CHINA CHRISTIAN EDUCATIONAL ASSOCIATION
1924
BULLETIN No. 1.

COLLEGE

AND

UNIVERSITY FINANCE

IN

CHINA

With Special Reference to Mission Institutions

EARL HERBERT CRESSY,

General Secretary,

THE EAST CHINA CHRISTIAN EDUCATIONAL ASSOCIATION

Author of "A Simplified System of Bookkeeping for Middle Schools."

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PREFACE

This essay must be regarded as a foot note to "College and University Finance" by Trevor Arnett, to whom the writer desires to express his indebtedness at the outset.

Its object is to put in brief and simple form some of the general principles of university finance. It is intended for administrative officers, department heads, boards of managers, mission executive committees and others who have to deal with the financial aspect of mission colleges and universities and have neither time nor the inclination to make a detailed study of university accounting. Those who are interested in a more technical work should consult the book by Arnett referred to above, which is the leading authority.

Another object is to point out some of the changes in budget making which are due to special conditions in mission colleges in China, and to indicate the nature of some of the problems which arise.

This essay must be regarded merely as tentative. It grows out of the experience of the writer in connection with the budgets of several colleges and universities. It will require several years of experience in the making and preparing of budgets under China conditions before a technique of financial administration adapted to missionary institutions can be fully worked out. The writer invites criticisms and suggestions.

Shanghai
January 23, 1924.

E. H. Cressy
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CHAPTER I

FINANCIAL MANAGEMENT

The financial management of a college or university involves much more than keeping out of debt and the presenting a financial statement that can be audited.

In the first place, the budget should be complete. The accounts of many institutions include only such items as are actually handled by their treasurers, leaving out of the budget salaries paid to missionaries and other amounts not paid by the institution itself. The budget should be so made as to include all of the financial transactions of the institution, whether carried out by its own office or transacted on its behalf by mission boards or boards of trustees in the homelands.

Again, the budget should make certain divisions of funds in order that there may be symmetry of development, and the control of expenditure that makes this possible. The aim is to insure that a proper proportion of its funds goes into the process of instruction which is the main objective of the institution, and that a proper balance is maintained between departments.

Divisions of Expenditures. The first distinction to be made is that between capital funds and current expenditure. Capital includes expenditure for land, buildings and equipment. Current refers to annual expenses of operation. The two types of funds should be clearly separated on the books, and kept in separate bank accounts.

The second distinction to be made is that between annual expenditures for strictly educational purposes and other expenditures such as boarding department, extension work, scholarships, and the like. Work of a strictly educational nature should have first claim upon the income of the institution, and other items should be on a self supporting basis, or be carried by special funds.

The third distinction deals with the budget for strictly educational purposes and divides it into administration, maintenance of plant and instruction.

The fourth distinction divides the cost of instruction between salaries of professors, and the amounts paid out for assistants, departmental expenses and equipment. This distinction is of particular importance to mission colleges and universities, the departments of which do not generally have sufficient appropriations outside of salaries of missionaries.

Accounting for Plant. The custom in university accounting is to carry the plant including campus, buildings and equipment on the books at actual cost. This makes the annual balance sheet correspond with the ledgers.
It is not necessary to figure depreciation and carry the plant on the annual balance sheet at a decreasing cost year by year as is done in business concerns where a sinking fund is set aside to cover depreciation and eventually replace worn out buildings and machinery. A college is not a money making institution and when a building needs to be replaced, its policy is to go to its constituency with a request for donations.

For purposes of insurance and of stating the actual value of the plant, a second column may be added to the annual balance sheet indicating the replacement value of buildings and equipment, at market prices, and the value of the campus, based upon actual sale prices of adjoining property within two years.

**Insurance.** Insurance should be based upon the replacement value of buildings and equipment, less deterioration, but it is advisable to keep them fully repaired so as to eliminate deterioration, and insure for one hundred per cent of the full replacement value. This is important, as it has been found in some institutions that costly buildings were insured for only a fraction of their value, which means that in case of loss some tens of thousand would have to be gotten from home boards in addition to the insurance before the building could be replaced. If the institution cannot afford to insure the whole plant at full value the smaller buildings might better be left un-insured and the large buildings be fully covered.

