



# INCOME OF CONTRACT FORMS IN HIGHER EDUCATIONAL INSTITUTIONS AND THE PRACTICE OF THEIR ACCOUNTING

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## ABSTRACT

*This article primarily discusses the accounting of non-budgetary resources in higher education institutions. It focuses on the management of funds generated through contracts, including their formation, recognition as income, and the importance of calculating the financial result. To ensure financial stability and independence, institutions are encouraged to categorize contract-based receipts according to relevant areas and strive for efficiency. Additionally, the article provides practical recommendations for preparing conclusions and scientific proposals that align with the financial objectives outlined in the business plan of these institutions.*

**KEYWORDS:** *State budget funds, financial support, higher education, market relations, differentiated payment, contract funds, accounting, income formation, financial statements.*

## INTRODUCTION

In our country, significant efforts are underway to enhance the higher education system. One of the crucial challenges we face is the education of specialized personnel capable of meeting contemporary requirements and improving the entire educational framework in accordance with state regulations. The Presidential Decree titled "On Approval of the Concept of Development of the Higher Education System until 2030" [1] highlights the need to prioritize systematic reforms in Uzbekistan's higher education, elevate the training of highly qualified individuals with modern knowledge and strong moral and independent thinking to a new level, and promote the modernization of higher education. Furthermore, in order to enhance the effectiveness of ongoing reforms, ensure financial stability for State Higher Education Institutions, and empower them to address material and technical infrastructure challenges independently, the decision was made to grant financial independence to these institutions [2]. This decision aims to expand the opportunities for attracting funds for research activities. However, higher education institutions that have been granted financial independence still encounter several deficiencies in their accounting and control practices, particularly in maintaining financial stability, effectively managing contract-based income, and ensuring targeted expenditure. Currently, there are certain issues related to accounting research, the absence of proper grouping of contract fees according to their respective categories, and difficulties in providing accurate accounting information. To address these challenges, it is necessary to improve the accounting process and reporting procedures in higher education institutions, including the implementation of cost grouping based on the income categories of contract fees.

During the research process, a comprehensive analysis was conducted on the accounting of contract-based funds in higher educational institutions, as well as the financing system for scientific research in these institutions, with a particular focus on insights from foreign economists. The current state of non-budgetary funds, including those generated through contracts, was thoroughly examined and examined. The preparation of this article involved employing various abstract methods of logical thinking, such as induction, deduction, observation, analysis, grouping, and comparison. The aim was to address contemporary issues and develop proposals and recommendations based on the findings and insights derived from the research.

## LITERATURE REVIEW

Effective financing of higher education institutions accounting of extra-budgetary funds including the organization of accounting of funds of the form of contract, as well as the expansion and effective use of non-budgetary funds are reflected in research, scientific works, brochures conducted by foreign and professional economic scientists. The leading economic scientists of our Republic were A.A.Ostonokulov[3],

A.A.Makhmudov[4], A.B.Sherov[5], J.Yu.Kurbanov[6], S.M.Buzrukhanov[7], S.U.Mehmonov[8]. In their scientific work, among others, the ways of improving the financing of the higher education system, carried out research work on the accounting of receipts from the contract.

