

# **FINANCIAL REPORTING WITHIN A SYSTEM IN EDUCATION INFORMATION**

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## **Abstract**

Since education is an expensive business, money is needed for the payment of staff salaries and allowances, provision of facilities, equipments and maintenance of the same, provision of infrastructure, procurement of instructional materials and provision of basic health facilities. Therefore, the focus of this paper is on financial reporting as the communication of information regarding a governmental units accounting activities. Financial reporting encompasses a broad range of reporting activities. As a result of these, the paper based the discussion on financial information, financial reporting, financial statement components, and users groups, advantages of financial information, users of school finance information, characteristics of financial information. Having exhausted all the points, conclusion was made and finally recommendations were highlighted.

**Keywords: Financial, Reporting, Education, Information.**

## **Introduction**

Societies cannot exist and prosper without adequate and proper education which is seen as an effective instrument for economic growth and national development. However, the issue of the right kind of education is tied up with the problem of financing education. No organization can function effectively without adequate financial resources and accurate information regarding to its management.

Since education is an expensive business, money is needed for the payment of staff salaries and allowances, provision of facilities, equipments and maintenance of the same, provision of infrastructure, procurement of instructional materials and provision of basic health facilities. The

responsibility of financing education rest on the federal and state government including communities and individuals.

The people who provide this money for the smooth running of educational programmes will be interested in knowing how the money is being utilized in order to achieve the set objectives. Therefore, this desire for information on school financial spending is otherwise known as financial reporting. Based on this therefore, the discussion of this topic is centered on concept of finance, financial information, financial reporting, advantages of education information system, users of school financial information and characteristics of financial information.

### **Meaning of Finance**

Odigbo (2001) sees school finance as a means employed to provide for the expenditure involved in the staffing, equipping and maintenance of educational institutions. To provide for educational expenditure, the first thing to do would be to clearly identify what is to be spent on the educational plan. In this context, educational plan includes all the activities, projects and programme considered and recommended as being necessary for the attainment of specific educational goals.

The second step would be the resources plan which is the identification of all the financial resources available and how much money that is expected from each source for the attainment of the educational plan. It is this revenues plan that the expenditure is based. Therefore, the way and manner this money is generated either internally or externally will require proper accounting report.

### **Financial Information**

Financial information is a data such as credit card numbers, credit ratings, account balances and other monetary facts about a person or organization that are used in billing, credit assessment, loan transactions, and other financial activities (AICPA,2016). Financial information is also an open source (non-proprietary) and public domain (free) messaging standard for instant (real time) exchange of electronic data on securities transaction.

### **Financial Reporting**

All users of data are based on accurate, timely and relevant information. Evereth (1996) defines financial reporting as the communication of information regarding a governmental units accounting activities. Financial reporting encompasses a broad range of reporting activities including, but not limited to, presentation of government's annual financial statements, grant applications and related reports, financial information submitted to the state and federal regulatory and granting agencies, budget-to-actual comparison reports, management reporting and other financial reports for internal and external use. The variety of these financial reports is evidence of

the wide demand for financial information from both internal and external users. As a result, the financial information is a variety of formats and levels of details.

ASBOI (2000) states that although, the financial reporting activities of governmental entities, including schools, must fulfill a range of user needs, the paper described it as “Generally Accepted Accounting Principles (GAAPP)” . the outcome of the financial requirements under this GAAPP include:-

1. Management’s Discussion and Analysis (MD and A ) as Required Supplementary Information (RSI).
2. Basic Financial Statement,
  - i. Government-wide financial statement,
  - ii. Fund financial statements
  - iii. Notes to financial statements and
3. Required Supplementary Information other than MD&A.

The basic financial statements and the Required Supplementary information constitute the minimum requirements for external financial statements. GASB statement 34 required new types of financial reporting in response to the various needs of financial statement users. The financial statement components and targeted users are shown in the table below.

**Financial Statement Components and Users Groups**

<b>Financial statement components</b>	<b>Primary user group</b>
Required supplementary information (including MD & A )	Citizenry, Legislation and oversight bodies, financial community.
Government wide financial statements	Citizenry and Legislation
Fund financial statement	Oversight bodies, legislation and financial community

**Source: Government Accounting Statements Board (2001)**

Above all, financial education information is seen as information about education which ranges from staff and students information to financial transactions at the school about facilities and programmes levels.