**Building Funds.** A separate ledger account should be opened for each building fund, showing amounts appropriated and expenditures. When closed the total should be carried to the annual property balance sheet.

Each such fund should be kept separate from current and other property funds. Separate bank accounts are advisable.

**Endowment.** Few mission institutions have as yet much in the way of endowment and such funds are usually held by boards of trustees in the homelands. The annual financial report should include not only the balance sheet for plant as indicated above, but an itemized statement of all endowment funds, whether held in China or elsewhere, indicating the form of investment. The income from such funds appears as an item under current income.
CHAPTER II

MAKING THE BUDGET.

Accounting for Current Income.

Current income for strictly educational purposes comes from four sources, students' fees, endowments, gifts and grants and miscellaneous. That for special objects not a part of strictly educational work comes from the same four sources. The income for strictly educational purposes should include all of the items of a general nature, and the work which is not strictly educational should be either on a self-supporting basis or provided for by funds specially designated for the objects for which it is used. It is advisable where general funds are being used for purposes not strictly educational to adopt a policy of securing special funds or of reducing such items to a minimum so as to concentrate upon the strictly educational work which is the object of the institution.

Fees. Students' fees should be divided according to departments, such as college, medical school, middle school and the like and under each department should be included matriculation, tuition, graduation, laboratory, incidental, library and locker fees. Laboratory fees should be by departments.

Endowment. The income from endowment investments should be divided into unrestricted and restricted funds. The restricted funds refer to those which can be used only for a specified purpose. Each fund should be entered separately.

Mission Board Income. Income from gifts and grants should also be divided into unrestricted and restricted funds. Under these headings should appear income from mission boards which includes appropriations, salaries of missionaries, and allowances and furlough travel of missionaries. Children's allowances should be included in salary. The salaries should not be estimated, but the actual amounts paid out by mission treasurers should be ascertained.

Furlough Travel. It is advisable to make a separate item of medical and other allowances including furlough travel. It is recommended that the fiscal year end June 30th, which will make it possible to secure from board treasurers in the homelands statements of the actual cost of travel of those coming and going during the summer vacation. Furlough travel of those leaving before
June 30th should be included in the accounts of the succeeding year. In order not to have wide fluctuation in this item, it will be advisable to distribute the cost of furlough travel over the term of service by the creation of a sinking fund in the case of members of the staff paid by the institution, or by handling accounts as if a sinking fund were maintained by the boards for this purpose. This is one of the items which will have to be checked up by experience over a period of years.

**Salaries of Missionaries.** Some confusion has arisen as to whether salaries of missionaries should be considered as restricted or unrestricted. It is evident that professors with highly technical training cannot be transferred from one department to another. The restriction, however, inheres in the training of the individual and not in the designation of his salary. A teacher of English, or an office secretary, for example, might be shifted from one department to another, otherwise there is no flexibility in the institution and it is impossible to make readjustments to meet new conditions.

Perhaps the thing which has caused the most confusion in dealing with the finances of mission colleges has been that budgets have not been entirely in money, but have included money plus missionaries. This has frequently resulted in the feeling that the missionaries cost the institution nothing, and has resulted in highly paid workers being used to do things that could be done by assistants or clerks. The report of the educational commission in this connection is to the point:

"The practice of assigning mission members to university faculties rather than appropriating money, paying salaries through the usual mission channels, is expensive in the long run and not warranted by sound finance. University executives, not having control of faculty finance, are unable to distribute their finances, sometimes having plenty of men but not enough money."

**Other than Board Income.** Under gifts and grants should also appear other than board income from both Chinese and foreign sources. Only a few mission institutions have as yet developed this source of income to any large extent. In one or two cases, however, a larger income is being received from such sources than from the boards, including missionaries' salaries. Some mission universities already have a budget of half a million dollars per year and it is a question whether the further growth of a number of institutions must not be largely financed from sources outside of regular board income.

What has been said above concerning income for strictly educational purposes applies in general to income for other work.
ACCOUNTING FOR CURRENT EXPENDITURES.

The expenditure for strictly educational purposes includes administration, operation and maintenance of plant, and instruction. That for other than strictly educational work covers general, boarding department, and contingent fund.

