

Martina Dragija Kostić, PhD *

Vesna Vašiček, PhD **

Ivana Dražić Lutilsky, PhD ***

USE OF INTERNAL REPORTS AT CROATIAN HIGHER EDUCATION INSTITUTIONS

KORIŠTENJE INTERNIH IZVJEŠTAJA NA HRVATSKIM VISOKIM UČILIŠTIMA

ABSTRACT: This paper explores the use of internal reports at higher education institutions (hereinafter HEIs) in Croatia. It also highlights the importance of internal reports for the decision – making process. In that context, the survey research based on two questionnaires was conducted in the year 2014. The questionnaires were sent to all higher education institutions in Croatia, more precisely to the Deans and to the Heads of Accounting. The authors have set three hypotheses. Statistical analysis of conducted empirical research shows that internal reports are insufficiently developed at HEIs in Croatia. At the end of the paper, authors provide some recommendations regarding future development and usage of internal reports at HEIs.

KEY WORDS: higher education institutions (HEIs), internal reports, Croatia.

JEL CLASSIFICATION CODES: I23, M41

SAŽETAK: Ovaj rad istražuje upotrebu internih izvještaja na visokim učilištima u Hrvatskoj. Također, ističe značaj internih izvještaja za proces donošenja odluka. U tome kontekstu, provedeno je istraživanje bazirano na dva anketna upitnika u 2014. godini. Upitnici su poslani svim visokim učilištima u Hrvatskoj, preciznije dekanima i voditeljima računovodstva. Autori su postavili tri hipoteze. Statistička analiza provedenoga empirijskog istraživanja pokazuje da su interni izvještaji nedovoljno razvijeni na visokim učilištima u Hrvatskoj. Na kraju rada, autori daju preporuke za budući razvoj i upotrebu internih izvještaja na visokim učilištima.

KLJUČNE RIJEČI: visoka učilišta, reforma, interni izvještaji, Hrvatska.

* Martina Dragija Kostić, PhD, Faculty of Economics and Business, University of Zagreb

** Vesna Vašiček, PhD, Faculty of Economics and Business, University of Zagreb

*** Ivana Dražić Lutilsky, PhD, Faculty of Economics and Business, University of Zagreb

1. INTRODUCTION

The recent recession has affected all sectors in the Croatia, and has also influenced the activities of HEIs. In fact, in time of recession, HEIs are viewed as “drivers of the economy” and are perceived as crucial to ensuring new knowledge, through a continuous research and innovation process as well as through the process of permanent training and specialization of the workforce (OECD, 2008). In order to satisfy growing expectations, HEIs have started with the wide range of reform processes, which aim is to ensure efficient and accountable management and to maintain financial sustainability (Kyvik, 2004; Sursock and Smidt, 2010). A crucial precondition for successful implementation of aforementioned reform processes is quality accounting information system that provides both external and internal reports. Developed countries have already implemented instruments of managerial and cost accounting in public sector and therefore have comprehensive external and internal reporting systems (Jansen, 2004; Pettersen and Solstad, 2007; de Bruijn, 2002; Moll and Hoque, 2008).

Efficient management at HEIs assumes an appliance of managerial and cost methods and instruments. Moreover, the improvement of efficiency at HEIs leans on skills of management and his capacity for usage of accounting and non-accounting information in decision – making process. The usage of accounting information is visible through managerial and cost accounting in the form of internal reports. Some of the most significant financial risks and challenges that HEIs must address are lack of understanding of financial operations by key stakeholders, lack of transparency in financial reporting of operations and lack of understanding of return on costs in academic and administrative programs (KPMG, 2010). Appropriate internal financial reporting of management has a very important impact on improving the aforementioned issues. Generally, we can distinguish two ways of presenting accounting information. First is the standardize way in the form of external financial reports and the second one is non-standardize way in the form of internal financial reports (Vašiček, D., 2007).

