



UNIVERSITY OF PANNONIA

Rules for Cost Accounting at the University of Pannonia

Approved by the Senate: 29th November 2021

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Person responsible for the maintenance of the regulation: Director of Economic Affairs

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The Rules for Cost Accounting at the University of Pannonia issued by the University of Pannonia (hereinafter referred to as: "University") on the basis of the University's Organisational and Operational Rules (hereinafter referred to as: "OOR"), Part I Organisational and Operational Rules of Procedure (hereinafter referred to as: "OORP") approved by the Senate of the University of Pannonia and adopted by the Foundation for the University of Pannonia acting as the operator exercising founders' and ownership rights (hereinafter referred to as: "Operator") and on the basis of Act C of 2000 (hereinafter: 'Act') and the resolution by the Board of Trustees on the rules of procedure for adopting the regulations of the University of Pannonia by the Board of Trustees are as follows:

I GENERAL PROVISIONS

1.§ Definition and Purpose of Cost Accounting

- (1) Cost accounting is the activity of determining the planned and actual cost of a product/service before, during or after its production/delivery.
- (2) The purpose of cost accounting is to provide information through the determination of actual direct and indirect costs:
 - a) for the assessment of the effectiveness of the delivery of services and the sale of goods,
 - b) for pricing,
 - c) for the valuation of goods produced and services rendered, for the determination of their direct cost price,
 - d) for the valuation of internally produced intangible and tangible assets, for the determination of their direct cost,
 - e) to enable informed decision making with regard to the delivery of services/product sales.

2.§ The Scope Ratione Materiae of these Rules

- (1) The cost accounting policy is established for regular/significant sales of goods and services by the University.
- (2) The types and scope of activities covered by the Rules are defined in accordance with Article 14(7) of the Act (i.e. where the net sales revenue for any financial year, less the cost of goods sold and the value of mediated services, exceed one billion forints, or the total of costs broken down by cost category exceed 500 million forints, as of the start of the following financial year the cost of self-constructed assets and the cost of services supplied shall be determined according to the post-calculation method prescribed by the internal regulations relating to the costing system).

- (3) According to the activities set out in the University's Deed of Foundation, the product manufacturing is not a typical activity.
- (4) The University's service activity, which is of a scale defined in the Act and is therefore covered by these Rules, is higher education.
- (5) Other activities, carried out by the University on a recurring/one-off basis on request in order to use free capacity, which represent a lower volume than the volume defined in the Act and therefore are considered not being under the scope of these cost accounting rules, are the following:
 - further trainings, training courses,
 - research and other contract activities,
 - organising events, competitions, conferences,
 - letting of real estate (for education or other purposes),
 - providing dormitory accommodation,
 - other accommodation services.

3.§ The Scope Ratione Personae of these Rules:

- (1) The scope ratione personae of the Rules extends to all organisational units as well as to employees of the University, regardless of whether they are employed by or contracted in any capacity to the University.

4.§ Persons Responsible for Drawing Up the Rules

- (1) The Chancellor is responsible for setting the main directions of the accounting policy, while the Director of Economic Affairs is responsible for the preparation, amendment and implementation of the Rules, under the authority delegated to him/her by the Chancellor.

5.§ Legal Provisions Governing the Drafting of the Rules

- (1) When drawing up these Rules for Cost Accounting the University has taken into account the following legislation in addition to the Act:
 - a) Government Decree No. 479/2016. (XII. 28.) on the Particulars of the Reporting and Book-keeping Obligations of Certain Other Organisations (hereinafter: 'Decree No. 479'),
 - b) Act CCIV of 2011 on National Higher Education (hereinafter: 'NHEA').

6.§ Definitions

- (1) *Expenditure*: means actual use or decrease of cash and cash equivalents.

