

Article

Accounting of Extra-Budgetary Expenditure in Higher Educational Institutions

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Abstract: This research article analyzes the accounting of expenses financed by extra-budgetary funds at higher education institutions in the Republic of Uzbekistan, their economic content, sources of generation, and the specifics of their reflection in accounting. Furthermore, statistical data on the share of extra-budgetary funds in the higher education system in recent years and the structure of corresponding expenses are provided, which serve as the basis for a practical analysis. The research results serve as the basis for developing conclusions and recommendations for expanding the financial autonomy of higher education institutions and improving expense accounting.

Keywords: Extra-Budgetary Funds, Financial Autonomy, Financial Reporting, Higher Education, Expense Structure, Stipends, Contractual Payment Methods

1. Introduction

The sustainable development of the higher education system largely depends on its financial support and the level of effective use of funds. In recent years, in the process of reforming the higher education sector in the Republic of Uzbekistan, the importance of extra-budgetary funds, along with the state budget, has been significantly increasing. This situation serves to strengthen the financial independence of higher education institutions, improve the quality and competitiveness of education.

If the accounting of expenses incurred at the expense of extra-budgetary funds is not properly organized, then inappropriate spending of funds, violation of financial discipline and lack of reliability in reporting may occur. Therefore, the scientific and practical study of the accounting of expenses on extra-budgetary funds in higher education institutions is an urgent issue.

In order to realize the will of our people to build a free, prosperous, powerful New Uzbekistan, to create all opportunities for every citizen to develop their potential, to raise a healthy, educated and spiritually mature generation, to form a strong economy that has become an important link in global production, to ensure justice, the rule of law, security and stability, the Decree of the President of the Republic of Uzbekistan No. PF-158 dated September 11, 2023 "On the Strategy of Uzbekistan-2030" and "On Approval of the Concept for the Development of the Higher Education System of the Republic of Uzbekistan until 2030" dated October 8, 2019 were adopted [1]. It was assigned the seventh task of expanding the coverage of higher education and improving the quality of training specialists with higher education, specifically in terms of education system reforms.

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In Uzbekistan, the development of budgetary organizations, improvement of the quality of services, ensuring the financial stability of higher education institutions, "further increasing the transparency of the budget process in institutions and strengthening public control over it, improving the budget financing, accounting and reporting mechanisms, increasing the responsibility of ministries and departments for strengthening budgetary discipline in institutions subordinate to them, as well as the use of modern information technologies and internationally recognized "implementation of financial control standards", focusing on cost accounting [2].

Literature Review

We can see that the views of scientists, their research and their results are specific to the object of their research. The issues of correct accounting of expenses carried out in higher education institutions, organization of accounting of extrabudgetary funds, as well as ensuring the reliability of the reports generated on them and the effective use of allocated funds are reflected in the studies, scientific works, and treatises conducted by foreign and domestic economists.

In particular, a group of American economists J. C. Strauss and J. R. Curry introduced the "Further methodological advances in accounting for higher education costs" (BTX). BTX was described as an approach in which each academic unit operates as an independent financial entity, autonomously managing income and expenses. This approach is designed to increase accountability and transparency, promote efficiency, and align unit-level resource management with institutional strategic goals. Research conducted at Indiana University, the University of Michigan, and the University of Toronto has consistently focused on increasing budgetary responsibility, improving financial discipline, and increasing economic efficiency at the departmental level" [3]. In our republic, many scientists have also conducted a number of scientific studies in this area. In particular, if we pay attention to the research conducted by scientists of our country, the issues of accounting and reporting of extrabudgetary funds of higher education institutions were first described in detail from a theoretical point of view by A.A. Ostonokulov. The processes related to the financing of higher education institutions from extrabudgetary funds were studied in a comprehensive, systematized manner from the point of view of accounting and reporting. In particular, these processes include "Preparation, approval, submission and registration of estimates of income and expenses of higher education institutions from extra-budgetary funds, opening and maintaining personal treasury accounts, organizing the implementation of estimates of income and expenses, generation and accounting of income, generation and accounting of expenses, documentation of calculations and their accounting, higher education institutions The sequence of "compilation and submission of a report on the movement of extrabudgetary funds of educational institutions" was scientifically justified [4].

The approach of most scientists pays special attention to the economic and financial activities of higher education institutions, achieving financial stability, establishing an accounting system and preparing periodic reports. However, the ultimate goal remains unchanged: in order to improve the quality of education, increase the number of competitive higher education institutions and ensure financial stability, it is important to properly organize cost accounting and maintain reliable reports and information.

