

QUALITY INTEGRATION OF THE EDUCATIONAL PROCESS IN THE ACCOUNTING AND FINANCING OF THE ROMANIAN UNIVERSITIES - INTERESTS AND LIMITS

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ABSTRACT: *The mission of Higher Education is to meet the specific needs of education and professional training of the citizens and also the needs of social-economic development of local and national communities. Universities carry out their mission only on the condition that they meet these needs to a quality standard which allows the individual and the society to become successful in a competitive and globalized environment. The present study intends to capture the relevant aspects of the integration mechanism of the quality of the educational process into the accounting and financing of Higher Education institutions.*

KEY WORDS: *quality, Higher Education, accounting, financing.*

JEL CLASSIFICATION: *H83, I22, M41.*

1. INTRODUCTION

Integrating the quality of the educational process into the accounting and financing of the State Higher Education institutions is both a requirement and a necessary approach in ensuring their development and sustainability. The pretentious, demanding and difficult character of the concept of “integrating the quality of the educational process” is determined by the need to ensure its quality and permanent development. Universities must take responsibility by ensuring the quality of their own services; it is the only way they can obtain the confidence of the society in their ability to meet the demands and expectations.

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Then, the intensification of the approach on quality in universities is an action whose purpose is the orientation towards performance and competitiveness increase, towards academic excellence, that is to ensure the qualification of graduates to the highest level required by a labor market in constant competitiveness and transformation.

In Romania, according to current regulations, ensuring the quality of educational services is the responsibility of each and only Higher Education institution. The quality assurance system defined at universities' level has to integrate both an organizational structure and a set of rules and principles regarding the policies, strategies applied to ensure quality, methodologies related to students' assessment, to the approval, monitoring and evaluation of the curricula, of the qualifications received, of the resources used in the learning process. Considering these requirements defined at national level and taking into account the strategies set on medium and long term, the Higher Education institutions in Romania wish to get noticed among the prestigious universities at international level, the management of the universities granting particular importance on ensuring the quality of educational and scientific research services.

2. HIGHER EDUCATION QUALITY – THE E.U. STRATEGIC CONCERN

Higher Education in Romania gets integrated into the process of development of the European Area of Higher Education, a process whose milestones were marked especially by the Bologna Declaration, significant results have already been achieved towards the compatibility with the educational system in the European Union countries.

The quality of Higher Education represents a permanent goal for the whole European community of Higher Education, a strategic concern of essential importance for the future of the entire society. *The Europe 2020 Strategy* is of extremely importance and relevance regarding the development and, especially, the modernization of Higher Education systems in Europe, "...its emblematic initiatives and the new integrated orientations have placed knowledge in the center of the Union's efforts to reach a smart, sustainable and favorable increase for inclusion" (Nica P., 2000). In this respect, for the multi annual financial framework 2014 - 2020, they propose a significant growth of the budget allocated to the institutions in education, research and innovation.

As crucial partners in achieving the strategy of the European Union to stimulate and maintain the economic growth, the Higher Education institutions, their connections with research and innovation, play a fundamental role in the progress of the individuals and society. In the same context, the Higher Education institutions provide the creation of high qualified human capital, the creation of participatory citizens that the European Union needs to create new jobs, economic growth and prosperity. Nevertheless, the potential of the Higher Education institutions in Europe to fulfill their role in society and to contribute to the prosperity of Europe remains unexploited. Consequently, Europe needs a wide diversity of the Higher Education institutions and each of them must aim at reaching excellence according to their

mission and strategic priorities. Each Member State bears the responsibility for achieving the reforms in Higher Education, an effort which should be achieved together with the institutions of Higher Education.

For a smart, sustainable and inclusive development, the European systems of Higher Education will make reforms in key areas, such as: increasing the number of Higher Education graduates at all levels; enhancing the quality and relevance of human capital development in Higher Education; increasing the governing and financing mechanisms in support of excellence; consolidating the knowledge trinomial between education, research and organizations. To all these, the international mobility of students, of researchers and of personnel and the growth of Higher Education internalization have a strong impact on quality and affect each and every of these key areas. The working paper submitted by the Commission, *Europe 2020 Strategy*, includes:

- ***Important aspects for Member States and educational institutions:*** the increase of the level of education to form the graduates and researchers that Europe needs; improving the quality and relevance of Higher Education; increasing quality through mobility and cross-border cooperation; creating a connection between Higher Education, research and business to promote excellence and regional development; improving the governing and funding of Higher Education;
- ***The specific measures that the European Union will adopt:*** supporting the reform by data on initiatives, analysis and transparency; promoting mobility; placing Higher Education at the center of innovation, job creation and the ability of professional insertion; supporting the internalization of the European Higher Education; consolidating the impact on the long-term and supplementation of funding of the European Union; following the stages to a smart, sustainable and favorable to inclusion European Higher Education.

