

Exploration of the Path of Strengthening Accounting Supervision in Colleges and Universities

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Abstract: Accounting supervision constitutes a vital component of the oversight framework in Chinese colleges and universities. This study examines the elements of accounting supervision and examines the current state of financial information management in universities. It investigates how cost data influences accounting supervision mechanisms, proposing that enhanced cost analysis could provide both theoretical foundations and practical guidance for improving the quality of accounting supervision in higher education.

1. Introduction

Counting supervision encompasses three key dimensions: fiscal oversight, financial oversight, and accounting oversight. Fiscal oversight involves the financial authorities' monitoring of fiscal revenues and expenditures, financial transactions, state-owned assets, and other fiscal management matters during the allocation process. Financial oversight ensures the authenticity, integrity, and legal compliance of financial activities and their outcomes. Accounting oversight guarantees the relevance, reliability, and regulatory compliance of accounting information. Accounting information covers extensive content, with financial and accounting data serving as foundational information for safeguarding economic interests and clarifying property rights, while also providing critical support for national governance and decision-making^[1]. "Let the market play a decisive role in resource allocation and better leverage the government's role." Both the market's decisive role and the transformation of government functions rely on objective and fair financial and accounting information, making such data a vital component of financial and accounting supervision.

In colleges and universities, accounting reporting primarily includes balance sheets, income statements, and cash flow statements to evaluate institutional performance. Due to longstanding financial practices, these institutions have predominantly used expenditure-based accounting without aligning with cost objects, resulting in inaccurate cost data that cannot be directly derived from financial statements. While affiliated units like hospitals have recently implemented cost accounting systems, many institutions still lack such frameworks and cannot provide cost information-a critical yet often overlooked aspect of financial reporting^[2]. Cost leadership and optimization are vital competitive advantages and strategic components for businesses, providing essential data support for annual planning and operational strategy development. These elements should be prioritized as key areas for improvement in the financial oversight of colleges and universities.

The evolution of cost information reveals that cost control and supervision have always been

closely intertwined. Following the Industrial Revolution in the 1730s, mass production replaced traditional handicrafts, leading to standardized products and manufacturing processes. As the market became seller-dominated, the primary management objective shifted to boosting corporate profits through cost reduction^[3]. By introducing cost control methods like standard costing and variance analysis, enterprises enhanced production oversight. This development gave rise to the classic Taylorian scientific management approach, marking a pivotal milestone in the scientific advancement of management and supervision during this era.

In the wake of the capitalist economic crisis, the market has progressively exhibited buyer-centric characteristics. The proportion of manufacturing costs in product cost structures has declined, while R&D and marketing expenditures have surged significantly. The focus of product cost control has shifted from the manufacturing phase to the R&D and marketing phases. To address the issue of disproportionately high indirect costs, cost management now incorporates activity-based costing and target costing methods. This approach effectively mitigates cost information distortion and oversight failures caused by traditional standard costing practices^[4].

In the post-information era, enterprise resource management (ERP) and customer relationship management (CRM) systems have been widely adopted. Management philosophy has evolved from process-oriented approaches to strategic management, with a focus on cost control across the entire value chain^[5]. To manage customer total costs and meet their needs, reducing and controlling customer usage costs has become a key aspect of cost management. To achieve this, procurement costs and usage costs have been incorporated into cost control frameworks. This shift enables enterprises to monitor not only product-related expenses but also the overall cost expenditures throughout the product lifecycle.

With the advancement of sustainable development theories and the intensification of environmental protection movements, corporate behaviors and their products' environmental impacts have drawn increasing attention. Businesses now need to minimize social costs. Management practices have begun to employ the full cost approach to coordinate and address the costs and benefits of all stakeholders, including R&D, manufacturing, marketing, usage, disposal, and environmental costs borne by the public. Cost control strategies have evolved into an open system integrating organizations with their environment. Cost control is no longer merely about efficiency but has also become a matter of fairness, with cost information increasingly serving as a critical component of management oversight.

Key cost-control mechanisms-including quota management systems, budgetary oversight frameworks, and expense audit protocols-are intrinsically linked to Accounting supervision. With the growing emphasis on performance metrics, cost data has become increasingly fundamental. As non-profit institutions, higher education organizations primarily rely on government funding and institutional revenues. The cost-performance correlation in their operations remains weak, with a tendency to prioritize institutional functions while overlooking market mechanisms. This results in insufficient cost management awareness. Furthermore, the absence of robust institutional frameworks and supportive policies hinders effective cost accounting practices. The lack of financial cost data also compromises Accounting supervision, manifesting in the following ways:

2. The Influence of Cost Information of colleges and universities on Accounting Supervision

2.1 Single and Simplified Accounting Supervision Subjects and Means

Currently, due to the lack of supervision over financial information such as costs, accounting supervision in colleges and universities lacks analysis of key financial data and rarely conducts oversight guided by financial information. Accounting supervision remains predominantly focused on financial accounting processes, with supervisory bodies being various superior departments and

national regulatory agencies. The primary targets of supervision include accounting vouchers, ledgers, and financial statements. The main methods of accounting supervision involve verifying the standardization of accounting subject usage, checking the accuracy of invoice amounts, promptly correcting identified errors, examining whether accounting voucher elements, signatures, or seals are complete, and verifying the consistency of individual or aggregate amounts between accounts, ledgers, and financial statements^[6]. The supervisory methods are relatively simplistic, mainly focusing on post-event economic activities-essentially identifying and rectifying deficiencies in completed transactions. Accounting supervision fails to leverage financial information for proactive oversight, remaining merely "passive" and "defensive" in nature. This inability to achieve comprehensive supervision weakens its effectiveness.

In colleges and universities, financial oversight currently primarily relies on superior departments or administrative bodies. Stakeholders such as faculty members and the general public face challenges in participating due to limited access to financial information, often leading to misunderstandings caused by information gaps. For instance, when universities directly under the Ministry of Education began disclosing budget and final account information in recent years, the public's attention and discussions about fund allocation were sparked by the limited disclosure of total budget and final account figures, while critical details like cost information remained inaccessible. To enhance public understanding, institutions should publish more comprehensive financial data, including student training costs, to better guide societal focus and improve public comprehension of financial management practices. To fully leverage external financial oversight, it is essential to provide more detailed financial information, particularly cost-related data.

2.2 Accounting Supervision: A Barrier to Financial Efficiency

Financial resource allocation and utilization efficiency are critical components of financial quality. Cost information enables cost forecasting for colleges and universities, serving as clear and reliable targets for cost control to enhance financial efficiency. Accounting supervision can monitor financial resource allocation and utilization efficiency through cost data^[7]. From a horizontal analysis perspective, comparing end-of-period and beginning-of-period cost data, discrepancies between planned/budgeted and actual figures, comparisons with peer institutions, and industry benchmarks can identify issues in financial and operational activities. Vertically, cost data helps analyze expense structure ratios and the proportion of costs to revenue, enabling supervision of potential regulatory violations in fund usage. Through trend analysis, observing long-term cost trends-such as calculating average growth rates over periods and comparing them with institutional asset scale growth rates, revenue growth rates, profit growth rates, as well as sequential or fixed-period growth rates-allows monitoring whether cost control trends are reasonable, ultimately achieving the goal of improving financial efficiency.

Colleges and universities cannot effectively manage these aspects or improve financial efficiency without adequate cost information. For instance, China's universities have long lacked per-student cultivation cost accounting, resulting in cost-sharing mechanisms that fail to reflect actual needs. The absence of cost data also causes significant public concern during tuition adjustments. While this affects many families' livelihoods, the lack of authoritative per-student cost data prevents the public from fully understanding institutional burdens. This creates a disconnect between cost-sharing expectations and credible data. Recent years have seen substantial increases in China's per capita income and price indices, driving up higher education costs. According to the Ministry of Education's annual statistics on national education expenditure, per-student budgeted operational expenses for regular colleges and universities rose from 7,577.71 yuan in 2008 to 20,973.62 yuan in 2018, with an average annual growth rate exceeding 10%. Yet tuition fees remained largely

unchanged during this period. The mismatch between tuition standards and cultivation costs forces institutions to rely more on government funding or local government support. However, these funding sources increasingly widen regional disparities, distorting the national, individual, and societal cost-sharing mechanisms and undermining the fairness of higher education. In August 2018, the General Office of the State Council issued Document No.82 (2018), which further emphasized the need to enhance the efficiency of education funding. The document called for establishing a dynamic adjustment mechanism for tuition fees and improving the cost-sharing mechanism for non-compulsory education. This demonstrates the government's attention to these issues, highlighting the urgent need for colleges and universities to provide cost information to refine the cost-sharing mechanism and improve the effectiveness of fund utilization.

2.3 Accounting Supervision Fails to Meet National Requirements

In recent years, the CPC Central Committee and the State Council have issued directives from multiple perspectives to strengthen cost accounting in administrative and public institutions, emphasizing the modernization of national governance systems and capabilities. The reforms require progress in several areas. First, government accounting systems must be advanced and improved to ensure the accurate calculation of operational expenses and the comprehensive reflection of administrative costs. Second, operators of public utilities and services must disclose their costs as regulated, and pricing authorities must publicly release audit conclusions before setting or adjusting prices. Finally, the general principles emphasize implementing result-oriented approaches, ensuring cost-effectiveness, and strengthening accountability. Colleges and universities lacking cost information cannot provide the financial oversight support needed for these aspects.