Therefore, in this paper the authors argue that existing external reporting system of Croatian higher education institutions cannot meet information requirements of internal users. Moreover, based on our previous research we argue that internal reporting system is underdeveloped. More precisely, the availability and transparency of cost and management information is on the very low level (Vašiček, 2006). To confirm the aforementioned, we test three hypotheses by using statistical analysis of conducted empirical research. Further, we examine the level of application of internal reports at HEIs in the Republic of Croatia. In this context, our first hypothesis states that the existing accounting information system of HEIs in the Republic of Croatia is focused mainly on meeting the legal requirements in terms of external reporting. In other words, authors argue that internal reports at Croatian HEIs are used primarily as a base for preparing external financial reports and are not in the function of efficient internal within HEIs. The second hypothesis states that the HEIs in the Republic of Croatia are not familiar with the trends in developed European HEIs regarding application of instruments of cost accounting. Finally, the third hypotheses tests the opinion of Croatian universities management about the need to develop a comprehensive system of internal management reporting, which will be based on the application of the full costing method and the experiences of successful practices.

After the introduction section of the paper, the authors provide a section about the accounting framework regarding HEIs in Croatia. In third section, the authors emphasize the importance of internal reports for decision-making purposes that are further highlighted within the fourth section through previous research overview. In the fifth section, the authors provide empirical research methodology and research results.

2. ACCOUNTING FRAMEWORK FOR HEIS IN CROATIA

HEIs in Croatia can be public or private institutions. Due to that, we can differ three normative frameworks for financial accounting. Public HEIs are **budgetary users** that apply *Regulation on financial reporting in budgetary accounting* (Official Gazette, No. 3/15, 93/15, 135/15, 2/17 and 28/17). Private HEIs can be register as **non-profit organizations** that apply *Regulation on Non-Profit Accounting and Accounting Plan* (Official Gazette, 16/2015) or as **companies** that apply Accounting Act (Official Gazette, 78/15, 134/15, 120/16). Because of aforementioned different normative frameworks, HEIs also prepare different set of external financial reports (see table 1).

Table 1 Set of external financial reports for HEIs in Croatia

Set of external reports		
Budgetary users (public HEI's)	Non-profit organizations (private HEI's)	Companies (private HEI's)
Balance sheet Statement on revenues and expenses, receipts and expenditures Statement about changes in values and volumes of assets and liabilities Notes to financial reports	Balance sheet Statement on revenues and expenses Notes to financial reports	Balance sheet Income statement Cash flow statement Statement on changes in equity Notes to financial statement

Source: authors

There are significant differences in the form and the content of financial reports due to different normative framework. The major difference is regarding the accounting base. Public HEIs are applying modified accrual basis of accounting resulting in narrow elements of basic financial reports because revenues are expressed on cash basis while expenses on accrual basis (Vašiček, D 2009). The mentioned basis means recognition of revenues on cash basis in the reporting period when the revenues become disposable, providing possibility of their measurement. Expenses are recognized on the accrual accounting basis and in the reporting period, they refer to. Applying modified accrual accounting further means that costs of purchasing of non-financial fixed assets are not capitalized because they are fully recognized as expenses of the period when the assets was purchased (Vašiček, D., 2007). Consequently, HEIs are not accounted for depreciation of the asset as well as the systematic allocation of the cost over the useful life of its usage, which directly undermines

the possibility of monitoring the efficiency of activities. Liabilities are recognized based on accrual accounting i.e. in the cases when it is likely that due to current liabilities payments there would be the outflow of resources. Liabilities are stopped to be recognized when settled or expired, or the creditor has renounced his rights. Recognition of revenues and expenses based on different basis disables confrontation of recognized expenses with related revenues what has direct influence on the financial result. Usage of this basis has also an influence on the financial position of the HEIs since in the focus are liabilities and financial assets while non-financial asset is tracked just for additional information's about data (Vašiček, D., 2007). Comprehensive and quality system of cost accounting can be developed just on the full accrual accounting basis since only then data from financial accounting and cost accounting can be compatible and comparable without any replacements and reclassifications. Private HEIs (registered as non-profit organization or companies) are applying full accrual basis and therefore have the most complete information base. However, it is important to highlight that HEIs in Croatia are dominantly public institutions and that means that they are budgetary users (see table 2).

Table 2 Type of HEIs in Croatia in the year 2015

University and its constituents				Colleges and Polytechnics				total
Public		Private		Public		Private		
Universities	Faculties	Universities	Faculties	Community Colleges	Polytechnics	Community Colleges	Polytechnics	
8	82	2	0	3	11	21	4	131

Source: Systematization of the authors

The existing system of accounting in HEIs (universities, constituents, art academies, polytechnics and colleges) in Croatia is dominantly focused on complying with external financial reports. Information from these financial reports is synthesized and focused on past events and provide information about the financial position and business performance of HEIs. However, from these reports it is not possible to obtain analytical information about the total cost of individual services, programs, projects and activities of HEIs or to calculate specific indicators, such as cost per student. Furthermore, there are no elaborated and detailed records of the places of origin and methods of monitoring costs. In addition, generally it is impossible to obtain information about future liabilities that are needed in the process of planning, but also for the analysis of cash flows.

