

# *Management Accounting System for Private Universities in China*

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**Abstract:** This study critically assesses the existing state of Management Accounting Systems (MAS) within private Chinese universities amidst ongoing technological and educational reforms. The introduction section provides a contextual study background, emphasizing the growing importance of MAS in the dynamic higher education landscape. The paper's objectives encompass the identification and rectification of deficiencies in MAS through a comprehensive literature review. The findings underscore a pressing need for heightened familiarity with MAS in private university settings in China, pointing to concerns such as the lack of a comprehensive strategy, limited understanding, and absence of alignment between the management accounting framework and strategic. In conclusion, immediate interventions are recommended, advocating for strategic measures like talent development and alignment with private universities' objectives to enhance MAS effectiveness. These interventions are crucial for fostering improved financial management practices within private Chinese universities, ensuring their adaptability and sustainability in an evolving educational environment, and make tangible contributions to the landscape of higher education in China.

## 1. Introduction

With the rapid growth of its information technology system, university education has accelerated to a new degree of leapfrogging development [14]. Since the late 1970s, China's economic transition has resulted in enormous sociological changes, quick scientific and technological developments, and a revolution in information and communication technologies [11]. Simultaneously, the significant reform of higher education has been happening in China since 1999 [8].

During this reform period, the Chinese government actively supported the opening of the education market, facilitating the entry of private universities. It is a strategic response to the challenges posed by globalization and the constantly evolving educational landscape [5].

Private universities in China are still in the exploration and growth stages. But their management structures must be improved. Notably, there remains to be a gap in developing management accounting systems (MAS, hereafter) for these private universities [9]. It is well-established that accounting tools and techniques can enhance the efficiency of private university management.

Moreover, management accounting is instrumental in measuring various performance elements and making organizational decisions. It involves identifying, measuring, analyzing, and reporting financial information relevant to making vital corporate decisions and managerial performance [1]. As shown in figure 1.

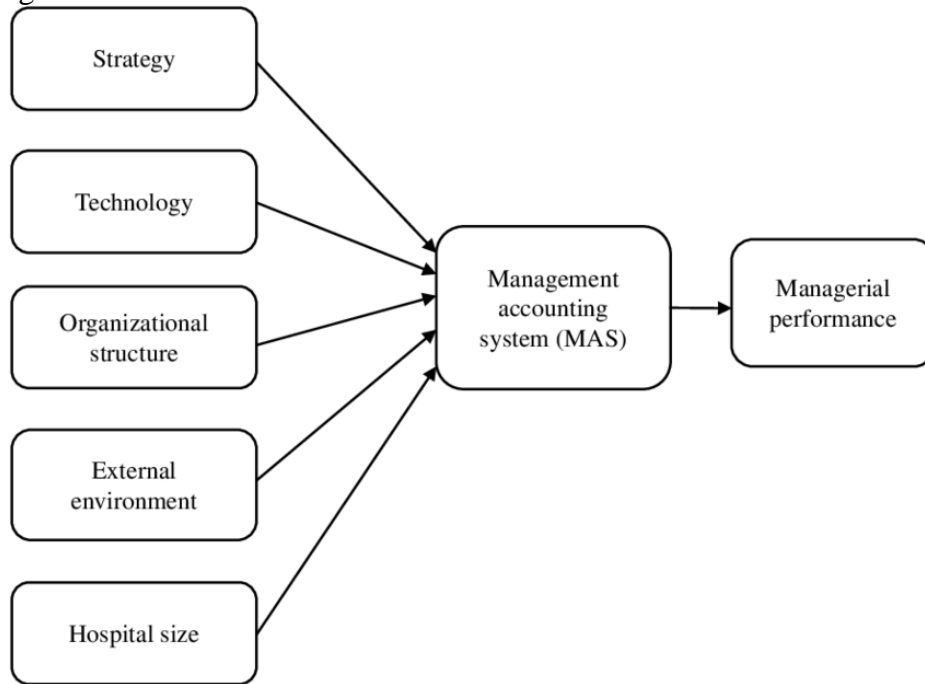


Figure 1: Framework of management accounting system

In university education, it is critical to investigate MAS's function and requirements and how they could assist the university's administration, performance, and strategic decision-making.

## 2. Brief Literature Review

The research was conducted on China National Knowledge Institution (CNKI) with the keywords "management accounting system," "higher education," "public schools," "private universities." A total of 13 papers were found related to "Management Accounting System for Private Universities in China." Upon careful examination and synthesis of the 13 scholarly articles, it was found that private universities in China are rapidly growing, (figure 2), which has led to widespread attention to their financial management.

