

The role of operational budgets in developing financial performance

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Abstract

The research aims to shed light on knowledge of the level of financial performance within universities according to the accounting system used and work to improve the efficiency of its financial operations, and to facilitate the type of accounting information provided to the management of the educational institution in terms of financial statements and reports, so it is necessary to work on developing the forms and methods of accounting used for management to take Appropriate decisions. The researchers relied on the deductive approach through testing the study hypothesis based on the financial statements of College of Economic& Administration / Evening Studies - Al-Muthanna University for the years (2017, 2018, 2019). Therefore, the researchers reached a set of conclusions, the most important of which is the use of management accounting tools represented by planning budgets as the basis for the rest of the colleges in determining their costs and revenues with a high degree of accuracy and objectivity. The most important recommendation that was reached is the need for senior management in Iraqi government universities to adopt the use of administrative accounting tools and represented With planning budgets and conducting the necessary awareness process for all colleges affiliated with it to form the appropriate culture for transformation to use these tools.

Keywords (Operational Budget, Financial Performance)

Introduction

Administrative accounting is considered one of the modern branches of accounting branches, because of its clear and accurate analytical methods and methods that have an effective and influential role in facilitating planning and control operations, evaluating performance and taking appropriate administrative and financial decisions by the higher management in the organization. Administrative accounting has begun to take place The advanced within the work of service or commercial institutions and administrative accounting methods have led to show the true and clear picture of the institution to the departments, which led to raising the level of work and performance within those institutions so that they can compete and match between the institutions that produce A similar good or service, so financial management decisions are considered in terms of reducing costs or raising the quality of the product or service. The development and implementation of administrative accounting for revenues and expenditures in the budget of educational institutions helps to expand future narratives

to raise the financial level of universities, i.e. forming reliable information about revenues and expenditures for the university in order to inform its administration at the university financial level and what problems if any, and also does the work of internal control over revenue And expenditures, where an accounting system helps to correct the budget work and according to the activity of the educational institution.

First: the research problem

Most Iraqi universities consider that the public budget is unable to meet their requirements or that they are not compatible with modern education methods, which are seen as insufficient in determining costs fairly, and based on the foregoing, the research problem is represented in the following questions

- 1-What is the level of application of management accounting tools in improving the efficiency of financial performance in Iraqi universities?
- 2-Are administrative accounting tools able to provide financial support in Iraqi universities?

Second: Research objectives

- 1-Shedding light on the accounting system used in universities and to know the strengths and weaknesses, if any, in that system
- 2-To know the level of financial performance inside universities according to the accounting system used and work to improve the efficiency of its financial operations
- 3-Facilitating the type of accounting information provided to the educational institution's management in terms of financial statements and reports, so it is necessary to work on developing the accounting forms and methods used to enable the administration to take appropriate decisions

Third: The importance of research

- 1-Working on practical recommendations for using administrative accounting tools for revenues and expenditures in government educational institutions, which aim to create information and an analytical framework for financial statements that would increase the efficiency of financial performance
- 2-Exploring the essence of financial management of revenues and expenditures within these institutions in order to clarify the set of problems that exist through the system of managing revenues and expenditures in the budget of educational institutions and find solutions to that
- 3-Setting a clear methodology for managing revenues and expenditures in the educational institutions budget.

Fourth: The research hypothesis

The research is based on a major assumption that the use of management accounting tools can lead to improving financial performance in Iraqi universities through the availability of important information for management to keep up with educational development

Fifth: The study methodology

Theoretical aspect: The researchers relied on the inductive approach through identifying and studying previous studies, researches, theses, university theses, Arabic and foreign books, and researches published online

The applied side: - The researchers relied on the deductive approach through testing the hypothesis of the study based on the financial data of the College of Administration and Economics / Evening Studies - Al-Muthanna University for the (years (2017, 2018, 2019)