- (2) *Expense*: is the monetary cost of tangible and intangible assets produced during the period. An expense is a broader concept than a cost, it is related to the operation of the enterprise as a whole, while a cost is incurred directly with the creation of a product or service. All costs appear as expenses, but not all expenses are considered costs. Expenses which the institution incurs in the course of its activities independently of the pursuit of those activities shall not be considered as costs of that particular activity.
- (3) *Cost*: is the amount in monetary terms of the resources ('living labour' as human labour and 'dead labour' as assets used) consumed in a given period to achieve a specific objective (production of an asset or provision of a service). The incurrence and settlement of the cost may precede, coincide with or follow the expenditure in time.
- a) *Dead labour*: refers to material costs (cost of materials, value of services used and other services depreciation of assets).
 - b) *Living labour*: refers to staff-related costs (wages and salaries, other employee benefits, contributions on wages and salaries).
- (4) Classification of costs by method of their accounting:
- a) *Direct cost*: is a cost for which, at the time it is incurred, the University is able and willing to determine the extent to which it is borne by the object of the calculation and can therefore be attributed to it directly.
 - b) *Indirect cost*: is a cost, which cannot be clearly identified as incurred with the object of the calculation, and can therefore only be allocated – distributed – indirectly.
- (5) *Cost type*: refers to the grouping of costs under specific headings according to the nature of the resource used, which are recognised in section 5 of the accounts as per the standard chart of accounts.
- (6) *Cost object*: is the object of the cost accounting, i.e. the cost calculation, for which the cost price can be determined. The unit of account (product, service) for which the direct and indirect costs associated with its creation can be charged.
- (7) *Cost centre*: is the place where the costs are incurred, which can be either a geographically separate organisational unit or a centrally implemented task serving several activities (cost objects). Costs incurred here are not directly attributable to a cost object (product or service) at the time they are incurred, and therefore cannot be classified as direct costs when they are incurred. The part of these costs that can be directly and closely related to the relevant production activity (production of a product, delivery of a service) is allocated to the cost objects by means of transfer using various projection bases.
- (8) *Projection base*: is an indicator, expressed in natural units or values, with which the development of an indirect cost is most typically associated, and is therefore a suitable measure for distributing costs incurred at cost centres (e.g. number of students, number of employees, square metres, heated cubic metres, operating costs).
- (9) *Cost accounting*: is a technical and economic activity by which the expected (planned) and actual cost of a product or service can be determined before, during or after production or delivery of a service.

- (10) *Unit of cost accounting*: is the natural unit of measurement of the object of the cost calculation.
- (11) *Cost price*: is the portion of the monetary value of the resource inputs incurred in order to produce the object of the cost calculation determined per unit of the cost accounting expressed in natural units of measurement.
- (12) *Direct cost price*: includes only costs that can be shown to be closely linked to the creation of a specific product or service.
- (13) Determination of the *direct cost price* based on the Act:
 - (1) The cost (production cost) of an asset includes the costs that
 - a) are directly incurred in the course of manufacturing, commissioning, expansion, conversion, transformation or restoration of the original condition of an asset (product),
 - b) were verifiably closely related to the manufacturing,
 - c) can be accounted for by appropriate indicators and specifications for the asset (product) (collectively: direct cost price).
 - (2) The cost (production cost) of services supplied shall include the expenditures which
 - a) are directly incurred in the course of rendering, supplying, performing the service,
 - b) were verifiably closely related to rendering, supplying, performing the service,
 - c) can be accounted for by the indicators and specifications applying to the service (collectively: direct cost price).
 - (3) Production costs shall also include [and thus will comprise part of the cost (production cost)], the cost (purchase cost) of raw materials provided by the developer of a project executed by another company (which were not invoiced to said company) and the direct costs of own products manufactured or services supplied, when the purchased material or the self-produced asset is installed or when the service is actually supplied.
 - (4) Direct costs – used for the valuation of assets – may not include sales costs nor any administrative or other overhead costs not directly connected with production.
- (14) *Narrow cost*: direct costs + operating overheads.
- (15) *Total cost*: narrow cost + central management, administrative and general costs.

The total cost includes the proportional share of indirect costs allocated to a unit of a product or activity by using different projection bases. When preparing a price calculation, the latter is also necessary.
- (16) *Cost accounting method*: this refers to the method of accounting for direct costs and the allocation of overheads.

Fundamental methods:

- (a) *Standard costing*: is a method in which the cost price is determined by dividing the total direct costs collected by type (individual, series, periodic) with the quantity produced.

