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COMPARATIVE ANALYSIS OF INTERNAL REPORTING AT HIGHER EDUCATION INSTITUTIONS OF CROATIA AND BOSNIA AND HERZEGOVINA

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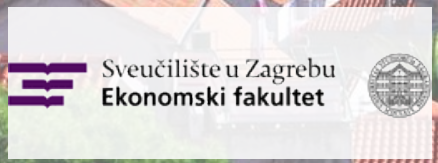

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INTRODUCTION

- Subject — Internal reporting at public higher education institutions
- Object — Present level of usage of internal reports at HEI's of developing countries, more precisely Croatia and Bosnia and Herzegovina
- Research questions
  - (Q1) Are public higher education institutions preparing internal reports and if they do, main reasons and time interval of reports preparation?
  - (Q2) What are the main purposes of internal reports at public higher education institutions?
  - (Q3) Is it necessary to improve existing internal reporting system at public higher education institutions in order to manage more effectively?
  - (Q4) Are there significant differences in internal report systems of public higher education institutions of Croatia and Bosnia and Herzegovina?

REPORTING SYSTEM AT HIGHER EDUCATION INSTITUTIONS

- Accounting information is arisen by the accounting system normally are presented in two basic types of reports:
  - 1. **External financial statements** - prescribed and standardized. That meets the needs of different users in an environment reporting entities and
  - 2**. Internal financial reports** - not standardized, not prescribed by law and they are mainly created at the request on one of the users within the reporting entity.

REPORTING SYSTEM AT HIGHER EDUCATION INSTITUTIONS - External reporting

Croatia (Modified accrual basis)	Balance Sheet The report on revenues and expenditures, inflows and outflows Statement of changes in value and the extent of assets and liabilities Notes to Financial Statements	Mostly non-integration
Republic of Srpska (Full accrual basis)	Overview of revenues, inflows, expenditures and outflows, the fund 01 Overview of revenues, inflows, expenditures and outflows, the fund 01-05 The functional classification of expenditures and net expenditures for non-financial assets Overview of assets, liabilities and sources reported in treasury book A report on the number and structure of employees Explanations to the Financial Statements	Integration
Federation of Bosnia and Herzegovina (Modified accrual basis)	Income and Expenditure Account Balance Sheet Cash Flows Statement The report on capital expenditures and financing Specific information on wages and number of employees The annual report on budget execution Annual report on investments The report on calculated and paid compensation for the protection against natural and other disasters	Integration and non-integration

REPORTING SYSTEM AT HIGHER EDUCATION INSTITUTIONS - Internal reporting

- Not mandatory
- The key components to be included in internal financial reports for higher education (KPMG):

  Discussion and analysis of liquidity, capital needs, financial condition and results of operations;

  Use of metrics instead of detailed financial reports;

  Segregating sources of funds between revenues and support (philanthropy and return on philanthropy);

  Reporting expenses by object type based on how institutions budget expenses;

  Articulating the basis of budgeting;

  Providing financial reports with the proper content and frequency;

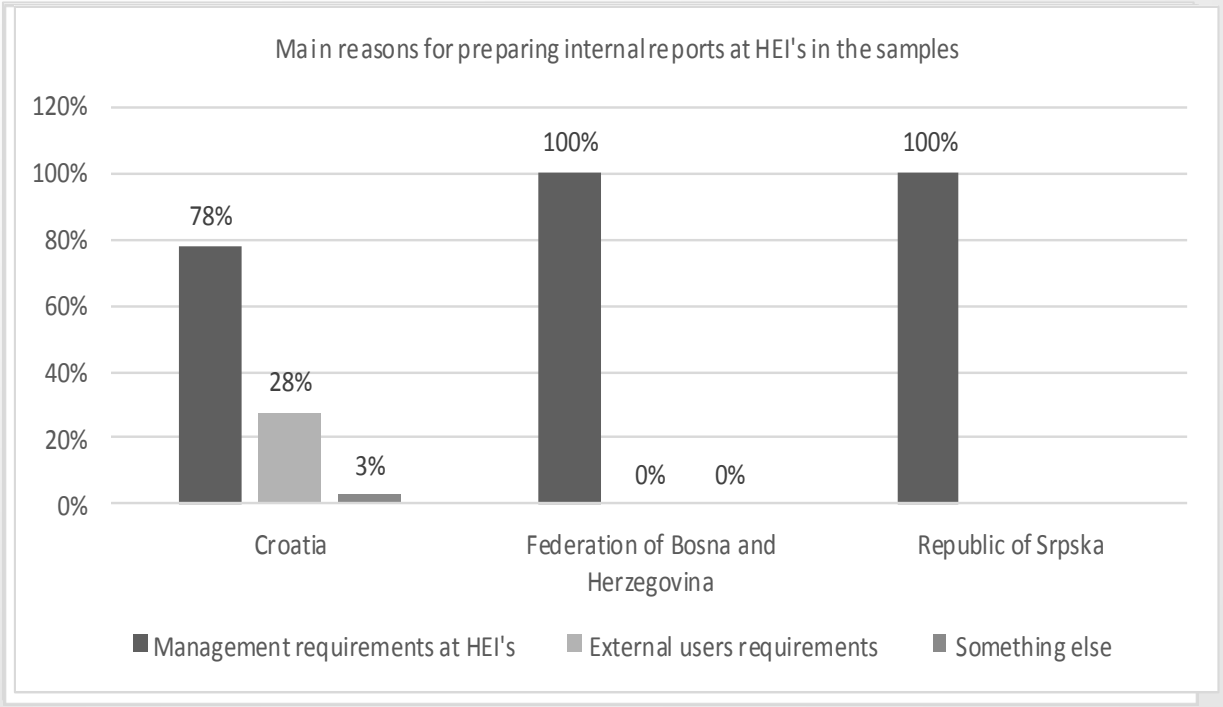
  Preparing and interpreting cash flow and liquidity information.