Theoretical aspect of management accounting

First: the concept and definition of management accounting

Therefore, management accounting is considered a renewable science because of its many methods, visions and analyzes, it is modern science and is constantly updating and has an effective and influential role in supporting managers and their support in planning, monitoring, evaluating performance and taking appropriate decisions. Management accounting began to shift from the traditional entrance to the contemporary entrance as its concepts, dimensions, methods and frameworks evolved to suit the requirements of the modern era and the needs of management. A group of reasons led to the development of management accounting methods, including the emergence of intense competition between companies that produce similar goods, the diversity and multiplicity of consumer tastes, which led to an increase in the percentage of the merchandise mix, and a high percentage of indirect costs in relation to direct costs. (Hebron, 2012: 2). Management accounting was defined as that accounting branch that seeks to provide those responsible for the management of the institution and other economic units with information that contributes to making decisions related to the future of the institution as well as in monitoring the implementation of operations. (Hussein, 2007: 106 Therefore, the researchers see through the previous definitions that management accounting is one of the branches of accounting, which is a tool for collecting information and data from spending and revenue operations in the institutions budget and analyzing them clearly to provide the information necessary to take administrative decisions and put indicators on the work, if any. It can be used to modify the program through the data and reports issued from it.

Second: The similarities and differences between financial and managerial accounting ;

Administrative and financial accounting are similar to the following: - (Al-Kaabi, (2011: 39

- 1-Providing them with information and data that are accredited by senior management and that data is the picture of activity within the institution
- 2-Collecting and storing financial data on economic events in the organization
- 3-Financial and administrative accounting are used as determining production costs and helping to set prices
- 4-They depend on completing and preparing reports on the same accounting data for the system used within the organization

Third: The advantages of managerial accounting. My agencies: (Al-Kaabi, 2011: (40) (Garrison & Noreen, 1997, p12

- 1-Its focus on providing data for internal uses
- 2-Its focus on the future
- 3-It is not governed by any principles or restrictions
- 4-It gives less focus on accuracy and more focus on non-financial data
- 5-Draw attention to the departments of the organization instead of looking at the organization as one unit
- 6-Administrative accounting is not imposed on the administration, but is optional
- 7-Management accounting originates from other departments such as economics, administration, operations research, and others

Therefore, the researchers see that the advantages in the mechanism of administrative accounting work within educational institutions and what the government accounting system lacks an analytical mechanism for revenues and expenditures. For this, the use of management accounting has advantages, and we can show these features my agency

- 1-Clarifying the details of the budget of educational institutions by calculating revenues and expenditures, and combining the calculation of the main indicators of income in the context of universities' commercial operations, which is a reflection of financial activity within those institutions
- 2-Activating the financial indicators related to financial performance through analyzing revenues and expenditures and monitoring receivables from previous years and the current and future period

3-The implementation of these accounting systems helps to improve financial awareness among the higher departments, as well as the administrative staff working on the organization of accounting operations, through the effective system of budgetary accounting management within educational institutions

4-The way in which administrative costs accounting works, according to which expenditures are classified, whereby cost accounting according to the type of activity allows us to determine the direction of expenditures according to the type of activity if they are individual programs or programs for departments and funding sources for these activities and to prove the optimal program

Fourth: Administrative Accounting Tools: (Al-Qurra,
(<https://sqarra.wordpress.com/am1>)

In fact, there is no agreed list of management accounting tools, as the continuous development in science is reflected in the tools of management accounting, but the most important tools on which management accounting depends are as follows

1-Planning Budgets 2- Equivalence Maps (The Relationship between Cost, Size, and Profit)

3-Operations Research Tools 4- Statistics and Mathematics

5-Cost Accounting 6- Financial and Accounting Analysis

The third topic: Financial performance

First: The concept of financial performance;

The concept of financial analysis is a detailed study of financial statements and lists to know their implications and the reasons for their emergence and an explanation of this to work to find strengths and weaknesses for the strategies produced by the organization and the durability or weakness of its financial position to enhance and exploit its features of strength and get rid of weaknesses and their causes and most organizations benefit from The financial analysis process in shaping its future policy in credit and investment and in controlling the efficiency of subsidiary departments related to the organization's productive, marketing, sales and investment functions. (Al-Jubouri, Without a Year: 4), (Al-Rawi and Saadeh, 2006)

