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Analysis of Issues and Countermeasures in Budget Performance Evaluation under the New Government Accounting Standards—A Case Study of D University

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Abstract: With the implementation of the new government accounting standards, budget performance evaluation has become increasingly important in financial management in universities. This paper takes D college as a case study, analyzing the issues in its budget performance evaluation system under the new accounting standards, and proposing corresponding countermeasures. The implementation of the new government accounting standards. Then, by introducing the basic situation of D colelge, it identifies the gaps and shortcomings in the budget performance evaluation before and after the implementation of the new government accounting standards. Following that, the paper refines the budget performance evaluation after the government accounting standards reform, proposing a more scientific and reasonable evaluation indicator system. Through empirical analysis, it re-evaluates the refined evaluation results and finds that the new government accounting standards have a positive effect on improving the transparency and accuracy of university budget performance evaluation. Finally, by comparing the refined evaluation results with the original ones, this paper presents suggestions for improving budget performance management in universities, aiming to provide theoretical support and practical reference for the budget performance evaluation of other universities.

1. Definition of Relevant Concepts

(1) New Government Accounting Standards (NGAS)

The New Government Accounting Standards refer to the updated set of accounting regulations and frameworks implemented by the government to ensure greater transparency, accountability, and consistency in financial reporting. These standards aim to improve the financial management and budgeting process of government entities, including public universities, by providing clearer guidelines for accounting practices, such as the application of accrual accounting alongside cash-based accounting [1].

(2) Principles for Formulating the New Government Accounting System

The new government accounting system was designed to address several key principles, each contributing to the overall improvement in government financial reporting.

First, the Principle of Consolidation and Unification: Before the implementation of the new system, each branch had its own accounting standards, leading to a fragmented and inconsistent accounting environment. This created difficulties for government departments in making consolidated comparisons [2]. The new accounting system not only met the informational needs of various units but also unified different industry-specific accounting systems, greatly enhancing the comparability of government financial information.

Second, the Principle of Coordination: The new system is based on existing laws such as the Accounting Law and the Budget Law. Despite various adjustments made to the content of the system, it maintains a consistent legal foundation with the previous system, ensuring a smooth transition. This approach helps avoid significant discrepancies between the old and new systems, allowing for continued alignment with other financial systems while supporting the achievement of reform objectives.

Third, the Principle of Inheritance and Innovation: Considering the current state of accounting in administrative and public service units, the new system retains the reasonable and common elements of the previous accounting standards [3]. However, it also introduces revisions in the account classifications and reporting structure. The system introduces a new accounting model that balances financial accounting with budgetary accounting, ensuring they are appropriately separated yet interrelated.

Fourth, the Principle of Quality Improvement: The new system enhances the quality of accounting information by addressing the needs of different users, including through the dual reporting mechanism. It increases the reliability of financial information by refining the scope and content of accounting.

(3) The main differences between the old and new government accounting systems are as follows:

This table 1 is clearly outlines the key differences between the old and new government accounting standards, highlighting improvements in transparency, information disclosure, and budget performance management under the new standards.

Table 1: The difference between old and new government accounting standards

Item	Old Government Accounting System	New Government Accounting System
Scope of Application	Applicable to administrative and public institutions, with detailed divisions by department, level, and industry.	Universally applicable to all levels of administrative and public institutions, consolidating industry-specific accounting systems.
Accounting Functions	Accounting treatment does not distinguish between financial accounting and budget accounting.	Accounting treatment distinctly reflects both financial accounting and budget accounting functions.
Accounting Basis	Primarily cash basis with an auxiliary accrual basis.	Dual accounting basis with both cash basis and accrual basis.
Accounting Reports	Consists of financial statements and notes.	Consists of financial reports and budget settlement reports (dual reports).
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2. Overview of D College

D College, covering an area of 548 acres. At present, the college has 415 full-time teachers, including 135 famous experts and professors, and more than 8,000 students from 12 provinces in China. There are 12 secondary teaching units including accounting, Economics and Trade, Telecommunication Engineering, Fashion, and Art Design, Medical Engineering, Humanities and Art (Public Art Education Center), Youth Management Institute, Ideological and Political Affairs Department, Foundation, Foreign Language Department and Sports Department. In accounting, financial management, financial engineering, international economy and trade, information management and information systems, business management, marketing, human resources management and administrative management, logistics engineering, e-commerce, logistics management[4], electrical engineering and its automation, electronic information engineering, electronic information science and technology, computer science and technology, network engineering, fashion design and engineering, 27 undergraduate majors. The college has built and put into use 7 student apartments with a floor area of 100,000 square meters and a restaurant with an area of 5,000 square meters, providing a good study and living environment for students.

