



## **Compliance of accounting standards in the educational institutions**

**Shikha Gupta<sup>1\*</sup>, Pramod Kumar<sup>2</sup>**

<sup>1</sup> Research Scholar, Dayalbagh Educational Institute (Deemed University), Agra, Uttar Pradesh, India

<sup>2</sup> Head, Department of Accountancy & Law Dayalbagh Educational Institute (Deemed University), Agra, Uttar Pradesh, India

### **Abstract**

Ministry of Human Resource Development (MHRD) recently passed an order that all the higher educational institutions getting grants from University Grants Commission (UGC) or comes under the regulatory ambit of UGC have to follow Accounting Standards issued by The Institute of Chartered Accountants of India (ICAI) and these institutes have to prepare their accounts on the basis of accrual basis of accounting from the financial year 2013-14. In this study the researcher has tried to check the compliance of accounting standard “1” in the four financial years i.e. 2013-14 to 2016-17, in five Indian Institute of Technology (IITs) and five National Institutes of Technology (NITs) and to check whether there is significant difference in the compliance of accounting standards “1” in the selected Educational Institutes or not. This study concludes that the compliance of Accounting Standard “1” by educational institutions still leaves a room for improvement.

**Keywords:** accounting standard, IITs, NITs, MHRD, ICAI and ANOVA

### **1. Introduction**

Higher Educational Institutions are the prime Institutions who shape the future of the country and get huge fund from the Government in the form of grants. Government wants to know the utilisation of the given grants and the financial position of the institutes, but higher educational institutions didn't follow any standard format to maintain the financial statements so, recently Ministry of Human Resource Development (MHRD) passed an order that all the higher educational institutions getting grants from University Grants Commission (UGC) or comes under the regulatory ambit of UGC have to follow Accounting Standards and these institutes have to prepare their accounts on the basis of accrual basis of accounting from the financial year 2013-14. Accounting Standards are issued by The Institute of Chartered Accountants of India (ICAI). There are 32 accounting standards issued by ICAI, out of this 1- 29 accounting standards are mandatory to follow in case of corporates but in case of Educational Institution they have been relived to follow accounting standards as per their applicability on educational institutions. In this study the researcher has tried to check the compliance of accounting standard “1” in the four financial years i.e. 2013-14 to 2016-17, in five Indian Institute of Technology (IITs) and five National Institutes of Technology (NITs) and to check whether there is significant difference in the compliance of accounting standards “1” in the selected Educational Institutes or not.

### **2. Review of Literature**

Rajesh Garg (2012) <sup>[4]</sup> conducted a study to know the issues & importance of accounting standards in accounting practices and concluded that the objective of Accounting Standards is to reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby

ensuring comparability of financial statements of different enterprises with a view to provide meaningful information to various users of financial statements to enable them to make informed economic decisions. Khaled Dahawy and Teresa Conover (2007) <sup>[3]</sup> have conducted a study on accounting disclosure in companies listed on the Egyptian stock exchange and concluded that the selected companies are disclosing 61% of the IAS and the companies have been found selective in their choice of what to comply with and what not to. Abubakar Sadiq Kasum has conducted a study on impact of compliance with accounting standards on assets and profitability of Nigerian quoted companies and concluded that the Nigerian companies comply with accounting standards but the level of compliance is below international standards. Abey Gunasekera A.W.J.C. and Fonseka A.T. have conducted a study on non-compliance with standard accounting practices by small and medium scale enterprises in Sri Lanka. Interviews of 30 SMEs and 10 auditors were taken to collect the data and concluded that the non-compliance with standard accounting practices is not due to SMEs can't comply with them, but also due to they won't comply with them even when they are able to comply. Dr. Varadraj Bapat and Prof. Mehul Raithatha have conducted a study on corporate transparency through implementation of Indian Accounting Standards. A sample of 30 BSE listed companies has been selected and concluded that the companies have shown high degree of compliance with disclosure requirements of Accounting Standards, irrespective of size, profitability, leverage and age.

### **3. Methodology**

This paper aims at checking the compliance of Accounting Standard “1” (AS1) in Indian Institute of Technology (IITs) and National Institute of Technology (NITs). To meet this objective tables have been prepared showing the compliance

of AS1 in NITs and IITs. For the purpose of study five IITs i.e. IIT Kharagpur, IIT Bombay, IIT Kanpur, IIT Delhi and IIT Guwahati and five NITs i.e. NIT Motilal Nehru, NIT Bhopal, NIT Silchar, NIT Trichy and NIT Warangal have been selected. ANOVA has been used to analyse the data. This study aims at testing the following hypothesis:

**H<sub>0</sub>:** There is no significant difference in the compliance of accounting standards “1” in the selected Educational Institutes.