Financial performance has been defined as: "The extent to which activities contribute to creating value or effectiveness in using available financial resources, by achieving financial goals at the lowest financial costs." (Daden, Hafsi, 2014: 24)

Second: Factors affecting financial performance;

The factors affecting the financial performance of the economic establishment are categorized into internal and external factors related to the external economic environment. We summarize these factors as follows: (Noble, Nagla, 2015: 151-152)

A: Internal factors: The most important internal factors affecting financial performance are summarized

1-Organizational Structure: The organizational structure affects financial performance by dividing the tasks and responsibilities related to the financial function and then defining activities and allocating the necessary resources to them

2-Organizational climate: It means the extent of clarity of organization in the institution, and the awareness of workers regarding the relationship of the institution's goals, operations and activities to financial performance

3-Technology: means those modern methods and skills that serve the desired goals, such as production technology on demand, and technology of continuous improvement

4-The size of the institution: The size of the institution and its classification may affect the financial performance negatively, as the large size of the institution constitutes an obstacle to financial performance, because in this case the management becomes more complex and entangled, and may affect positively on the one hand that the large size of the institution requires a large number of financial analysts which It contributes to raising the quality of its financial performance and this case is the most realistic

B: External factors: A set of external factors affect any financial performance, i.e. that are outside the scope of its control, such as general economic conditions, economic policies ... etc. In general, the most important external factors affecting financial performance are: (Abdel-Sayed, 2008: 136-138)

1-The market: There are many forms that economic commodity markets can take, as this depends on the market structure and the behavior that the corporation follows in order to achieve its primary goal of maximizing profits

2-Competition: Competition is a double-edged sword for financial performance in the economic establishment

3-Economic conditions: The general economic conditions may affect financial performance, either in a negative way or on the contrary

The practical side of the research sample

The departments in the College of Administration and Economics consist of three departments: the Accounting Department - the Financial and Banking Sciences Department - the Business Administration Department. As for the evening studies, it consists of two departments (the Accounting Department and the Financial and Banking Sciences Department) and the Business Administration Department was also created in 2018-2019

Table (1)

It represents the academic departments and the number of students for all academic levels for the years 2018-2023

Academic year	No. of student financial & banking Dep	No. of student Accounting Dep	No. of student business Administration Dep	Totally
2018-2019	238	195	50	483
2019-2020	226	200	100	526
2020-2021	212	200	150	562
2021-2022	200	200	200	600
2022-2023	200	200	200	600

It was noted from Table (1) that the total number of students during the academic year 2018 - 2019 represents 483 students distributed among the various academic departments for each department. The student numbers range from 50 students as a minimum to the Business Administration Department and to 238 students as a maximum a department of financial and banking sciences has been approved The Department of Business Administration is only on one stage, as it is a novelty for the first year. Likewise, the number of students in the scientific departments according to the academic stages ranged from 45 students in the Accounting Department and 50 students in Business Administration to 64 students in the Department of Banking and Finance. We also notice from the above table for the years (2018-2019 to 2022-2023) that the number of students ranges between 483 to 600 students annually and this indicates an increase in the number of students

Table (2)

Estimated revenue budget for the years 2018-2023

Particular	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Total of no. students	483	526	562	600	600
Revenue for each student	1300000 IQD	1300000 IQD	1300000 IQD	1300000 IQD	1300000 IQD
Total of revenue	627900000	683800000	730600000	780000000	780000000

We see from Table (2) and relying on the results of Table (1) with regard to the final numbers of students for each year. Revenue was estimated based on the numbers of

students in the scientific departments (Accounting - Financial and Banking - Business Administration) taking into consideration the opening of the Department of Business Administration for the year 2018 - 2019 is a first stage with 50 students, where revenues range between 627900000 (six hundred and twenty seven million and nine hundred thousand dinars) in 2018-2019 to 780000000 (seven hundred and eighty million dinars) in the year 2022-2023, which indicates an increase in revenue in the coming years

Table (3)