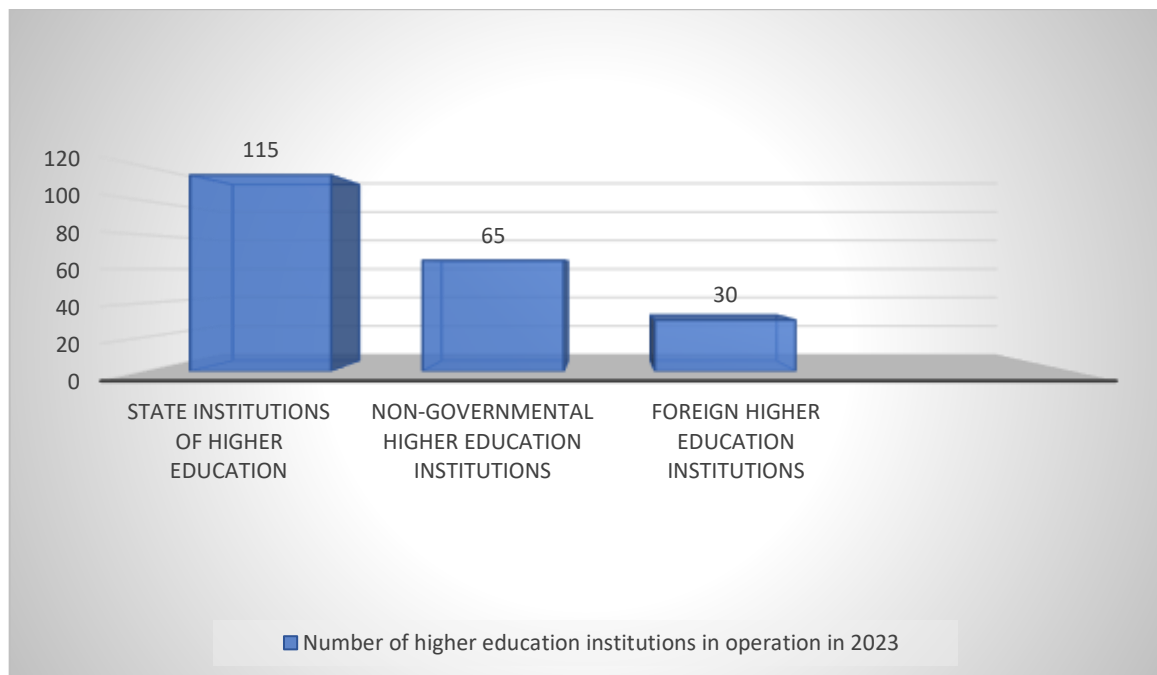
Specifically A.A.In ostonokulov's scientific work on the topic "Improving the methodology of accounting and reporting of non-budgetary funds of budgetary organizations" for the degree of Doctor of Economic Sciences, the need and importance of the formation of non-budgetary funds in budgetary organizations, the theoretical foundations of accounting of non-budgetary funds of budgetary organizations were studied, S.M.Buzrukhanov proposed as a scientific innovation the introduction of effective and transparent mechanisms of financing in his scientific work, written to obtain the degree of Doctor of Economic Sciences on the topic "Improving financing of higher education in the context of the transition to an innovative economy", as well as the independent determination of contract amounts in undergraduate educational areas not more than three times the from the scientific research of the above researchers, direct financial independence requires improvement of the accounting of funds of the form of payment-contract in higher educational institutions.

European economist Simon Marginson brogan led scientific work aimed at improving the effectiveness of the European Higher Education System "Higher education is a dynamic part of the modernization process"[9]. Kazakh scientist Rita Kasa conducted scientific work dedicated to the financial activities of the European states Higher Education Ridge, the processes of inclusive education "To fund their higher education abroad, they draw on scholarships, family resources, loans, and personal earnings"[10].

It is advisable to study the results of the research directions of the above foreign scientists, the specificity of the financial activities of higher educational institutions and the research carried out by studying the specific aspects of the financial activities of the higher education system of Uzbekistan, especially those of higher educational institutions for which financial independence has been granted.

## ANALYSIS AND RESULTS

Today, the main part of the financial support of higher education institutions is the creation of extra-budgetary funds, namely, pay-contract funds. up to 95-98 percent of financial support in the business and management areas of falls on the funds of the contract form of teaching. Our research has shown that in the past five years, market mechanisms are gradually being introduced in the process of financing the higher education system. According to our analysis, the establishment of non-governmental and foreign higher education institutions, the growing expansion of joint education programs, are laying the groundwork for the emergence of free competition between higher education institutions.



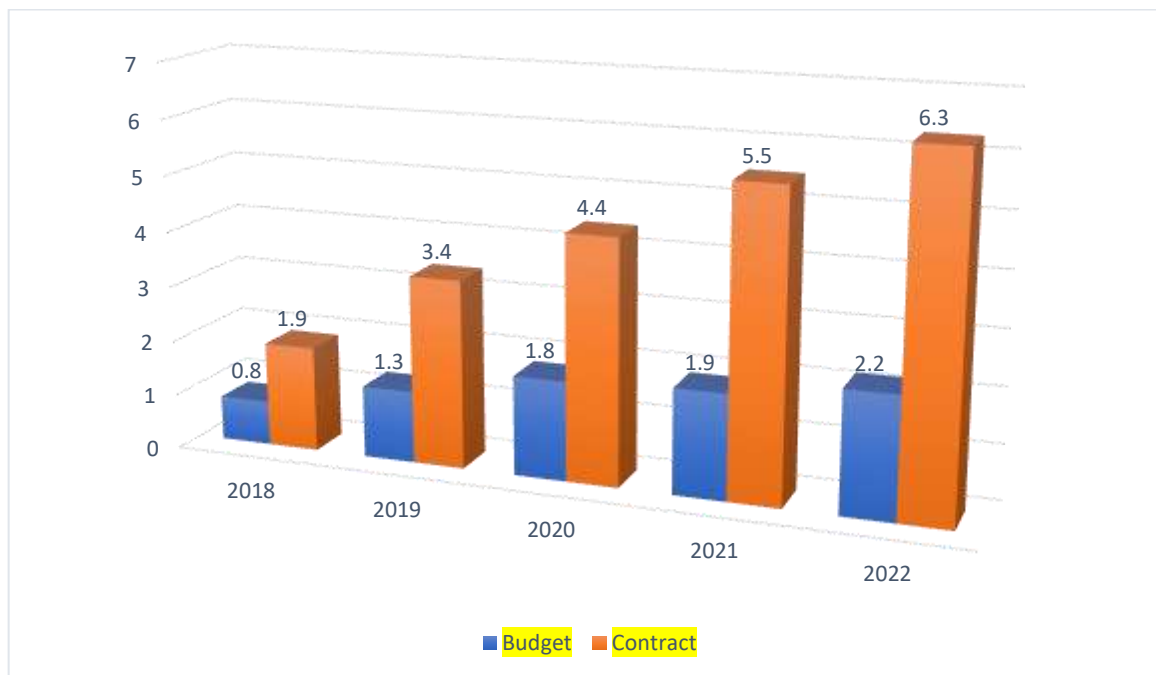
Picture 1. The number of higher education institutions in Uzbekistan in 2023