2. QUALITY IN HIGHER EDUCATION. THE FOUNDATIONS OF MEASURING THE QUALITY OF THE EDUCATIONAL PROCESS

As compared to those presented by the European Commission in Europe 2020 Strategy, we can state that Higher Education, the modern, effective European Higher Education systems represent the basis of an open, confident and sustainable society, as well as of a creative, innovative, entrepreneurial and knowledge-based economy. The joint efforts of the Member State authorities, of all interested parties and of the European Union will be essential in achieving the goals set and will lay at the basis of Europe's global success. Academics under Professor Petra van Dijk from Rotterdam University have had a crucial role in defining the quality of Higher Education institutions by issuing a **guide for quality assessment**, in which they have established six dimensions of the quality in Higher education institutions (Nica P., 2000):

- ***Legal dimension:*** aims at the extent to which, within the university, legal regulations and procedures specific to Higher Education institutions are implemented;

- **Professional dimension:** aims at harmonizing the activity of the teaching process with the standards stipulated and accepted for each domain and specialization of Higher Education;
- **Economic dimension:** aims at achieving the educational processes with a certain level of expenses, materialized in costs, time, equipment and personnel;
- **The graduates' wishes, requirements:** aim at the extent to which services are in accordance with the clients' hopes, expectations and personal needs;
- **Labor market:** aims at the ability of Higher Education institutions to rapidly comply with the requirements of the labor market;
- **Organizational development:** aims at the extent to which Higher Education institutions are able to develop and implement organizational strategies in accordance with the requirements and objectives of the educational system.

The dimensions related above can be harmonized with the requirements of ensuring the quality of the Romanian Higher Education which, more or less, may find themselves in the position of being measured or not. From this perspective we further on present our point of view regarding the measurement of the quality of Higher Education. Under the circumstances already presented, we state that our study sets out on the path of normative regulations and specific procedures of institutional evaluation on domains and specializations which, from the point of view of accounting as a primary source of information, can be partially measured. Its continuation is materialized through the deployment of the educational process in accordance with the professional standards set on fields and specializations, a stage which, from the point of view of accounting, we believe it to be unfathomable.

The economic dimension of our path is achieved through the objectives of education with a certain level of expenses materialized by costs, time, equipment and personnel which, in terms of accounting, is measurable. The satisfactions, hopes, requirements, wishes and personal needs is the stage, very important for our educational route, where the services offered by the institution must meet with the customers' expectations and which, we also believe that from the point of view of accounting, is measurable.

The ability of Higher Education institutions to adapt as quickly as possible to the requirements of the labor market by training graduates for professions asked for by this market is also important for our route. In this context we believe that by organizing and managing the management accounting, this point of our route is partially measurable.

Finally, the organizational dimension is an essential component in ensuring quality, at least from the managerial accounting perspective, as a terminal point of our route through which the Higher Education institution must be able to develop and implement strategies in accordance with the requirements and objectives of the entire educational system.

All these stages of the quality and performance of Higher Education can receive, based on the information they provide the measurable or unfathomable character and can be captured in accounting through the functions, principles, conventions and effective records and, later on, can be presented to the information users.

Going further, we can state that through its methods, its goals - of providing general, practical and useful information, analytic information, through its tools and procedures, accounting can represent, even if no all stages of the route are measurable, a source of storage of this information which can be used when developing the works of synthesis and accounting reporting, for any period of time they are requested.

The educational process is, according to many specialists, a quality service that the Higher Education institution provides to students and society. The result of this service is the formation of the future specialist (the graduate) in their double qualification of participant to the educational process and of direct beneficiary of this process. In the approach of the quality of Higher Education, the human factor is also essential, the main factor that determines the success of a program for the implementation of the quality system, the cultural and mentality components becoming essential in such an endeavor. Taking responsibility for the quality of their own performance by the entire personnel can be totally achieved in an environment where there is and operates a recognition and promotion system that motivates performance.

