HUMAN RESOURCE ACCOUNTING: "TRENDS IN HUMAN ASSET VALUATION AND REPORTING BY THE PRIVATE SECTOR ORGANIZATIONS WITH SPECIFIC REFERENCE TO INFOSYS LIMITED

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ABSTRACT

In the modern knowledge based economy Human Resource is most important and one of the four basic resources of a business i.e. Money, Machines, Materials and Men (4 Ms). Without men, all other resources are passive. Human capital denotes to an individual's knowledge, skills and abilities that add economic value to other 3 Resources and transforms them into desired goods and services, which fetch profits to the company. Various training and development programs, increase men's productive capacity, so also the companies' profits. But, it is shocking that 3M's are recognized as an asset and are placed on the asset side of the balance sheet of an organization., Only 1M i.e. Men is not recognized as an asset, hence does not find any place in the balance sheet of a firm. The Companies Act 1956 does not explicitly provide for the disclosure of human assets in the financial statements. However some Indian organizations voluntarily adopted the practice of valuing human assets and reporting the same in the annual reports in separate section. In India, Infosys Technologies was pioneer Indian software company to value HR in India in the year 1995-96, followed by many other leading software companies like Satyam Computers Limited, Rolta India Limited, KPIT - Cummins Info-systems Limited (KPCIL). Initially Infosys used the traditional Lev & Schwartz model for valuing the human capital. In later years 2011-12 Infosys developed GIST-HCX Model is based on a present value calculation of the increase in future earnings of employees during their employment at Infosys. The present study aims to evaluate the trend of evaluating human capital in Infosys Technologies Limited.

Keywords: 4M's (Money, Machines, Materials and Men), Human Resource, Human Resource Accounting, HRA Practices, Human Capital Valuation, Human Capital Externality.

INTRODUCTION

Human resource accounting is the process of identifying and reporting investments made in the human resources of an organization which are presently not accounted for in the conventional accounting practices. It is an extension of standard accounting principles. Measuring the value of human resources can assist organizations in correctly recording their assets.

Among the 4M's - Money, Machines, Materials and Men, associated with any enterprise, Men is the most important. Human resources therefore, are the most important assets of an organization. But it is strange that the first three M's (Money, Machines, and Materials) are recognized as assets and find a place on the asset on the side of the balance sheet of an organization, on the other hand the human asset does not find any place on the asset side in the balance sheet of the company.

Unlike physical assets, human resources do not depreciate with the passage of time. In fact, with various training and developmental programs and the experience gained over a period of time, it is observed that people do better in their job performance, i.e. value of human capital increases. This fact, however, is ignored when a firm's balance sheet is prepared.

The Costs of Human Resource: All expenses incurred in recruitment and selection, orientation training and development of employees are charged against the income of a particular accounting period. According to Rensis Likert, the expenditure on human resources are fixed in nature and do not fetch any immediate return. The returns accrue over a long period as long as the employee remains with the organization. Therefore these costs should be capitalized and amortized over the period the employee remains with the company so that the balance sheet gives a true picture.

Human Resource Accounting is one such method which attempts to measure both the "Cost" and the "Value" of the people to an organization.

The Concept of Human Resource Accounting in India:

Human Resource Accounting (HRA) is similar in principle to the preparation of an accounting statement. Just like financial accounting reflects the cost of assets viz: buildings, land and machinery etc., HRA tries to place value on organizational human resource by formulating a human resource balance sheet. Here the human resources are presented as assets, not as expenses. As such HRA shows the investment which an organization makes in its employees and also how the value of such employees changes over time.

According to American Association of Accountants (AAA), HRA is **"A process of identifying and measuring data about human resources and communicating this information to interested parties".**

Also HRA is an excellent way to encourage managers to take a long-run outlook towards the value of people, rather than a short-run, quick- profit outlook that ignores human resources.