3. THE IMPORTANCE OF INTERNAL REPORTS AT HEIS

Internal reports are specific internal accounting reports that are prepared exclusively for internal users, more precisely for managers, for the purpose of efficient decision-making and management. These reports are supplement to the external financial reports because external reports are prescribed by the law and contain synthesizing information about main accounting categories that relates to past activities. However, in order to manage efficiently, managers of all kind of business subjects require detailed, timely and analytic information

about their present and future activities. Internal reports are already well developed in the private sector, but due to all challenges that are put in front of HEIs, the need for internal reports is more often highlighted at HEIs as well.

Management and cost accounting is an information base for efficient development of internal reports (Drury, 2008). Vašiček, D. (2007) highlights that management methods and techniques, which are already well developed in the private sector can also be used in the public sector as well. The key areas of implementation of cost and management instruments for public sector entities were also pointed out in the IFAC study 12 (2000) and can be summarized on the following: process of planning, cost management, price determination, usage of financial indicators for performance measurement.

Moreover, internal reports provide detailed and analytical information on individual segments of the institutions themselves. For the purpose of efficient management within HEIs it is necessary to have timely and valid information about the total costs of certain programs and activities within HEIs (direct and indirect cost) that can be compared with the potential benefits of these programs and activities. On that way, it is easier to decide which programs and educational services should be conducted, and which not (Vašiček, V, Dragija, 2011). Internal reports enable also quality monitoring of costs over a given period and it is possible to take different steps for the purpose of their reduction and control, but also it is possible to define clear criteria for the allocation of budgetary resources that can be based on the calculation of the cost per student and/or employee. Information provided by cost and management accounting are particularly important for making a decision on tuition fees, which should be based on the methodology of calculating the total cost of the programs of certain HEIs. It is desirable for a more efficient cost management to determine the standard cost of services and then to analyze the impact of each costing component on the total price of services (Ministry of Finance, 2012). In the context of the development of program planning in HEIs, it is necessary clearly to defined program objectives and indicators of performance and make good projections of revenues and costs associated with the implementation of the program. All aforementioned requires quality information basis that can be drawn only from internal reports. Therefore, it can be concluded that the development of instruments of cost accounting and management accounting indirectly imposed as a prerequisite for efficient implementation not just internal reports but also external reports (Peršić, 2009). Because information from the internal reports are connected with information in the external reports and therefore managers within HEIs must try to developed comprehensive system of external and internal reports.

According to KPMG (2010) efficient internal financial reports at HEIs should contain the following key components: information about basic accounting categories, use of financial indicators, reporting about different segments on a regular basis, preparing and interpreting cash flow and liquidity information. These components can increase transparency of the institution's financial condition and results of operations, enabling users to focus on strategic level risks and actions instead of tactical matters, thereby improving decision-making (KPMG, 2010).

4. PREVIOUS RESEARCH ABOUT INTERNAL REPORTS AT HEIS

HEIs are not just viewed as social institutions, but according to their role in economy and society, they are also viewed as “companies,, where well-known managerial rules and procedures, as effectiveness, responsibility and efficiency, can be applicable (Sordo, Orelli, Padovani, 2012). Modern HEIs are in effect multi-product companies and face a problem of a proliferation of services and difficulties in rising costs and accurate tracing of costs (Simmons, Wright, Jones, 2006,). Because of that, the mentioned usage of cost information is even more important. It is recommended for HEIs to introduce accounting methods and techniques of private sector through accounting information system (Mitchell, 1996). This can be seen that increasing emphasize is on managerial and cost methods. That is possible with the implementation of accrual accounting principle in public HEIs. The accrual accounting basis is crucial to understand value of asset and costs (Agasisti et al., 2015) and to increase accountability, financial transparency and efficiency of public HEIs (Christiaens, Rommel, 2008). The research done by Guerra de Sousa et al. (2013) in Brazil showed that users and preparers of accounting information believe that adopting an accrual basis in accounting system would result in informational benefits for decision – making through accounting information in internal reports. Accounting systems rely on relevant information about costs, performance, standards and target given timely to key decision makers (Pettersen an Solstad, 2007). Accounting information in HEIs should not only include written internal reports but also communication exchanged in face – to – face personal situations because management activity has been disconnected from the core activities in the education institutions (Pettersen an Solstad, 2007). From that point of view, accounting is very important in bridging teaching and research activity with management decision – making activities and that could be achieved through internal reports.

