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CONCEPTUAL FOUNDATIONS OF ORGANISING ACCOUNTING IN PRIVATE HIGHER EDUCATION INSTITUTIONS

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Abstract

The thesis examines the conceptual foundations of organising accounting in private higher education institutions. Three conceptual questions that determine the design of the accounting system are identified — the object, the measurement logic and the accountability addressee — and the organisational decisions arising from each are substantiated. The design sequence, running backwards from the required disclosure to the chart of accounts, is proposed as the practical expression of these conceptual choices.

Keywords: private higher education institution, conceptual foundations, accounting object, measurement logic, accountability, contract liability, funding sources, design sequence.

Private higher education institutions occupy an intermediate position in accounting terms. Legally they are commercial organisations subject to general accounting requirements. Economically their activity resembles that of a service-providing public institution: the product is an intangible service delivered over several years, financing comes from multiple sources with different conditions attached, and accountability extends well beyond owners and creditors.

This intermediate position means that the accounting system cannot be designed by analogy. Copying the practice of a trading company removes all information about educational activity; copying the practice of a state-financed institution distorts the recognition of commercial revenue. Organising accounting in such an entity therefore requires answers to three conceptual questions before any practical decision is made.

The first question concerns the object

What exactly is being accounted for — a sold service, an executed contract or a delivered educational programme? The answer determines the unit of analysis and, consequently, the structure of analytical accounting. If the object is the contract, the contract identifier becomes the key analytical attribute and the system is built around it: revenue, receivables and contract liabilities are all traced through this identifier. If the object is the programme, the field of education becomes the primary dimension, and costs and results are accumulated accordingly.

The study substantiates a dual object. Revenue, receivables and contract liabilities arise from individual contracts and are therefore accounted for at contract level. Costs and financial results, by contrast, are meaningful at the level of the educational programme, since resources are consumed by programmes rather than by individual students. The two objects are connected through a common analytical code, which allows contract-level data to be aggregated into programme-level results without a separate reconciliation.

The second question concerns the measurement logic

Payment for tuition is normally received before the service is delivered. Recognising revenue on receipt produces a financial result that fluctuates with the payment calendar rather than with the educational activity: profit rises sharply in months when instalments fall due and disappears in months when teaching continues without payment. Applying the logic of IFRS 15 — recognising revenue as the performance obligation is satisfied over the academic period and presenting amounts received in advance as contract liabilities — aligns the reported result with the activity that generates it.

This is a conceptual choice rather than a technical one, since it determines the meaning of every reported profit figure. It also has consequences beyond the income statement: the contract liability becomes one of the largest items in the statement of financial position, and its size is itself informative, showing how much service the institution still owes to its students.

The third question concerns the accountability addressee

A commercial entity reports primarily to owners and creditors. A private higher education institution reports additionally to students and their families, to the regulator and to accrediting bodies. Each addressee needs different information: founders are concerned with return and capital adequacy; students and families with the stability of the institution and the use of the fees paid; the regulator and accreditors with the resources devoted to teaching and research. This multiplicity expands the disclosure set well beyond the standard commercial minimum and, in turn, determines which analytical dimensions the accounting system must carry.

The answers to these three questions translate into organisational decisions (Table 1).

Table 1. Conceptual questions and the corresponding organisational decisions

Conceptual question	Answer adopted	Organisational decision
What is the object of accounting?	Contract and field of education (dual object)	Contract identifier and field code as mandatory attributes
How is revenue measured?	Over the period of service delivery	Contract liability account; formal period-closing procedure
How are funding sources treated?	By economic substance, not by designation	Classification test recorded in the accounting policy
How are assets classified?	By technical type and functional purpose	Functional group as a mandatory asset attribute
How are costs accumulated?	By field of education and responsibility centre	Multidimensional cost attributes; documented allocation bases
Who are the addressees of reporting?	Founders, students, regulator, accreditors	Extended set of sector-specific notes

Source: developed by the author.

The design sequence

A further conceptual point concerns the order in which the system is built. The accounting system should be designed backwards from the required disclosure: first the information the addressees need, then the analytical dimensions that produce it, then the chart of accounts that carries those dimensions, and finally the control procedures that assure it (Table 2).

Table 2. Design sequence and the consequence of reversing it

Step	Content	Consequence if omitted
1. Disclosure requirements	Determine what each addressee needs to know	Reporting limited to the statutory minimum
2. Analytical dimensions	Derive the dimensions required to produce that information	Data assembled manually at each reporting date
3. Chart of accounts	Build sub-accounts carrying those dimensions	Required dimension absent and irrecoverable later
4. Control procedures	Reconciliation, targeted-funds control, traceability testing	Figures unverifiable; disclosure unsupported

Source: developed by the author.

In practice the reverse sequence prevails: the chart of accounts is taken from the software template and the reporting is limited to whatever that template yields. The critical point is that this reversal is not recoverable. Where a required dimension is absent from the records, it cannot be reconstructed at the reporting date — the underlying transactions have already been recorded without it.

Limitations

Two cautions should be noted. First, expanding the analytical structure raises the cost of maintaining the records, so each dimension should be justified by a specific disclosure position rather than added for completeness. Second, the conceptual choices described here presuppose that contract and enrolment data are reliable and available to the accounting function; where the student information system is maintained separately and is not integrated, the measurement logic cannot be applied consistently.

Conclusion

Organising accounting in a private higher education institution is a conceptual task before it is a technical one. The object, the measurement logic and the accountability addressees must be defined explicitly, and the accounting system must then be designed backwards from the disclosure required.

Practical recommendations: adopt the contract and the field of education as dual accounting objects connected by a common analytical code; recognise tuition revenue over the period of delivery and present advance payments as contract liabilities; classify funding sources by economic substance; record the functional purpose of every long-term asset; design the chart of accounts from the disclosure requirements rather than from the software template; and justify every analytical dimension by the reporting position it supports.

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