- (b) *Unit equivalent costing*: refers to when the cost price of the goods produced or services provided is determined by dividing the total costs by the equivalent quantity of production or services. The method is applicable when the technological processes of the products or services produced are identical. For this method a primary product must be determined. All products (services) must be expressed in terms of the primary product.
 - (c) *Absorption costing*: is a method whereby direct costs are allocated to specific units of cost objects on the basis of supporting documents at the time of use, and indirect costs (collected at the point of origin) are apportioned to individual assets, activities and services by means of an absorption rate. In the case of indirect costs, the allocation of costs, which are incurred at cost centres and can be apportioned to products and services, is made by applying absorption rates, using established projection bases.
 - (d) *Mixed costing*: means that the cost price is calculated using a combination of several methods.
- (17) The cost accounting (calculation) can have the below forms based on the time of calculation:
- (a) *Pre-calculation*: means the technical and economic activity by which, before the start of the production activity or the provision of the service, the quantity of the resources ('living and dead labour') to be used is determined, in compliance with technical and technological specifications, and from this the planned cost of the product to be produced or the service to be provided is calculated, taking into account the prices and rates applicable at that time.
 - (b) *Interim calculation*: means the technical and economic activity which provides information on the development of costs in step with creation of the product or service.
 - (c) *Final calculation*: the technical and economic activity by which, after production or the provision of a service has been completed, the real direct cost of the product produced or the service rendered is determined on the basis of the quantity and value of the resources ('living and dead labour') actually used.

II GENERAL RULES FOR INSTITUTIONAL COST ACCOUNTING

7.§ The Object of Cost Accounting

- (1) The object of the cost accounting – the unit of calculation – is the product or service for which the cost price is to be calculated, for which the cost calculation is made. Cost accounting should be prepared for the natural unit of the object of cost accounting.
- (2) At the University, the unit of measurement of the object of cost accounting, i.e. Higher Education is: HUF/student/semester.

8.§ Method and Time Horizon of Cost Accounting

- (1) The University generally uses the absorption costing method.
- (2) The institutional forms of cost accounting are typically pre-calculation and final calculation.
- (3) In the case of adding internally produced goods to the inventory, the actual direct cost price, as defined in the Act, which determines the original cost, should be determined in a final calculation after the activity has been completed.
- (4) In the case of producing intangible and tangible assets internally, the actual direct cost price, as defined in the Act, which determines the original cost, should be determined in a final calculation after the activity has been completed.
- (5) A pre-, interim or final calculation can be prepared for a specific period if information is required for management decisions.

9.8 Structure of the Calculation Schedule, Detailed Definition of the Contents of the Headings

1) Structure of the calculation schedule:

1. Direct costs of materials
2. Direct costs of purchased and other services
3. Direct costs related to wages and salaries, and other employee benefits
4. Direct costs related to contributions on wages and salaries
5. Direct depreciation
6. Use of internally produced inventories directly attributable to core activity
7. Direct costs (1+2+3+4+5+6)
8. Operating overheads
9. Narrow cost (7+8)
10. Central management, administrative and general costs
11. Total cost (9+10)

2) Detailed definition of the contents of headings in the calculation schedule:

- a) *Cost of materials*: The materials (professional materials, input materials, office supplies, books, etc.) used in the production of the product or in the provision of the service should be included under this heading. The cost (purchase costs) of purchased materials include:
 - the purchase price less discounts, plus premiums,
 - transport and handling costs incurred and charged in connection with the purchase and delivery to the warehouse,
 - the fee for the intermediary activity,
 - commission charge,
 - taxes linked to the purchase (consumption tax, excise duty),
 - customs charges (customs duties, customs surcharges, customs clearance fees),
 - fees payable (paid),
 - input VAT which has been charged but not deducted,
 - administrative charges and service fees pursuant to legislation,
 - other administrative and service fees (environmental product charges, expert fees).
- b) *Costs of purchased and other services*: The costs of services used constitute direct costs if the quantity necessary and consumed to produce the product or to provide the service can be precisely determined, measured or accurately calculated. Direct costs of purchased services:
 - utility services,
 - maintenance fees,
 - fees of subcontracted services,
 - domestic, foreign postings,
 - participation fees,
 - rent, etc.

- c) *Costs related to wages and salaries and other employee benefits:* This line shall include payments to full-time, part-time employees and non-staff members employed on a contract basis. Expenditure on wages and salaries typically incurred in order to carry out the activity, provide the service and produce the products:
- basic salary,
 - bonuses,
 - overtime compensation,
 - premiums,
 - the fees of persons employed on a contract basis,
 - daily allowance paid for postings,
 - travel allowance for commuting to work,
 - fringe benefits.
- d) *Contributions on wages and salaries:* includes employers' contributions (social contributions, health contributions, rehabilitation contributions, etc.) payable on wages and salaries and other employee benefits. When preparing a pre-calculation, the applicable legal specifications for the period must be taken into account.
- e) *Depreciation:* includes the ordinary depreciation of intangible assets, tangible fixed assets.
- f) *Operating overheads:*
- costs of repair and maintenance workshops: the costs of repair of tangible assets carried out by the University itself should be recorded here,
 - costs of other ancillary units: the costs of plants and workshops which do not directly serve the activity should be shown here,
 - costs of professional units: this cost includes specific professional costs that are part of the core activity,
 - overheads: this is used to show the costs of several tasks belonging to the same sector.
- g) *Central management, administrative and general costs:* includes costs that cover the whole of the organisation and are not incurred in ancillary or professional units of the University.