In conducting the educational and scientific research processes, universities promote the following *basic principles of quality management*, according to the current trends at European and international level:

- ***Focusing on the customer and on the other interested parties:*** the university should identify the present and future requirements of its customers and of the other interested parties, ensuring their full satisfaction;
- ***Leadership,*** which includes: establishing a clear vision of the future of the university; a proactive attitude and personal example; understanding the changes in the external environment and providing a response to these changes; fostering a climate of trust between the members of the university community; encouraging and appreciating the contribution of each person; promoting an open and honest communication;
- ***Staff involvement,*** which includes: upgrading the competencies, knowledge and experience in the relationship with the customers and the other interested parties; sharing knowledge and experience within the teams of each functional entity; assuming responsibility for problems solving; active involvement in identifying improvement opportunities; developing a creative spirit in defining the future goals of the university;
- ***Process approach of all activities,*** through: the identification of all input and output data of all activities; identification of activities' interfaces with functional entities; evaluation of possible risks, of consequences and of the impact of activities on customers and on other interested parties in relation with the respective activities; clearly establishing the responsibilities and authority regarding the management of processes;
- ***The systemic approach in management,*** through: the integration of processes involved in the relationship with the customers and other parties involved with the ones corresponding to the activities from inside the university (starting with the definition of requirements regarding the management, the identification and assurance of all necessary resources, the deployment of processes and onto the analysis and evaluation of results). The evaluation and analysis of results is carried

out by the management of the functional entities of the university in order to identify the possibilities of quality improvement of the educational services provided;

- **Continuous improvement of educational and scientific research processes**, through: continuous quality improvement of all processes; periodical evaluation of all settled evaluation criteria to identify the areas where improvement should be made; continuous improvement of the effectiveness and efficiency of all the processes of the university; promotion of the activities based on prevention; recognition of the results obtained by each member of the university community;
- **Data argumentation of the management's decisions**, by: ensuring an efficient system of data and information collection, data which is considered as relevant for the goals set; taking the necessary measures so as the data and information be clear, available and accessible enough; analyzing data and information by using proper methods.

3. EVALUATING THE QUALITY OF THE STUDY PROGRAMS AND OF THE EDUCATIONAL INSTITUTIONS IN ROMANIA

The evaluation of the study programs and of the Higher Education institutions is carried out based on a *Methodology of External Evaluation* (ARACIS, 2011) which contains reference standards/benchmarks and performance indicators, developed by *the Romanian Agency for Quality Assurance in Higher Education (ARACIS)*. The Agency's methodology defines and explains the procedures in *Guides of the assessment activities, such as:*

- ✓ Temporary authorization for the Bachelor and Master programs;
- ✓ Accreditation of Bachelor and Master programs;
- ✓ External assessment of quality for accreditation at institutional level; ;
- ✓ Regular external assessment of quality at institutional level of the accredited Higher Education institutions;
- ✓ External evaluation of the departments for teacher training and training in the institutions of Higher Education;
- ✓ External evaluation of the departments and of the study programs for distance and part-time Higher Education.

In this context, a remark should be made regarding two issues of specific interest approached, one referring to quality standards and the other to the institutional culture of quality. The normalization of the issues on external evaluation identifies the fields and criteria of quality assurance on three generic levels regarding:

- A. The institutional capacity**, with *criteria* referring to:
- a1. Management component;
 - a2. Administrative component;
 - a3. Institutional structures;
 - a4. Facilities granted;
 - a5. Human resources.
- B. The effectiveness of the education process**, with *criteria* referring to:
- b1. The content of study programs;

- b2. The results of learning;
- b3. The research activities;
- b4. The financial activities.

C. *Quality management*, with *criteria* referring to:

- c1. Analysis of the strategies and quality assurance procedures;
- c2. Procedures for initiating, monitoring and reviewing of curricula;
- c3. Objective and transparent procedures of assessing the learning outcomes;
- c4. Regular assessment of professors;
- c5. Accessibility of learning resources, database on internal quality assurance;
- c6. Performance of quality assurance structures;
- c7. Information transparency regarding the Higher Education institution.