2. Methodology

This study uses methods such as induction, deduction, synthesis and comparative analysis in the process of analyzing the accounting of expenses carried out at the expense of extra-budgetary funds in higher education institutions of Uzbekistan and the use of these funds, as well as the possibilities of accounting based on cost classification, as well as official statistical data from higher education institutions to analyze the effectiveness of

the concept of treasury and digital payments, their role in the treasury system and development trends.

3. Results and Discussion

Accounting for extra-budgetary funds is carried out on the basis of a number of regulatory legal acts, and these documents establish a unified procedure for planning, implementing, reflecting and preparing reports on expenses.

Extra-budgetary funds are financial resources of higher education institutions formed at the expense of sources outside the state budget. These funds are formed at the expense of income from the main and additional activities of organizations. The main sources of extra-budgetary funds include the following (Figure 1).

These funds play an important role in developing the material and technical base of higher education institutions, motivating professors and teachers, and modernizing the educational process.

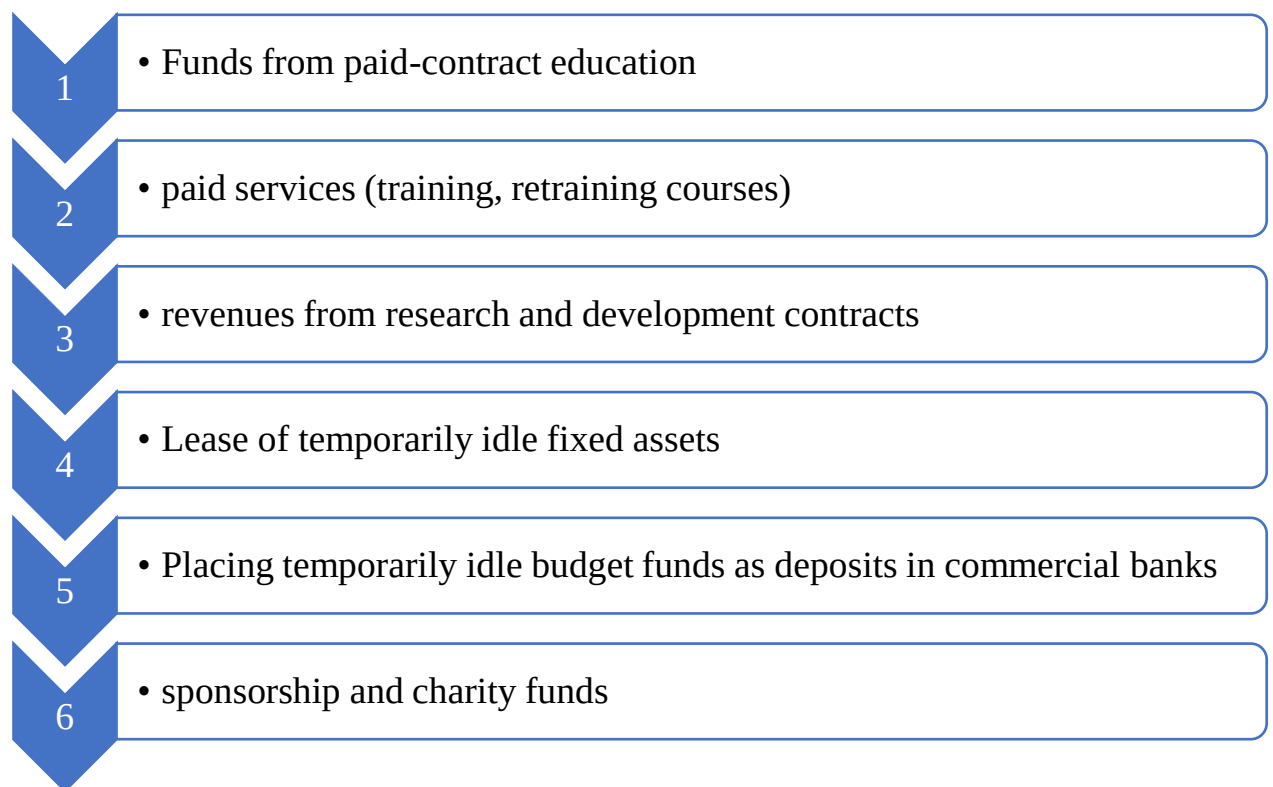


Figure 1. The main sources of extra-budgetary funds.