3. Budget Management Organizational Structure of D College

Currently, D College follows a unified allocation and centralized management system for its financial resources, which ensures centralized control and efficient utilization of financial resources while reducing decentralization and redundancy in the financial management process. In terms of the organizational structure of financial management, the "President Responsibility System" is implemented, meaning the President is fully responsible for the financial management of the university. The Vice President and other relevant departments work collaboratively under the President's leadership to promote the various financial management tasks. The group is led by the President, who is responsible for decision-making related to financial management. The Vice President in charge of finance serves as the deputy leader, primarily responsible for coordinating and managing the university's financial operations and participating in the formulation of financial management regulations and implementation details[5]. Group members include personnel from the finance, accounting, auditing, and disciplinary inspection departments, whose main task is to implement and execute the specific operations and practices of financial management.

D College does not have a secondary financial management institution; all financial management work is coordinated by the leadership group. This centralized management approach ensures high unity and standardization in the university's financial management, and it implements a separate accounting and departmental accounting system, effectively enhancing the transparency and efficiency of financial management. In terms of annual financial budget management, the Financial Management Working Group is responsible for preparing the annual budget proposal, which is then discussed and reviewed within the group. The final budget proposal is evaluated and reviewed by the university’s Party Committee and the faculty and staff representative assembly. Once the proposal is approved, the union committee provides the final approval. The specific budget approval process of D college is shown in the figure 1.

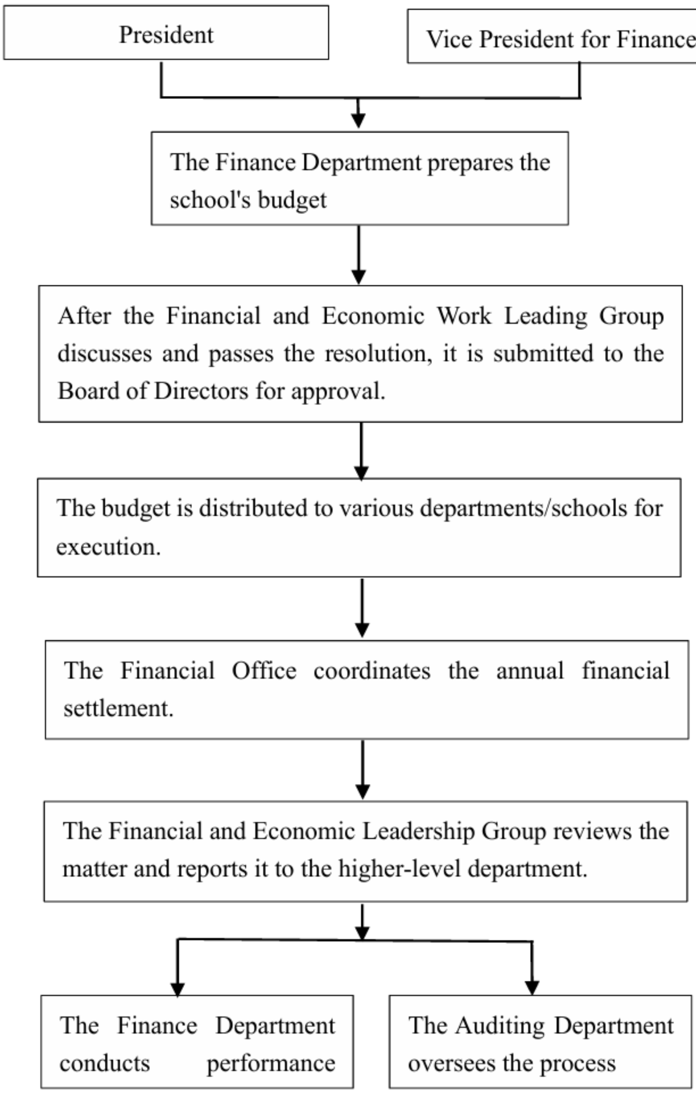

Figure 1: D College budget approval flow chart

4. The issues before the implementation of budget performance evaluation at D College

4.1 Budget Performance Evaluation is Formalistic and Lacks Scientific Assessment Criteria

Currently, although D University has established annual budget performance evaluations in its "Financial Management Regulations," there is no standardized fiscal assessment method or dedicated evaluation department or team [6]. As a result, fiscal assessments lack a unified system and process. The financial office evaluates only financial indicators such as budget completion rate and budget-to-actual deviation in the "Department Self-Evaluation Report," focusing on budget execution while neglecting the assessment of performance goals and the efficiency of fund utilization. The university places too much emphasis on budget completion, assuming that budget execution is successful as long as it aligns with the plan and does not exceed the budget. This evaluation approach fails to guide improvements in budget management and lacks a comprehensive evaluation of the effectiveness of fund utilization [7].

