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New Changes of Financial Risks in Colleges and Universities and Coping Strategies after the Implementation of the New Government Accounting System

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Abstract

The full implementation of the new Government Accounting System has brought about systematic changes in the financial management models of universities. Through measures such as introducing accrual accounting, strengthening financial reporting systems, and standardizing asset-liability management, the financial accounting of universities has shifted from a "bookkeeping-oriented" to a "management-oriented" approach. However, the institutional transition has also exposed new challenges in budget management, debt risks, asset accounting, and internal controls. This paper analyzes emerging manifestations of financial risks in universities based on the core changes of the new system, including risks of budget execution disconnecting from financial accounting, hidden debt risks, distorted asset valuation risks, and pressure on financial information disclosure. It proposes countermeasures from aspects such as improving budget management mechanisms, optimizing debt risk prevention systems, standardizing asset lifecycle management, strengthening internal controls, and advancing information technology development. The aim is to provide references for universities to adapt to new institutional requirements and enhance their financial risk management capabilities.

Keywords

New Government Accounting System, Financial Risk of Higher Education Institutions, Accrual Basis, Debt Management, Internal Control

1. Introduction

The new Government Accounting System (hereinafter referred to as the "New

System"), implemented on January 1, 2019, marks a pivotal milestone in China's government accounting reform. Its core lies in establishing a "dual-function, dual-basis, dual-reporting" accounting model, requiring universities to conduct both financial accounting and budgetary accounting simultaneously, achieving dual disclosure of financial reports and final accounts. This transformation not only enhances the comprehensiveness and transparency of university financial information but also imposes higher demands on the refinement and standardization of financial management. However, during the transition between the old and new systems, universities face multiple challenges including accounting policy adjustments, restructuring of accounting processes, and personnel competency adaptation, with financial risks exhibiting new patterns (Accounting Department of the Ministry of Finance, 2018). Conducting in-depth analysis of these emerging changes and proposing targeted countermeasures have become crucial tasks for university financial management in the current context.

2. The Core Impact of the New Government Accounting System on University Financial Management

1) Accounting Basis: The transition from the traditional "cash basis" to the more scientific "accrual basis" has been explicitly mandated by new financial regulations, requiring universities to adopt accrual accounting for financial reporting. This shift aims to comprehensively and accurately reflect financial elements such as asset status, liability conditions, revenue sources, and expenditure patterns, effectively addressing the limitations of the outdated cash basis system. Specifically, the cash basis focuses solely on actual cash transactions, making it inadequate for accurately valuing assets, assessing hidden liability risks, or allocating inter-period expenses. Under the accrual basis, universities implement depreciation for fixed assets, amortization for intangible assets, and timely recognition of accounts payable and advance receipts. These adjustments align university financial data with corporate accounting standards, enabling clearer financial oversight while providing robust data support for cost control and performance evaluation. This transformation enhances the scientific rigor and precision of financial management practices.

2) Reporting Framework: To strengthen coordination between financial reporting and final accounts, the new regulations require all universities to prepare both Financial Statements and Budget Accounting Statements (Ministry of Finance, 2017). The Financial Statements, including balance sheets and income/expense statements, primarily reflect the institution's financial condition. The Budget Accounting Statements, comprising budget revenue/expenditure tables and budget carryover/deficit change statements, focus on budget execution. This "dual-reporting" model not only meets government budget management requirements but also provides comprehensive financial information for internal governance, external investors, and the public. The system imposes higher demands on data accuracy and consistency to ensure report authenticity and reliability. Through

this synergy, universities can enhance financial oversight and management capabilities while offering transparent financial disclosures to stakeholders, thereby boosting institutional credibility and transparency.

3) Asset and Liability Management: The new regulations actively promote "full-caliber" accounting and refined control. Building upon existing frameworks, they significantly expand the scope of asset and liability accounting, explicitly requiring comprehensive and detailed measurement of various assets including long-term equity investments, construction in progress, and government reserve materials to ensure accurate valuation of each asset. Corresponding liabilities such as employee compensation payable and long-term accounts payable are also required to undergo detailed accounting, aiming to achieve transparency and precision in liability data. Additionally, the updated regulations specifically standardize accounting treatment methods for special operations like PPP projects and entrusted agency assets, addressing previous management gaps in these areas. These changes not only enhance the standardization and scientific rigor of university financial management but also drive institutions to prioritize asset lifecycle management. By implementing strict controls throughout the entire lifecycle of assets—from acquisition and utilization to disposal—these measures effectively prevent asset loss and underestimation of liabilities, thereby establishing a solid foundation for the financial health and sustainable development of higher education institutions.