Administration. Administration includes the salaries and offices of president and treasurer, general expense, such as catalogues and reports, commencement and public occasions, student activities, travel of board of managers and the like, and financial management.

The items under offices of president and treasurer include salary of president and treasurer, salaries of secretaries and assistants, office expenses and the annual pro-rata cost of furlough, travel of those of the above who are missionaries.

Operation and Maintenance. Operation and maintenance of plant falls under two headings. The portion of the plant used for strictly educational purposes including classrooms, laboratories, library, offices and chapel, and the portion not used for strictly educational purposes such as dormitories, social halls and the like.

The budget under each one of these headings should include salary and office of superintendent, and care and maintenance of grounds, buildings and equipment. The building should be dealt with separately if practical, but those used for strictly educational purposes must be at least divided into groups according to departments, such as college, middle school, medical school, language school, faculty residences, and the like. Where two such departments occupy one building the expenses connected with that building may be pro-rated on the basis of the floor space used by each. The items under each building include wages of servants, repairs, fuel, lights, insurance, material supplies and expenses. In the case of rented buildings, an item must be included for this purpose. In the case of faculty residences, light and fuel are omitted.

Instruction. The objective of the college and university is its instructional activities. These constitute the end to which all the activities of the institution are the means. In modern institutions the items for administration, maintenance and operation of plant, and certain items not for strictly educational purposes have tended to encroach upon the funds available for instruction. The chief function of a budget is to disclose such conditions and so control expenditures that a sufficient proportion may be expended for this purpose.

This portion of the budget is first to be divided according to the various colleges, including middle school and library. Under each college the main divisions are salary and office of dean,
salaries of instruction by departments, departmental supplies and expenses, and departmental equipment.

The items under the dean's office are the same as those for other offices. The departments should be listed in alphabetical order, and under salaries should be listed professors, instructors and assistants. Departmental equipment may be distinguished from building equipment as follows: Building equipment refers to furniture and permanent equipment which must be included in the building whatever department may use it, and departmental equipment means such apparatus and equipment as must be specially provided for the needs of a particular department.

**Specially Designated Objects Not a Part of Strictly Educational Work**

The portion of the budget which is not for strictly educational purposes may be divided into general, boarding department, and contingent fund. These parts of the work of the college either pay their own way, or are borne by special funds.

The items under general include extra curriculum lectures, scholarships, students' aid and prizes, athletics and athletic field, university promotion, construction department, uniforms, book room and the like.

**Promotion.** It is to be noted that financial campaigns and university promotion come under this heading and not under administration.

**Boarding Department.** In connection with the boarding department, there is no need of dividing according to the scholastic division into colleges, middle schools and the like, but it will be most convenient to handle each group of dormitories and each dining hall by itself, in order to check up as to whether these units which should be self supporting are actually paying their own way or becoming a charge upon the institution. The budget for the operation and maintenance of the dormitories and dining halls contains the same items as that for the maintenance of buildings used for strictly educational purposes, with the exception of the inclusion of salary of proctor, and provision of hot water and such special items for dormitories, and the cost of food in a case of dining halls.

It is not necessary to charge rent for overhead against the boarding department but the fees for room rent and board should be sufficient to provide a small annual surplus and obviate any danger of deficit.

The diagram which follows indicates schematically the divisions which have been outlined above.

(6)
BUDGET APPROPRIATIONS

I PLANT

1. Administration

(A.—For Strictly Educational Purposes

2. Maintenance

1. Salaries of Professors and Instructors

3. Instruction

2. Salaries of Assistants

3. Supplies

4. Equipment

B.—Not for Strictly Educational Purposes

(7)
CHAPTER III

AN OUTLINE BUDGET FOR INSTITUTIONS IN CHINA

The six colleges and universities in East China have agreed to adopt a uniform budget based upon the budget in Arnett's "College and University Finance." The outline of this budget with some modifications is given below. It should be remembered that it is subject to revision in the light of experience.

BUDGET INCOME

A.—For Strictly Educational Purposes

I. From Student Fees

A. Senior College
1. Matriculation
2. Tuition
3. Graduation
4. Laboratory
5. Incidental
6. Library fees and fines
7. Locker
8. Miscellaneous.

