

Financial Budget Optimization of Colleges and Universities Based on "Zero Base Budget"

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Abstract

As the basis for the operation of all kinds of projects in colleges and universities, the financial budget plays a decisive role. Through the analysis on the current operation status of colleges and universities in our country and focusing on their nonprofit characteristics, the paper puts forward "zero base budget" to formulate the financial budget, which makes the budget not simply focus on the amount the funds. Meanwhile, it analyzes the degree of importance and actual situation of all kinds of projects to improve the control power of budget formulation on the work of schools, which thereby enables the schools to formulate comprehensive, scientific and reasonable budget plan.

Key Words : Zero Base Budget Colleges and Universities Financial Budget

1. Preface

Before the 19th Century, financial budget was only a part of the financial management of colleges and universities. At the beginning of the 19th Century, the financial budget was isolated from financial management and formed a relatively independent part of financial management. With the continuous development of market economy, the original financial budget mode is no longer able to satisfy the capital organization mode which is becoming increasingly complicated day by day. An effective, accurate and comprehensive budget method is vividly portrayed.

The end of the 1950s was called the phase of modern financial management^[1]. The development of financial management has gained great progress since then. The financial management is no longer the simple accounting room and money cabinet. Instead, it carries out activities centered on various financing tools, financing institutions, and the operation of capital market^[2]. With the improvement of financial management level, the methods for financial budget are gradually improving. All kinds of budget methods have been gradually put forward, such as line-item budget, plan budget and zero base budget^[3].

2. Characteristics of Financial Budget in Colleges and Universities

Compared with the operation modes of enterprises, those of colleges and universities have some characteristics.

Firstly, colleges and universities are non-profit institutions. Thus, the maximization of social benefit is the largest goal in pursuit. The development of the education undertaking plays a significant role in the improvement of science and technology level of our country, the cultivation of talents of higher education, and the improvement of national qualities. The development degree of the education undertaking directly influences the scientific and technological progress of a country, which is an indispensable part for the increase of the comprehensive national strength. The undertaking of education is different from other

enterprises. Since the state is the main investor of higher education, which is different from ordinary investors, it neither requires colleges and universities to repay all the assets provided, nor request to share the economic interests. Meanwhile, all kinds of educational and scientific researches and activities cannot be transformed into benefits to be recovered by schools directly and quickly.

Secondly, colleges and universities have fixed fiscal funding. The main fund source of colleges and universities is fiscal funding from the state, which makes it different from that of enterprises. Due to the limited fiscal support from the state, colleges and universities need to take profit into consideration while developing, charge all kinds of education fees reasonably, and use the income funds to the maximum benefit for sustained and stable development.

Thirdly, the focus of financial management lies in the cultivation of talent resources. Talents are the most initiative and active part of the social activities and human resource has been promoted to the first factor of production, which is particularly prominent in colleges and universities. Colleges and universities are talents gathering places. And meanwhile they are also the places for talent cultivation and knowledge concentration. Colleges and universities make masters. Therefore, to constantly attract excellent professional talents with advantages is the key to the sustainable development for colleges and universities. In terms of fully taking advantages of talents, encouraging talents to be innovative, colleges and universities should establish some encouragement and restriction mechanism. Financial budget should also take these aspects into fully consideration and play important roles.

Focusing on the characteristics above, this paper, on the basis on "zero base budget", carries out preliminary exploration on the methods of financial budget in colleges and universities, and puts forward the specific application steps of

zero base budget in the use of budget formulation.

3. Introduction on Zero Base Budget

Zero Base Budget, abbreviated as ZBB0, is a formulation method originated from the United States^[4]. It is the budget method developed with the establishment of market economy system. Zero base budget is different from performance budget and program budget. Performance budget puts emphasis on the performance measurement, which obtains the maximum output result by formulating performance budget and comparing the ratio between input capital and output profit. Program budget is the proposed expenditure budget based on the total cost of implemented program or performed function^[4]. Zero base budget, as the name suggests, means starting from zero, which is the budget expenditure of next period instead of taking the budget expenditure of last period as the basis. Without considering the past budget and level of revenue and expenditure, it takes zero as the starting point to formulate plan. Through analysis on the actual situation, it enables the budget to adapt to the real demand of this period so as to formulate financial plan which conforms to the requirement of this period.

4. Characteristics of Zero Base Budget

4.1 Different Budget Basis

The general budget is based on the budget of last period or last few periods, or determines the budget formulation of the new period based on performance. Zero base budget is different from the traditional budget method. For the traditional budget management, the parent body unconditionally admits the rationality and effectiveness of the previous budget expenditure during examination. Instead, it just reviews the increased part of the budget, which results in the increase of the budget amount. The budget basis of zero base budget is zero. The budget of this

period will be completely formulated in accordance with the working focus, capital amount and actual needs, and is no longer restricted by the previous budget.

