The Study on University Financial Management under Knowledge Economy

Xu Yongfan
Nanyang Institute of Technology
Nanyang, China 473004
xuyongfan23423@163.com

Abstract

The coming of knowledge economy creates unprecedented situation of economy development. The trend of education's globalization as well as communication means frequently updated severely hit the system of financial management. Along with the deep going of education industrialization, and development of logistics management socialization, system and content of university financial management are increasingly expending and getting more and more complex that result in new challenge and problems to financial management. In order to step up with university development of internationalization and the logistics development of socialization, the financial management has to reform in response to this new challenge and trend.

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1. Introduction

This paper analyses the new situation of university financial management in the era of knowledge economy. On basis of the new situation, the paper shows and analyses new problems in present university financial management as well as the countermeasure in order to accustom to the development of university and the times. Only in this way is capable to fulfill not only the basic requirements but the requirements in new era of knowledge economy. In the 21st century, financial management theory and method have been greatly changing and improving with impact hit by economy globalization, knowledge economy and electronic commerce. Thus it's of practical significance to carry out research on the challenge and countermeasures of university financial management in the era of knowledge economy for perfecting management system and for preventing financial risks.
2. SUMMARY OF REFERENCES

Based on new situation of university financial management, experts including Hou Shanqin pointed out the lack of decisiveness power and shortness of financial analysis capability, while Liu Jin proposed creative thoughts of university financial management. Chen Yijun also analyzed new characteristics of financial work in the process of economy development. Experts, scholars of related domain, and professional financial staff have carried out quite a lot of meetings and researches in consideration of reimbursement principles and irrelevance between economy activities and business activities. For example, Wang Xiaoli from Dong bei University of Finance & Economics has studied the effectiveness of original voucher auditing in the university financial accounting; Bao Lihua from Zhejiang University has studied how to improve the supervision and service function on the university accounting auditing. They exert some influence on advancing university financial management. But many suggestions are brought out with different perspectives which are incomplete, lack of theory support and not systematic.

This paper studies the university financial management in perspectives of knowledge economy in the new era. Combined with formers' outstanding achievements and standpoint of financial management theory, new task and problems are stressed with origins and causes of problems' formation. And then, the countermeasures are brought out.

3. CHARACTERISTICS OF KNOWLEDGE ECONOMY AND NEW SITUATION OF UNIVERSITY FINANCIAL FINANCE

3.1 Characteristics of knowledge economy

Based on present various perspectives of knowledge economy with concepts from 'The Knowledge – Based Economy', published by OECD derives the definition that knowledge economy is an economy based on knowledge, which is established over the production, storage, assignment and usage of information and knowledge, while the scientific technology of which serves as a key. So knowledge here, as a core, is the most significant characteristic of economy formation.

The first element in this economy formation is intelligent resources and intangible asset. Intelligent resource is included in the first element because talents, the amount of knowledge not only creates value much faster but creates more and various value than that from practical resources. Knowledge economy, with high-tech as key resources support, is built on the pillars of high-tech industrialization. It infuses incommensurable energy and motivation that any other earlier economy formations were not capable to achieve. This characteristic signifies that knowledge production is basis living condition for industries of various domains. The speed of knowledge production is determined by virtues of the development of high-tech including multimedia, network and computers. The application of these tools will greatly speed up the knowledge production. Only these tools mastered can help catch up with the development of super express in such times. University, especially those representing high-tech frontiers, should apply these tools to perfect financial system and principles and make university blend into knowledge economy as to help develop university stand in forefront in the development of times. Therefore, it's of great significance in speeding up the development of university and in helping prevent financial risks based on deep understandings of background and new situations of university financial management.

3.2 New situation of university finance based on knowledge economy

First comes to the economy globalization and university financial management. Our country is facing a much opener and more market zed world with integration of world economy. International
communication and cooperation of various domains is widely infused into financial investment, trade, enterprises nationalization and education nationalization. Therefore, basing practice, it's important for university of higher education to set up financial concept of globalization and to give a globe outlook of world market, thus taking financial globalization as a chance to keep expending capital and investment channels, enhance international competitiveness and increase capital running effectiveness and benefit.

Second, as economy integration in our country is developing, university are facing new situations of all around promoted internationalization. In actual university financial reimbursement policy, some standards of reimbursement are low without adapting to new styles of economy growing and seriously restrain the development of university financial reimbursement. Based on comparative analysis approach, differences between areas and levels are analyzed in the economy activity in order to put forward an effective and operational suggestion of reforming the present financial reimbursement standards that are not in accordance with economy development. And the countermeasures and policies to resolve the irrelevance between university business activity and economy activity are explored, providing ways for improving present university financial reimbursement policy advanced with the times, bringing fresh ideas of corresponding reform and helping develop financial reimbursement staff healthily.