4.2 The Budget Performance Evaluation Content is Incomplete, and Indicator Settings are Overly Simplistic

D University's budget performance evaluation system is not comprehensive enough, primarily focusing on financial indicators such as budget completion rate, with little in-depth analysis of the efficiency of fund utilization, cost control, and benefits. The university has not effectively assessed the cost performance of budget funds, and there are deficiencies in controlling budget fund allocation, leading to competition for budget funds among departments. Although the university has implemented cost-cutting measures for public expenditures and human resource activity funds [8], the actual situation is that spending has increased in recent years, and the implementation of the budget management system is weak. Therefore, the university's evaluation system for financial management has not been able to effectively control costs and analyze the effectiveness of fund usage.

4.3 Lack of Fixed Asset Management and Effective Evaluation of Cost and Efficiency

D University also faces issues in fixed asset management. The university has not conducted performance evaluations of fixed asset expenses, resulting in excessive capital investment and low asset utilization efficiency. Despite functional departments and secondary colleges competing for fixed asset procurement quotas when applying for budget funds, the lack of effective communication and planning has led to idle equipment and low utilization rates [9]. Additionally, the university's method of accounting for fixed asset depreciation is unscientific, failing to accurately reflect the value of assets, further exacerbating the incompleteness of budget performance evaluations.

4.4. Deficiencies in Accounting Foundation, Incomplete Information, and Inaccurate Budget Performance Evaluation

D University has deficiencies in its accounting system, particularly with the cash basis accounting method used before 2019, which did not fully account for fixed asset depreciation and capitalization. This resulted in asset consumption not being reflected in financial statements. Such accounting practices made budget performance evaluation reports incomplete, with low asset utilization efficiency and inflated asset values[10], affecting the accurate assessment of the university’s financial situation. Although the new government accounting standards have adopted a "dual-basis" model, providing institutional support for budget performance evaluation, the accuracy and completeness of financial statements still need to be further strengthened and improved.

5. Formulate measures for the problems existing in D University and the new process for budget process

5.1 D University Establish a Scientific Budget Performance Evaluation System and Improve Evaluation Standards

(1) Develop Standardized Fiscal Evaluation Methods:

D University Establish a unified and scientific fiscal evaluation system, which includes clear evaluation indicators, standards, and procedures to ensure the scientific and impartial nature of budget performance evaluations for budget performance.

(2) Introduce Multidimensional Evaluation Indicators:

In addition to existing financial indicators, the new evaluation system add new multidimensional indicators, such as budget fund utilization efficiency, cost control, and departmental collaboration, to provide a comprehensive assessment of budget execution. For example, use indicators like "cost-benefit ratio" and "fund utilization rate" to evaluate the economic and effective use of budget funds.

(3) Regular Training for Relevant Personnel:

D University provide regular performance evaluation training for financial staff, department heads, and evaluators to ensure a consistent understanding of budget performance evaluation standards and objectives, reducing the impact of human factors on evaluation results.

5.2 D University Broaden Budget Performance Evaluation Content, Adding Analysis of Cost-Effectiveness and Fund Control

(1) Expand the Budget Performance Evaluation Indicator System:

The new system is different with traditional financial indicators, which include evaluations of budget fund utilization efficiency, cost-effectiveness, and fund control, with a focus on the rational use of budget funds. Specifically, introduce a "cost-effectiveness analysis" module to regularly assess the return on investment of funds.

(2) Strengthen Interdepartmental Coordination and Control of Budget Funds:

D University must establish a cross-departmental mechanism for monitoring and distributing budget funds to avoid unfair allocation or wastage. It is recommended to create a Budget Control Committee to coordinate budget allocation and fund usage across departments, preventing duplicate investments or idle resources.

(3) Introduce an Internal Audit Mechanism:

D University to enhance the role of the internal audit department by regularly reviewing and evaluating budget execution to ensure that budget funds are used in alignment with the university's overall financial plan, maximizing effectiveness.

5.3 D University Strengthen Fixed Asset Management and Improve Asset Utilization Efficiency

(1) Establish a Fixed Asset Management System:

D University which establishes a fixed asset management system to improve management procedures for the procurement, use, maintenance, and disposal of fixed assets, ensuring the rationality and efficiency of asset investments. For example, employ an "asset lifecycle management" approach to track and manage fixed assets throughout their entire lifecycle, ensuring effective control at each stage, from procurement to disposal.