4.2 Different Budget Analysis Orientations

The characteristics of line-item budget is to divide programs in accordance with the input programs. Program budget carries out budget analysis on the basis of the benefit situation of the input cost. Zero base budget carries out cost-benefit analysis based on all the planned programs within the budget period, divide them into different levels, and formulate financial budget in accordance with the actual situation.

4.3 Different Budget Focus

The traditional budget method focuses on the amount of funds while zero base budget not only pays attention to the amount, but also puts emphasis on the degree of importance and actual situation of the activities engaged in.

5. Zero Base Budget Application in Budget of Colleges and Universities

The budget formulation in colleges and universities is a comprehensive and systematic financial engineering, which should start from the actual situation, grasp and pay attention to the overall situation, carry out comprehensive arrangement, combine scientifically in comprehensive scale, be pragmatic in contents with reasonable and sound proof. And it should fully arouse the initiative and enthusiasm of all the departments of schools to ensure the efficient use of limited funds.

The formulation of zero base budget has the following five steps:

1. Program Division

All the activities in this period should be divided into several functions or programs. The departments should be divided in accordance with the specific working contents of various departments, working natures, and scope of responsibilities. Various programs should be

divided in accordance with the objectives, natures, and degree of importance.

2. Implementation Cost-Benefit Analysis

According to the divisions of functions or planned programs, financial budget department preliminarily determines the functions of different departments or planned programs and the corresponding expenditures. And then cost-benefit analysis will be carried out on each program to measure the priority of each program and divide into different levels. Emphasis will be put on key programs while taking the general programs into consideration. Generally speaking, the programs can be divided into: obligatory programs are put in the first level, which must be carried out. They are usually the obligatory expenditures for schools and the basis for school operation. Necessary programs are put in the second level, which are beneficial for the improvement of teaching qualities and helpful to increase the economic benefits. But they are not the basis for school operation; Unnecessary programs are put in the third level, such as the programs to improve the working conditions. Cost profit analysis can help to measure the scientificity and rationality of expenditures of various programs. The division of various levels plays a major role in the final budget establishment.

3. Funds Review and Allocation

The funds should be allocated scientifically and rationally in accordance with the respective situations and actual funds required for each program as evaluated in step 2, and in accordance with funds which can be actually used and the expected fund sources.

4. Formulating Budget Plan, Ascertain Budget Implementation

After making clear the fund allocation situation of all the departments or planned programs, financial budget plan of this period can be formally formulated, and issued to each department upon approval. And in the later implementation process, the budget plan should

be strictly observed to ensure the smooth execution of all activities within the budget of this period. If the deviation occurs, timely correction should be implemented.

Instead of simply the function of capital management, zero base budget can enable the limited funds to be fully and effectively used, and can reduce the budget expenditure. More importantly, it can enable all the functional funds to be effectively used to achieve the established objectives.

6. Key Points for the Application of Zero Base Budget in Colleges and Universities

Although zero base budget method has many advantages, yet there are still some key points needing attention in the actual practice.

1. Due to its own characteristics of the zero base budget, the workload while using this method is pretty huge and the formulation cost is relatively high. Meanwhile the long formulation cycle reduces the efficiency to a certain extent. Aiming at this point, the financial and related departments should improve their working efficiency and make some preparation work in advance correspondingly. Meanwhile, the cost increase brought by zero base budget is far less than the cost reduction that a scientific and rational budget brings.

2. In the process of cost -- benefit analysis, dissension is easy to occur due to the conflicts of interests among various departments and the subjective influences. The adjustment work is needed and the opinions of various departments should be handled objectively and rationally. In the discussion, we should grasp the overall consideration, seize the key points, and take the general points into consideration.

3. There are a certain limitations existed in the division of various departments or programs. The relation between department interests and collective interests, the relation between the interests of each program and interests of the overall plan, and the relation between short-term

interests and long-term interests are needed for attention in the process of discussion to grasp the overall consideration, and be scientific and reasonable.

4. Since the workload is relatively large for the budget formulation, flexible application of computer is needed to process all kinds of data accurately, efficiently and systematically. When condition allows, budget database can be established to improve the management level.

7. Conclusion

The application of zero base budget to formulate the budget for schools can strengthen the budget management and improve the efficiency in the use of fiscal funds. Meanwhile, according to the actual situation of non-profit organization nature of colleges and universities, fiscal budget system of colleges and universities should be established and improved under the socialist market economic system. Initiative and enthusiasm of development should be fully mobilized to make full use of the limited funds used for development. Formulating financial budget by using zero base budget can enable colleges and universities to accumulate experience in budget formulation and develop budget formulation level to achieve further rational and scientific development for budget formulation, which can also provide sound reference for the development of other non-profit institutions.

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