

A Study on Receivables and Prepayments Account Management in College and University Accounting Systems

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Abstract

The effective management of receivables and prepayments is a guarantee for the smooth operation of daily business in colleges and universities. In the references below (Zhang, 2008; Liao, 2011; Gao & Wang, 2011; Xie, 2011) have carried on the analysis to the existing problems of receivables and prepayments management in colleges and universities of China, but their theoretical study is too much and the guidance for the practical operation is not enough. In this paper, we aim at existing problems of receivables and prepayments management in colleges and universities, put the financial system as the core, and let accountants in charge take the main responsibility to realize the full process control system with risk control in advance, monitored execution, sending applications in time, etc in receivables and prepayments management.

Key words: Colleges and universities; Receivables and prepayments; Accountant in charge

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INTRODUCTION

On December 19, 2012, "The Financial System of Higher Education Institutions"¹ issued by the Ministry of

¹ The Financial System of Higher Education Institutions (2012, No. 488) issued by the Ministry of Finance and the Ministry of Education of China.

Finance and the Ministry of Education of China pointed out: receivables and prepayments shall be cleared in time. There are no long-term credits. For uncollectible debt and prepayments, it is necessary to identify the reasons, clearly define the responsibility, and cancel them according to the prescribed procedure. The receivables and prepayments of higher education institutions refer to some higher education institutions' receivables and temporarily advances or prepayments to relevant units or individuals, and these higher education institutions are creditors. Receivables include that universities and colleges should charge but not received payments, such as tuition, accommodation fees, teaching materials fees, operating income, etc..

With the rapid development of higher education in China, colleges and universities' receivables and prepayments amount gradually increases, resulting in a large amount of funds being occupied for the long-term. It is not conducive to correctly show financial conditions. There are also inflated claims which impact assets evaluation, and problems of the fund use efficiency and causing financial risk. Therefore, the receivables and prepayments management has become an urgent problem in the financial management of colleges and universities.

1. AN ANALYSIS OF COLLEGES AND UNIVERSITIES' RECEIVABLES AND PREPAYMENTS ACCOUNT MANAGEMENT STATUS

1.1 The Lack of Category Management in Receivables and Prepayments Account Management

According to the properties of receivables and prepayments account, they can be divided into: the

prepayments and other receivables. According to the current “The Accounting System of Higher Education Institutions (Trial)”, receivables and prepayments are mixed in recording that has the inconvenience in the management and analysis (Xie, 1998). In 2009, the Ministry of Finance formulated a new “The Accounting System of Higher Education Institutions (Draft)”. In the draft, temporary lending was distinguished, but the draft was not implemented. At present, we can set up “receivables and temporary lending” in the general ledger. The account of the temporary lending can be divided into two categories according to different management requirements: First category, the temporary lending has prepayment properties; second category, individual employees’ borrowings due to business travel, sporadic procurement of goods and services and so on. For the first category, we should adhere to the rule of “A clear follows a borrowing. Special funds for the special use.” For the second category, if the current applicant has unbalanced accounts, we should adhere to the rule of “If a borrowing is not cleared, no new lending.”

1.2 The Lack of Advance Control in Receivables and Prepayments Account Management

Approvers of temporary lending do not have comprehensive information about the applicants. Especially for the second category, if an applicant is borrowing from different projects with different approvers, it may cause capital to become concentrated in the hands of the individual for a long time, and increase financial risk. When a financial staff checks applicants of the second category, he needs to check whether or not applicants have pending payments so the financial staff can make advance risk control.

1.3 The Accountants in Charge Take Less Responsibility in Receivables and Prepayments Account Management

In most higher education institutions, accountants in charge take less responsibility in receivables and prepayments account management (Liao, 2011; Shao, 2008). There are less accounting staff to manage receivables and prepayments accounts and urge the report processes of receivables and temporary lending specially. It is easy to become the lack of receivable and prepayments account management and form a large amount of money cumulated in receivables and prepayments accounts. At the same time, the borrowers may be in different colleges of an university to cause information and feedback delay, resulting in less timely settlement of receivables and prepayments account. If we take the recovered and punitive measures only according to the management rules, it is easy to cause conflicts and it is not conducive to the financial work.

2. ESTABLISH THE RECEIVABLES AND PREPAYMENTS MANAGEMENT SYSTEM WITH ACCOUNTANTS IN CHARGE TAKING MAIN RESPONSIBILITY

The receivables and prepayments management system with accountants in charge of taking main responsibility are based on the financial system as the core, distinguishing receivables and prepayments according to their properties with classified management. It uses the OA system for the bridge to achieve risk control in advance, reduce process nodes with timely feedback. The whole process of receivables and prepayments control system is shown in Figure 1.

a) A borrower needs to send approved applications to the financial department, and then a financial staff judges their categories according to the natures of receivables and prepayments and applies different management rules. For the first category of receivables and temporary lending, the financial staff should adhere to the rule of “A clear follows a borrowing. Special funds for the special use.” Through searching the financial system, the financial staff may pay the borrower for the college business only if the borrower’s previous borrowing is still in the allowed period. For the second category of receivables and temporary lending, the financial staff should adhere to the rule of “If a borrowing is not cleared, no new lending.” Through searching the financial system, the financial staff may refuse to pay the borrower if he has pending payments.