The concept of HRA was first promulgated by BHEL (Bharat Heavy Electrical Ltd), a leading public enterprise, during the financial year 1972-73. Later it was also adopted by other leading public and private sector organization in the subsequent years. Some of them are (SAIL), (ONGC), (HPCL), (CCI), (KRL-Kochi Refineries ltd), (MMTC), (NTPC), (EIL-Engineers India ltd), (OIL), (HSL-Hindustan Shipyard ltd), (HZL-Hindustan Zinc Limited), (MRL), (ACC) in public sector and Infosys followed by Satyam Computers Limited, Rolta India Limited, KPIT - Cummins Info-systems Limited (KPCIL) in private sector.

STATEMENT OF PROBLEM

In the past few studies have been conducted in relation to the trend in valuation practices of Human Resource in public and private enterprises in India. Therefore, the present study is an attempt to analyze the trend in adopting policies and practices with regard to Human Resource Accounting being adopted in Infosys Technologies Limited.

REVIEW OF LITERATURE:

Akinwunmi Abiodun Jelil, Ayooluwa Eunice, Sunday Olusola [1] **(2014)**; Conducted study on "Optimizing the effectiveness of financial reporting through human resources". The objective of the study was to understand the needs and significance of human resources in the context of optimal financial reporting and also to provide suggestions for developing such accounting practices in corporate environment.

Brian B. Stanko, Thomas L. Zeller, Matthew F [2] **(2014);** Published their research paper on the topic "Human Asset Accounting and Measurement: Moving Forward". This paper examined the history of human asset accounting and its feasibility in current financial reporting environments. It also demonstrated different approaches and the importance of HRA. Finally, the paper recommended that, as a precursor to measurement, the development of general quantitative and qualitative human capital disclosures, with real company examples, be included in a company's sustainability reporting.

Dr. M. M. Goyal, Geetu Nijhawan [4] **(2014**);"Human Resource Accounting: A study of Prevailing Practices in India". In this paper the authors made an attempt to evaluate the prevailing practices of Human Resource Accounting (HRA) in India. The article highlighted the significance of valuing human resources for depicting the true and fair view of the organization's financial statements.

Dasari Pandurangarao, Dr. S.Chand Basha, Devarapalli Rajasekhar [9] **(2013);** Carried out a study "A study on human resource accounting methods and practices in India". The authors highlighted the significance of Human resource valuation and methods to measures human assets value. The article described views of

the authors and mentioned out the organizations those have tried to implement human resource accounting. The article depicted the advantages of human resource valuation.

Chaturvedi Ankita [10] (2013); Published a research paper titled as "Human Resource Accounting and Its Effect on Organizational Growth" (A Case Study of Steel Authority of India Ltd.). This paper investigates the impact of investment in human resource training and development on employees' effectiveness in SAIL. A quantitative measure published by the Institute of Intellectual Capital Research and approved by the Saratoga Institute database was used to assess human resource effectiveness in SAIL.

Dr. Samir Mazidbhai Vohra[17] (2015); In his research paper "Human Resource Accounting Disclosure Practices in selected Indian Public Enterprises – An Empirical Analysis", attempted to highlight the disclosure pattern of Human Resource Accounting Variables by selected public enterprises in India.

Dr. F.B.Singh and Brajesh Kumar[18] (2016); "Human Resource Accounting Practices in ONGC – An Appraisal", appraised the human resources in financial terms in ONGC and analyzed the Productivity of employees. Human resource is the most valuable asset held by an organization today. It represents the single greatest potential asset and the single greatest liability that an organization acquires as it goes about its business. Still, the Human Resource is one of the most neglected aspects of Financial Statement disclosures of corporate entities in India. The major findings of this study are that ONGC spends more amounts on social security rather than salary and wages. Average of annual growth rate shows the continuous growth in HR variables in ONGC, there is high degree positive correlation between selective HR variables.

Thinesh Kumar M, Dr. Kavida V, Jegajothi R (2016) ; "Valuation of human capital in Infosys technologies Ltd". The research paper aimed to evaluate the value of human capital and compute the return on human capital in Infosys Technologies Limited. The study found that there is a positive high correlation of 0.999 between total income and total employee cost of ITL.

