Financial Information System and School Budget Preparation for Smooth Running of Tertiary Institutions in Akwa Ibom State

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ABSTRACT

The research work examined the financial information system and school budget preparation for smooth running of tertiary institutions in Akwa Ibom State. The study investigated that school budgeting plays crucial roles in the proper management of financial resources within tertiary institutions. It involves the process of planning and allocating funds to various academic, administrative, and support functions, ensuring that resources are utilized effectively to achieve the institution's objectives. A well-structured school budget aligns financial resources with strategic priorities, enabling the institution to deliver quality education and support services. The study analyzed the concept of financial information, accounting information, school budget and the types of Account information. The study concluded that The study concluded that school budgeting plays a crucial role in the proper management of financial resources within tertiary institutions. Effective school budgeting requires a thorough understanding of the institution's financial needs, revenue streams, and expenditure patterns. The Financial information system encompasses the processes, procedures, and technologies used by an organization to collect, analyze, and report financial data. One of the recommendations made was that financial information system should be made effective in tertiary institutions in Akwa Ibom state to help track revenue sources, monitor expenditure patterns, and analyze financial performance of the institutions in order to be used for diligent decision making.

KEYWORD: **Financial Information System, School Budget Preparation, Tertiary Institutions and Akwa Ibom State.**

Introduction

The efficient handling of financial resources is essential for the successful operation of any business, especially tertiary institutions, in today's world of rapid change. It is crucial for educational institutions to set up reliable financial information systems and create efficient budgeting processes in order to assure the best possible resource allocation as the demand for higher education increases (Okorie, 2017). This is particularly true for higher institutions in Nigeria's Akwa Ibom State, where the administration and other stakeholders are dedicated to delivering high quality instruction and preparing students for the difficulties of the twenty-first century (Ofoegbu, Nwachukwu, & Onwe, 2015).

A financial information system (FIS) is a framework that includes all of the techniques, methods, and tools that a company uses to gather, examine, and present financial data. It is essential for fostering tertiary institutions' effective financial management, transparency, and accountability (Singh, 2017; Brealey, Myers, & Allen, 2017). Decision makers are given accurate and timely financial information by a well-designed FIS, enabling them to make wise decisions and manage resources efficiently. Tertiary institutions in Akwa Ibom State are able to manage revenue sources, keep an eye on spending trends, and evaluate financial performance thanks to a comprehensive financial information system in place. This system makes it possible to generate financial reports and statements, which helps in assessing the institution's financial health and regulatory compliance (Gheorghiu, 2018). Additionally, it aids in budgeting procedures as data from the financial information system can inform the allocation of resources and the identification of areas that require financial attention.

The appropriate administration of financial resources in tertiary institutions depends heavily on school budgeting. In order to ensure that resources are used efficiently to meet the institution's goals, it entails the process of planning and assigning funding to various academic, administrative, and support roles (Usman, Ayuniyya & Mohammed, 2021). A well-organized school budget enables the institution to provide top-notch instruction and support services by coordinating financial resources with strategic priorities. Effective school budgeting in the context of the tertiary institutions in Akwa Ibom State necessitates a full comprehension of the institution's financial needs, revenue sources, and expenditure trends. In order to establish goals and allocate resources appropriately, it requires collaboration amongst stakeholders, including management, teachers, staff, and students (Singh & Santhanam, 2016). A transparent and participatory budgeting process enhances accountability, fosters trust, and ensures that the financial resources are utilized in the best interest of the institution and its stakeholders (Macías-Chapula, 2019).

Furthermore, one of the most important aspects of financial management in higher institutions is the creation and implementation of an extensive school budget. A school's budget acts as a financial road map by outlining the organization's anticipated revenue and planned expenditures over a certain period. Okorie, 2017; Ofoegbu, et al., 2015). It enables managers to set expenditure priorities, pinpoint areas for cost-cutting initiatives, and match financial resources with the institution's strategic objectives and priorities.

Concept of Financial Information

Financial Information, according to Law Insider (2023), is data on finances, such as assets, income, liabilities, net worth, bank balances, financial history or activities, or creditworthiness. Anything pertaining to a business's financial operations and performance is considered financial information. This data is typically gathered through financial statements or reports that focus on particular aspects of a company's finances, like cash flow and profitability. Financial information is the condensed data of financial transactions that aids investors in comprehending a company's profitability, assets, and future potential for expansion. Financial data can paint a picture of an organization's past, present, or anticipated future performance. Unquestionably, financial information has a significant impact on economies. To form an effective capital market, financial information must be reliable and accurate. Financial information as the cornerstone of financial markets, can improve economic performance in several ways.