B. Junior College
(as above)

C. Middle School
(as above)

II. From Endowment Investments

A. Income for general purposes — unrestricted
B. For general purposes — restricted
   (a) Administration
   (d) Maintenance of Buildings
   (c) Professorial chairs
   (d) Etc.

III. From Gifts and Grants

A. For general purposes — unrestricted
   (a) Cooperating Missions
      1. Mission Board Appropriations
      2. Salaries of Missionaries

( 8 )
3. Furlough Travel, Medical and other Allowances.
   (b) Individuals and Companies

B. For general purposes — restricted
   (as above)

IV. From Miscellaneous Sources

B.—For Specially Designated Objects not a Part of the Strictly Educational Work

I. From Students

A. Uniforms

B. Board
   (a) Senior College
   (b) Junior College
   (c) Middle School

C. Athletics
   (as above)

D. Dormitory Room Rent
   (as above)

II. From Endowment Investments

III. From Gifts and Grants and Sales

A. For general purposes—restricted
   (a) Personnel

B. For general purposes

BUDGET APPROPRIATIONS

A.—For Strictly Educational Purposes

I. Administration

A. Executive
   (a) President's Office
      (1) Salary of President
      (2) Salaries of secretary and assistants
      (3) Office Expenses and Supplies,
      (4) Travel and furloughs
   (b) Treasurer's Office
      (details as under President's office)
   (c) Registrar's Office
      (details as under President's office)

   ( 9 )
B. General
(a) Catalogs, Reports, and Bulletins
(b) Commencement and Public Occasions.
(c) Appropriations for Student Activities.
   (1) Magazine
   (2) College Y. M. C. A.
   (3) Middle School Y. M. C. A.
(d) Miscellaneous
   (1) Retiring Allowances
   (2) Travel, Board of Managers
   (3) Educational Association Memberships
   (4) Sundries

C. Financial Management
(a) Interest on Bills Payable
(b) ,, ,, Loans
(c) ,, ,, Bank Overdrafts
(d) Sundry interest expenses

II. Operation and Maintenance of Plant
A. Superintendence
   (details as under President’s office)
B. Care and Maintenance of Grounds, Buildings, and Equipment
   (a) College Buildings
      (1) Wages of Servants
      (2) Repairs
      (3) Fuel
      (4) Light
      (5) Insurance
      (6) Materials, Supplies and Expenses
   (b) Middle School Buildings
      (details as above)
   (c) Language School Buildings
      (details as above)
   (d) Faculty Residences
      (1) Repairs
      (2) Light
      (3) Insurance
      (4) Materials, Supplies, and Expenses
      (5) Rent

III. Instructional
A. Senior College
   (a) Dean’s Office
      (details as under President’s office)
      (10)
(b) Salaries for Instruction
   (1) Department of Astronomy
       1. Prof. A
       2. Prof. B, etc.
   (2) Department of Botany
       1. Prof. A
       2. Prof. B, etc.

(c) Departmental Supplies and Expenses
   (1) Department of Astronomy
   (2) Department of Botany, etc.

(d) Departmental Equipment
   (1) Department of Astronomy
   (2) Department of Botany

B. Junior College
   (details as above)

C. Middle School
   (details as above)

D. Library
   (details as above)

B.—Not for Strictly Educational Purposes

IV. General

A. Lectures—Extra-Curriculum
B. Scholarships
C. Student Aid
D. Prizes
E. Athletic Field Maintenance
F. Athletics
G. Dormitory Library
H. University Premotion
   (a) Office of Promotional Secretary
       (details as under President’s Office)
   (b) Office of Alumni Secretary
       (details as under President’s Office)

I. Construction Department
J. Deferred Charges
K. Uniforms
L. Book Room
M. Diplomas
N. Miscellaneous

( 11 )
V. Boarding Department

A. Dormitories
   (a) College Group
      (1) Wages of Servants
      (2) Repairs of Buildings and Equipment
      (3) Fuel
      (4) Light
      (5) Insurance
      (6) Materials, Supplies and Expenses
      (7) Hot Water
      (8) Salary of Proctor
      (9) Equipment
      (10) Miscellaneous
   (b) Middle School Dormitories
       (details as above)
   (c) Language School Dormitories
       (details as above)