b) After the payment, the related information in the financial system needs to be updated. Each month, before the day of pressing for debt payments, the accountant in charge should search all related information in the financial system and make an analysis according to the financial provisions of the system. Then send related information to the OA system and be ready to urge borrowers to fill different applications respectively, such as filling applications for the first category borrowing or filling applications for delay payment in the second category.

c) The OA system will send related information to borrowers. The borrowers should go to the financial department to clear the accounts before the clearing day. After the clearing day, if a borrower has not sent an approved application to the OA system for delaying payment. The accountants in charge will distinguish their categories according to the natures of receivables and prepayments and apply different management rules. For the first category, if the borrower fails to strike a balance and has not proper reasons, the financial department will stop lending to the borrower in accordance with the financial regulations after a confirmation. At the end of the year, for this kind of borrowers, the financial department will reduce their amount of budget for next year; if the borrower

is in the second category, the financial department will be feedback to the personnel department to stop

paying the borrower salary and allowance and has a notification in the OA system.

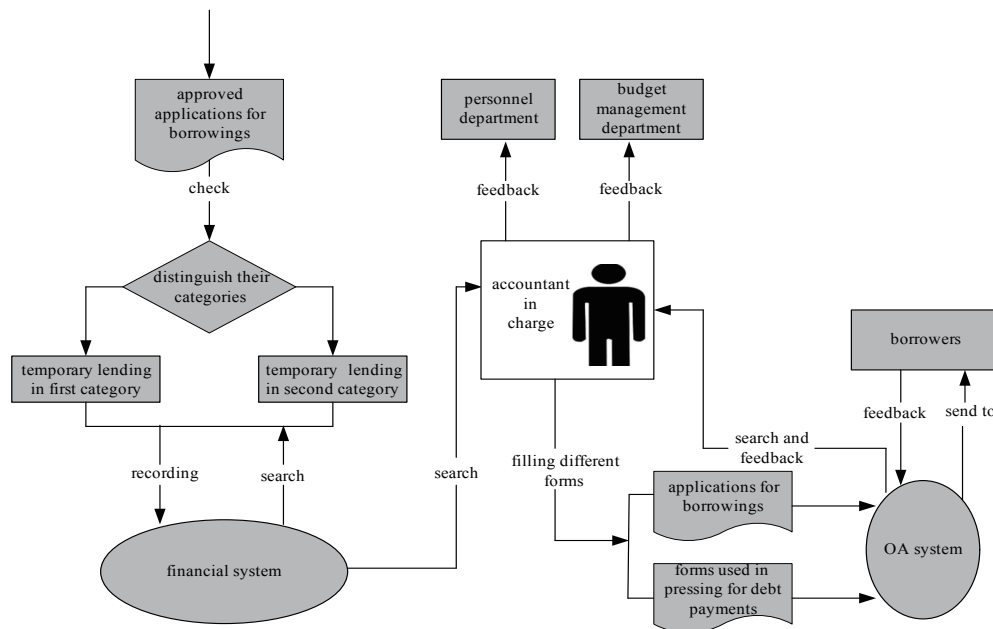


Figure 1
 Establish the Receivables and Prepayments Management System With Accountants in Charge of Taking Main Responsibility

3. AN APPLICATION OF THE RECEIVABLES AND PREPAYMENTS MANAGEMENT SYSTEM WITH ACCOUNTANTS IN CHARGE OF TAKING MAIN RESPONSIBILITY IN COLLEGE A

Since March 2010 (the beginning of a new semester),

college A has put the receivables and prepayments management system with accountants in charge of taking main responsibility into practice. Table 1 shows the balances of receivables and prepayments account of college A at the end of each year from 2007 to 2009 year, the proportions of the balances in annual financial allocation for college A, and the balances of receivables and prepayments account at the end of March 2010 and at the end of 2010.

Table 1
 The Balances of Receivables and Prepayments Account of College a at the End of Each Year From 2007 to 2009 Year (yuan in 10 thousands)

Year	2007	2008	2009	March 2010	The end of 2010
Balance	417.25	512.63	898.79	678.54	328.71
Proportion (%)	1.89	2.58	4.36	—	1.26

From the data in Table 1, we can see that the balances of receivables and prepayments account from 2007 to 2009 year show an increasing trend either in absolute value or in the relative value. At the beginning of 2010, college A has put the receivables and prepayments management system with accountants in charge taking main responsibility into practice, distinguished receivables and prepayments according to their properties, carried out classified management, strengthened advance risk control, and pressed for debt payment in time. From the comparison of receivables and prepayments balances in the end of 2009 and in the end of March 2010 in Table 1, we can see that accountants in charge have pressed for debt payments and applications for the receivables and prepayments account so receivables and prepayments

balances are significantly reduced. It is reasonable to reduce capital turnover ratio and effectively control financial risk after the implementation. In addition, because the receivables and prepayments are related with next year budget indicators, to a certain extent, the new system controls rush spending to advocate economy running.

CONCLUSION

In short, the receivables and prepayments management in colleges and universities is a systematic project which has characters of problems frequent occurring, complex settlement, and involving several people and needs to coordinate and cooperate with each other in internal departments. The establishment of the receivables and

prepayments management system with accountants in charge taking main responsibility is an important measure to get rid of the problems of the absence of person in charge, the lack of category management, and the lack of feedback in time. It makes the internal financial control be more scientific, standardized, and systematic, safeguards higher education institutions' funds, and promotes higher education institutions healthy and orderly development.

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