

A STUDY ON RECORDING OF FINANCIAL TRANSACTIONS AND ITS IMPACT ON FINANCIAL REPORTING IN HIGHER EDUCATION INSTITUTIONS

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1. Abstract

The research contained in this article examines the relationship between the recording of financial transactions in relation to its accuracy, completeness, and timing regarding the quality of reporting of financial transactions in higher education institutions. The study will examine the existing practices of recording financial transactions, recognize gaps in the existing practices of recording financial transactions in order to assess the reliability of ERP-based accounting for financial reporting within a higher education institution. The study states that accurate recording supports improved transparency by providing better reporting on the financial position of the institution, helps ensure that the institution is compliant with Ind AS and UGC guidelines, improves the internal control environment in higher education institutions, and improves the decision making process at the institutional level. The study provides a number of recommendations including the complete use of an ERP environment for financial transaction recording, the need for complete digital recording, carrying out quarterly internal audits, and providing continued training for financial staff working in the ERP system.

2. Introduction

Proper financial management is essential to accountability and sustainability at higher education institutions. Higher education institutions administer a wide variety of financial transactions, including student tuition and fees, research funds, donations from philanthropy, income from accommodation, salaries, and all types of expenses through their operational procurements. Accurate and timely recording of these transactions is essential to producing accurate and credible financial reporting. When recording and reporting the financial transactions of the institution is not timely (within days of the month-end) or complete (records are missing), the result can be mistakes. Issues with recording and reporting transactions can also occur when records are maintained in a manual system, as errors can easily be introduced if capture is not immediate or if there are issues with completing the right transaction for the right purpose. Mistakes in recording can result in compliance errors and eliminate one or more internal controls and/or processes. They can also lead to reporting financial information that is not credible or usable in decision-making. Accordingly, the current study examined the impact of recording practices on financial reporting quality, with a specific focus on accuracy, timeliness, internal controls, and planning for digital transformation, as it relates to recording practices.

3. Literature Review

Many Researchers have identified that higher level recordkeeping produces better financial reporting.

- 1) Dechow & Dichev (2002) indicated that activities that produce more accurate accrual, reports that have better reliability.
- 2) Barth et al. (2008) stressed that even reliable reporting was dependent on the data supporting the transaction being reliable.
- 3) Singh & Jindal (2021) studied that public universities in India, limited in dependable reporting, indicated that a manual accounting system inhibited their ability to provide these reports - they suggested the need for a more reliable financial system.
- 4) Gupta & Kumar (2023) provided evidence to suggest Implementing an ERP would drastically reduce errors as it relates to inputs to transactions

The above intellectual theories should support their a priori relationships:

1. Accrual Concept - recording transactions as they happen or accrued, not documented as they were paid.
2. Matching Principle - linking expenses to related revenues.
3. Principle of Consistency - easily comparing one reporting entity to another due to systems.
4. Theory of Internal Controls - or the understanding that systems and controls eliminate errors, inaccuracies and fraud.
5. Systems Theory - recording is the first control when considering financial reporting as a linear.

Often the literature would suggest that reliable financial reporting depends heavily on the quality of the supporting transaction data.

4. Research Problem

Colleges and universities generate thousands of financial transactions on a daily basis. There are still some manual processes, recording may not always be done consistently, ERPs may not be fully functional, and audit trails may not be fully seasoned which creates delayed processes and lower quality results when it comes to:

- a. Accuracy of reporting
- b. Compliance with Ind AS & UGC
- c. Proper classification of transactions
- d. Financial decision making
- e. Preparation for audits
- f. Confidence in the auditor's work

Now we also need to determine how recording procedures tied to financial transactions also affect reporting quality.

5. Objectives of the Study

Primary Objective

To analyze the effects of accurate reporting of financial transactions on financial reporting quality for universities.

Secondary Objectives

1. To examine processes for recording transactions at MIT ADT University.
2. To identify gaps and issues with the recording and process.
3. To evaluate the role of ERP systems and digital accounting systems.
4. To assess to improve reporting and reliability.

6. Hypothesis

Null Hypothesis (H_0). There is no meaningful association between transaction recording accuracy/timeliness and financial reporting quality.

Alternative Hypothesis (H_1). A meaningful (positive) relationship exists between transaction recording accuracy/timeliness and financial reporting quality.

7. Research Methodology

Research Methodology

Research Design

Mixed-method design: descriptive + analytical;

Data Collection:

Primary Data Use: Interviews and a survey of employees in the university (finance, admin, faculty, and students);

Secondary Data Use: University financial reports, ERP manual, audit guidelines, and academic journal articles.

7.1 Respondent Profile (Table 1)

Attribute	Category	Percentage
Age	20–25 years	48%
	26–35 years	34%
	36–45 years	12%

	Above 45	6%
Gender	Male	55%
	Female	45%
Occupation	Students	40%
	Admin Staff	30%
	Faculty	18%
	Finance Professionals	12%

7.2 Awareness of Financial Recording (Table 2)

Metric	Percentage
Aware of financial recording process	52%
Unaware	48%
Believe recording affects reporting	82%
Don't believe	18%

8. Findings & Analysis

Survey results and interviews revealed significant insights.

8.1 Challenges in Recording Transactions (Table 3)

Challenge	Percentage
Delays in posting transactions	64%
Manual entries still used	58%
Incomplete documentation	45%
Lack of ERP integration	40%
Misclassification of entries	34%
Lack of staff training	28%

8.2 Benefits of Accurate Recording (Table 4)

Benefit	Percentage
Greater transparency	72%
Accurate financial statements	68%
Faster audits	60%
Better decisions	54%
Higher compliance	50%

8.3 ERP Usage at Universities (Table 5)

ERP Usage Indicator	Percentage
Fully digital recording	38%
Partial digital + manual	52%
Mostly manual	10%
Satisfaction with ERP	56%

8.4 Relationship Between Recording & Reporting (Table 6)

Observation	Agreement Level
Accurate records improve reporting	88%
Delayed entries reduce reliability	76%
Manual systems increase errors	70%
ERP improves accuracy	82%

8.5 Key Findings Summary (Table 7)

Finding	Evidence
Manual dependency exists	Delays + errors
ERP not fully integrated	52% partial usage
Internal controls need improvement	Reconciliation delays
Stakeholders support digitalization	78% agreement

9. Recommendations

A. Complete ERP Integration

Fees, salaries, purchasing, and grant transactions to be entered in the ERP.

B. Electronic Fund Requests

Paper vouchers should be eliminated, replaced with scanned images exported in a digital file format.

C. Quarterly Internal Audits

Allows for identifying misstatements earlier in advance of annual audits, as well as accelerating annual reconciliations.

D. Staff Development Program

ERP training, Ind AS updates, “How to” audit and compliance.

E. Work Flow to Automate Approvals

To reduce the time delay before a transaction is approved, accelerate publish time, and to avoid prevent transaction payments.

F. AI analytics and monitoring

Monitoring designed to detect financial irregularities, etc.

10. Conclusion

The results indicate support for the hypothesis that financial reporting quality is linked to the reliability and timeliness of specific transactions being recorded. Inaccurate transaction recording creates noncompliance and delays, resulting in inaccuracies in financial reporting.

Universities should develop a financial ecosystem that is entirely digital, integrated, and audit-ready for management purposes. An ERP system, appropriate internal controls, training on claims, and electronic documentation, are all necessary to subsequently improve the reliability of reporting and governance.

Recording of key transactions for accurate purposes is more than simply accounting, as it is about transparency, trust, and ultimately financial sustainability for postsecondary educational institutions.

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