B. Dining Halls
   (a) College Dining Hall
      (1) Board
      (2) Wages of Servants
      (3) Repairs of Buildings and Equipment
      (4) Fuel
      (5) Light
      (6) Insurance
      (7) Materials, Supplies, and Expenses
      (8) Salary of Proctor
      (9) Equipment
      (10) Miscellaneous
   (b) Middle School Dining Halls
       (details as above)
   (c) Language School Dining Halls
       (details as above)

VI. Contingent Fund

Defining the Budget

In adapting the budget in Arnett’s ‘‘College and University Finance’’ to the conditions of mission institutions in China, a number of difficulties were encountered. In April 1923 a meeting of presidents and treasurers of colleges and universities in East China was held, at which the following conclusions were arrived at:
1. **Objective.** The objective of the Uniform Budget in the Financial Statement. Comparison of Financial Statements should enable Boards of Management to better determine the proper financial policy of individual institutions.

2. **Uniformity.** The first problem is that of determining the amount of uniformity essential to producing financial statements which can be readily compared. It was decided that for the first year at least it would be wise to carry this uniformity to matters of detail.

3. It was felt that the Budget should correspond to the actual operation of the institution concerned and that a number of the problems discussed could be solved only through experience over a number of years.

4. **Salaries.** Salaries of missionaries should be included in the Budget at the actual amount in Mex. This should include Travel, Outfit, Medical Allowance, etc.

5. **Furlough Travel.** The cost of furlough travel should be distributed over the term of service by
   
   (1) A sinking fund into which a fixed amount should be paid each year.
   
   (2) In case travel is paid by the Board and not by the institution, this amount should be estimated and included in the final balance sheet on the same basis as above.

6. **Supplies.** Supplies for Chemistry should be charged to Inventory. Each month the amount used should be credited to Inventory and debited to the Chemical Expense Account.

   The same principle should be applied in the case of the Book Room, and perhaps other similar situations.

7. **Equipment.** Distinction should be made between supplies and equipment on the following basis:
   
   (1) Permanence
   
   (2) Cost

   It was considered impracticable to put articles of small cost on Equipment Inventory.

8. **Exchange.** Exchange should be figured for the individual items and thus distributed under the various headings. No special exchange item should be included if avoidable.

9. **Dormitories, Dining Halls, etc.** Under “Operation and Maintenance of Plant,” dormitories, dining halls, and other self-supporting units should be distinguished from the college departments, and a separation made between College and Middle School so far as possible.
10. **Promotion Fund.** In the case of a promotion fund distinction should be made between current items for publicity and advertising which come under Administration and special campaigns which come under General.

11. **Athletics.** Athletics under General refers to student activities. Class Room instruction and the work of the Physical Director should appear under the proper instructional department.

12. **Boarding Department.** It is desirable to get at the actual cost of the Boarding Department apart from Room Rent, including food, heat, hot water, laundry, light, wages, barber. (Arnett 136/7)

13. **Fiscal Year.** It is suggested that the Fiscal Year be from July 1st to June 30th.

14. **Income and Expenses.** It was suggested that for securing accurate statements of income and expense it would be well to defer or accrue items belonging to subsequent periods and allow to remain in the statement for the current period only expenses and income applicable to that period.

15. **Development of Plant.** One of the larger factors in the financial situation of growing institutions in the development of plant. The General Secretary was instructed to secure from each institution at its convenience during the year a statement concerning plant in accordance with schedule 3, Arnett page 149, as follows:—

   (1) Cost of Plant and Equipment (Arnett page 55.)
   (2) Inventory Value of Plant and Equipment (Arnett page 56)

16. **Procedure** (1) Detailed Budget and minutes to be sent to the institutions for their information.

   (2) Financial statement of institutions adopting the uniform budget to be available, September 1924.

   (3) The Committee to put these statements in parallel form after chocking them up so as to exhibit

   (1) Cost by item.
   (2) Cost by item per student.

17. **Blanks and Bookkeeping Forms.** It was suggested that the institutions exchange blanks and bookkeeping forms.
CHAPTER IV

ADMINISTERING THE BUDGET

Control of the Budget. The working out and adoption of a budget, difficult as that may be, is only a beginning. The important thing is to provide adequate means for making the financial operation of the institution correspond to the budget as made out.