OBJECTIVE OF STUDY: This paper is an attempt to achieve the following objectives:

i. To identify the trend of practicing Human Asset Valuation and reporting by Infosys Technologies Limited (ITL).
ii. To study the significance of HRA to the organizations.

RESEARCH METHODOLOGY

The present study is exhaustive / elaborative and descriptive in nature. The major portion of the study comprises observations from secondary data published in annual reports of the company.

SIGNIFICANCE OF HRA

Human Resource Accounting as a branch of accounting, is useful tool for companies' management in making organizational policies and to take managerial decisions.

Although, this research work is for academic purpose, it would also help business executives, accountants, Government planners, research scholars and common public. It would be helpful to improve the HRA Practices and its disclosure in annual report of business organizations in India.

Limitations of the study:

1. The study is confined to Infosys Technologies Limited, which, till recent past was practicing disclosure of information relating to Human Capital Valuation in the annual reports.
2. The study is based on secondary data taken from published annual reports of the company, websites and the other literature.

HUMAN RESOURCE ACCOUNTING IN INFOSYS

In India, the leading private sector company Infosys understood the importance and pioneered in adopting the practice of measuring human capital and disclosing its value in their annual results.

The company has been valuing the human capital differently at different times, taking a variety of variables including the benefit derived by society in the form of contemporary term in vogue **i.e. Human Capital Externality.**

Infosys places on HRA Dashboard following extremely useful variables:

1. "Employees (no.)",
2. "Cataloguing of employees - Software Professionals and Support,
3. "Total Value of human resources",
4. "Total Value of Human Capital Externality",
5. "Total income"
6. "Total employee cost"
7. "Value-added"
8. "Net profit"
9. "Ratios" -
    i. "Value of human resources per employee"
    ii. "Total income / human resources value (ratio)"
    iii. "Employee cost / human resources value (%)"
    iv. "Value-added / human resources value (ratio)"
    v. "Return on human resources value (%)"

Human resource accounting: consolidation of Infosys data: 2005-06 to 2010-11.

Table 1

Particulars.	2006	2007	2008	2009	2010	2011
Employees (no.)						
Software professionals	49,495	68,156	85,013	97,349	1,06,864	1,23,811
Support	3,220	4,085	6,174	7,501	6,932	7,009
Total	**52,715**	**72,241**	**91,187**	**1,04,850**	**1,13,796**	**1,30,820**
Value of human resources (Model used Lev & Schwartz)						
Software professionals	43,336	53,592	92,331	95,600	1,06,173	1,22,539
Support	3,301	3,860	6,490	6,533	7,114	12,566
Total (In Rs. Crore) unless stated otherwise.	**46,637**	**57,452**	**98,821**	**102,133**	**1,13,287**	**1,35,105**
Total income	9,521	13,893	16,692	21,693	22,742	27,501
Total employee cost	4,801	7,112	8,878	11,405	12,085	14,856
Value-added	8,030	11,879	14,820	19,073	20,937	25,031
Net profits excluding exceptional items	2,479	3,861	4,659	5,988	6,218	6,823
Ratios						
Value of human resources per employee	0.88	0.80	1.08	0.97	1.00	1.03
Total income / human resources value (ratio)	0.20	0.24	0.17	0.21	0.20	0.20
Employee cost / human resources value (%)	10.3	12.4	9.0	11.2	10.7	11.0
Value-added / human resources value (ratio)	0.17	0.21	0.15	0.19	0.18	0.19
Return on human resources value (%)	5.3	6.7	4.7	5.9	5.5	5.1
Discount Rate for Future Earnings	**12.96%**	**14.97%**	**13.32%**	**12.18%**	**10.60%**	**11.21%**

Lev & Schwartz model have been used to compute the value of human resources. The evaluation is based on the present value of future earnings of employees and on the following assumptions:

- Employee compensation includes all direct and indirect benefits earned.
- The incremental earnings based on group / age have been considered.
- The future earnings have been discounted at the cost of capital up to the year 2010 – 2011.