Salary and Wages Balance for the years 2018-2023

Particular	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Salary	242820000	242820000	242820000	242820000	242820000
Cash reward	12000000	12000000	12000000	12000000	12000000
Fees for lectures	114835000	116955000	116550000	135420000	135420000
Totally	368655000	371775000	371370000	390240000	390240000

We see from Table (3) the dependency on the specified salaries was based on the ministerial order number (5 / m / 4834) on 7/7/2016 and the university order number 2008 on 3/19/2018 for the academic year 2017-2018 and on the evening study structure It ranges from a minimum of 200,000 monthly stipends to a minimum of 1,000,000 as a maximum, as well as the payment of the bonus depends on the powers of authorization and orders related to the nature of the work

Table (4)

Balancing commodity and service supplies and transfer expenses for the years 2018-2019 to 2022-2023

Particular	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Intermediate goods	40000000	43000000	45000000	45000000	45000000
Intermediate services	60000000	70000000	75000000	79000000	77000000
Transfer expenses	147556500	160693000	171691000	183300000	183300000
Totally	247556500	273693000	291691000	307300000	305300000

We see from Table (4) the commodity requirements range between 40,000,000 to 45,000,000,000 annually, while the service requirements range from 60,000,000 to 79,000,000,000 annually, and the transfer expenses ranged between 147556500 to 183300,000 million annually, and it is generally noticed from the above table that the total requirements The expenses above ranged between 247556500 in the year 2018-2019 and 307,300,000 in the year 2022-2023, and it is increasing

Table (5)

Income statement for the years 2018-2019 to 2022-2023

Particular	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
1- Total of revenue	627900000	683800000	730600000	780000000	780000000
2-Transfer expenses	147556500	160693000	171691000	183300000	183300000
3-Net of revenue (1-2)	480343500	523107000	558909000	596700000	596700000
4- salary and wages	368655000	371775000	371370000	390240000	390240000
5-Intermediate goods	40000000	43000000	45000000	45000000	45000000
6- Intermediate services	60000000	70000000	75000000	79000000	77000000
Surplus (deficit) activity(3-(4+5+6)	11688500	38332000	70539000	89460000	89460000

We see from table (5) the accumulated surplus in the year 2018-2019 (11688500) and in the year 2019-2020 it reached (38332000) and in the year 2020-2021 it reached (70539000) and in the two years 2021-2022-2022-2023 it reached (89460000) This indicates that the surplus increases annually and this leads to an improvement in financial performance in the college and this fulfills the hypothesis (that the use of management accounting tools can lead to improved financial performance in Iraqi universities through the availability of important information for management to keep up with educational development).

Conclusions and recommendations

First: - Conclusions

1-The number of students in evening studies increased from 483 to 600 students according to Table No. 1

2- An increase in the revenues as a result of the increase in the number of students, as the revenues ranged from (62790000) dinars to (78,000,000) dinars according to Table No. 2

3-An increase in the balance of commodity and service supplies and transfer expenses was observed from (24755500) dinars to (307,30000) dinars according to Table No. (4)

4-It was noticed that there is an accumulated financial surplus that increases from one year to another through the income statement budget, which was respectively (11618500, 38332000,70539000,89460000)

5-The use of management accounting tools represented by planning budgets is the basis of the rest of the colleges in determining their costs and revenues with a high degree of accuracy and objectivity

6-The use of management accounting tools contributes to rationalizing the costs of educational services and optimizing the available resources

7-The college's application of these tools is considered a qualitative breakthrough in the field of modernity and keeping pace with modern scientific developments.

Second: - Recommendations

- 1-The necessity for higher administration in public universities to reduce the admission rate in evening studies as a minimum of 55% instead of 60% for applicants in the Faculty of Administration and Economics
- 2- The necessity of expanding the annual admission plan and not observing a specified number of students in order to ensure higher revenues
- 3-The necessity for the higher management in Iraqi governmental universities to adopt the use of management accounting tools represented in planning budgets and to undertake the necessary awareness-raising process for all colleges affiliated with them to form the appropriate culture for transformation to use these tools
- 4-The necessity of switching to using the system of planning budgets at the beginning of each academic year because it has an effective impact on improving services and reducing cost waste
- 5-Clarifying the details of the budget of educational institutions by calculating revenues and expenditures, and combining the calculation of key indicators of income in the context of universities 'business operations, which is a reflection of financial activity within those institutions
- 6-Activating the financial indicators related to financial performance through analyzing revenues and expenditures and monitoring receivables from previous years and the current and future period.