EMPIRICAL RESEARCH

- Empirical research from the October 2015 till March 2016, and **selected population were Heads of Accounting in public HEI's**
- The questionnaires were sent **by e-mail in online form and by post.**
- A response rate for questionnaire **in Croatia was 34,61%** (36 out of total 104 public HEI's) and response rate for questionnaire in Bosnia and Herzegovina was **31,25% for Federation of Bosnia and Herzegovina** (5 out of 16 public HEI's) and **50% for Republic of Srpska** (2 out of 4 public HEI's).

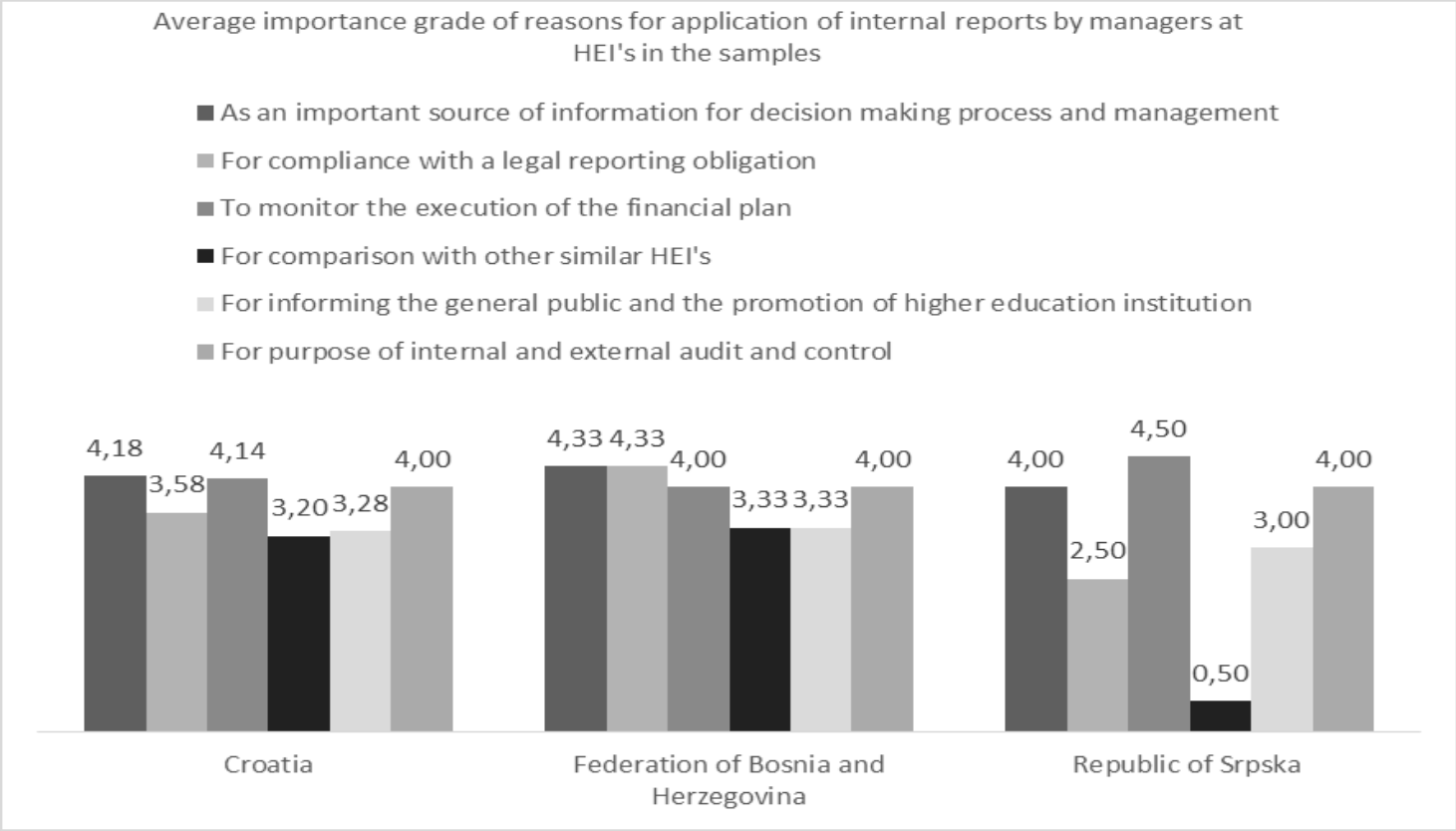
RESULTS OF EMPIRICAL RESEARCH

- *First research objective was to identify whether public HEI's are preparing internal reports and if they are, how often (time interval for preparation) and main reasons for preparation*



