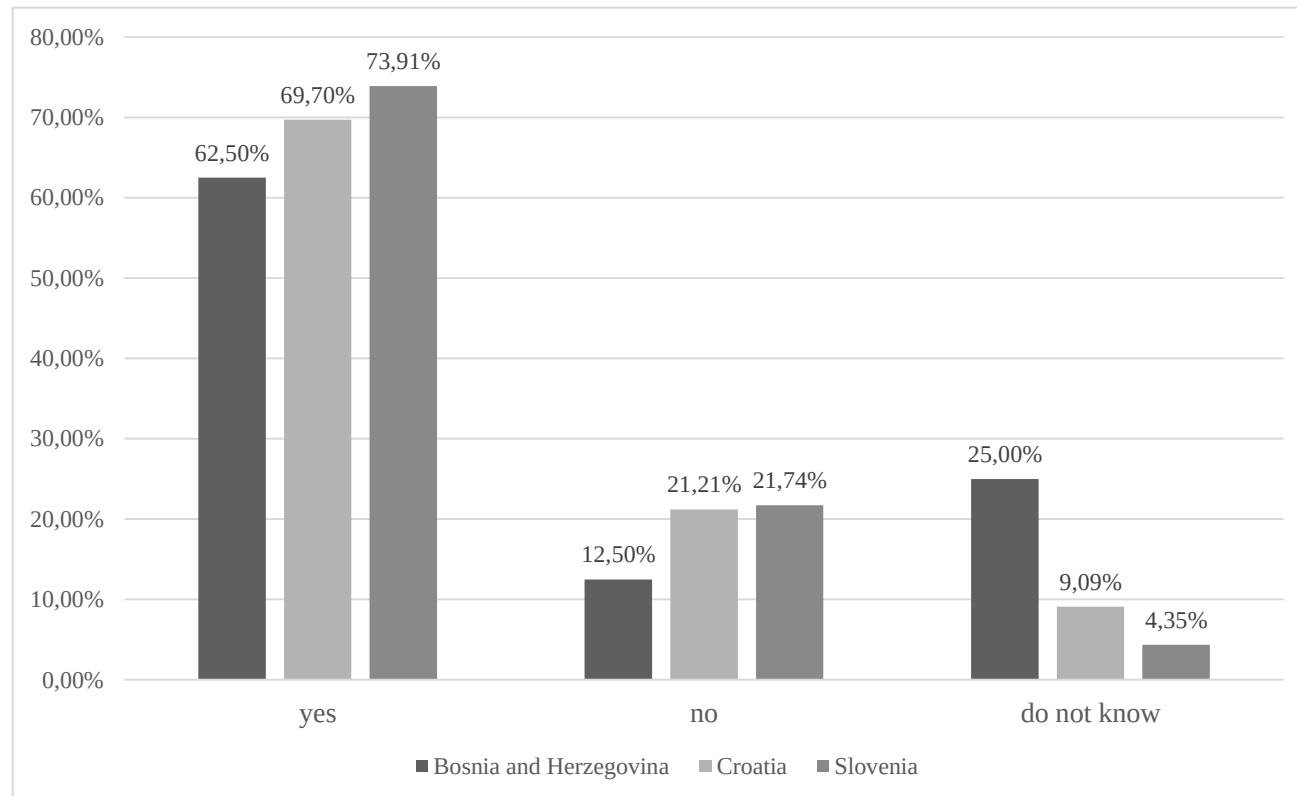


Source: Author's calculation

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- **RQ2:** Is it necessary to implement full costing method that will allocate all direct and indirect cost final on services or programs?

Figure 2: Perception about the need to implement full costing method that will allocate all direct and indirect cost final services or programs



Source: Author's calculation

4. OBSTACLES FOR DEVELOPMENT OF EFFICIENT INTERNAL REPORTING SYSTEM – EMPIRICAL RESEARCH

- **RQ3:** What are the main obstacles for development of efficient internal reporting system at your HEI's?

Table 1. Perception about the obstacles for development of efficient internal reporting system at HEI's

Country	BOSNIA AND HERZEGOVINA			CROATIA			SLOVENIA		
Statistics	average	st.deviation	rank	average	st.deviation	rank	average	st.deviation	rank
Obstacles									
Human resources	4,20	0,84	2.	4,26	1,00	1.	3,82	1,62	4.
Financial resources	4,00	1,00	3.	3,91	1,09	5.	3,86	1,70	2.
IT support	4,00	1,00	3.	4,18	0,92	2.	4,36	0,90	1.
Long duration and complexity of the process	4,20	0,84	2.	4,00	0,89	4.	3,82	1,33	4.
Political and legislative support	3,60	1,14	4.	3,68	1,08	6.	3,14	1,93	5.
Management support	4,40	0,89	1.	4,06	1,05	3.	3,95	1,25	3.

Source: Author's calculation

5. CONCLUSION

- From the research results, it can be generally concluded that public HEI's in all observed countries **are ready for change in the accounting systems and respondents believe that it is necessary to implement cost accounting methodology.**
- However, from conducted empirical research it is obvious that there are major differences in obstacles for development of efficient reporting systems in selected countries and therefore in the future each country should apply unique development process to overcome these obstacles.

- Questions???

- Thank you for your attention...