Funds from paid-contract education are one of the extra-budgetary financial sources of higher education institutions. These funds are paid by students studying on a paid-contract basis, not on the basis of a state grant, but in a fixed amount for each academic year. Contract payments are accumulated in the extra-budgetary paid-contract accounts of higher education institutions and are spent on the basis of a separately approved income and expense estimate. These funds play an important role in increasing the financial independence of higher education institutions, reducing their dependence on the state budget, and ensuring the stability of the educational process. In practice, paid-contract funds are mainly used to pay salaries to professors and teaching staff, finance scholarships and incentive payments, strengthen the educational and laboratory base, introduce modern information technologies, and cover other necessary expenses related to the educational process. At the same time, the process of using funds received on a fee-based contract basis is carried out in accordance with the requirements of accounting and

financial control. Targeted, rational and effective spending of funds serves to ensure transparency in the financial activities of higher education institutions and improve the quality of education. Paid services, including advanced training and retraining courses, are one of the extra-budgetary financial sources of higher education institutions. These services are organized by higher education institutions to update, deepen the professional knowledge and skills of specialists, and train them in new areas. Advanced training courses are usually aimed at improving the knowledge of existing employees in accordance with modern requirements, while retraining courses provide for a change of specialty or providing knowledge in a new profession. Payments for services provided on the basis of these courses are made by the students or the organizations that sent them, and these funds are accumulated in the extra-budgetary development accounts of the higher education institution. Funds from paid services are directed to expenses such as organizing the educational process, paying professors and teachers, preparing educational and methodological materials, and developing the material and technical base. Thus, paid services serve to strengthen the financial stability of higher education institutions and improve the quality of educational services.

Revenues from scientific and research and economic contracts are one of the extra-budgetary financial sources of higher education institutions. These revenues are formed as a result of scientific and research work, experimental and design projects and practical services performed by higher education institutions on the basis of contracts concluded with state bodies, economic entities and other organizations. These funds are directed to cover the costs of financing scientific research, paying professors and teachers and researchers, developing laboratory and technical bases, as well as implementing innovative developments into practice. Revenues from research and development and business contracts are important in increasing the scientific potential of higher education institutions, strengthening the integration of science and production, and ensuring their financial independence.

Leasing temporarily idle fixed assets is one of the extra-budgetary financial sources of higher education institutions. By leasing temporarily unused buildings, structures, classrooms, gyms or other fixed assets, higher education institutions have the opportunity to receive additional income. These lease relationships are carried out on the basis of contracts concluded in accordance with current legislation, and the proceeds are accumulated in the accounts of the extra-budgetary development fund.

Placing temporarily idle extra-budgetary funds as deposits in commercial banks is a practice of a higher education institution to use funds more efficiently by depositing free cash resources that are not immediately spent in a certain period in the bank and receiving interest income. In this case, the main purpose of the funds does not change - they still serve the extra-budgetary needs of the higher education institution, only temporarily "used" them and bring additional income. Extrabudgetary funds of a higher education institution are usually formed from payment-contract revenues, paid services, scientific contracts, rent, sponsorship and other sources. These revenues do not come at the same time during the year, while expenses (salaries, scholarships, repairs, equipment purchases, etc.) are often carried out in stages according to the plan. Therefore, in some months or quarters, an excess (temporarily empty) balance appears on the accounts. If this balance is placed on a bank deposit, the higher education institution will receive additional interest income from it every month, and this income can then be directed to the costs of education quality, material and technical base, scientific activities or incentives. The process of placing on deposit is usually carried out in the following stages. First, the finance department determines which funds will not be needed and for what period, based on an analysis of the implementation of the plan and estimate. Then the deposit terms of the banks are compared, including the interest rate, term, early withdrawal conditions, commissions, and the reliability of the bank. After that, a deposit agreement is concluded in accordance with current regulatory legal documents and the funds are transferred to

the deposit account for the specified period. Upon expiration of the deposit term, the principal amount is returned to the off-budget account of the higher education institution from which it was transferred.

In accounting, depositing is usually viewed as a transfer of “cash” from one type to another: that is, funds are temporarily transferred from the main account to a deposit account. Interest income on the deposit is recognized as a separate income and is reflected in the financial statements as part of extra-budgetary revenues. In practice, interest accrued on the deposit every month/quarter is documented on the basis of bank statements, and the targeted spending of income is carried out in accordance with estimates and internal control procedures. In conclusion, placing temporarily idle extrabudgetary funds on deposit is a financially beneficial instrument for HEIs, which, with proper planning and strong control, serves to generate additional income and effectively use resources.

Sponsorship and charitable funds are financial resources that are voluntarily allocated to higher education institutions by individuals and legal entities. These funds are usually used to develop the material and technical base of an educational institution, support social projects, encourage talented students, and expand research activities. These sources play an important role in expanding the financial capabilities of higher education institutions and ensuring their sustainable operation. In all higher education institutions, extrabudgetary funds are accounted for in separate personal treasury accounts by expenditure section. Expenditure accounts are analytical accounting registers designed to reflect extrabudgetary funds, registered legal and financial obligations, and implemented cash expenditures based on approved income and expenditure estimates. Below we analyze the amount of expenditures made at the expense of extrabudgetary funds in higher education institutions over the past three years (Table 1).