**Advantages Of Financial Education Information**

The advantages of detailed financial education information is imperative especially when examining the relationship between programme and timely decisions about students, schools and programmes, authentic and complete information must be widely available to the many users of education information, such as the research community, school administrators, school boards, policymakers, school improvement teams, investors and creditors and the entire public. A comprehensive uniform information system about education allows for a complete, accurate and timely display of the distribution and use of resources. It also makes it possible for comparability of educational standard. To this ends therefore, the following are advantages that accrue from financial educational information.

1. It is used for decision-making
2. It helps to identify areas that need specific attention and improvement.
3. It helps to give priority to important goals and avoid inequality in terms of financial allocation.
4. It helps to make timely evaluation of programme. When programme and other information are compiled and linked in a well-designed data-based, the goals of schooling can be met more effectively and efficiently.
5. Financial Education Information is a tool for budgeting control. Making school budget requires all information about the cost of school operations. This will guide the policymakers and administrators to avoid allocating money to unimportant areas.
6. It also helps for easy comparison of achievements of goals between one school and another or between one state education departments operation and another state.
7. It helps in determining the level of compliance with financial related laws, rules and regulations and
8. It assists in evaluating the efficiency and effectiveness of processes and in planning.

### **Users Of School Financial Information**

Expenditure on education is an investment on human resources. Human capital is important factor in economic development, according to John and Morphet (2021), education is both a producers good and consumers good. The aim of education is to improve the quality of human capital and it is known that high human resource enhances economic development. It is imperative that all levels of government, individuals, organizations and educational administrators should develop special interest in financing education. He who provides money for any business must be interested in how the money is spent. So information must meet the needs of those who use it. Users of school finance information may be divided into four major groups, as already mentioned in this paper. they include:

1. Those whom local and state department of education are primarily accountable (i.e. the general public).
2. Those who directly represent the general public (legislative and oversight bodies)
3. Those who perform academic research using education information (education research).

4. Those that lend or participate in the lending process (investors and creditors).

Each of these groups has different needs, but each is concerned with the design and implementation of an education system that is programme oriented and financially effective and efficient.

### **Characteristics Of Financial Information**

ASBOI (2000) outlined the following as the basic characteristics of financial information. They include:

1. The Information should be clear, but not too much simplified. Explanations and interpretations should be included where necessary. This is summarily referred to as “understandability”.
2. Information should be reliable. The information should be verifiable and free from bias. That is to say there should be unfair or impartial reporting.
3. Financial information should be relevant to the purpose for which it is needed.
4. Information about finance should be available as and when required.
5. The financial reports should be consistency. Once a principle or method is adopted, it should be used for all similar events and conditions.
6. Financial Information should make provision for comparison. That is to say procedures and practice should remain the same all over. Comparability allows for judgment between one school financial programme and the other.

### **Conclusion**

Financial reporting .in a system of education information is a means of communicating financial information to users. All four data user groups discussed in the paper are interested in comparing original or modified budgets with actual results. For instance, to assess accountability, citizen as well as legislative and oversight bodies wants to ensure that resources are used in accordance with appropriations. Overspending may indicate poor financial management, weak budgetary practices or uncontrollable and unforeseen circumstance. Under spending may indicate effective financial management that provides the necessary quality and quantity of services within the available appropriations or a decision by management to accumulate a surplus of resources for future use. A comprehensive education information system gives a broad view of budgetary concern, rather than simply a bottom line. Therefore, financial reporting for state and local school systems is intended to assist in the creation of and improvement of a comprehensive data system that results in better academic and fiscal performance in Nigeria’s schools.

### **Recommendations**

The following recommendations could be considered.

1. Cost-effective and timely decisions about students, schools and programmes should be provided to users.

2. Accurate and complete information should be widely available to the many users of education data.
3. States should always revise school funding formulas in all the local governments.
4. There should be emphasis on accountability for a school programme and financial spending.

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