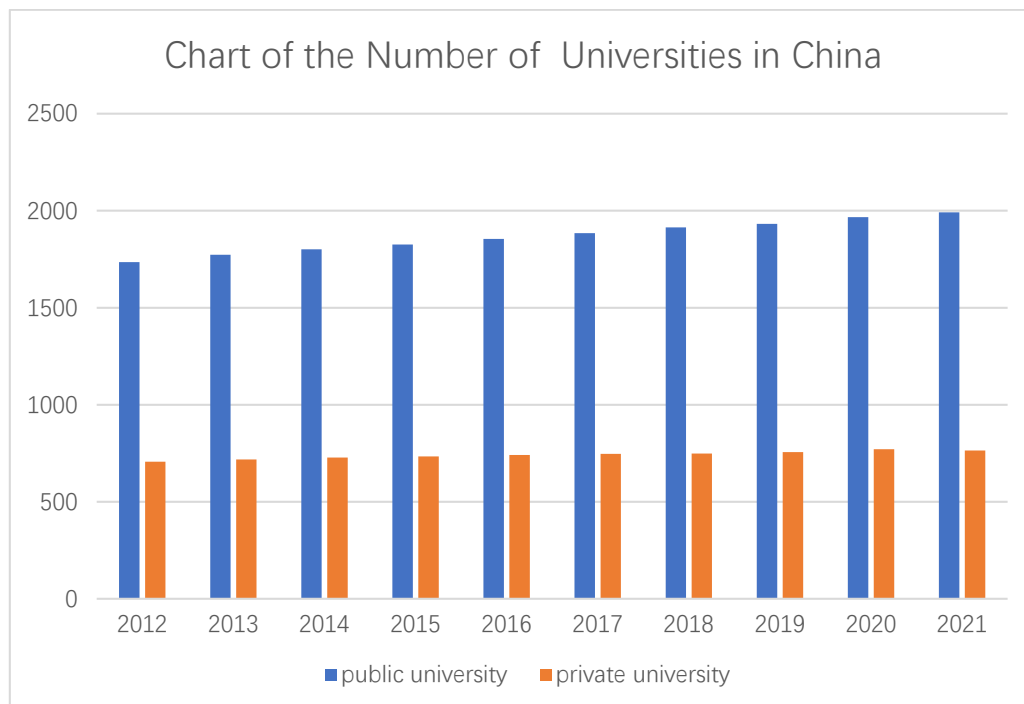


Figure 2: Chart of the Number of Universities in China

Management accounting systems are critical in their development and operation (Xiong, 2019). Following conducting a comprehensive review of the extant literature, it becomes evident that there is a notable dearth of knowledge about the MAS employed by private universities, both within local and international contexts [15]. However, most available literature primarily focuses on applying MAS within businesses.

The MAS in private universities in China has several shortcomings and deficiencies, as it is still in the exploration and development phase [4]. Meanwhile MAS is critical, but some advanced accounting methods, such as activity-based costing, are not widely used.

To better understand the role of management accounting in higher education, experts call for researchers take more longitudinal and comparative studies.

In contrast, the application of MAS in higher education institutions in some other regions around the world, such as the management accounting practices in the United Kingdom universities [6], the nature and dynamics of management control were understood in a private, family-owned university in Indonesia [14], and A suitable management accounting system is essential for universities [12].

According to international examples, despite some achievements in many sectors of certain Chinese universities, there is still a need for more reference and inventive thinking in building and using practical MAS.

Therefore, it is essential to learn from the experience of public universities in China and other universities overseas and explore the application and impact of management accounting systems in Chinese private universities.

### 3. The Current Issues in MAS of Private Universities

The Ministry of Finance's "14th Five Year Plan Outline for Accounting Reform and Development" recommends that universities prioritize management accounting as a guiding principle, also colleges and universities need to pay more attention to the role of management accounting [7]. However, some scholars emphasize that nearly half of management accounting research in China has yet to find a clear theoretical foundation and is still primarily based on

economic theory [8].

### **3.1 The Private Universities Lack a Comprehensive Strategy of MAS and a Team of High-Level Management Accounting Talents**

The concept of MAS is relatively rare in Chinese higher education literature compared to the world. It is because management accounting was only gradually introduced in China in 2004. Only recently have scholars begun to look into this approach in China and abroad, particularly identifying, mapping, and reflecting on MAS practices, therefore it is lacks of high-level management accounting talents.

Management accounting research in Chinese universities is still in its infancy. Many financial professionals do not understand management accounting tools and methods.

Current guidelines are not mandatory, so universities need to further their understanding of management accounting and encourage its use in financial management. An in-depth understanding of foreign research will help with this [5].

### **3.2 Private Universities Lack of Comprehension a Management Accounting System**

Private universities lack comprehension of management accounting and promote its utilization in the realm of financial management. By implementing management accounting systems, private universities can evaluate the effective utilization of financial resources and identify areas for improvement, thereby enhancing the efficiency of financial management [3]. Financial analysis plays a crucial role in understanding the financial situation of universities and can contribute to their scientific development.

Additionally, management accounting innovation has been found to significantly influence cost performance in private universities, highlighting the importance of adopting innovative practices in financial management. Therefore, private universities should prioritize the development and application of management accounting methods to enhance their financial management practices and improve cost performance [10].

### **3.3 Private Universities Lack a Management Accounting Framework Alignment with Strategic Objectives**

Private universities encounter difficulties in aligning their management accounting framework with strategic objectives. Research has demonstrated that there is still a limited understanding of the connection between strategic management accounting and university performance. Nevertheless, the utilization of strategic management accounting techniques such as benchmarking, value chain cost, and balanced scorecards (as shown in figure 3) has been discovered to have a favorable impact on the quality of financial information in private universities [13].