The issues of internal reporting in the Republic of Croatia has so far dealt only a few Croatian authors (Vašiček V., 2006; Dražić Lutilsky, 2006; Dražić Lutilsky 2011; Vašiček D., 2007; Budimir, 2011; Dražić Lutilsky and Dragija, 2012) and their papers were mainly focused on wider area, more precisely budgetary users. Only author Dražić Lutilsky (2006) has conducted a research survey regarding the usage of cost accounting and management accounting at public HEIs in the Croatia. The main findings of this paper can be summarized as follows (Dražić Lutilsky, 2006): cost and management instruments are rarely use, internal reporting system is not developed and focus is on external reports that are obligated by the normative framework, management is not familiar with the significance and possibilities of cost and management accounting in the context of decision-making process, accountants have some knowledge about cost and managerial instruments but they are not using it in the practice, accountants are preparing some additional reports but the information base for these reports are information that are used for external financial reports.

In addition to aforementioned empirical research, as a part of her doctoral thesis Budimir (2011) explored the use of internal reports in the function of management of budgetary users including public HEIs. Survey results of budgetary users in Croatia have shown that almost 80% of public managers considered that the information in the external financial reports is sufficient or generally sufficient for successful management. In other words, there is a little or almost no use of the information from internal management

reports. In addition, most of the surveyed public managers believe that external financial reports are important to their institution not only to fulfill the legal requirements but also for efficient management and for monitoring the execution of the financial plan. Managers were also asked to what extent they use some of the instruments of cost accounting and management accounting. They answered that they mostly used mentioned instruments for the purpose of planning, calculation and cost control while they gave very low rank for the purpose of price determination and performance measurement.

Conclusively, presented previous research on the use of internal reports in the higher education system in the Republic of Croatia strongly indicate that it is necessary to improve the system of management reporting with the goal of effective management in HEIs. Unlike Croatian HEIs, European leading institutions of higher education in the past fifteen years began to recognize the importance of information on costs and therefore have developed a comprehensive system of internal reporting. On the one hand the United Kingdom, Sweden, Finland and Ireland (EUA 2008) are examples of countries that have among first developed full costing method at HEIs. Full costing is a costing methodology that identifies and allocates all cost, direct and indirect, on defined cost objects (certain program, service, student or something else). Based on full costing aforementioned HEIs have developed systems of internal management reporting which provide detailed information about the costs of individual programs, the allocation of costs on carriers, costs per student and other strategic information necessary for effective management and decision-making (Estermann and Claeys-Kulik, 2013; EUA 2008). Therefore, it can be concluded that full costing is essential information tool for efficient strategic management at HEIs.