According to Sinha & Vaidya (2023) Given below are the points regarding why financial information system is used.

- Financial information is very costly data. It shows the monetary capability of individuals. So an Institution engaged in issuing loans would like to have information regarding the monthly income of persons so that they can pay the monthly installments of the loan issued. So it is used to judge the liquidity position of an individual or business.
- Big Credit rating agencies like Moody’s, S&P, etc., rely on the Financial data of companies to produce ratings. In addition, companies engage in monetary transactions with several counterparties. So all the transactions are essential data points and must be analyzed thoroughly to understand whether a company’s credit quality is good or bad.
- For Individuals, Credit Quality is decided by the Credit Score. So to assign credit scores, rating agencies need to study the individuals’ credit history. How much loan has an individual taken throughout their life? How fast did he repay? Was there any default in payment? So all these are financial data required to make an informed decision regarding the credit score of an Individual.
- Creditors take the help of the financial information services of companies before giving credit. They usually have separate Teams who are engaged in studying this information to understand whether to give credit to any particular organization or not.
- Before investing in stocks of the company, investors extract information by reading several Financial Statements to predict the credit and liquidity quality of a company. This research helps investors understand whether they should buy or short the stock.
- Information like bank transactions, Credit card usage, and several other monetary transactions are being thoroughly scrutinized by the Country’s Intelligence to track and hunt terrorist activities.
- Private equity Investors study this Information on Start-Up companies thoroughly before investing in them. They buy this information from several third party sources, and at times they request this information directly from the Start-Ups.

Concept of Accounting Information

Accounting is the process of recording, analyzing, summarizing, and interpreting the financial information of a business organization. Accounting information thus generated is of use to the stakeholders of the company, namely the employees, shareholders, creditors, banks and other lenders, regulatory agencies and tax authorities, etc. It is the only way or language through which the organization can communicate with the internal and external world. Accounting information is fed into an accounting information system that uses computers to process data. It records and tracks all the accounting activity of the business by making use of information technology systems and resources. The reports generated by the system are of use both internally within the company and externally for other stakeholders and users, (eFinanceManagement.com, 2023). Accounting is a set of concepts and techniques that are used to measure and report financial information about an economic unit. The process using which the data in an organisation is recorded, summarised, analysed, and interpreted is known as Accounting. Accounting information is thus generated in this process. Its users include business managers, owners, investors, creditors, employees, government, etc. There are different systems of accounting information that process the data with the help of computers. The information technology system is used to record the company's transactions. These systems help generate reports everyone uses, including the different stakeholders interested in the organisation, (Khatabook.Inc. 2022).

Accounting information is data about a business entity's transactions. From buying inventory and machinery to entering into long-term building contracts, the events that occur in business operations almost always translate into accounting information. Accounting is a method of identifying and recording this data and using it to generate useful reports for a variety of users. These users are generally classified into two groups: internal users and external users. Because the needs of these users are so varied, accounting has two main perspectives. Managerial accounting is a forward-looking perspective geared toward internal users. Financial accounting relies on historical data and is standardized for external users. To understand these perspectives, you need to understand several underlying concepts that form the basis of accounting as the language of business. It is also the information that arises from business transactions. Once identified, the information is then classified and recorded, and it eventually finds its way into various reports. For cash basis accounting, this is relatively simple. Revenue is recorded in the books when cash is received, and expenses are recorded when cash is paid out. This method may be simpler, but it is only suited to smaller businesses with only a few owners or partners. However, businesses with more investors and businesses that have inventory find the accrual basis of accounting necessary. Additionally, publicly traded businesses are required by law to use accrual-basis accounting. Transactions in accrual accounting are recorded with respect to the accounting equation, where every transaction has a debit side and a credit side, (Laura Chapman, 2018).

Concept of School Budget

A school budget is a fiscal managerial document used to plan for the projection of expenditures that will be incurred during a designated period of time. The time period is referred to as the fiscal year, (Ellerson, 2023). The purpose of a school budget is straightforward: to create and implement a financial plan that will support appropriate funding for all programs benefiting students. A budget is a fiscal plan formulated to reach the goals of the school. It is a very important aspect of Educational Effectiveness for exercising financial control. It reflects the aspirations of the ' school and the financial means to fulfill them. As you know, planning is fundamental to management since it involves the control and manipulation of the relevant variables and reduces uncertainty. Hence, a budget expresses the plans regarding all the operations to be undertaken along with realistic estimates regarding the expenses that would be incurred to undertake these operations.

