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# **17TH IDP AUSTRALIAN INTERNATIONAL EDUCATION CONFERENCE**

*securing the FUTURE for International Education:  
Managing growth and Diversity*

**Welcome to**

**\$\$\$ AND SENSE**

**IN INTERNATIONAL**

**EDUCATION**



# Accounting for and financial management of international education in Australian institutions



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**Dr David Back FCA**

**Paridhi Rathore**



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# Our topics

- **Pricing onshore tuition fees**
- **Accounting for international offices**
- **Accounting for offshore courses**

# **We will discuss**

**The theory**

**The practice**

**Our recommendations**



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# Our conclusions

# Our research

# The telephone interviews

# Pricing Onshore Tuition Fees

# PRICING ONSHORE TUITION FEES

## THE THEORY



# But which cost?

# Activity Based Costing

# PRICING ONSHORE TUITION FEES

## IN PRACTICE

# PRICING ONSHORE TUITION FEES

## IN PRACTICE

- all of the institutions interviewed look at competitors' prices at least once a year
- intuitively rather than consciously consider the customer and price elasticity

# PRICING ONSHORE TUITION FEES

But when it comes to cost:

- 32% of institution never measure cost
- 17% measure overall institution costs only
- 14% measure cost by faculty using WEFSU as an indication of the cost for a local student plus additional direct costs attributable to international students
- 32% measure cost by faculty using actual cost
- Only 5% measure costs by course

Yet within a school it is common to have both expensive courses and cheaper courses.

# PRICING ONSHORE TUITION FEES

**Of the 68% who do look at cost:**

- **only 26% measure direct costs**
- **only 53% measure marginal costs when required**

# PRICING ONSHORE TUITION FEES

## OUR CONCLUSION

# PRICING ONSHORE TUITION FEES

## OUR RECOMMENDATIONS

# Accounting for International Offices

# ACCOUNTING FOR INTERNATIONAL OFFICES

## THE THEORY

# ACCOUNTING FOR INTERNATIONAL OFFICES

## IN PRACTICE

# ACCOUNTING FOR INTERNATIONAL OFFICES

## IN PRACTICE

Our research shows that:

- statistical combined with financial information is commonly used to measure the performance of IOs.

When funding their international office

- 23% fund their IO as a percentage of students fees
- 63% fund their IO as a fixed amount per year
- 14% a combination of these two approaches

# ACCOUNTING FOR INTERNATIONAL OFFICES

## OUR CONCLUSIONS

# ACCOUNTING FOR INTERNATIONAL OFFICES

## OUR RECOMMENDATIONS

# Accounting for Offshore Courses

# ACCOUNTING FOR OFFSHORE OFFICES

## THE THEORY

# ACCOUNTING FOR OFFSHORE COURSES

## IN PRACTICE

# ACCOUNTING FOR OFFSHORE COURSES

## IN PRACTICE

Before commencing any offshore teaching programs

- 45% of the institutions project cash flows, revenues & expenses and assets & liabilities
- 32% of the institutions project cash flows and revenues & expenses but not assets & liabilities
- 14% of the institutions project revenues & expenses and assets and liabilities but not cash flows
- 9% of the institutions make no accurate projections

# ACCOUNTING FOR OFFSHORE COURSES

## IN PRACTICE

Before commencing any offshore teaching programs

- 4% of institutions project ten years ahead
- 25% of institutions project five years ahead
- 12% of institutions project four years ahead
- 38% of institutions project three years ahead
- 4% of institutions project two years ahead
- 8% of institutions project one year ahead
- 9% of institutions make no accurate projection

# ACCOUNTING FOR OFFSHORE COURSES

## IN PRACTICE

**Before commencing any offshore teaching programs**

- **9% examine no scenario**
- **41% examine one scenario**
- **17% examine two scenarios**
- **33% examine three scenarios**

# ACCOUNTING FOR OFFSHORE COURSES

## IN PRACTICE

**In measuring the financial performance of offshore courses all of the institutions interviewed measure cash flows at least once a year.**

# ACCOUNTING FOR OFFSHORE COURSES

## IN PRACTICE

In measuring the financial performance of offshore courses:

- 23% do not measure revenues and expenses
- 18% do measure revenues and expenses but “not accurately”
- 59% do measure revenue and expenses

# ACCOUNTING FOR OFFSHORE COURSES

## OUR CONCLUSION

# ACCOUNTING FOR OFFSHORE COURSES

## OUR RECOMMENDATIONS

# ACCOUNTING FOR OFFSHORE COURSES

## OUR RECOMMENDATIONS

# Our conclusions are that:

- 1. the measurement of financial performance of offshore courses in a significant number of Australian institutions is inadequate**
- 2. there is an incompatibility between the one line, fixed budget commonly used by Australian institutions and the needs of international offices**
- 3. a significant number of institutions fund their international offices on the basis of a one line, fixed model of funding rather than using a modern, activity based, flexible model**

## **Our conclusions are that:**

- 4. while institutions take market factors into account in setting onshore international tuition fees, a significant proportion do not accurately calculate the costs involved and very few institutions are aware of the cost and therefore the contribution of individual courses**
- 5. the absence of Activity Based Costing (ABC) within most Australian institutions severely inhibits the accurate accounting for and financial management of international education.**

# \$\$\$ AND SENSE IN INTERNATIONAL EDUCATION



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