5. EMPIRICAL RESEARCH OF THE USAGE OF INTERNAL REPORTS AT HIGHER EDUCATION INSTITUTIONS IN CROATIA

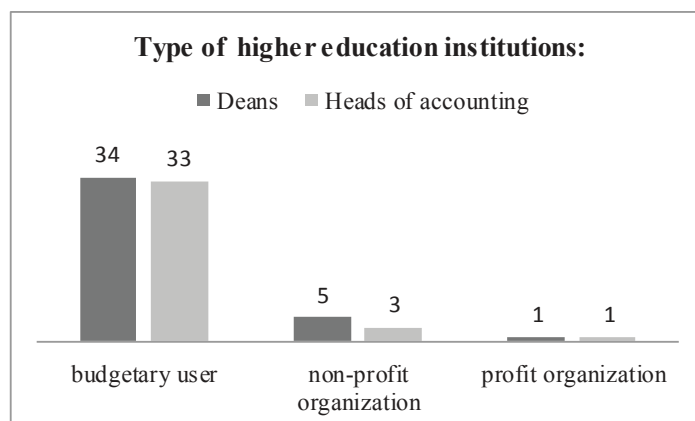
5.1. Research methodology and data

Based on the literature review in section 4 it is evident that internal reporting is important for decision – making purpose at HEIs because it leads to efficient and effective management. In order to explore the usage of internal reports at HEIs in Croatia, we have chosen the quantitative statistical analysis – survey research. This survey research was conducted in the year 2014 within the doctoral thesis named *Internal reporting in the function of managing Higher education institution in the Republic of Croatia* (Dragija, 2014). The questionnaires were sent by e-mail in online form and by post to all HEIs in Croatia. The questionnaire was mostly structured from closed type of questions. The survey research subjects were the Heads of Accounting and the Deans. The principal area of research is to present the individual perception of Deans and Heads of accounting in Croatian HEIs about internal reports. Therefore, research questions were focused on the following areas: usage and purpose of internal reports, time bases for their preparation, trends in cost and managerial accounting, need for changes in internal reporting systems. With the aforementioned research questions, authors have explored usage of internal reports for decision making process as well as the need for further improvement.

The research has taken into consideration the whole population instead of the sample due to population size of HEIs. From the total 135 HEIs in Croatia, 40 HEIs answered on the questionnaire for the Deans (responsive rate 29.63%) and 37 HEIs answered on the questionnaire for Heads of accounting (responsive rate 27,41%).

Distribution of respondents by the type of higher education institution is presented in the Figure 1. It is obvious that budgetary users are dominant in both samples. This was expected because most of HEIs in Croatia are budgetary users.

Figure 1 Surveyed HEIs according to the type of organization

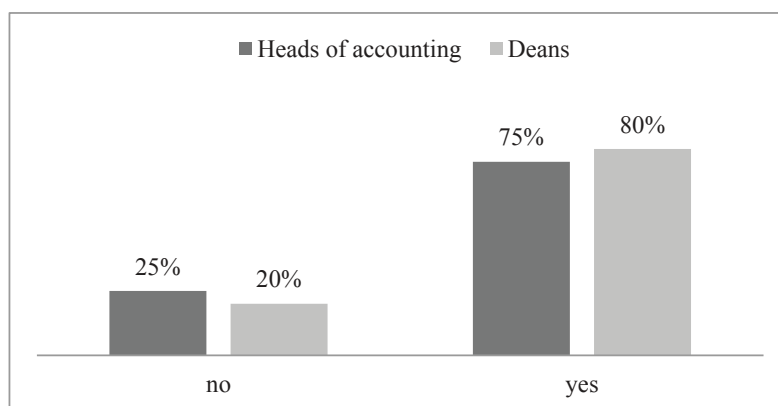


Source: Authors' calculations

5.2. Research results

The first question was addressed to investigate whether managers at HEIs are using internal reports.

Figure 2 Surveyed HEIs according to usage of internal reports in addition to external financial reports



Source: Authors' calculations

From the figure 3 it is evident that in the both samples the most of respondents answered that they are using internal reports.

Furthermore, respondents were asked to state which type of internal reports they prepare among following internal reports: report about costs; report about planned and realized costs, report about revenues, report about planned and realized revenues, report about liabilities, report about business results, report about assets, report about receipts and expenditures, report about departments, report about allocation of hours for teaching and non-teaching staff, report about students, report about lecturers, report about performance indicators.

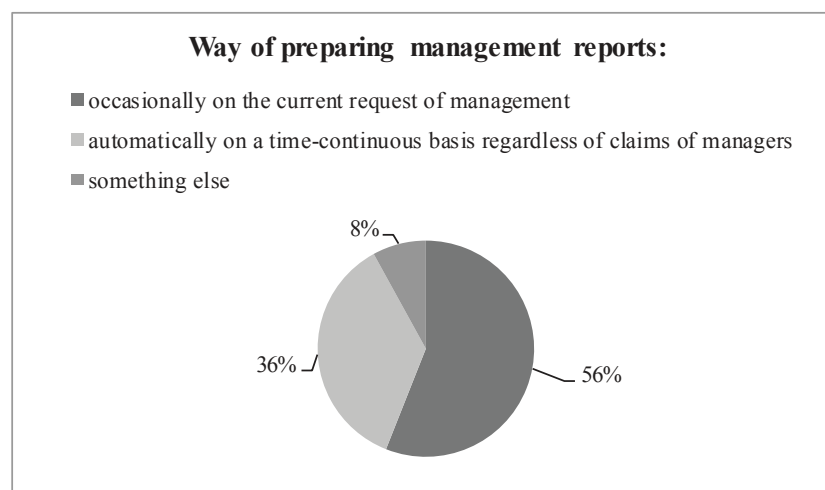
The largest number of Heads of accounting in the sample answered they are preparing internal reports related to costs and revenues, and specifically: reports about costs (26 or 76.47%), reports about planned and realized costs (24 or 72.73%), reports about revenues (25 or 73.52%), and reports about planned and realized revenues (23 or 71.88%). Contrary to aforementioned, heads of accounting in the sample indicate that they do not prepare reports about departments (11 or 36.67%), reports about the allocation of hours for teaching and non-teaching staff (9 or 28.13%), reports about lecturers (14 or 43.75%), and reports about performance indicators institution of higher education (12 or 37.50%).