A budget is thus the main framework for the financial management of schools. It provides the essential pathways through which the financial resources 'of the school could be harnessed for attaining the objectives that have been set (Shkurina, 2018). A budget enables systematic thinking about future actions in a comprehensive and coordinated manner. It is a tool for management through objectives, effective communication, continuous feedback, and evaluation. A budget thus provides the school with an operational 'cost-time' framework for the implementation of the various activities of the school. This is because it is a forecast of future financial events showing the anticipated revenue, expenses, and financial position of the school. A budget helps identify needs, control expenditures, and ensure accountability. It also provides an opportunity for staff members to articulate the financial requirements of the school.

Types of Account Information

According to Accounting Education, (2023), there are several types of account information and below there are listed;

- **Accounting Information of Financial Performance and Financial Position**

This is the main type of accounting information. Every user needs information on the net profit or loss of the company. At the end of the year, what is the amount of net profit or net loss for the company? If net profit's value is very high, every user will benefit from this data. Employees can demand a higher salary. Shareholders may demand more dividends. Investors can invest their money in the company because there is a good chance that they will receive a higher return on their investment. For this information, it is necessary for the business to make a profit and loss account. This accounting information is also called "financial performance information." Next common is financial position. We can find out the financial position by seeing the balance sheet. The balance sheet's understanding is helpful for telling whether the financial position is strong or weak. Financial accounting provides such accounting information.

- **Accounting Information of Total Cost and Per Unit Cost**

Second type of accounting information is of value of total cost and per unit cost. If you have to sell your product in the market, you need to know what is your total cost and per unit cost. All cost accounting records will be helpful for providing such accounting information. When businessman gets this information, it will be very easy for him for fixing his estimated sale price by adding profit margin in it. For example, My Cost of per unit is $100 as per my cost account records. Now, I want to get 50% profit on my sale. So, I use following simple formula

Profit = Cost X Profit / (100 - Profit) = 100 X 50/ (100-50) = 100

Sale Price = Cost + Profit = 100 +100 = $ 200

- **Accounting Information for Planning and Control of Business**

There is lots of accounting information that is needed for planning and control over the business. Such information is added to the third type. For example, we are interested in paying our creditor quickly. For this planning, we have to check the creditor turnover ratio and average conversion period. Like this, there are lots of ratios that are helpful for different types of planning. Through the budget, we get different accounting information for controlling the business. A cash flow statement provides information on the source and application of cash. Such information is helpful for controlling cash, which is used in operation activities, investing activities, and financial activities. All this accounting information can be gotten from management accounting.

- **Accounting Information for Tax Management**

This is the important type of accounting information. In this type, we collected information which is only need for tax management. For example, for calculating income tax on the profit, we need profit before tax and dividend distribution. For VAT Input, we need information of purchase of different products which are bought in day from one party. For VAT Output, we need the information of sale of different product which is sold in a day to one party. For getting this accounting information, it is very need to study tax accounting of business.

- **Accounting Information for Social Responsibility**

Through social accounting, we collect the accounting information for social responsibility. In big corporate, a social account is made which provide the information of benefits to society and cost of natural resources which are taken by corporate. Future benefits like product safety, financial support to manpower, customer satisfaction and pollution control can be given on this accounting information.

Effect of Accounting Information on School Budget Preparation

School budgeting, accounting, and auditing attempt to determine the effective and efficient uses of resources and to provide a roadmap by which the stakeholders in education can evaluate school financial status to support the operation and improvement of education, among other control techniques (Ezegugbor, 2023). As is fully known, the primary objective of accounting is to provide information to enable interested parties to substantiate relevant decisions. We must take into account that the information needs of different categories of users vary. While present investors (the state and its institutions or private investors, as the case may be) are interested in the return on their investments, employees and their representatives are concerned about the stability of the employer following the evaluation of the institution's capacity to provide remuneration and career opportunities. On the other hand, customers are interested in information regarding the continuity of the institution, especially when they have a long-lasting collaboration with it or are dependent on it. In turn, providers and suppliers (trade creditors) aim to collect at maturity the amounts due to them from the delivery of goods, performance of work, or services. Regarding financial creditors, they seek reimbursement at the maturity of loans and related interests. Instead, the community is interested in continuing to receive high-quality public services that assure its educational welfare.