At present, use efficiency of university capital in budget is low, manifested mainly as the temporary payment amount of balance settlement for reimbursement is big; long cycle of contingency advance with difficult recovery; year-by-year increasing material inventory taking quite a appropriation of capital. Some of temporary payment is not able to recover for many aspects of causes. Therefore, it's prerequisite of improving capital management of account settlement and reforming overall ordinance or related policy in order to make use efficiency of capital in budget exert effect. After 1990s of 20th century, university financial management mode was converted from a highly concentrated one adapting planning economy system to the one that integrated with concentrated and classified mode adapting market economy. As our country' market economy develops and university education system reforms, the sources of education capital gradually develops from simple financial allocation or head of department allocation into ways in which national financial allocation is main including diversified ways of raising education capital. Types of revenues and expenditures also develop from simple governmental units' revenues and expenditures into more complex business accounting where department and branches serve as units. The economic calculation also changes greatly. University financial activities present new characteristics with diversified ways of capital raisings. Besides economy activities of basic requirements for teaching and technology development, there are independent accounting ones of enterprises and commerce, which makes conflicts in capital even sharper.

The application of multimedia technology is the most significant characteristic in such an economy formation, Based on knowledge economy, speed of information transmission and its way is far superior to that of any other economy formations before. As university financial management system collects important resources and information, it's important to apply high-tech technology and related software to well manage financial information and data. So university are facing new situation to strengthen scientific of financial management and to help prevent financial risks. University financial department should input enough financial and material resources to accustom to changes with the times of knowledge economy thus strengthening scientific and specialization.

## 4. NEW PROBLEMS AND ANALYSIS IN UNIVERSITY FINANCIAL MANAGEMENT BASED ON KNOWLEDGE ECONOMY

Market economy develops vigorously with the coming of knowledge economy, while knowledge economy develops result to unprecedented changes on the speed and media of market development. Market economy has connected university with society tightly, so university has to improve education
quality, the construction of hardware and conditions for running. As a result, large amount of capital and highly effective resources allocation are in urgent need, which is basic target of university financial management. If a university is seriously short of capital without basic teaching orders maintained, it's to make impractical or vain efforts to stand out among university. So university management has to focus on financial management, while university reform stresses on financial management reform, thus carrying on overall reform.

4.1 Variety of university capital sources hit financial management

At present, national financial investment is main source of running university. Besides, tuition income, research funds, university industries, and other capital from various circles of society are also important sources of university capital. Though national financial investment is still main source, it's subjectively in urgent need of diversified sources with the development of socialist market economy and higher education in our country. Therefore, it's necessary to reform present university financial management with the aim of adapting to diversified capital sources.

4.2 Complete credit system hits university financial management

Complete credit system lays emphasis on the lowest grade of graduating students that allows advancing or extended graduation, thus making study time of undergraduates uncertain in university. As a result, the head of education department isn't clear about the number of undergraduates. Based on complete credit system, students pay fees according to the credit hours of the subjects. Not also this type of payment increase difficulties of allocating yearly budget, but probably level up the average cost of students. Complete credit system make great uncertainty in tuition incomes and make some entries of tuition incomes delayed. When it comes this, university have to rely on bank loan to tackle with capital which increases cost of capital. What's more, when students are accessible to choose subjects and study schedules of whatever teachers they like or interested in, especially most of them like well-known teachers, ordinary teachers will be unemployed resulting in human resources left unused and extra payment of university staff.

4.3 Logistic socialization hits university financial management

In December of 1999, the state council transmitted the requirements of 6 ministries including ministry of education "to further speed up the reform of higher institutions on the logistic socialization" which aimed to take 3 years to basically realize university logistic socialization, set up a logistic new type of support system with Chinese and university characteristics in most regions. Then, university logistics reform came into operation stage, which had a significant impact on the traditional university management systems, especially the financial management system. In process of logistic socialization, to streamline various financial relationships, standardize accounting auditing and ensure the maintenance and value addition of state assets are tough problems to be resolved for present university financial management. Therefore, it's of urgent task to explore the establishment of a financial management mode in order to not only meet the needs of future development, but also meet the reform requirements of logistic socialization. Only this mode can increase the competiveness and realize highly effective operation of university logistic group.
4.4 Institutional defects exist in the system of university financial management.

At present, a distinctive feature of higher institutions in China is the "absence of owner". Its investors - state (some is the donor) is the nominal owner of the net assets of university, but the assets are not in need of any repayment or economic benefits. So cost auditing is not involved in university accounting and the gains and losses, the allocations of surplus are not calculated which make financial management quite flexible. As head of mangers have the control of signature, they are prone to abuse his authority for personal gains. The basic financial management theory has been demonstrated that it's essential to coordinate the financial activities of enterprises among different benefitting subjects, where the relationship between owners and mangers is particularly obvious. For the owners, the benefit they give up is just what the managers long for. While, for the university, states just invest capital without any financial management, resulting in the absence of owners and defects of effective resource allocation and management.