The largest number of Deans included in the sample answered that they are using following reports: reports about costs (32 or 80.00%); reports about planned and realized costs (28 or 70.00%); reports about revenues (31 or 77.50%); reports about planned and realized revenues (26 or 65.00%); report about business results (26 or 65%) and report about receipts and expenditures (27 or 69.23%). Furthermore, a smaller proportion of the surveyed internal uses report about assets (16 or 41.03%), report about departments (15 or 37.50%), reports about the allocation of hours for teaching and non-teaching staff (18 or 45.00%) and reports about lectures (14 or 35.90%).

It is very important to highlight that aforementioned reports are prepared on modified accrual basis and therefore information from these reports are not comprehensive because there is a lack of cost information. In that sense, quality use of these reports is questionable.

After being asked questions about the types of reports that are drawn up at HEIs, heads of accounting were asked about the most common way of preparing the reports (occasionally on the current request of management/ automatically on a time-continuous basis regardless of claims of managers/ or something else). The structure of the response to this question is shown in the figure 4.

Figure 3 Way of preparing internal reports according to answers of heads of accounting



From the figure 4 it is evident that most of surveyed heads of accounting answered that they are preparing internal reports occasionally on the current request of the management.

Based on conducted survey further in the paper we have tested three hypotheses as follows:

- *H1 The existing accounting information system of the higher education institution in Croatia is primarily focused on external financial reporting.*
- *H2 The HEIs in the Croatia are not familiar with the trends in developed European HEIs regarding to the application of instruments of cost accounting.*
- *H3 At Croatian HEIs there is a need to develop a comprehensive system of internal management reporting, which will be based on the application of the full costing method and the experiences of best practices.*

We have tested hypotheses by using upper-tailed z test about a population proportion for the year 2014. Based on literature review and previous surveys (Dražić Lutilsky 2006; Vašiček D., 2007; Budimir, 2011) we assumed that perception of majority of respondents (2/3) would be affirmative regarding aforementioned hypothesis. Therefore, we set limit values on 66%.

In order to test the first hypothesis, the authors asked the respondents (Deans and Heads of accounting) what their opinion is regarding the existing accounting information system, more precisely is the system primarily focused on external financial reporting. The possible answers were: yes, mostly yes, no, mostly no.

Table 3 Results of tests

Sample	Statistical hypotheses	Sample proportion of affirmative answers (yes and mostly yes)	p-value	Decision, significance level 5%
Deans	$H_0 \dots p \leq 0.66$	89,47%	0,0011	<i>Reject the null hypothesis</i>
Heads of Accounting	$H_1 \dots p > 0.66$	88,57%	0,0024	<i>Reject the null hypothesis</i>

Source: Authors' calculations

At the significance level of 5%, it is concluded that the opinion of 66% (2/3) Deans and Heads of accounting at Croatian HEIs is that the existing accounting information system Croatia is primarily focused on external financial reporting. It is also visible in the table 3 that percentage of affirmative answers for both samples is on very high level. Therefore, the first hypothesis is confirmed.

Moreover, we also tested hypothesis that the HEIs in the Republic of Croatia are *not familiar* with the trends in developed European HEIs regarding to the application of instruments of cost accounting. Therefore, we asked Deans to answer whether they are familiar with the trends in developed European HEIs regarding to the application of instruments of cost accounting. The possible answers were: yes and no.