3. New Changes of Financial Risks in Colleges and Universities after the Implementation of the New System

1) Risk of Disconnection between Budget Management and Financial Accounting: Under the new institutional framework, while budget accounting and financial accounting operate in parallel, they differ significantly in their accounting basis and scope. Specifically, budget accounting primarily uses the cash basis to recognize revenue and expenditure, recording transactions only when actual payments are received or made. In contrast, financial accounting adopts the accrual basis, recognizing transactions when rights or obligations arise. If universities continue to apply the traditional "separate revenue-expenditure lines" approach in budget preparation without aligning with financial accounting's accrual logic, this could lead to severe disconnection between budget execution and financial accounting (Wang & Li, 2020). Such disconnection manifests as excessive discrepancies between budgeted and actual financial transactions, significantly reduced resource allocation efficiency, and consequently impacts the overall effectiveness of university financial management and transparency in fund utilization. Over time, this not only compromises the accuracy and reliability of financial data but may also trigger improper fund usage, increased financial risks, and other issues, seriously hindering the healthy development of universities. Therefore, universities must prioritize alignment between budget management and financial accounting processes, ensuring scientific budget preparation and accurate financial

accounting to enhance resource allocation efficiency and financial management standards.

2) Hidden Debt Risks and Growing Repayment Pressure: Under the accrual accounting system, universities are required to disclose detailed information on various liabilities including accrued interest and long-term loans. This has gradually exposed previously concealed debts hidden under accounting items like "Temporary Deposits" and "Other Payables", significantly enhancing transparency in university debt scales. Meanwhile, the new regulations further mandate dynamic tracking and management of long-term liabilities arising from infrastructure projects and financial leasing. Without a scientific and effective debt control mechanism, universities risk facing challenges such as insufficient repayment capacity and imbalanced debt structures. Local universities, which typically rely more heavily on borrowing for expansion and have less diversified funding sources compared to national institutions, are particularly vulnerable to such risks. This reliance, coupled with the enhanced transparency of debt under the new system, can potentially plunge them into deeper financial distress when facing cash flow pressures.

3) Distorted Asset Valuation and Management Risks: The new regulations explicitly require rigorous depreciation and amortization of fixed assets and intangible assets to ensure financial data accuracy and transparency. However, in practice, many universities face multiple challenges. First, unclear asset inventories and incomplete historical data records—sometimes even missing—make it difficult to fully implement depreciation policies. In such cases, book values of assets may significantly deviate from their actual values, leading to financial statements that fail to accurately reflect the university's asset status. Additionally, universities generally lack mature accounting practices and standardized procedures for special asset types like long-term equity investments and cultural heritage assets. This often results in measurement inaccuracies and improper disposal procedures, which not only threaten asset security and integrity but also affect asset utilization efficiency and financial management standards. Therefore, effectively addressing these issues to ensure accurate asset valuation and standardized management has become an urgent priority for university financial management.

4) Financial Disclosure Pressure and Audit Risk: Under the new regulations, university financial reports must undergo stricter external audits and disclose financial status to government departments and the public. If university financial staff lack sufficient understanding of the new system or fail to follow standardized accounting procedures, it may result in errors in financial statement presentation and incomplete information disclosure, thereby triggering audit risks and reputational risks. For instance, issues such as determining revenue recognition timing and the rationality of expense allocation may become key audit focuses.

4. Strategies to Deal with Financial Risks in Colleges and Universities

1) To comprehensively optimize and refine the budget management mecha-

nism, achieving deep integration of "budgeting-accounting-performance" as a unified system: First, establish a budget preparation framework guided by accrual accounting principles. This involves incorporating asset depreciation, debt interest, and other accrual-based expenses into budgeting processes, transitioning from traditional "revenue-expenditure budgeting" to a more refined "cost budgeting" model. This approach strengthens the alignment between budgeting and financial accounting. Second, implement a dynamic monitoring mechanism for budget execution. By leveraging modern information technology, track real-time discrepancies between budgeted revenues/expenditures and financial accounting records. Establish robust variance analysis mechanisms to promptly identify and correct deviations during implementation, thereby enhancing budgetary rigidity. Finally, strengthen budget performance evaluation by using financial accounting data as key references. Develop a closed-loop management system encompassing "budget preparation-execution-evaluation-feedback". Through scientific assessment and effective feedback, this system directs resource allocation toward high-efficiency sectors, ensuring maximum capital utilization efficiency and effectiveness.