III CALCULATION OF HIGHER EDUCATION ACTIVITIES

10.§ Principles

- (1) The detailed method of calculating the cost price of a course and the cost price calculation based on it shall be prepared for each academic year and shall be set out in the methodological manual titled 'Calculation of the Cost of Specialisations at the University of Pannonia'. The committee that prepares the methodology is chaired by the Vice Rector for Academic Affairs and its members are: the Vice Deans of the Faculties responsible for economic affairs, representatives of the University Centres, the Director of Economic Affairs and the Director of Academic Affairs.
- (2) When determining the costs of the educational activity, the cost per student per semester shall be determined by specialisation, by level of education, by work schedule.
- (3) The main categories of the cost price calculation schedule:
 - Direct costs of the specialisation (total direct costs)
 - General costs at faculty, university centre level
 - Narrow cost
 - Overheads at university level
 - Total cost
- (4) Source of basic data:
 - actual expenditures for the relevant period for which the accounts have been closed,
 - student numbers and teacher numbers reported in the OSAP FIR Statistics for the relevant period,
 - the curriculum for the relevant academic year.

11.§ Direct Cost of the Specialisation

- (1) Breakdown of the number of students in the specialisation by semester, subject, lecture, practical and laboratory class shall be determined based on the following:
 - for semesters 1-2, based on statistical headcount data,
 - for estimated number of students in semesters 3-4, based on the actual number of students in semester 2,
 - for estimated number of students in semesters 5-6, based on the actual number of students in semester 4,
 - for estimated number of students in semester 7, based on the actual number of students in semester 6,
 - the number of groups to be taken into account when calculating the numbers for practicals/seminars and laboratory classes must be determined at the time of calculation,
 - 14 teaching weeks per semester.

(2) Correction factor

If a subject is taken by students of more than one specialisation, the related costs should be shared proportionally between the specialisations.

(3) When determining the hourly rate the following shall be taken into account:

- the salaries and the statistical number of full-time teaching staff (full professors, associate professors, assistant professors, assistant lecturers, master teachers, engineering teachers/language teachers) per Faculty/University Centre,
- the number of compulsory hours of education per week,
- time spent on preparation and examination in addition to the contact hours,
- out of total costs of wages and salaries, the costs linked to education,

Based on the number of staff, the number of compulsory hours and the monthly wage costs allocated to education, the average wage share for education calculated for each job is calculated by weighting. When calculating the average wage per week, the calculation should be done on the premise that a semester has 5 teaching months, or 14 weeks, while when calculating the hourly rate the calculation should be based on the number of hours per week.

(3) Other direct costs related to education should be identified on a specialisation-specific basis.

12.§ Indirect Costs at Faculty Level

(1) Organisational unit-specific cost types and claims, which constitute direct costs and are related to education but cannot be defined at the specialisation level, are to be defined for each Faculty/University Centre. The proportion of these costs that are incurred in connection with the educational activities of the faculty/university centre should be determined.

General costs at faculty, university centre level are the following:

- Cost of secretariats,
- Costs of non-teaching-researchers at the Faculty,
- Costs of practicals related to all specialisations,
- Costs of laboratory equipment,
- Costs of PC rooms,
- Events, conferences, office supplies at the Faculty, University Centre,
- Cost of physical education and foreign language teaching on the Veszprém campus.

The faculty indirect costs are divided by the average number of students in the Faculty based on the FIR statistics.

13.§ Indirect Costs at University Level

(1) Indirect costs incurred at university level include:

- 'living labour' expenditures (wages and salaries, and contributions on them) of central units,
 - the material expenditures of central departments,
 - expenditures from earmarked funds (centrally managed functions),
 - energy and utility expenditures.
- (2) In calculating the share of indirect costs allocated to teaching activities, only that share of indirect costs, which is related to teaching activities, is included in the costs of the specialisations:
- costs related to organisational units, within the central units of the University, whose duties are not related to educational activities are not included,
 - the costs of organisational units, within the central units of the University, whose duties are exclusively related to educational activities shall be included in the calculation at 100%,
 - central functions related exclusively to education (typically: related to NEPTUN, library databases) should be included in the calculation at 100%,
 - the following shall be included in the calculation on a pro rata basis according to the weighting of the University's activities:
 - expenditures of additional central (service) units responsible for operating the University,
 - earmarked funds and energy-utility expenditures.