In the first place, the budget should be made on the basis of the expenditures for the previous year and in consultation with heads of departments who should submit a statement of the budget of the department for the preceding year, and an explanation as to requested increases and decreases. The budget should then be prepared by the president and treasurer for submission to the finance committee of the board of managers and finally authorized by the board of managers and the trustees.

The budget as adopted should be regarded as fixed, not only as to its totals but as to each individual item. It should be understood that no one has authority to exceed any item without vote of the board of managers or its executive or finance committee.

Revision of the Budget. This necessitates two things. Changing conditions during the time between the adoption of the budget and the end of the fiscal year for which it is made will usually necessitate alterations. These should be provided for, first by the inclusion under each main heading of the budget of a contingent fund which can on vote of the board of managers or its executive or finance committee be used to increase any item within that part of the budget without encroaching upon other items. In order to handle such matters it is necessary to have small executive or finance committee which can meet monthly or at least twice each semester.

Control of Requisitions. A matter of great importance is that of the control of future expenditures. These arise chiefly in case of purchases which must be made abroad. To cover this situation, all orders for supplies should be on requisition signed by the department head and approved in advance in writing by the treasurer before the order is given. This practically amounts to having the treasurer or financial officer act as purchasing agent and keep not only a ledger showing amounts actually expended, but a requisition ledger indicating all orders which will be expended later.
The following are the regulations adopted by several institutions for the control of the budget and control of expenditures:

I. Control of the Budget:

1. The budget shall be prepared by the president with the assistance of the treasurer and after being passed upon by the joint faculty shall be presented to the Board of Managers for their adoption.

2. The executive committee shall revise the budget as may be necessary at its first meeting after the opening of each semester.

3. The treasurer shall be held responsible for not exceeding the budget or any item thereof.

4. The treasurer shall decide questions as to classification of accounts. In case of dispute the matter shall be decided by the president subject to the approval of the executive committee of the Board of Managers.

II. Control of Expenditure

1. The bookkeeping shall be done according to Arnett's "College and University Finance."

2. Upon adoption of the budget by the Board of Managers a statement of the amount of its appropriation shall be made by the treasurer to each department and every month thereafter a statement of the balance of appropriation.

3. Each department shall be required to keep its expenditures within the limit of its appropriation.

4. Each department shall make requisition for proposed expenditures giving details and estimates of cost based on catalogue prices or certified to by the purchasing agent, which requisitions shall be approved by the treasurer before the expense is incurred.

5. Requisitions shall not be approved if the appropriations for them are insufficient.

6. Expenditures for salaries for the entire year may be covered by one requisition.

7. A blanket requisition may be made by each department covering its sundry small expenses for an entire month.

A Financial Officer. As long as the object of the financial conduct of the institution was conceived to be keeping out of debt and the presentation of a statement capable of being audited, a clerk or bookkeeper was all the financial officer necessary.

(16)
If a proper budget is to be worked out and administered, and made the basis for study of the financial history of the institution in order to indicate points of weakness and the financial trend, it is necessary to have much more than a clerk.

The book by Arnett calls for a financial officer, under the president yet practically co-ordinate with him and having complete charge of the financial administration of the university. One of the most important problems before mission institutions in China is the development of thoroughly efficient financial departments.

Publicity. In 1910 the Carnegie Foundation for the Advancement of Teaching issued a Bulletin on Standard Forms for Financial Reports of Colleges, Universities and Technical Schools, in which the author made the following statements concerning publicity of college finances.

It seems clear that both from the standpoint of its own efficiency no less than from the standpoint of its obligation to the public, every public institution like a college should print annually a report as to the use of the moneys which it has received.

From the somewhat extended inquiry which has been made it may be stated with definiteness that the reports of the financial officers of colleges are read by very few people, and these may be classified in the following three groups:
1. Trustees, alumni, and friends of the institution who are directly interested in its welfare;
2. Men of means who contemplate gifts to colleges or who have made such gifts;
3. Individuals and agencies like the United States Bureau of Education engaged in a study of educational methods and costs

It seems also clear from the inquiries which I have been able to make that these three groups seek to ascertain essentially the same fundamental facts concerning the financial conduct of colleges and universities, with the addition that students of education are interested not only in the statistics of a single institution, but in comparative statistics as well.