In general, the accounting information is the basis for determining indicators regarding all the economic and financial transactions carried out, ensuring the certainty necessary to produce reliable forecasts. The financial and accounting information characterizes the institutions' financial position and performance, the use of resources, and is relevant both for its own information needs as well as for third parties (treasury, credit institutions, trade partners, tax bodies, and other interested parties). The accounting of public institutions of higher education focuses mainly on: the implementation of revenues and expenditure budgets; the budgetary outturn; the property under management; the patrimonial result; and the cost of the programs approved through the budget. Simultaneously, the university accounting information contributes to preparing the annual execution account of the state budget (Cristina Dragusin and Criveanu Maria, 2014).

Financial Information System and School Budget

The financial information system refers to those reports and data that give stakeholders an insight into the company's financial performance. Stakeholders, like investors, creditors, management, employees, etc., use this information to make informed financial decisions. According to Fedena (2023), in Financial Information System and School Budget, the School Finance Management System helps to offer schools and educational institutes a broad selection of features that empower them with the ability to manage and control their accounts more effectively.

- **Financial Reports:**

  This feature allows the school finance team to view the various transactions for a customizable period of time. The reports show all the existing categories of income and expenses with an ability to view and generate reports in complete detail such as discounts, fines, etc.

- **Transaction Management:**

  The system allows for common transactions that are done in the school to be recorded by creating custom categories. Similarly, custom categories can be created forever new expenses and new incomes. The system also makes it easy to revert manage donations taxes and for easy asset and liability management.

Roles of accounting information

Accounting information plays several important roles within an organization. Here are some key roles of accounting information:

- Financial Reporting: Accounting information is used to prepare financial statements, such as the income statement, balance sheet, and cash flow statement. These reports provide a summary of an organization's financial performance, position, and cash flows, allowing stakeholders to assess its profitability, solvency, and liquidity, (Weygandt, et al.2018).

- Decision Making: Managers rely on accounting information to make informed decisions. Financial data helps in evaluating the feasibility of investment projects, assessing profitability, and determining the allocation of resources. It provides insights into costs, revenues, and trends, enabling managers to plan, control, and strategize effectively, (Horngren. et al. 2017).

- Performance Evaluation: Accounting information assists in evaluating the performance of individuals, departments, and the organization as a whole. It enables the comparison of actual results against budgets or targets, facilitating performance measurement and identifying areas of improvement. Key performance indicators (KPIs) and financial ratios are derived from accounting information to assess efficiency, profitability, and productivity, (Warren, 2018).

- Compliance and Legal Requirements: Accounting information helps organizations comply with regulatory requirements, such as tax laws and financial reporting standards. Accurate and reliable financial records are necessary for filing tax returns, fulfilling audit obligations, and meeting legal reporting obligations. It ensures transparency, accountability, and adherence to relevant laws and regulations.

- External Communication: Accounting information is shared with external parties, including investors, creditors, government agencies, and the general public. Financial statements and disclosures provide stakeholders with an understanding of the organization's financial health, risk profile, and prospects. This information assists in attracting investment, securing loans, and building trust with external stakeholders.

- Resource Allocation: Accounting information aids in allocating resources effectively. By analyzing costs and revenues associated with different activities or products, organizations can identify profitable ventures and allocate resources accordingly. This helps in optimizing resource utilization, minimizing wastage, and enhancing overall operational efficiency, (Porter, 2016).

- Forecasting and Planning: Accounting information serves as a foundation for financial forecasting and planning. Historical financial data, combined with market trends and assumptions, can be used to project future revenues, costs, and cash flows. This information assists in budgeting, setting financial targets, and developing strategic plans.

Overall, accounting information provides valuable insights into an organization's financial performance, aids in decision making, facilitates compliance, and enables effective communication with internal and external stakeholders. It is a vital tool for managing and understanding the financial aspects of a business Stickney, (2013).

Conclusion

The paper concludes that school budgeting plays a crucial role in the proper management of financial resources within tertiary institutions. Effective school budgeting requires a thorough understanding of the institution's financial needs, revenue streams, and expenditure patterns. The financial information system encompasses the processes, procedures, and technologies used by an organization to collect, analyze, and report financial data. The financial information system plays a pivotal role in ensuring transparency, accountability, and efficient financial management within tertiary institutions. The study found that collaboration among stakeholders, such as management, faculty, staff, and students, helps identify priorities and allocate resources accordingly.

Recommendations

1. Financial information system should be made effective in tertiary institutions in Akwa Ibom state to help track revenue sources, monitor expenditure patterns, and analyze financial performance of the institutions in order to be used for diligent decision making.

2. A well-structured school budget aligns financial resources with strategic priorities, enabling tertiary institutions to deliver quality education and support services. Therefore, Akwa Ibom State's tertiary institutions should be involved in effective school budgeting.

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