Table 1. Structure of extrabudgetary funds and expenses in higher education institutions of Uzbekistan (2022–2024), billion soums.

Indicators	2022	2023	2024
Total extrabudgetary funds	9 850	11 420	13 100
Including, payment-contract funds	7 100	8 250	9 600
Grant and research project funds	1 250	1 480	1 700
Paid services and business contracts	950	1 100	1 250
Sponsorship and other income	550	590	550
Total expenses	9 620	11 180	12 850
Salary and financial incentives	4 420	5 150	5 900
Scholarships and social payments	2 350	2 750	3 100
Material and technical base and educational infrastructure	1 750	2 020	2 300
Scientific research and innovation	720	860	1 050
Other expenses	380	400	500
Share of extrabudgetary funds in total financing (%)	33,5 %	36,8 %	39,2 %

Note: Prepared by the author based on statistical data from the Ministry of Higher Education, Science and Innovation.

The table data shows that the volume of extra-budgetary funds and their use in higher education institutions of Uzbekistan are steadily expanding during 2022-2024. First of all, the total amount of extra-budgetary funds increased from 9,850 billion soums in 2022 to 13,100 billion soums in 2024. This is an increase of 3,250 billion soums in three years, which means an increase of about 33% in total. This dynamic growth indicates the expansion of financial independence in the higher education system and an increase in demand for educational services. When analyzing the composition of extra-budgetary revenues, it is clear that payment-contract funds occupy the largest share. Contract

revenues, which were 7,100 billion soums in 2022, reached 9,600 billion soums by 2024. Thus, contract revenues increased by 2,500 billion soums in three years, which indicates that the main driver of the growth of extrabudgetary funds is the contract system. This situation, on the one hand, is explained by the increase in the number of students and the expansion of coverage, on the other hand, it also means that a large part of the financial resources of higher education institutions remain dependent on payments from the population. Therefore, high contract revenues enhance financial stability, but can also create risks such as price fluctuations or delays in contract payments.

Turning to the expenditure section, total expenditures incurred at the expense of extrabudgetary funds increased from 9,620 billion soums in 2022 to 12,850 billion soums in 2024. This increase amounted to 3,230 billion soums, which indicates that it is growing almost at the same pace as the growth of revenues in higher education institutions. This means that a large part of the funds received by organizations are soon directed to expenses, and the share of savings or reserve formation may be relatively limited.

In the analysis of the composition of expenses, the largest share falls on salaries and material incentives. This direction, which was 4,420 billion soums in 2022, reached 5,900 billion soums in 2024. This growth indicates that higher education institutions prioritize financial support for professors and staff, and investment in human capital for the quality of education. At the same time, the high share of salary costs also means that the financial resources of higher education institutions are largely tied to current expenses. As a result, the possibilities for capital expenditures (equipment, laboratories, infrastructure) may be limited.

4. Conclusion

The results of the study show that correct and systematic accounting of extrabudgetary funds in higher education institutions is of great importance in ensuring their financial stability, improving the quality of education, and strengthening budget discipline. The fact that the volume of extrabudgetary funds is increasing year by year confirms that the development of the higher education system is one of the priority areas of state policy.

In order to increase the accounting of extrabudgetary funds in higher education institutions and the efficiency of their use, it is advisable to put forward the following proposals:

Firstly, it is necessary to diversify sources of extrabudgetary income. In particular, it is necessary to expand the mechanisms for attracting grants, research and economic contracts, paid services, and sponsorship funds, without relying heavily on payment-contract funds.

Secondly, it is advisable to gradually increase the share of expenses directed to the material and technical base and scientific and research activities. This will improve the quality of education, strengthen scientific potential, and ensure the international competitiveness of higher education institutions.

Thirdly, it is necessary to digitize the accounting of expenses for extra-budgetary funds and widely introduce automated accounting systems. This will help ensure operational control over the movement of funds, increase transparency, and reduce financial errors.

Fourthly, the practice of placing temporarily idle extra-budgetary funds as deposits in commercial banks can be developed on the basis of a clear procedure and strict financial control. This will allow for additional interest income and more efficient use of funds.

In conclusion, improving the management and accounting of extra-budgetary funds is of great importance in strengthening the financial independence of higher education

institutions, improving the quality of education and science, and ensuring the sustainable development of the system.

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