Table 4 Results of tests

Sample	Statistical hypotheses	Sample proportion of negative answers (no)	p-value	Decision, significance level 5%
Deans	$H_0 \dots p \leq 0.66$ $H_1 \dots p > 0.66$	73,50%	0,1770	<i>Do not reject the null hypothesis</i>

Source: Authors' calculations

Conducted statistical test did not confirmed our hypothesis and at significance level of 5% we cannot reject the null hypotheses. Therefore, we cannot accept the assumption that the percentage of managers that are not familiar with the trends in developed European HEIs regarding to the application of instruments of cost accounting is higher than 66%. However, from the table 4. it is evident that proportion of negative answers in aforementioned question is very high, more precisely 73,50%.

Finally, the last hypotheses will test opinions of management at Croatian HEIs about the need to develop a comprehensive system of internal management reporting, which will be based on the application of the full costing method and the experiences of best practices. We asked Deans of HEIs in Croatia about their opinion regarding the need to develop a comprehensive system of internal management reporting at their universities, which will be based on the application of the full costing method and the experiences of best practices. The possible answers were: yes and no.

Table 5 Results of tests

Sample	Statistical hypotheses	Sample proportion of affirmative answers (yes)	p-value	Decision, significance level 5%
Deans	$H_0 \dots p \leq 0.66$ $H_1 \dots p > 0.66$	87,88%	0,0040	<i>Reject the null hypothesis</i>

Source: Authors' calculations

Conducted statistical test has confirmed our assumption. In other words, we reject the null hypotheses at significance level of 5%. Respectively, we can accept the assumption that the percentage of managers who think that it is necessary to develop a comprehensive system of internal management reporting, which will be based on the application of the full costing method and the experiences of best practices is higher than 66% (2/3). We confirmed our last hypotheses.

In relation to the aforementioned hypotheses, the authors are recommending to implement accrual basis in public accounting on which full costing method can be implemented. Only by implementation of full costing method at HEIs it would be possible to develop qualitative and quantitative internal report and to derive performance measurement indicators in order to manage efficiently, transparently and to achieve financial sustainability.

6. CONCLUSION

Today, when the demands and expectations on HEIs are growing progressively it is very important to have appropriate, detailed and timely information. The costs of all activities of HEIs are rising and therefore the financial sustainability has become primary issue of concern for HEIs in the future period. In that context, the role of internal reports is extremely important for efficient management at HEIs. The main purpose of this paper was to explore reporting systems at Croatian HEIs. More precisely, the focus was on internal reports and their usage.

Literature has shown that mature and advanced European HEIs have already developed quality information systems that, beside external reports, include also internal reports. Those HEIs have also implemented full costing methodologies for the purpose of decision making and more efficient internal resource allocation as well for achieving financial sustainability.

Before highlighting the most important findings of this paper, it is necessary to point out the limitation of our survey within which our findings need to be interpreted carefully. First limitation is relatively small sample size. In addition, all observed data represent opinions of the respondents and therefore it is unavoidable that in this paper, certain degree of subjectivity can be found.

Conducted research regarding use of internal reports at HEIs in Croatia has revealed some very important findings. Namely, it is evident that a large proportion of the surveyed heads of accounting, and an even larger proportion of deans, said that the HEIs draw up and require internal reports. But when it comes to the type of internal reports it is necessary to point out that the largest number of accountants from the sample responded that it is the internal reporting associated with costs and revenues even though Croatian HEIs do not have developed costing systems and therefore the quality of cost information is questionable. In addition to the aforementioned, deans answered that they required internal reports that are related to revenues and costs. However, statistical analysis has shown that Croatian HEIs primarily prepare internal reports as information support for preparation of external financial reports and not for the purpose of an efficient and accountable management at HEIs. Moreover, we confirm hypotheses for both samples, heads of accounting and deans, that the existing accounting information system of HEIs in Croatia is focused primarily on meeting the legal requirements in the terms of external reporting. Furthermore, it is extremely important to point out that over 50% of heads of accounting stated that the internal reports are prepared occasionally on the management request as an "ad hoc" and not automatically on a time-continuous basis. In addition, respondents from both samples, accountants and managers, stated that the internal reports are drawn mostly only on certain segments of HEIs. One very important finding of this paper is also that 73,50% of managers in the sample are not familiar with the trends in developed European HEIs regarding to the application of instruments of cost accounting, more precisely with implementation of full costing system. Nevertheless, we also highlighted positive opinions of deans regarding the need to develop a comprehensive system of internal management reporting, which will be based on the application of the full costing method and the experiences of best practices.

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