4.5 Lack of scientific economic decision-making.

The era of knowledge economy propels management department to achieve high efficiency, rationalization and intensification of resource allocations. For the allocation of capital, university management is usually not able to allocate capital from views of overall university and development strategy, not even to proceed in planned and phased allocations for purposes. Further more, the use structure of capital cannot reach the best condition; various information of the economic decision-making always involves subjective perspectives of departments; the importance of the participation of broad masses is always ignored when making decisions; the overlook of economy benefit of capital use resulting to a waste to some degree. Therefore, it's significant to lay emphasis on the scientific and flexibility of decision makings. University economic decision-making is intentionality plan of higher authorities because of the overall consideration of higher subjective department which belongs to the overall macro-management and development plan. As a specific university, to apply a big decision of project must carry out feasibility study based on decision-making process.

5. COUNTERMEASURES TO SOLVE THE PROBLEMS OF UNIVERSITY FINANCIAL MANAGEMENT

5.1 Variety of university capital sources hit financial management

Practice indicates that government plays an important role in a country's investment for higher education. The importance of government in higher education investment system is mainly reflected by not being offside, no vacancy filled, that is being clear about what should be done and what should not be done. Government should not replace the rights and obligations of higher education conducted by private capital. So both public and private university should be allowed existing, non-profit and for-profit representatives of legal entity pattern of running schools should coexist. Based on the explicit of property, rights, responsibilities and obligations, university ownership is able to achieve in multiple forms. In a word, "government-guiding" running school mode with no or little responsibility should be gradually transmitted to the mode in which university has full responsibilities or leadership has most of responsibilities. This transmission of university leadership mode will cause a series changes in thoughts and ideas of running schools, the selection and standard of university leadership, structure and organization of university leadership, the scope of authority, responsibility, execution and practical
operations. In this way, university activities are capable to even match the nature and purposes of higher education activities.

5.2 Positively support diversified capital-raising

The diversification of capital-raising activities with the diversified forms of running schools have been carried out in internal university, which is direction of running system as all university departments should be aware of. So, financial department should make some positive policies to support and encourage the direction. Not only the national financial laws and the related economic policies should be promoted in order to make various forms of running school incomes into correct track, but also help income-generating department set up financial ideology and with all convenience and service. For the allocation system, the old egalitarianism should be broken and distribution distances should be broadened among different departments, where income generating and no-income generating departments are not of the same distribution. That is same to good efficiency and bad efficiency departments. Therefore, it will arouse the passiveness of masses of university staff to participate in various income-generating running activities, thus raising capital to enhance the overall financial resources in running schools.

5.3 To make a reasonable charge basis and charging ways.

Complete credit system increase the flexibility of study time of students in universities, so any extension would result to the increase of teaching costs. From the perspective of the matching principle, students should be responsible for the inevitable costs of related costs. Students, study in different institutions majoring in different professions, will benefit differently after graduation as the ones who study in prestigious universities in hot majors expect higher returns. As a result, the corresponding cost of cultivation increases that makes students responsible for more amounts. So tuitions should consist of two parts where there are tuition for basic professional subjects and tuition for selected subjects based on complete credit system. Tuition for professional subjects is basic fee that students must be responsible for, while tuition for selected subjects is fee determined by total selected grades and per grade fee. The grade fee of the same subject should remain unchanged in different school or among different professions. Universities can charge for fees annually in advance and entirely settle all grades students get before graduation, and return the overcharge and demand payment of the shortage.

5.4 Make logistics services operate based on the rules of market economy

Universities can learn from the experience of foreign universities to let logistics group explore ways of development on their own. For example, university logistic services in France have high level of socialization, where the student canteen, dormitories, libraries and even some recreation and sports centers or employment guidance center are not parts of the university. Only in this way can introduce competition system to increase quality of service and efficiency. So universities can better concentrate on teaching and research, and logistics carry out service in accordance with rules of market economy where they provide mutual assistance and each performs its own function to advance long-term university development.

5.5 Control the liability scale.

National financial allocation is the main source for university capital, and most university is accustomed to free use of capital without repayment. Some universities are lack of understanding for
discharge feeing of bank loans, and lack of the concept of capital costs shortage as well as financial risks. So universities have to set up risk awareness in using bank loans and rationally determine the loan scale and period. University incomes minus expenses reaches cash surplus amount of current year. In consideration of the cash flow factors, the annual amount of capital for repayment is 50% of cash surplus, which is the maximum line of credit of the current year. Load scale, determined by the requirements of university development, divides maximum average annual line of credit in recent years, equals loan period. According to the requirements of prudence principles, university should estimate expenses even more instead of incomes to ensure university financial security.

5.6 In need of the requirements of the times of knowledge economy and properly use high-tech financial application software.

With the levels of computer technology and financial information management rising, financial management software has become an even more important tool for accounting auditing and its management. Good financial software can greatly enhance the working condition and efficiency of financial staff and optimize resources management thus achieving a standardized and scientific management, which is of great significance in improving university financial management.

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