Analysis of Table – 1

- ☞ Lev & Schwartz model have been used to compute the value of human resources.
- ☞ Value of Human Resources shows the ever increasing trend indicates that with the experiences gained over the years and trainings and development programmes increase the value of human capital.
- ☞ Consistency of all the ratios indicates relative increase in the values of both the numerator and the denominator over the years remains with the company.
- ☞ Discount rate for future earnings has been applied equivalent to the cost of capital to the company for the year.

Human resource accounting: consolidation of Infosys data: 2011 – 12 TO 2017 – 18.

Table 2

Employees (no.)	2011-12	2012-13	2013 – 14 To 2018 – 19
Software professionals	1,41,788	1,47,008	
Support	8,206	9,680	
Total	**1,49,994**	**1,56,688**	
Value of human capital (In Rs. Crore) unless stated otherwise.			
Software professionals	1,15,900	1,24,867	**1. The company discontinued valuing human capital.**
Support	9,817	12,978	
Total	**1,25,717**	**1,37,845**	
Value of Human Capital Externality (Model used GIST-HCX Model)			
Software professionals	6,182	6,767	
Support	649	878	
Total	**6,831**	**7,645**	
Total value of Human Capital Externality	1,32,548	1,45,490	
Ratio			
Value of human capital per employee	0.84	0.88	
Future earnings discount rate	4%	4%	
Assumptions from the year 2011 - 12 onwards regarding: 1. **Long run inflation rate assumed at 5%.** 2. **Discounting rate assumed at 4%.** Note: Infosys started calculating the Human Capital Externality** also. ** Human Capital Externality refers to the benefit derived by society when employees whose human capital value is enhanced due to training and employee development at Infosys, leave the company.			

Analysis of Table – 2

- ✓ The company has developed a new model to quantify the human resource value, in partnership with GIST Advisory in the year 2011-12. The Infosys GIST-HCX Model is based on a present value calculation of the increase in future earnings of employees during their employment at Infosys.
- ✓ The new model, also accounts for the impact of attrition on our human capital value, and therefore also quantifies the value of the positive human capital externality being generated by Infosys. Human Capital Externality refers to the benefit derived by society when employees whose human capital value is enhanced due to training and employee development at Infosys, leave the company.
- ✓ The model discounts future earnings at 4% and utilizes a long-run inflation rate consistent with the Reserve Bank of India's target for inflation expectations.
- ✓ **From the year 2013-14 onwards the company dispensed with valuing its human resources.**

Human Capital Trend Analysis

Table 3

PARTICULARS	NO. OF EMPLOYEES	VALUE OF HUMAN RESOURCE In Rs. Crore	VALUE OF HUMAN CAPITAL EXTERNALITY	TOTAL VALUE OF HUMAN CAPITAL PLUS EXTERNALITY
2006	52,715	46,637	0	46637
2007	72,241	57,452	0	57452
2008	91,187	98,821	0	98821
2009	1,04,850	102,133	0	102133
2010	1,13,796	1,13,287	0	1,13,287
2011	1,30,820	1,35,105	0	1,35,105
2012	1,49,994	1,25,717	6,831	1,32,548
2013	1,56,688	1,37,845	7,645	1,45,490
2014	1,60,405	0	0	0
2015	1,76,187	0	0	0
2016	1,94,044	0	0	0
2017	2,00,364	0	0	0
2018	2,04,107	0	0	0
2019	2,28,123	0	0	0

Analysis of Table – 3

- ☛ Table shows depicts the trend of increase in number of employees with the corresponding increase in value of human resources.
- ☛ From the year 2011-12 Infosys begun valuing social impact of company's experienced and trained employees, when they leave the company, i.e. Human Capital Externality (The novel concept) introduced.
- ☛ But from the year 2013-14, the company all of sudden stopped the practice of Human Resource Accounting.
- ☛ After 2013 – 14 the company has been disclosing only functional classification, gender classification and age profile of the employees.
- ☛ In the year 2018-19 the company has done only Functional Classification and reported total number of employees.