**4. Findings and Discussion**

**4.1 Compliance of Accounting Standards 1 in Indian Institute Technology**

The table below has been prepared on the basis of checklist disclosed in the appendix as Table 1. The ‘Score Obtained’ is the total of marks obtained in four financial years i.e. 2013-14 to 2016-17 by a particular IIT, further marks have been averaged and ranking has been provided.

**Table 1:** Compliance of Accounting Standards 1 in IITs

S. No.	Institute	Score Obtained	Average Score	Percentage	Total Score	Ranking
1.	IIT Kharagpur	59	14.75	77.63%	19	2
2.	IIT Bombay	49	12.25	64.47%	19	5
3.	IIT Kanpur	56	14	73.68%	19	3
4.	IIT Delhi	60	15	78.95%	19	1
5.	IIT Guwahati	54	13.5	71.05%	19	4

**Source:** author

The table 2 shows the score of compliance of Accounting Standard “1” in selected IITs. Further description of the score is given below:

IIT Kharagpur: The average score of IIT Kharagpur is 14.75(77.63%), which is at the second position out of all five IITs. The score shows the satisfactory results however, in the financial year 2013-14 no information about accounting treatment of earmarked and endowment fund, plan and non-plan grants, scholarships & fellowships and sponsored projects is given. In all four financial i.e. years 2013-14 to 2016-17, no information about small value assets is given.

IIT Bombay: The average score of IIT Bombay is 12.25(64.47%), which is at the fifth position out of all five IITs. The results are not satisfactory as, in all four financial years 2013-14 to 2016-17, no information about inventory and small value assets is given. In the financial years 2013-14 and 2014-15, no information about accounting treatment of earmarked and endowment fund, plan and non-plan grants, scholarships & fellowships and sponsored projects is given.

IIT Kanpur: The average score of IIT Kanpur is 14(73.68%), which is at the third position out of all five IITs. The score is acceptable but further improvement is required as, in all four financial years 2013-14 to 2016-17, no information about small value assets is given. In the financial years 2013-14 and 2014-15, no information about accounting treatment of contingent liabilities and plan and non-plan grants is given.

IIT Delhi: The average score of IIT Delhi is 15(78.95%), which is at the first position out of all five IITs. This score shows that IIT Delhi has followed Accounting Standard 1 to a great extent. However, in all four financial years i.e. 2013-14 to 2016-17, no information about valuation of inventory,

research & development and small value assets is given.

IIT Guwahati: The average score of IIT Delhi is 13.5(71.05%), which is at the fourth position out of all five IITs. The score shows that further improvements in the compliance of Accounting Standard “1” is required as, in all four financial years i.e. 2013-14 to 2016-17, no information about accounting treatment of scholarships and fellowships, valuation of inventory, research and development and small value assets is given. In the financial year 2013-14, no information about accounting treatment of sponsored projects, contingent liabilities and depreciation rates is given.

**4.2 Compliance of Accounting Standards 1 in National Institute Technology**

The table below has been prepared on the basis of checklist disclosed in the appendix. The ‘Score Obtained’ is the total of marks obtained in four financial years i.e. 2013-14 to 2016-17 by a particular NIT, further marks have been averaged and ranking has been provided.

**Table 2:** Compliance of Accounting Standards 1 in NITs

S. No.	Institute	Score Obtained	Average Score	Percent age	Total Score	Ranking
1.	NIT Motilal Nehru	43	10.75	56.58%	19	3
2.	NIT Bhopal	28	7	36.84%	19	5
3.	NIT Silchar	50	12.5	65.79%	19	2
4.	NIT Trichy	53	13.25	69.74%	19	1
5.	NIT Warangal	29	7.25	38.16%	19	4

**Source:** author

The table 3 shows the score of compliance of Accounting Standard “1” in selected NITs. Further description of the score is given below:

NIT Motilal Nehru: The average score of NIT Motilal Nehru is 10.75(56.58%), which is at the third position out of all five NITs. The results are not satisfactory as, in all four financial years i.e. 2013-14 to 2016-17, no information about accounting treatment of investments, inventory, research & development, plan and non-plan grants, scholarships & fellowships, sponsored projects and small value assets is given.

NIT Bhopal: The average score of NIT Bhopal is 7(36.84%), which is at the fifth position out of all five NITs. The results shows that NIT Bhopal needs to work upon the financial statements regarding the compliance of Accounting Standard “1” as, in all four financial years i.e. 2013-14 to 2016-17, no information about accounting treatment of investments, inventory, research & development, earmarked and endowment funds, plan and non-plan grants, scholarships & fellowships, sponsored projects and small value assets is given. In the financial years 2013-14 and 2014-15, no information about accounting treatment of contingent liabilities and retirement benefits are given.