2) Comprehensive Optimization of Debt Risk Prevention System: Strict Control and Optimization of Debt Scale and Structure. First, establish a full lifecycle management mechanism for debt, implementing meticulous supervision throughout every stage from initial application, approval, and utilization to final repayment (Zhang, 2021). Simultaneously, formulate a scientific debt limit management system that integrates multiple indicators such as the school's operational scale, revenue capacity, and capital liquidity. After comprehensive evaluation, set reasonable debt ceilings to ensure debt scale remains within controllable limits. Second, implement refined classification management for various liabilities. Develop differentiated strategies for long-term loans and financial leasing, while dynamically monitoring debt repayment capacity indicators like asset-liability ratio and interest coverage ratio to promptly identify and warn of potential risks. Additionally, actively expand financing channels to reduce debt costs. Within policy frameworks, explore diversified financing methods including issuing special bonds, soliciting social donations, and fostering school-enterprise partnerships. Through these diversified financing approaches, optimize debt structure by gradually reducing short-term debt ratios, effectively alleviating repayment pressures and enhancing financial stability. Simultaneously, standardize the resolution of implicit debts. Conduct comprehensive analysis of newly exposed implicit debts under the new system, formulate practical resolution plans, and gradually digest these debts through asset disposal and budget arrangements (Zhang, 2023). Prevent the accumulation of debt risks to ensure the school's financial health and sustainable development.

3) Standardize Asset Lifecycle Management to Maximize Utilization: Conduct comprehensive asset inventories and value re-evaluations, meticulously verifying each asset's original cost, service life, and other critical parameters. Strictly implement depreciation or amortization calculations in accordance with updated regu-

lations to ensure complete alignment between book values and physical assets, preventing discrepancies. Establish an intelligent asset management platform that integrates real-time tracking sensors (e.g., RFID, GPS) and centralized data analytics. The platform should be designed to capture and process asset-specific data critical under the new accounting system, including: a) real-time location and usage status for accurate physical verification; b) detailed usage logs and maintenance records to support accurate depreciation calculations and impairment assessments; and c) lifecycle cost data (acquisition, operation, maintenance) for full cost accounting and performance evaluation. This data-driven approach enables end-to-end digital tracking from acquisition to disposal, thereby enhancing asset utilization visibility, preventing loss and waste, and ensuring that financial reporting reflects true asset value and condition. Strengthen disposal and revenue management protocols by standardizing procedures for fixed asset scrapping and external investments, ensuring full accounting of disposal proceeds through rigorous approval processes. This enhances asset revitalization efficiency and maximizes utilization value and economic returns. These measures optimize asset management workflows, improve operational standardization, and safeguard state-owned assets' integrity and value preservation.

4) Strengthening Internal Control and Digital Transformation to Ensure Financial Data Quality: First, systematically refine internal control systems by comprehensively revising accounting processes under the new regulations. This includes specific criteria for revenue recognition, rational methods for expense allocation, and accurate principles for asset valuation, ensuring financial management systems remain up-to-date. Simultaneously, clarify job responsibilities and establish strict separation mechanisms for incompatible positions to effectively prevent financial fraud and maintain operational transparency. Second, vigorously advance integrated financial digitalization through comprehensive upgrades of existing systems. Achieve seamless integration across modules including budget management, accounting, asset management, and debt management. This ensures real-time data sharing and high consistency between financial and operational data, minimizing human errors and enhancing processing accuracy and efficiency. Additionally, enhance professional training for financial staff, with a specific focus on the most critical skill gaps created by the new system. These include: accrual-based accounting operations (e.g., expense recognition across periods and depreciation calculations), the valuation and treatment of complex assets (e.g., long-term equity investments and PPP assets), and the preparation and reconciliation of dual reports to meet audit and disclosure requirements. Training methods should combine specialized lectures, case studies, and practical exercises to equip the financial team to accurately implement the new standards and ensure smooth financial operations.

5. Conclusion

The implementation of the new Government Accounting System presents both opportunities and challenges for university financial management. Its core impact lies in driving the transformation of financial accounting from "compliance" to "management-oriented" practices, while simultaneously exposing potential issues in areas such as budget management, debt risk control, and asset accounting. Universities must proactively adapt to the new system requirements by improving budget management mechanisms, optimizing debt risk prevention, standardizing asset lifecycle management, and strengthening internal controls and digital infrastructure. Only by transforming institutional reforms into effective management practices can universities achieve sustainable financial development and provide solid financial support for their educational endeavors.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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