Furthermore, a comprehensive strategic costing model, encompassing activity-based costing, value chain costing, quality costing, lifecycle costing, and target costing, has been suggested to enhance competitive advantage and organizational performance in higher education establishments.

These findings imply that private universities can derive advantages from implementing strategic management accounting practices to better align their management accounting framework with strategic objectives and enhance their overall performance.

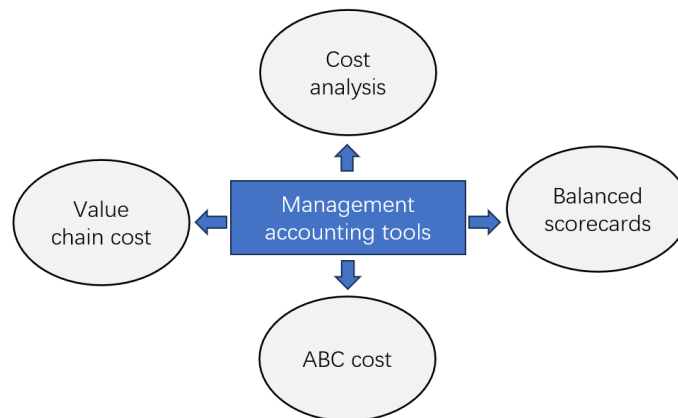


Figure 3: Parts of management accounting tools

#### 4. Strategies to Address Current Issues in the Management Accounting Systems of Private Universities

MAS play a critical role in universities, contributing to effective decision-making, performance management. It is a formal system specifically designed to provide essential information for planning, controlling, and decision-making in higher education institutions, and is aligned with the specific needs and challenges of higher education institutions [2].

##### 4.1 Comprehensive Strategy and Talent Development for Management Accounting

A comprehensive strategy is of utmost importance when it comes to the development of talent in the field of management accounting within private universities. The strategy is crucial as it not only enhances accounting practices but also ensures that professionals are trained in a manner that is relevant and applicable in the modern world. The progress and innovation in accounting management systems within private universities must be continuous to meet the ever-changing demands of the times.

In accounting education, it is imperative to integrate theoretical learning with practical training. Such integration is vital as it enables students to cultivate practical skills and adaptability in professional settings. The training of management accounting professionals should emphasize the integration of theory and practice, as well as the close alignment of finance and business. This approach facilitates the growth of economic benefits.

Furthermore, the training model for accounting professionals within universities needs to be optimized constantly to align with the advancements in intelligent finance and the internet era. Through the implementation of effective strategies and the establishment of a talent management culture, universities can reduce human resource costs and enhance efficiency in the realms of accounting and auditing

##### 4.2 Training and Awareness Programs for Improved Comprehension of Management Accounting

Training and awareness programs play a pivotal role in enriching the comprehension of management accounting in the setting of private universities. These initiatives have the objective of equipping students with the essential knowledge and competencies in diverse domains such as

economics, accounting, and financial management.

By incorporating students' prior economic knowledge acquired through preceding training, these initiatives contribute to the cultivation of proficient professionals in providing expert support for enterprise management information. Nevertheless, it has been observed that management accounting does not assume a significant position in the undergraduate curriculum, with greater emphasis being placed on subjects like costing systems, cost analysis, activity-based costing, and planning tools.

Hence, there exists a necessity to augment the training provided to students in the field of management accounting to ensure their comprehensive comprehension of the subject matter and its imperative role in decision-making processes and the compilation of financial information [16].

### 4.3 Alignment Strategies for Developing a Strategic Management Accounting Framework

Developing a strategic management accounting framework in universities requires implementing strategies that align with the overall goals and objectives of private university. The process of strategic alignment entails the integration of process management, continuous improvement approaches, and management control to effectively attain strategic quality objectives. The utilization of transactional governance, agency theory, and management instruments such as results-oriented contracts, management indicators, economic incentives, and control devices can contribute to the enhancement of internal strategic alignment, culture, and the dynamics of academic work [17].

Previous research conducted on the correlation between strategic management accounting and university performance has primarily focused on the appropriateness of design, performance measurement, intellectual capital, control systems, and stakeholder behavior [18].

By integrating strategic alignment into university governance, it is possible for private universities to achieve superior outcomes and effectively address systemic challenges. In response to significant changes, Italian universities have been actively implementing strategic management accounting practices to effectively manage resource allocation and the introduction of new academic programs.

## 5. Conclusions

In conclusion, urgent attention is required for the management accounting landscape in private Chinese universities. The identified issues emphasize the necessity for a comprehensive strategy, talent development, enhanced comprehension, and alignment with strategic objectives. By implementing the recommended strategies, private higher education institutions in China can successfully overcome current challenges, improve their financial management systems, and accelerate better decision-making, performance evaluation, and organizational development. Adopting these changes is essential for private universities to prosper in a rapidly changing educational environment and make significant contributions to China's higher education landscape.

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