The description of quality requirements of a Higher Education institution is made through *standards, reference standards and performance indicators*. Standards define the minimum level required to achieve an activity in Higher Education and they are materialized in a set of performance indicators. Reference standards are the standards which define the optimal level to achieve academic activities based on the good practices in Higher Education at national and international levels. Performance indicators are the tools to measure the achievement of an activity in Higher Education by referring it to a standard. They can range from an acceptable minimum and a maximum that can be identified. The minimum level of a performance indicator meets the requirements of a standard, and the maximum level corresponds to a reference standard, they are optional and they progressively differentiate the quality in Higher Education.

The external evaluation of some study programs or institutions in Higher Education in order to receive *temporary operating authorization, accreditation or periodic evaluation* is done based on the minimum levels of standards and performance indicators. In the event of a finding by external evaluators of some maximal levels of standards and performance indicators, their conclusions lead to the award of a superior quality grade which influences the ranking of curricula and of the institution in the classifications at national level. Quality assurance in the Higher Education in Romania is based on the criteria, standards and performance indicators that are used by the ARACIS and the institutions of Higher Education to:

- *A reference basis in the quality management of Higher Education;*
- *Build the information and database that can be used to track and demonstrate the status of quality assurance in Higher Education;*
- *Carry out the process of assessment and external assurance of quality by the ARACIS for the accreditation and development of a quality culture in this area.*

There are correspondences between the activities and structure of Higher Education institutions and the requirements related to standards, reference standards and performance indicators and these correspondences are triggered by the relationships between criteria, standards and performance indicators. The criteria relate to each of the three domains established by the law, representing fundamental aspects of organization and operation of the Higher Education institution.

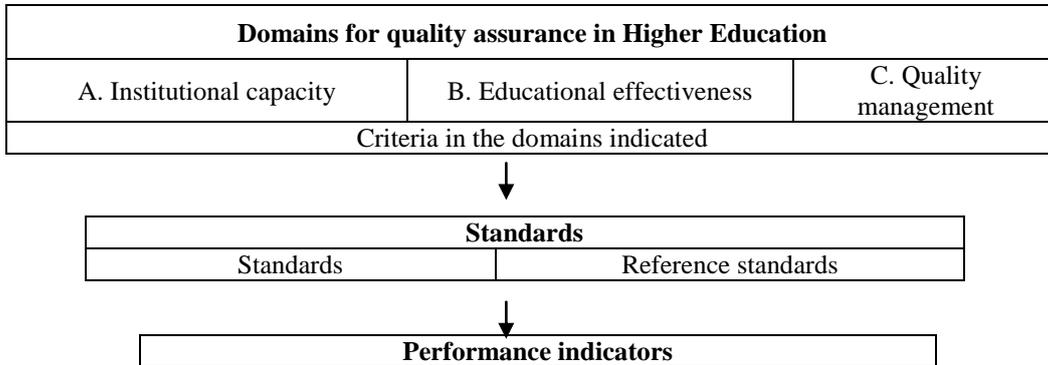


Figure 1. Relationships interdependence

4. THE LIMITS OF QUALITY INTEGRATION IN THE ACCOUNTING AND FINANCING OF HIGHER EDUCATION INSTITUTIONS

The difficulty in approaching the issue on “the integration of the quality of educational process” is determined by the very limits the accounting of public institutions has in this regard.

First of all, we can state that reflecting the qualitative aspects of the educational process in accounting is materialized only by a quantitative expression without directly pointing out the quality of this process. This can only be noticed when in the income accounts of the university they collect much greater or more reduced amounts from budgetary allocations as compared to the ones intended for the basic funding, determined by the number of the equivalent students and the unit average cost per equivalent student.

Secondly, the current plan of accounts used in the accounting of public institutions, as a result of the normative character, comprises accounts whose economic content limits the possibilities to reflect the quality of the educational process. In this context, we show that the practice of the universities are based on registering all revenues obtained from the learning and scientific research activities in the account “Income from works performed and services rendered”, symbol 751 (Order No. 2021/2013), without differentiating them on nature and source of training. This restricts the possibility of the users of accounting information to carry out analyses, studies and research on the quality of the educational process.

Thirdly, the information provided by the financial statements, drawn out periodically by the institutions of Higher Education, must be complete, up to the limit of significance, in order to be credible. As such, any omission can render the information to be false, not to become credible and to be defective from the standpoint of relevance.