Calculation of the weighting:

- The indirect costs at the University level are charged to the University's 3 main revenue pillars: State subsidies, Own revenue and Tendering activities. Eligible indirect costs shall be charged to tendering activities on the basis of the tender guidelines.

For the remainder of the indirect costs, the proportion that can be allocated to the educational activity shall be determined as follows:

- on the basis of the data in the previous annual report of the closed year, the amount of subsidies for the core educational activities must be determined based on the state subsidies, whereby the non-relevant items (typically student appropriations and research-related grants) shall be set to zero,
- on the basis of the data in the previous annual report of the closed year, the amount of revenue from the core educational activities, corresponding to the revenue from the paid tuitions, must be determined,
- share of core educational activities from state subsidies and own revenue = $(\text{amount for core educational activities from state subsidies} + \text{revenue generated from core educational activities}) / (\text{amount of state subsidies} + \text{amount of generated revenue})$.

- (3) Indirect costs for educational activities at university level are allocated to Faculties/University Centres using projection bases. The resulting value is the indirect

costs of the educational activities of the comprehensive organisational unit concerned. The statistical number of students shall be used to calculate the indirect cost per student.

IV CALCULATION OF OTHER ACTIVITIES

14.§ Calculation of Other Activities

- (1) Before launching other activities not carried out on a regular basis, a financial calculation must be made as part of the approval procedure, in order to provide information for: pricing, profitability analysis, and financial justification of approval.
- (2) The pre-calculation shall be prepared by the organisational unit responsible for the initiative before the conclusion of any contracts. The pre-calculation is checked by the Finance Department of the Directorate for Economic Affairs. The financial calculation must cover the duration of the contract.
- (3) Indirect costs are entered in the financial calculation at the rate set in the current Institutional budget.
- (4) After the completion of the undertaking, based on the realised results, a statement of the turnover from the activities segregated with the financial centre in the management system is available for post-calculation.

V SUPPORTING DOCUMENTS AND SOURCE OF INFORMATION FOR COST ACCOUNTING

15.§ Supporting Documents for Cost Accounting

- (1) The supporting documents for cost accounting are the same as the supporting documents for analytical or synthetic accounting.
- (2) The most important supporting documents are the following:
 - a) invoices,
 - b) documents in lieu of an invoice,
 - c) documents supporting the calculation of depreciation,
 - d) documents relating to adding assets to inventory,
 - e) documents for staff allowances,
 - f) documents of other costs,
 - g) documents/data on the allocation of indirect costs.
- (3) The University sets out the requirements relating to supporting documents in its applicable Rules for Documentation.

16.§ Source of Information for Cost Accounting

- (1) The main source of information for cost accounting is the data available in the management modules of the Unified Institutional Management System (hereinafter 'EiiR').
Within the University's accounting system, economic events are recorded for both financial centres and functional areas, in addition to the general ledger account numbers.
The most important object for cost accounting is the financial centre. Cost object-type financial centres collect the direct costs of activities and can receive the share of indirect costs collected in cost centre-type financial centres that is charged to the activity after allocation.
- (2) Other sources of data:
- a) NEPTUN Unified Education System,
 - b) Facility Management System,
 - c) data from Hungarian Central Statistical Office,
 - d) institutional budget,
 - e) other internal databases,
 - f) market information.

VI FINAL PROVISIONS

17.§ Entry Into Force, Approval

- (1) By virtue of Resolution No. 181/2021. (XI. 29.), these Rules have been approved by the Senate.
- (2) These Rules shall enter into force after their approval by the Senate and adoption by the Board of Trustees, on 1st December 2021. Simultaneously, the Rules for Cost Accounting in Chapter VII of the Accounting Rules adopted by the Resolution No. 188/2018. (XI. 29.) of the Senate shall cease to have effect.

Veszprém, 29th November 2021

Dr. András Gelencsér
Rector

Zsolt Csillag
Chancellor

The Rules have been adopted by the Board of Trustees of the Foundation for the University of Pannonia by its Resolution No. 76/2021. (11.30.).

Veszprém, 30th November 2021

Dr. Tibor Navracsics
Chairman of the Board of Trustees