Classification of Employees: For the period 2005-06 to 2011-12.

Table 4

Particulars	2006	2007	2008	2009	2010	2011	2012
Functional Classification							
Software professionals	49,495	68,156	85,013	97,349	1,06,864	1,23,811	1,41,788
Sales and support	3,220	4,085	6,174	7,501	6,932	7,009	8,206
Total	**52,715**	**72,241**	**91,187**	**1,04,850**	**1,13,796**	**1,30,820**	**1,49,994**
Gender							
Male	38,179	49,922	61,589	69,830	75,674	86,604	97,842
Female	14,536	22,319	29,598	35,020	38,122	44,216	52,152

Total	**52,715**	**72,241**	**91,187**	**104,850**	**113,796**	**130,820**	**149,994**
Age profile *							
20 – 25	30,971	43,099	50,902	55,344	55,334	59,897	65,519
26 – 30	14,932	19,642	27,476	33,065	38,162	45,182	51,478
31 – 40	6,107	8,600	11,598	14,900	18,208	23,021	29,122
41 – 50	585	744	981	1,277	1,729	2,219	3,075
51 – 60	116	148	230	250	333	452	710
60 and above	4	8	–	14	30	49	90
Total	**52,715**	**72,241**	**124,956**	**104,850**	**113,796**	**130,820**	**149,994**
Original Age Profile – 1st Category starts from 20 – 25 years.							

- **Analysis of table - 4**
  - 2005 – 06 to 2011 – 2012 Age Profile was –
  - 20 – 25, 26 – 30,
  - 31 – 40,
  - 41 – 50,
  - 51 – 60,
  - 60 and above.

Classification of Employees: For the period 2012-13 to 2018 – 2019.

Table 5

Particulars	2013	2014	2015	2016	2017	2018	2019
Functional classification							
Software professionals	1,47,008	1,51,059	1,66,046	1,82,329	1,88,665	1,92,179	2,14,727
Sales and support	9,680	9,346	10,141	11,715		11,928	13,396
Total	**1,56,688**	**1,60,405**	**1,76,187**	**1,94,044**		**2,04,107**	**2,28,123**
Gender							
Male	1,02,993	ND*	1,14,363	1,24,928	11,699	1,30,390	
Female	53,695	ND*	61,824	69,116	**2,00,364**	73,717	
Total	**1,56,688**	ND*	**1,76,187**	**1,94,044**	**2,00,364**	**2,04,107**	**NO CLASSIFICATION**
Age profile *		ND*					
18 – 25	57,731	ND*	63,442	56,902	62,489	57,475	
26 – 30	56,262	ND*	57,272	65,187	64,288	65,816	
31 – 40	36,449	ND*	48,060	60,796	61,645	66,226	
41 – 50	4,015	ND*	6,028	9,156	9,841	12,086	
51 – 60	902	ND*	1,205	1,714	1,805	2,108	
60 and above	138	ND*	180	289	296	396	

Total	1,55,497	ND*	1,76,187	1,94,044	2,00,364	2,04,107	2,28,123

ND* = Not disclosed.

- **Analysis of table - 5**
- 2013-14 onwards Age Profile was revised. 1st category changed from 20 – 25 to 18 – 25 years.
- 2014 onwards, the company has done Functional, Gender and Age-wise classification but has discontinued the practice of Human Capital Valuation and Accounting there of.
- In the Annual Report for the year 2018-19 the company has done only Functional Classification and reported total number of employées.

Correlation Between number of Employees and Value of Human Assets.