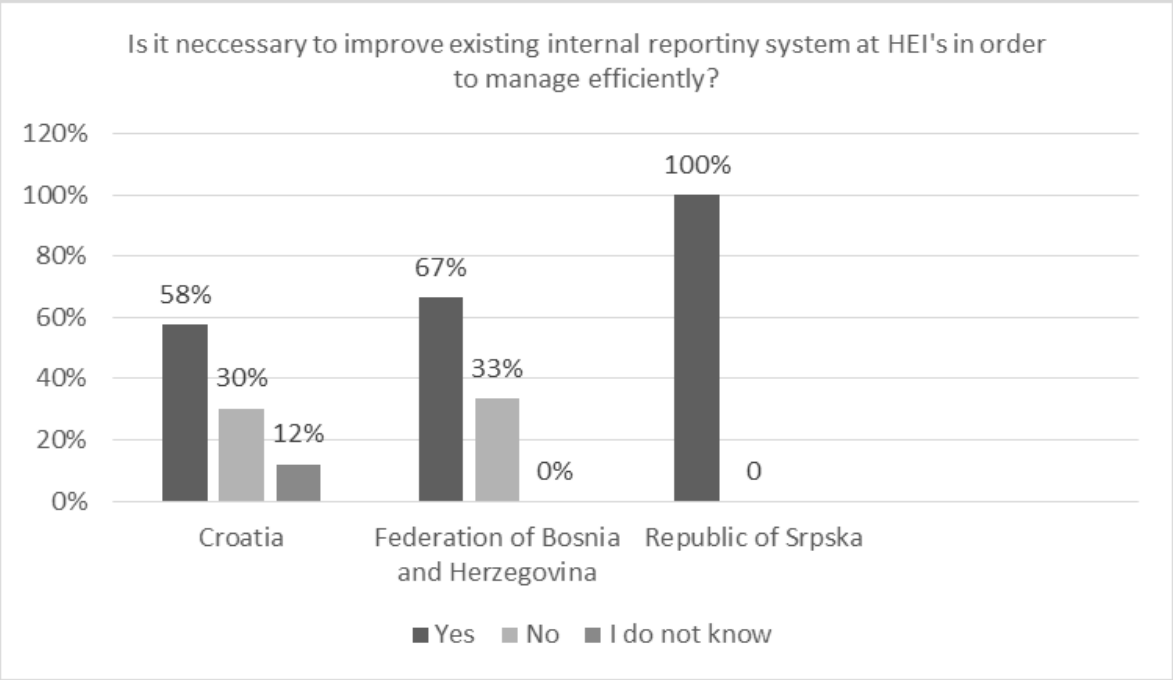
RESULTS OF EMPIRICAL RESEARCH

Second research question was connected with usage of internal reports, therefore main aim was to investigate most important purposes for preparation of internal reports

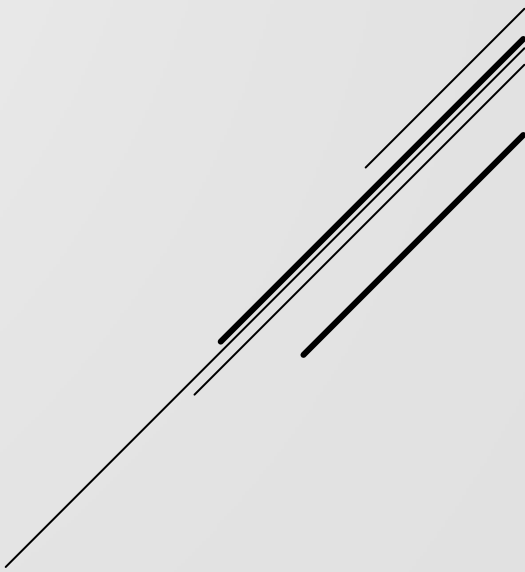


RESULTS OF EMPIRICAL RESEARCH

Third research objective was to see whether it is, according to opinions of accountants, necessary to improve existing system of internal reports



CONCLUSION

- As a result of financial limitations, combined with demands for improved efficiency, higher education institutions have been forced to reduce expenditure.
- These changes have also led to **changes in management at HEI's and therefore it is necessary to improve decision making process by using relevant information not just from external financial reports that are prescribed but also from internal reports.**
- From conducted research it is evident that internal reports **are mainly used at HEI's in observed countries and their usage is mostly rated with high average grades from 3 to 4 but still there is diversification in purposes.**
- But the question that arises is **the quality of information presented in internal reports.** Almost all respondents answered that is necessary to improve existing internal reporting system.

- Thank you for your attention!!!