Fourthly, despite the usefulness of the information provided by the financial statements, we must mention some of the limitations regarding their relevance and credibility:

- ***In order to achieve a balance between relevance and credibility***, the fundamental reason taken into account when preparing the financial statements is represented by an adequate satisfaction of the users' needs in the process of adopting economic decisions. This is feasible only if the provision of economic information occurs at the normalized deadlines, without any undue delays which could affect relevance and credibility;
- ***The cost – benefit report***, according to which the benefits generated by the use of information from financial statements must overtake the costs occurred from the preparation and delivery of economic information. If other users can enjoy the benefits generated from the use of information, this does not happen when we talk about costs bearing. These costs are borne by all information beneficiaries and, consequently, we appreciate that the evaluation of benefits and costs offered by the financial statements is rather the result of a professional judgment, which is why we ask for prudence and professionalism in carrying out these assessments;
- ***The need to ensure a balance between the qualitative characteristics*** of the financial statements is determined by the practice in the area so that the objective of the financial statements should be met in all of its claims. Therefore, the relative importance of the qualitative characteristics provided by the financial statements on various occasions is an issue reasoned professionally;
- The main feature that the financial statements should present is given by ***the true and fair view*** of the financial position, of the performance and of the modifications of the firm's financial position, of the public institution. In this respect, the application of the qualitative features and of the accounting standards should normally have as a result the preparation of some financial statements which should generally reflect a true and fair view of the respective institution.

5. CONCLUSIONS

The funding of Higher Education, the evolution of funding mechanisms had a historical route determined by the state's policy in the educational field, by "the health" of the national economy, by the annual budget laws where the levels of the gross Domestic Product (GDP) granted to education are specified and by the real costs of education, in general, and of Higher Education in particular. The mechanisms which finance Higher Education have undergone a series of transformations, especially during ante- and post-adherence, when global funding together with its components, *basic funding and complementary funding*, and these transformations had a series of implications on the management of budgetary resources and own revenues. With the emergence of the new law of education, the funding of Higher Education received a new component, namely *additional funding* determined by the classification of universities and ranking of universities' curricula, by the organization of programs for master and doctorate in science and advanced technologies, by the Higher Education institutions' assumption of playing a more active role in the external, local and regional environment.

By introducing *the qualitative component* in the way of granting budgetary allocations to basic funding, Higher Education institutions may receive additions or reductions of these allowances just as the university quality and performance, evaluated via quality indicators, find themselves at higher or lower levels. Apart from the above presented, we can state that the funding system of Higher Education is at the same time *the cause and effect* of the quality of the educational process, that is when ensuring qualitative and competitive Higher Education assessed by criteria, standards, performance standards and quality indicators, universities may receive allowances superior or inferior to the ones available.

The mechanism of funding the State Higher Education in Romania has demonstrated the importance of meeting the minimal standards of quality indicators which condition the allocation of resources from public funds destined to basic and additional funding (Law No. 1/2011), by the qualitative component. We can state that, during our scientific approach in analyzing the data and information considered in order to validate our assumptions, *the mechanism of funding Higher Education represents the cause and effect of the quality of Higher Education process*. Based on the scientific research conducted, we present in a graph in figure no. 2 the causal link between the quality of the Higher Education process, the funding of the State Higher Education in our country, the accounting system and the quality assurance of the education process.

The academic quality is an essential requirement for the organization, operation and development of education and research, fundamental activities of Higher Education institutions. In order to stimulate and develop a pro-quality culture in the academic environment, we consider it is necessary to identify mechanisms and tools to ensure the integrity of quality in the accounting and finance processes of these education institutions.

In this context we think that the mechanism of integrating quality in financing should include a set of indicators which would help measuring the quality of the educational, development and research process and which should lay at the basis of differentiated funding of Higher Education from public funds, in relation to the performance and excellence obtained by each institution in the quality, excellence and performance fields.

Besides the set of indicators, we consider as necessary the revision of significance coefficients of each indicator's weight in the final assessment, so that the percentage rate corresponding to the core funding should be obtained. Moreover, in order to stimulate and reward the universities that achieve particular result in the quality field, we suggest that the funds allocated based on the *quality indicators* be distributed only to the universities which have achieved quality indicators above the national average. Regarding the integration of quality in the organization and management of accounting, the mechanism and tool of implementation lie in the organization and management of accounting by using the income accounts where the value aspects generated by the quality of the educational process be reflected.

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