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Accessories -

The salary schedule for the evening study structure on a basis for the years 2018-2019 to
 2022-2023

No	Job	salary	No	Job	Salary
1	Dean	1000000	18	Dean's Secretary	480000
2	Assistant of dean	1400000(2*700000)	19	Dean's car driver	300000
3	Poss. of department	2250000(3*750000)	20	Reception	540000
4	Assistant Poss. of department	1200000(3*400000)	21	Administrative Assistant Secretary	600000(2*300000)
5	College Council Secretary	350000	22	Scientific Assistant Secretary	600000(2*300000)
6	Quality and Performance University Division	325000	23	Accounting Department Secretariat	840000(2*300000+240000)
7	Auditor Unit Officer	325000	24	Financial &banking Department Secretariat	800000(2*300000+200000)
8	Accounts Unit Officer	325000	25	Business Administration Department Secretariat	480000(2*240000)
9	cashier	300000	26	Maintenance unit	840000
10	Computer Unit Officer	300000	27	Administrative Affairs Unit	1200000(4*300000)

11	Security Unit Officer	200000	28	University Presidency staff	3000000
12	The unit stores official	250000			
13	Recorder Unit Officer	300000			
14	Assistant Recorder Unit Officer	600000(2*300000)			
15	Generator operator	250000			
16	Service Unit Officer	480000			
17	Assistant Service Unit Officer	400000(2*200000)			

Total monthly salaries 20235000 * 12 months = 242820000 annual

A table showing the wages balance (lecture wages) for the academic year 2018-2019

No	Particular	financial & banking Dep	Accounting Dep	Business Administration Dep	Totally
1	The total number of annual school hours	136	147	37	324
2	No .of weeks	15	15	15	15
3	Total hours of study	3540	2205	555	6300
4	Total supervision hours	1860	1350	-	3210
5	Total hours of study and supervision(3+4)	5400(3540+1860)	3555(2205+1350)	555	9150
6	Total Wages	65070000	41940000	6825000	113835000

A table showing the wages balance (lecture wages) for the academic year 2019-2020

No	Particular	financial & banking Dep	Accounting Dep	Business Administration Dep	Totally
1	The total number of annual school hours	205	149	72	426
2	No .of weeks	15	15	15	15
3	Total hours of study	3075	2235	1080	6390
4	Total supervision hours	1920	1500	-	3420

5	Total hours of study and supervision(3+4)	4995(3075+1920)	3735(2235+1500)	1080	9810
6	Total Wages	60600000	43300000	12915000	116955000

A table showing the wages balance (lecture wages) for the academic year 2020-2021

No	Particular	financial & banking Dep	Accounting Dep	Business Administration Dep	Totally
1	The total number of annual school hours	170	149	110	397
2	No .of weeks	15	15	15	15
3	Total hours of study	2550	2235	1650	6435
4	Total supervision hours	1860	1500	-	3360
5	Total hours of study and supervision(3+4)	4410	3735	1650	9795
6	Total Wages	53445000	43620000	19485000	116550000

A table showing the wages balance (lecture wages) for the academic year 2021-2022

No	Particular	financial & banking Dep	Accounting Dep	Business Administration Dep	Totally
1	The total number of annual school hours	138	149	140	324
2	No .of weeks	15	15	15	15
3	Total hours of study	2070	2235	2100	6405
4	Total supervision hours	1860	1500	1500	4860
5	Total hours of study and supervision	3930	3735	3600	11265
6	Total Wages	47355000	43620000	44445000	135420000

The fees of the lectures were approved on the basis of the academic titles for each teaching hour, as follows

1-Professor 17,000 dinars 2- Assistant professor 14,000 thousand dinars

3-A teacher of 11,000 thousand dinars 4- An assistant teacher of 9000 thousand dinars