(2) Set Up a Fixed Asset Use and Efficiency Evaluation Mechanism:

D University conduct regular evaluations of each fixed asset to assess its effectiveness, depreciation, and idle rate, ensuring that each asset is fully utilized. Establish utilization rate evaluation metrics and eliminate or adjust inefficient, idle, or unnecessary assets.

(3) Strengthen Communication and Coordination Between Departments:

D University should strengthen the communication between departments in the process of purchasing and using fixed assets to avoid repeated procurement and waste of resources. And establish a dedicated Fixed Asset Management Committee responsible for the unified allocation and rational planning of assets.

5.4 D University Improve Accounting Foundations to Ensure Accurate Budget Performance Evaluation

(1) Fully Implement New Accounting Standards:

This study actively promote the implementation of new government accounting standards, adopting a "dual-basis" accounting model (i.e., a combination of cash-basis and accrual-basis accounting) to ensure the comprehensiveness and accuracy of financial data. This will allow the university to more accurately reflects asset consumption, fixed asset depreciation, and fund flow, enhancing the authenticity and completeness of budget performance evaluations. The Organizational structure of budget management in D colleges in figure 2 like below:

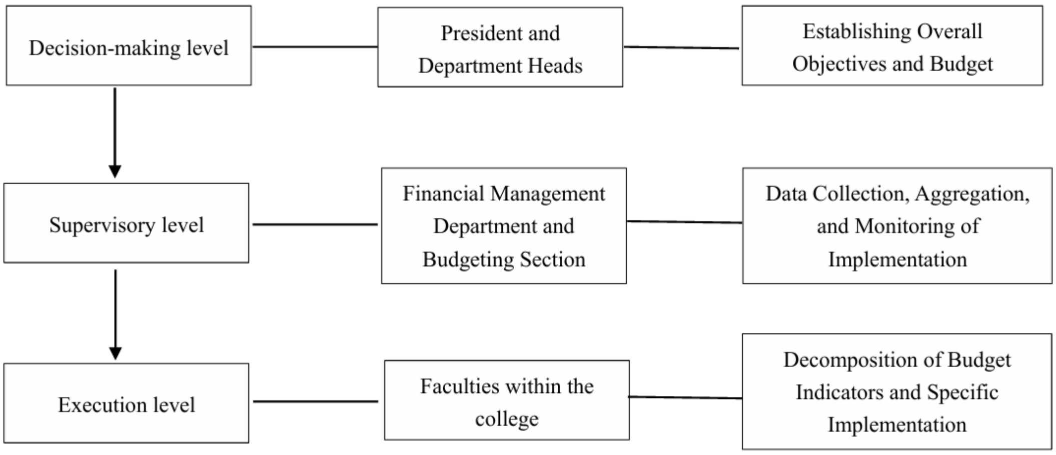

Figure 2: Organizational structure of budget management in D colleges

(2) Strengthen Financial Information System Development:

D University upgrades the financial information management system to ensure real-time data collection and accurate recording, particularly for critical data such as fixed asset depreciation and cost accounting. This will reduce manual errors and improve the scientific nature of the accounting process. The use of information systems will enable real-time monitoring and data analysis of budget execution, allowing decision-makers to understand the actual status of budget performance in a timely manner.

(3) Conduct Regular Financial Audits and Evaluations:

D University strengthens the periodic auditing and evaluation of financial departments to ensure the completeness and accuracy of all accounting data. After implementing the "dual-basis" accounting model, regularly evaluate the quality of accounting systems and financial statements, promptly identifying and correcting potential issues. This will ensure that financial reports truly reflect the university's financial status and budget execution outcomes.

This approach aims to enhance budget performance evaluation by establishing rigorous frameworks, ensuring comprehensive asset management, and improving the accuracy of accounting processes, leading to better resource utilization and more effective financial planning. The budget process after modification is shown in the diagram below.

6. Conclusion

With the ongoing development of public accounting standards and budget performance management in China, establishing a comprehensive budget performance evaluation system has become an important component of budget management. By creating a thorough and detailed budget performance evaluation database, it becomes possible to more scientifically and systematically assess the investments and costs involved in universities' task completion, thereby providing a more objective measure of the rationality and efficiency of resource allocation. This evaluation mechanism not only enhances the fairness and transparency of resource allocation in higher education, but also promotes the effective use of resources, improves universities' ability to fulfill their missions, and enhances the quality of their services, ultimately contributing to the improvement of education quality.

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