Based on the data presented in the diagram, the current total count of higher education institutions stands at 210. Out of these, 115 establishments, accounting for 55 percent, are categorized as state higher education institutions and their branches. Non-state higher education institutions make up 65 establishments, representing 31 percent of the total. Additionally, there are 30 fillials of foreign higher education institutions, constituting 14 percent, operating within the territory of the Republic of Uzbekistan.

Furthermore, as of 2022, a total of 17 branches have been converted into institutes, 10 branches into universities, and 10 institutions of higher education have undergone transformation. The admissions data for 2022 revealed that 214,000 applicants were fortunate enough to secure enrollment, resulting in an overall applicant coverage rate of 38.4 percent. Consequently, by 2023, the undergraduate student population had surged to 943,000 students, while the number of graduate students pursuing advanced studies reached 25,000.

Based on our analysis, we can say that the amount of funds allocated to higher education institutions of the Republic in 2018-2022 has only been on the trend of growth.

From Picture 2 below, it can be seen that financing at the expense of the state budget increased by 2.7 times during the analysis period, while financing at the expense of the payment contract increased by 3.3 times. So, in the financing of higher education institutions, the system of financing at the expense of payment contract funds is gaining an advantage. These proportions are even more pronounced if we analyze these data in percentages. In 2018, higher education institutions reported that 29% of total funding came from budget funds, and 61% from pay-contract funds, which was 27.6% from budget funds, and 72.4% from pay-contract funds as of 2022.



**Picture 2. Financial Allocation Trends for Republican Higher Education Institutions in 2018-2022 (in trillions of sum)**

Relying on the data of the analysis, we can observe that in the financing of the higher education system in our country, the trend towards lowering budget funds and self-financing continues.

In order to improve the effectiveness of the reforms carried out in the higher education system, ensure the financial stability of State Higher Educational Institutions, independently solve the issues of strengthening the material and technical base, expand the possibility of attracting funds to research activities, and develop a competitive environment between higher educational institutions, 36 higher educational institutions were granted financial independence from January 1, 2022. According to him, since the 2022/2023 academic year, state higher education institutions that have been granted financial independence have been given additional powers in the field of academic independence and in the field of organizational and managerial independence.

Financial independence of the universities of the technical analysis of the source of funding that we have:

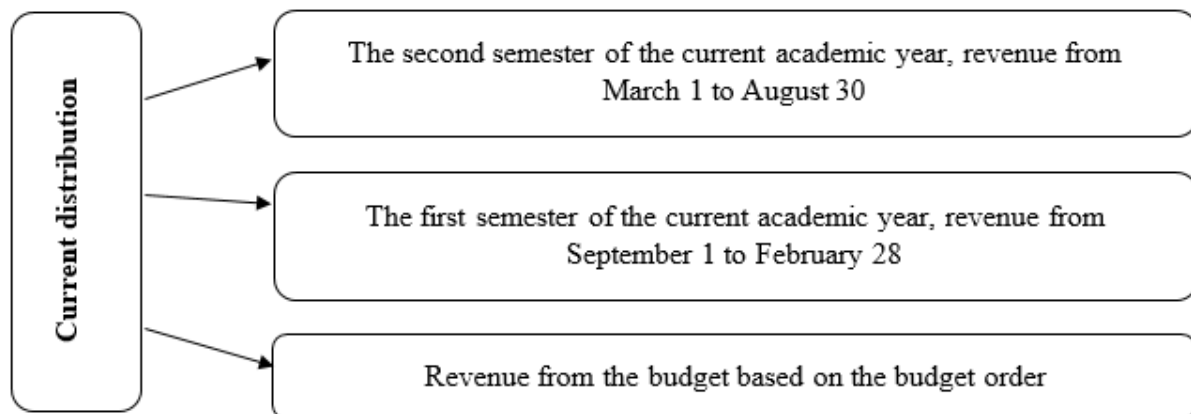
- state budget funds;
- proceeds from the contract form;
- development Fund funds;
- other extra-budgetary funds.