3. Ways for Colleges and Universities to Improve Cost Information and Enhance Accounting Supervision

Cost information has become a critical component in enhancing financial oversight within colleges and universities, with growing demands for such data. Following the nationwide government accounting reform implemented in 2019, these institutions now possess the accounting infrastructure to provide cost information. In August 2019, the Ministry of Finance released the "Basic Guidelines for Cost Accounting in Administrative and Public Institutions" (Draft for Comments), which explicitly states that cost information is essential for controlling administrative expenses, setting public service or product pricing, improving budget performance evaluation, and optimizing resource allocation. To achieve these objectives, cost accounting has become a vital element of financial management in public institutions. Through these guidelines, colleges and universities can refine cost information in several key areas to strengthen financial oversight:

3.1 Providing Information on Administrative Cost Control

Colleges and universities have established comprehensive regulations governing travel expenses, hospitality costs, and overseas expenditures in accordance with national policies, significantly enhancing the transparency and standardization of administrative costs. This foundational framework enables the provision of detailed administrative cost data. Beyond these core expenditures, standard costing methods can be applied to office supplies and equipment. By establishing uniform cost standards through statutory frameworks and staffing quotas, institutions can generate standardized administrative cost information. The disclosure of such data not only improves public comprehension of financial reports but also strengthens governmental oversight of fiscal fund usage-particularly in supervising the three public expenditures (official receptions,

official vehicles, and official overseas trips)-thereby elevating the societal capacity for financial accountability.

3.2 Exploring the Cost Information of Public Services (Products)

Colleges and universities operate across sectors including science, technology, culture, healthcare, and sports, providing public service products that support social development and meet public needs. In recent years, China has advanced reforms in public institutions, advocating for a harmonious public service system that encourages greater participation from private enterprises and social organizations. To balance economic interests among stakeholders, the government requires effective management of public service pricing to maintain reasonable levels. While pursuing social benefits, colleges and universities must determine pricing based on the actual costs of public service products to ensure sustainable development and a virtuous cycle in the social service system. This necessitates establishing clear cost accounting methods for public services, selecting appropriate cost calculation approaches, and analyzing cost components. Specifically, institutions should identify the expenses attributable to each public service product, directly allocating them to total costs according to corresponding cost categories. For expenses not directly included in total costs, reasonable allocation standards such as causality and benefit principles must be applied to distribute them into product costs.

Colleges and universities provide professional and objective cost data for public services (products), which serves as crucial policy references for government pricing authorities, significantly mitigating the negative impacts of public service pricing. By utilizing this cost information, institutions can conduct both horizontal comparisons-analyzing costs of similar public services across comparable institutions-and vertical comparisons-evaluating cost variations of the same services over time within their own organization. This approach helps identify management loopholes, optimize cost control, enhance the efficiency of fund allocation, improve the effectiveness of government resource investment, and strengthen financial oversight in relevant areas.

3.3 Strengthening the Application of Cost Information in Budget Performance and Resource Allocation

To address the prevalent mindset in fiscal resource allocation that prioritizes input over management and expenditure over performance, and to enhance the quality of public services, the Chinese government has increasingly emphasized performance-based fund management. The State Council has issued guidelines on the comprehensive implementation of budget performance management, and colleges and universities have also begun adopting this approach. Cost information serves as a fundamental indicator for performance management. Colleges and universities should fully leverage cost data to price public services (products) based on local economic conditions, set target costs, and organize production processes around these targets. This approach not only effectively reduces costs but also continuously improves budget performance management.

Through budget performance management, supervisory authorities can conduct scientific evaluations of colleges and universities' budget performance by analyzing cost data and comprehensively assessing the social benefits of public services (products) alongside local fiscal conditions. This enables universities to optimize resource allocation, effectively preventing underfunded services due to low costs or excessive expenditures that waste public funds. Through rational resource distribution, institutions can deliver higher-quality services to the public.

4. Conclusion

In the modernization of higher education governance, accounting supervision serves as a critical component in resource allocation and risk management, playing a vital role in safeguarding fiscal fund security and optimizing educational investment structures. Currently, colleges and universities face challenges in financial and accounting supervision, particularly the lack of comprehensive cost information, which necessitates the establishment of a robust information system. This paper proposes enhancing administrative cost accounting, providing cost data for public services (products), and exploring the application of cost information in budget performance and resource allocation. These measures will continuously improve the financial and accounting supervision system, advancing colleges and universities toward more sophisticated intelligent governance.

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