I venture to urge again the duty of every college, whether supported by taxation or by endowment and tuition fees, to make annually a report to the public of its financial operations. The state institutions are required by law to do this. The college has everything to gain by opening its books to the public, and those who give to colleges will more and more generally insist upon having a definite statement of the use which the college has made of its money. No college which refuses to do this deserves to be entrusted with money.
In his book on College and University Finance issued twelve years later, Arnett takes such publicity for granted in the following statement:

"The fundamental purpose of issuing an annual report of college finances is to have accurate information regarding the financial condition and history of the college available for distribution among the trustees, alumni, officer who prepares and presents a clear, concise, and easily understood report does his institution and the public a real service. The press keeps the public informed on those matters of educational policy and interests which have news value, but at best give a limited view of the college's real work and activities. It is important therefore that the college keeps its constituency and the public reliably informed of its policies and achievements. The educational features are usually set forth in the annual catalogue and in the report of the president, while the financial condition and operations are disclosed in the report of the treasurer or financial officer."

**Need for Standards.** Not only is college and university accounting different in a number of respects from the accounting of the average business concern, but conditions in China give rise to still further complication. There are at present no standards. Boards of managers in making budgets have little for their guidance except the urgent requests of department heads who desire more money. It will be of great value if all mission institutions, and government and private institutions as well, use the same form of budget, so that standards of costs for different departments can be worked out and compared with similar standards at home.
CHAPTER V

SOME PROBLEMS

The adoption of a complete budget along the lines laid down by Arnett has brought to light problems in several institutions. In some cases conditions have been disclosed which were quite the contrary to what those in charge of the management of the institution had considered to be the case, and the facts brought out by the budget led to an immediate reconsideration of policy. It is too early to attempt to deal fully with such problems, most of which must await longer experience with budget and comparison with other institutions for their solution. It is not too early, however, to call attention to some outstanding problems.

Student Body versus Cost. Most of the mission colleges and universities in China are comparatively new. Up to the last year or two the number of students has been small, so that a considerable increase of enrollment has been possible without filling up classes or increasing costs. This has resulted in an emphasis upon student body. Increase in student body has brought increased tuition income which has appeared relatively of much greater significance than it really was, owing to the fact that the greater part of the cost of the conduct of the institution was in missionary salaries which did not appear at all upon the budget.

During the last two years the situation has changed. In a number of institutions, classes have been filled up. Additional students have come to mean additional sections, and institutions have been suddenly awakened to the fact that an additional section of thirty students at a cost of five hundred dollars per student comes to fifteen thousand dollars, whereas the tuition at one hundred dollars per student comes to only three thousand dollars.

This changing situation has led to some searching of heart, several deficits, and action on the part of certain institutions limiting their number of students.

It would seem that the college situation in China has come to the place where colleges are too large to be almost wholly financed in the future by mission boards as has been the case in the past. This raises a very serious problem as to the financial means to provide for their further growth.

Supplies and Assistants. Another problem which is an extremely serious one for most mission institutions concerned is the
amount of money available for assistants in the various departments, and for departmental supplies and expenses. Many cases have come to light where a single professor had to work without assistants or any appropriation for equipments for annual expense. This has thrown a heavy burden of petty detail and drudgery upon men who are trained to do much more important things and has greatly decreased the efficiency of institutions.

Library. A still more serious problem is that of the library. Most mission institutions carry on their work in English. One of the fundamental reasons given for this is that the reference books necessary for college work do not exist in Chinese. They do not exist in the library of the average mission institutions either. Very much larger appropriations must be included in budgets for this purpose than have been thought necessary in the past. These appropriations must cover not only books and periodicals but an adequate library service.

Present Costs below Minimum Needs. The report of the educational commission on the probable costs of higher education states:

"The estimates of college expense noted above are based upon present practices. It should be noted, however, that if Christian higher education is to maintain its lead, expenses must increase. Professional education of any kind is costly. New equipment must be added, libraries augmented, sections multiplied. This will demand larger expenditure."

Comparative studies by the writer of the budgets of four institutions indicate that the costs worked out by the educational commission are probably below the minimum needed for thoroughly efficient work in East China at least, and should be increased by about 30 per cent. This conclusion must be regarded as tentative, however, and needs further verification.