State budget funds are funds allocated from the state budget of the Republic of Uzbekistan to train students who are studying on the basis of a state grant of a state order. Financing accounting from state budget funds is carried out according to the decision “On approval of the procedure for financing from the state budget of the Republic of Uzbekistan for the training of personnel on the basis of a state order (state grant) in state higher educational institutions for which financial independence was granted”. [11]

In this case, an agreement is signed between the “Ministry of Science and innovation of Higher Education” and the “Executive HE” to finance the training of students studying on the basis of a state order (state grant). After signing the agreement, in accordance with Chapter 18 of the Budget code and legislative acts, the HEI forms and approves the cost estimate for budgetary funds. Funds allocated for students studying under a state order are transferred to the personal Treasury account of the contract funds of the HEI. At the end of the reporting period, the balance of funds is left at the disposal of the higher educational institution. The planning of the contract funds of the HEI, the drawing up of income and expense estimates and the implementation of expenses is carried out in accordance with the business plans discussed and approved by the Supervisory Board of the HEI, with the provision of a sequence of financing of the corresponding expenses.

Accounting of funds from the form of contract is carried out according to the regulation “On the form of payment - contract of teaching in higher and secondary special, vocational educational institutions and the procedure for distributing funds received from it” [12].

Accounting of contracts concluded on the basis of contract of teaching of the HEI 4009.....-the movement of the funds received from the contract form of training is carried out on the account in which it is kept. Currently, in practice, receipts are distributed in the following section and are formed in the contract report.



**Picture 3. Distribution of the revenue of teaching from the contract form for the current fiscal year of the HEI**

*Source: Prepared by the author*

The contractual amounts set out in the contract are two, i.e. the procedure for paying until October 1 for the 1st semester of the current academic year and until March 1 for the second semester is introduced.

Now, analyzing the above revenue data, the proceeds of training from the form of a contract should be divided into the following distribution:

- teaching of contract in the form of the falls main contract funds;
- differentiated payment contract qualifications;
- contract qualifications based on Budget order;
- academic indebtedness reimbursement of students who failed to accumulate sufficient credit in the credit-module system-contract qualifications;
- in other cases, the payment left at the disposal of the financial institution is contract qualifications.

## DISCUSSION

In practice, we can see that the accounting of the income of contract funds in HEI is carried out only in 2 directions. But all of these above distributions are making receipts in the 5 directions specified. These receipts are carried out in the form of general receipts in accounting cases. This leads to a number of inconveniences in accounting work, in other words, to the occurrence of a number of shortcomings in the accounting system and the reports being compiled. For example, the fact that the account of the differentiated contract is not kept separately, in addition, after the differentiated payment contract funds come to the personal Treasury account, the account of taking it to the income also remains one of the problematic situations. Problematic issues in accounting for such



contract funds in turn lead to a number of shortcomings in the service of Higher Education accounting, as well as a lack of confidence in the information provided.

## CONCLUSIONS AND SUGGESTIONS

State budget funds serve as the primary and crucial source of financial support for higher education in Uzbekistan. Over the years, approximately 20-25% of state budget expenditures have been allocated to the higher education system. While educational services hold significant social value, they also operate within market dynamics. The growing demand for educational services is met through market mechanisms, resulting in an increasing trend of specialist training on a pay-contract basis.

Based on the analysis of contract fund income and the need to enhance the current accounting practices in financially independent higher education institutions, the following conclusions can be drawn:

Differentiated payment should be separated from the main contract amount in the contract agreement. This can be achieved through the introduction of separate accounting for differentiated payment contract funds, establishing new account subscripts specifically designed to record payment-contract receipts in the institution's budget. This approach allows for prompt access to the amount of differentiated payment contract fund proceeds within the current academic year, enabling efficient financial reporting.

Differentiated payment should be distinguished from the main contract amount, and the remaining balance should be recorded as income within the period of receiving the differentiated contract payment. It is important to consider that the costs incurred by students under differentiated (super) fee contracts may differ from those under basic fee contracts, which impact the accounting treatment. Therefore, it is advisable to distribute the differentiated payment contract amount equally over the current academic year or, alternatively, separate the training fee-contract amount from the differentiated payment-contract amount and record the remaining balance as income within the period of receipt.

Through these efforts, improvements can be achieved in the organization of accounting for non-budgetary funds in higher education institutions, particularly regarding income formation, accurate and timely maintenance of financial records for contract funds, and the preparation of reliable financial statements reflecting the movement of payment-contract funds.

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