NIT Silchar: The average score of NIT Bhopal is 12.5(65.79%), which is at the second position out of all five NITs. In comparison to other NITs, the results are satisfactory however, in all four financial years i.e. 2013-14 to 2016-17, no information about accounting treatment of research & development, plan and non-plan grants, scholarships & fellowships and small value assets is given.

NIT Trichy: The average score of NIT Trichy is 13.25(69.74%), which is at the first position out of all five NITs. In comparison to other NITs, the results are satisfactory however, in all four financial years i.e. 2013-14 to 2016-17, no information about accounting treatment of investments, inventory, research & development, plan and non-plan grants, scholarships & fellowships and small value assets is given. In the financial years 2013-14, no information about accounting treatment of contingent liabilities and earmarked and endowment funds is given.

NIT Warangal: The average score of NIT Warangal is 7.25(38.16%), which is at the fourth position out of all five NITs. The results are not satisfactory as, in all four financial years i.e. 2013-14 to 2016-17, no information about accounting treatment of retirement benefits, contingent liabilities, research & development, earmarked and endowment funds, plan and non-plan grants, scholarships & fellowships and small value assets is given.

**4.3 Comparative Analysis of Indian Institute of Technology and National Institute Technology**

In the table below a comparative analysis of all the selected IITs and NITs has been done to show a clear picture of compliance of Accounting Standard “1” in the selected institutes.

**Table 3:** Comparative Analysis of NITs and IITs

S.No.	Institute	Score Obtained	Average Score	Percentage	Total Score	Ranking
1	IIT Kharagpur	59	14.75	77.63%	19	2
2	IIT Bombay	49	12.25	64.47%	19	7
3	IIT Kanpur	56	14	73.68%	19	3
4	IIT Delhi	60	15	78.95%	19	1
5	IIT Guwahati	54	13.5	71.05%	19	4
6	NIT Motilal Nehru	43	10.75	56.58%	19	8
7	NIT Bhopal	28	7	36.84%	19	10
8	NIT Silchar	50	12.5	65.79%	19	6
9	NIT Trichy	53	13.25	69.74%	19	5
10	NIT Warangal	29	7.25	38.16%	19	9

Source: author

The above table 4 shows that the performance of IITs regarding the compliance of Accounting Standard “1” is better than NITs as, the highest positions have been secured by the IITs only i.e. first, second, third and fourth position. NITs need to prepare better financial statements by following the Accounting Standards.

**5. Hypothesis Testing**

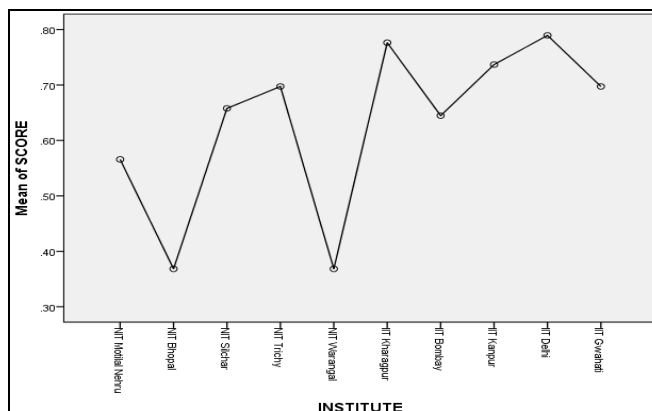
**Table 5:** ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	3.977	9	.442	2.290	.019
Within Groups	34.737	180	.193		
Total	38.713	189			

Source: author

The table 5 of ANOVA shows that the significance value is 0.019 (0.019<.05) and the Significance value more than .05 indicates that there is no significant difference between the

variables So, the null hypothesis (H<sub>0</sub>) gets rejected and there is significant difference in the compliance of accounting standards “1” in the selected Educational Institutes.



**Fig 1:** Means Plots

The figure 1 of means plots clearly shows that the performance of IITs regarding compliance of Accounting Standards is better than NITs as, shown in the above figure all the high plots have been secured by the IITs.

**6. Conclusion and Suggestions**

This study concludes that almost all the selected IITs reasonably comply with the Accounting Standard “1” so, the performance of IITs is appreciable. The highest score has been secured by IIT Delhi as it has fulfilled the compliance of Accounting Standard “1” by 78.95%. If we see the results of NITs, it can be inferred that the financial statements of NITs are far from the perfection regarding compliance of Accounting Standard “1” so, it is a milestone for all the sampled NITs to prepare their financial statements as per the Accounting Standards. NIT, IITs and all other higher educational institutions should follow the Accounting Standards to make their financial statements more comparable and transparent.

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