

Education institutions should follow uniform accounting system: ICAI

Accounting regulator ICAI has recommended to the Human Resource Development Ministry that all education institutions should follow a uniform system for maintaining their account books, in order to ensure a "true and correct picture" of the state of their affairs.

The Institute of Chartered Accountants of India, led by President G Ramaswamy, has recommended that "... accounting standards issued by the ICAI should be made mandatory to educational institutions..."

In addition, "all educational institutions should be mandated to apply an accrual basis of accounting... fund-based accounting may be introduced for earmarked/designated funds," ICAI said.

"All educational institutions should follow a common format for presentation of its general purpose financial statements to ensure proper accountability, financial discipline, end-use of funds and to meet the needs of stakeholders. The accounting standards should enable the society, the student and the citizen," the ICAI said in a statement.

It said that at present, the accounting and financial reporting practices of educational institutions in India are oriented toward meeting the needs of the governing bodies running them and educational institutions follow not only diverse accounting practices, but also a different basis of accounting.

The accounting standards, ICAI said, should enable stakeholders "to define transparently the revenue earned through various sources, recognise segment reporting of accounts, recognise costs and revenue separately for programmes and for research and teaching activities; define relevant financial ratios, identify if surpluses are being generated and the manner in which the surpluses are utilised or invested; (and) disclose related party transactions."

The accounting standards would be made applicable to all central educational institutions, universities under the regulatory ambit of the UGC or receiving grants from the UGC, technical institutions under the regulatory ambit of the AICTE, teacher education institutions under the regulatory ambit of the NCTE and schools affiliated to the CBSE, it said.

"The recommendations would also be placed before the state education ministers in the next meeting," ICAI added. The Report on 'Implementation of Accounting Standards in Educational Institutions of Department of Higher Education', was submitted to HRD Minister Kapil Sibal today.

(Economic Times)