Table 6

CORRELATIONS Between number of Employees and Value of Human Assets. INFOSYS TECHNOLOGIES LTD.			
PERIOD UNDER CONSIDERATION 2006 - 07 TO 2012 – 13.		**NUMBER OF EMPLOYEES**	**VALUE OF HUMAN ASSETS**
NUMBER OF EMPLOYEES	Pearson Correlation	1	.950**
	Sig. (2-tailed)		.000
	N	8	8
VALUE OF HUMAN ASSETS	Pearson Correlation	.950**	1
	Sig. (2-tailed)	.000	
	N	8	8
**. Correlation is significant at the 0.01 level (2-tailed).			

Correlation Between number of Employees and Total Value of Human Capital Externality.

Table 7

Correlations Between number of Employees and Total Value of Human Capital Externality. INFOSYS TECHNOLOGIES LTD.			
PERIOD UNDER CONSIDERATION 2006 - 07 TO 2012 – 13.		**NUMBER OF EMPLOYEES**	**TOTAL VALUE OF HUMAN CAPITAL AND EXTERNALITY**
NUMBER OF EMPLOYEES	Pearson Correlation	1	.970**
	Sig. (2-tailed)		.000
	N	8	8
TOTAL VALUE OF HUMAN CAPITAL AND EXTERNALITY	Pearson Correlation	.970**	1
	Sig. (2-tailed)	.000	
	N	8	8
**. Correlation is significant at the 0.01 level (2-tailed).			

Analysis of table 6 and 7: Correlation 0.950 and 0.970 gives clear indication of existence of a high degree of correlation of between total numbers of employees and total value of human capital and the social impact i.e. total human capital externality during the period under study.

Problems of HRA in India

The expectations from HRA are substantial, varied and diverse. Simultaneously it is not free from encumbrances. Some of the obstacles faced by HRA in India are as follows:

i. **Companies Act 1956:** There is no statutory requirement under the act for inclusion of Human Assets in the financial statements. As such, there was no compulsion on the companies in this regard. Resultantly, in spite of its existence, the HRA concept remained in infancy stage since its inception.

ii. **No standardized reporting practice:** In the absence of standardized reporting practices, the human resource value and disclosing patterns are not comparable among public or private enterprises in India.

    a. **Variables Disclosed:** The discrepancy in number of arbitrarily disclosed variables made it difficult to interpret the information in proper context as the human resource valuation and varied disclosure practices made it difficult for the users to extract the required information for decision making.

    Literature review depicts different patterns with regards to variables considered by some public sector establishments viz: HPCL reported 10 variables, ONGC reported 9 variables, CCI reported 7 variables, OIL reported 4 variables, and KRL reported 2 variables.

    Similarly Infosys also 11 different variables for disclosing human capital information.

iii. **Models Used for HR Valuation:** Till date, a number of models for valuation of human resources have been developed and suggested but still one does not find a generally accepted approach, as each model / approach for valuation has its own limitations.

Following table portrays the list of different variables disclosed by above PSUs:

Table 8

VARIABLE	ONGC	HPCL	CCI	OIL	KRL
Valuation Model Used	Lev & Schwartz	Lev & Schwartz	Eric Flamholtz and Jaggi & Lau model	Lev & Schwartz, with refinements suggested by Flomholtz and Jaggi and Lau befitting OIL.	Lev and Schwartz
Discount Rate Applied	@7% to 8.5% p.a.	7.26% to 11.00%	Not disclosed	Not disclosed	5%
Aggregated Annual Increment Rate	4%	As per Corporation policies	Not mentioned in annual report	As per Increments policy of the company	As per company policy
Age Wise Distribution of Employees	≤ 31 31 – 40 41 – 50 51 – 60	18 – 30 31 – 40 41 – 50 Above 50	<30 31 – 35, 36 – 40 41 – 45, 46 – 50 51 – 55, 58 – 60 Varying intermittently	<30 30 – 35 36 – 41 42 – 47 48 – 53 54 – 60	20 – 30 30 – 40 40 – 50 Over 50
Cataloguing of Employees	Executive. Non-Executive (Technical & Non-Technical in both)	Management Non-Management	Executives Supervisors Non-Supervisors	Technical Administrative (Executive and Workmen in both)	Executives Other Staff

Table – 8 depicts that there had been no uniformity in selecting the variables by PSUs. The Valuation Model Used, Discount Rate Applied, Aggregated Annual Increment Rate, Age Wise Distribution of Employees, Cataloguing of Employees have been arbitrarily decided by them using their own logics.

