

HUMAN RESOURCE ACCOUNTING

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ABSTRACT

The concept of recognizing the human being as an asset is not new. The Indian history has evidences for this. The names of freedom fighters like Mahatma Gandhi, Bhagat Singh, Sardar Vallabh Bhai Patel cannot be forgotten in the history of freedom movement of India But no one made efforts to assign any economic value to such individuals in the Balance Sheet of the nation. The study focuses on how human resource accounting has developed over the period and how human resource accounting is used by different organizations mainly in the Indian context. In addition the study also assesses how human resource cost is treated by the accounting principles. Through the study of Indian companies, the paper will propose the benefits of human resource accounting can be introduced in India and become more popular than the current application.

INTRODUCTION

It is a known fact that the quality and caliber of the employees helps the organisation to achieve its goals. Human resources are responsible for the success of an organization. Thus, human resource is a very valuable asset without which an organisation can not progress in all directions. Human resources in any organisation are invaluable but their value cannot be measured accurately. In 1991 William Petty had taken the initiative to value the human resources as an asset. Human resource Accounting is an extended form of accounting principles. It means accounting for human beings as the organisational resources. It involves finding costs incurred by Companies to recruit, select, hire, train and develop employees and judge their economic value to the organisation.

KEYWORDS

Human Resource Accounting, HRA, Approach, Valuation of HRA.

OBJECTIVES OF THE STUDY

- To Study the position of Human Resource Accounting in India
- To know the importance of Human Resource Accounting
- To recognize the issues and Challenges
- To explore main issues in Human resource accounting
- To analyze the potential of Human resource accounting in India

RESEARCH METHODOLOGY

The present study is made based on secondary sources of data like books, journal articles, research papers, web based sources and other sources of published data. The data collected is further refined and for present research.

Human resource accounting is the system of recording and presenting the performance of Human resources in the books of accounts of an organization.

IMPORTANT ASPECTS OF HRA

1. Valuation of Human Resources
2. Recording the valuation in the books of accounts
3. Disclosure of the information in the financial statements of the Business

ROLE OF HUMAN RESOURCE ACCOUNTING

- With the help of HRA a company can measure fair return on capital employed.
- HRA provides various necessary information to make decisions regarding transfer, promotion, retrenchment and retention.
- It is helpful for planning and decision making in manpower planning.
- HRA is helpful in making Investment Decisions
- It enhance the morale of the employees so that they work efficiently.
- In Professional accounting firms and educational institutions HRA is totally essential.
- It considers human resource as a valuable asset for the organisation.

APPROACHES OF HUMAN RESOURCE ACCOUNTING

1. **Historical Cost Approach:-** Historical Cost Approach is based on the actual costs incurred by business organizations to acquire human resources. It also involves determining the monetary value of human resources to the organization.
2. **Replacement Cost Approach:-** Replacement cost Approach shows what it would cost the organization to recruit, hire and develop human resources to match the present level of efficiency.
3. **Opportunity Cost Approach:-** Opportunity Cost Approach is also known as the competitive bidding model. It assigns value to an employee based on what each department would be willing to pay him.
4. **Standard Cost Approach:-** Standard Cost Approach foresees establishment of a standard cost per grade of employee, updated every year. Such standards can be used to compare results with those planned.

5. **Cost Benefit Approach:-** Under this method, the total estimated benefit given by the employees to an organization and the total value of the benefits given by a company to the employees is calculated. Its difference is a surplus which is a real value of the human resource asset.

ISSUES AND CHALLENGES IN HRA

- It is difficult to find cost and value of human resources of an organization because there are no specific principles.
- There are more chances that it creates disappointment among employees. It may affect their efficiency in work.
- The Companies Act, 2013 does not contain any provision regarding Human resource accounting.
- Tax laws do not recognize human beings as assets.
- Human Resource Accounting is preferably Considered as theoretical concept because of not having certain principles.

POSITION OF HUMAN RESOURCE ACCOUNTING IN INDIA

Now a days the Indian Corporate sector has shown growing interest in human resource Accounting. It is exciting to know that despite the restrictions and problems, a few leading public sector undertakings and a few private sector companies have taken the initiative to introduce Human Resource Accounting in a formal manner in their Balance Sheets.

However, the measurement bases used in accounting for human resources differ widely.

The Companies, who are presently reporting Human asset valuation, include:-

1. Bharat heavy Electrical Ltd (BHEL).
2. Steel Authority of India Limited (SAIL)
3. Oil and Natural Gas Commissioning (ONGC)
4. Project and Equipment corporation of India.(PEC).
5. Engineers India limited
6. Mineral and Metal trading Corporation of India.(MMTC).
7. Electrical India Ltd.
8. Hindustan Shipyard Ltd.
9. Cement corporation of India. (CCI).
10. Infosys Technologies Ltd.

CONCLUSION

The concept of human resource accounting is still at developmental stage because only few organizations have introduced HRA in their organization. The much needed empirical evidence is yet to be found to support the assumption that HRA facilitates better and effective management of human resources . It is expected that in coming years companies will give greater importance to this emerging dimension of accounting but it will also depend on their willingness to experiment and innovate in this field. Moreover, if the historical efforts of different persons are supported by a coordinated effort of the International Accounting Standard Committees and other professional bodies, for development and preparation of standard guidelines, format and procedures of Human Assets Accounting, it will be of great help to the corporate world in valuing and reporting their human assets.

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