Conclusion:
A. Positive attributes of Human Resource Accounting in Infosys:

- ☛ Value of Human Resources shows the ever increasing trend which indicates that with the experiences gained over the years and trainings and development programmes increase the value of human capital.
- ☛ There is visible consistency in all the ratios considered as variables to be measured in human capital valuation. These ratios are:
  - a. "Value of human resources per employee",
  - b. "Total income / human resources value (ratio)",
  - c. "Employee cost / human resources value (%)",
  - d. "Value-added / human resources value (ratio)",
  - e. "Return on human resources value (%)".

  The consistency indicates that there is relative increase in the values of both the numerator and the denominator over the years the employee remains with the company.
- ☛ The new GIST-HCX Model of Infosys apart from present value of future earnings, also quantifies the value of the positive human capital externality being generated by Infosys. Human Capital Externality refers to the benefit derived by society when employees whose human capital value is enhanced due to training and employee development at Infosys, leave the company.
- ☛ There exists of a high degree of correlation between numbers of employees' total value of human capital and the social impact i.e. total human capital externality.

☛ Although these are financial indicators, yet these data serve the purpose of a dashboard loaded with useful navigation tools for decision making process with regard to framing Personnel Policies of the organization too.

B. Discrepant attributes:

Although Human Resource Accounting having the above positive characteristics, yet it is not devoid of some conflicting characteristics, elaborated as under:

☛ In the absence of any statutory stipulations under Indian Company's Act 1956 / Accounting Standards issued by ICAI, there had been no compulsion regarding standard disclosure variables, cataloguing, age-profile, the ratios and the method for calculating human asset value. As such Infosys also selected all these elements arbitrarily befitting the organization and published them as the additional information.

☛ Discount rate for future earnings has been applied equivalent to the fluctuating cost of capital to the company for the relevant year 2006-07 to 2010-11 ranging from 12.96%, 14.97%, 13.32%, 12.18%, 10.60%, 11.21% respectively and thereafter at 4%.

☛ It is inferred from the study that in the absence of clear cut, well defined and universally accepted model for evaluation of the economic worth of human assets of a company, each company adopted different valuation methods and models with appropriate modifications suitable for their organization.

     a. The study of the system of Infosys reveals that the company applied the Lev & Schwartz model up to the year 2010 – 11 for valuation of their human resources.
     b. Later the company devised new model (Model used GIST-HCX Model).

☛ There exists no stipulation and / or uniformity with regard to the following practices in vogue:
     a. Age wise distribution of Employees and
     b. Cataloguing of Employees.

Hence it is done differently by each organization with their rationale what so ever. So also was the practice adopted by Infosys.

☛ Finally it is concluded from the study that Infosys once pioneer in enthusiastically promulgating Human Resource Accounting, abruptly discarded practice of Human Capital Valuation and reporting of from the year 2013 – 14 onwards.

SUGGESTIONS

The American Association of Accountants (AAA) defines HRA as 'HRA is a process of identifying and measuring the data about human resources and communicating this information to interested parties'.

In view of this and the logic behind the objectives, it is imperative that the appropriate authorities may review the existing provisions in the Indian Companies Act 1956 and the Accounting Standards set by ICAI (The Institute of Chartered Accountants of India). Accordingly HR Accounting and reporting must be made mandatory and be subjected to audit.

Human Resource Accounting (HRA), if incorporated on the asset side of the balance sheet, will bring following benefits to the organizations:

i. Will logically improve the picture of the asset side of the company. **On national level, this will have a titanic impact on the industrial scenario.**

ii. Practicing HRA on one hand will act as diagnostic financial CT-Scan of companies' Human Resource, on the other an Informative Dash Board for HR Managers' decision making processes.

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