



# Cost Based Models in evaluation of personnel resources- evidence from selected pvt organisation

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*Abstract:* This study investigates the use of cost-based models in assessing work force assets, with an emphasis on those organizations. The study investigates the various components of personnel management, including recruitment, training, compensation, benefits, turnover, and productivity, and examines how cost analysis contributes to informed decision-making in workforce management. Drawing on execution measurements from those organizations, the paper exhibits the viable execution of cost-based models in evaluating the viability and productivity of faculty speculations. It analyzes the immediate and backhanded costs related with various parts of staff the board and assesses their effect on hierarchical execution and productivity. Besides, the exploration paper talks about the difficulties and impediments of cost-based models in staff asset assessment, for example, the trouble of measuring immaterial variables like worker confidence and commitment. By and large, the review gives important bits of knowledge into the use of cost-based models in assessing faculty assets, utilizing proof from chosen organizations reactions to outline functional executions and suggestions for authoritative direction.

*Index Terms* - Recruitment, training, Turnover, Productivity, Compensation.

## INTRODUCTION

Human Resource Accounting (HRA) is the way of distinguishing, estimating planning, giving and the cost of human resources (HR) caused in a business endeavor, as well as wages, pay rates and different tutoring costs. Human Resource Accounting is the movement of understanding the financing on representatives nearer to their enrollment, preparing, cost of compensations, different benefits paid and in return knowing their contribution to the organization inside the bearing of its productivity. To ensure blast and improvement of any organization, the productivity of people must be expanded in the legitimate viewpoint. Without human sources, the elective sources can not be functionally strong. The first wellness of the business is shown through the human conduct factors, similar to bunch steadfastness, ability, inspiration and limit with regards to strong association, correspondence and determination making. HR (HR) are the more compelling as they can offer more than their 100% limit and may make different actual realities assets in like manner to yield 100 rate. To get the greatest yield from the accessible actual assets, partnerships should control the HR inside the wonderful possible method for making them willing for giving extra than their capacity.

## RECENT TRENDS

Composed Specifying: There is a creating complement on integrated uncovering, which hopes to give a comprehensive viewpoint on an affiliation's worth creation process, including its HR. Integrated uncovering structures, similar to the Worldwide Composed

Declaring Advisory group (IIRC) framework, ask relationship to reveal information about their HR, ability to include headway drives, agent satisfaction, and assortment and thought tries. HR Estimations: Associations are continuously seeing the meaning of assessing and uncovering HR estimations. This integrates estimations associated with agent responsibility, turnover rates, capacity progression, and assortment. By estimating these estimations, affiliations could even more at any point probably fathom the impact of their HR strategies on by and large and make extra taught decisions. Monetary sponsor Premium: Monetary supporters are zeroing in nearer on HR related divulgements while making adventure decisions. They see that an association's workforce is an essential driver of long stretch regard creation and are searching for information on how affiliations are managing their HR.

## METHODS OF HRA

### 1. Historical cost method

This technique was created by Pale, Flamholts, and Brummat. The true costs associated with hiring, training, and development are included in this method. The organization's human resource is capitalized and amortized over the course of its anticipated useful life. Appropriate documentation of the hiring, selecting, training, and development of employees is preserved, and a portion of it is written off against the anticipated revenue of the ensuing few years during which the human resource will provide services is recorded. The entire sum not written off in the event of an early liquidation of the human assets is charged to the income of the year in question. The amortization plan may need to be revised if it turns out that the useful life is longer than anticipated.

### 2. Replacement cost method

Eric G. Flamholtz is the one who created this technique. This technique estimates the worth of an employee as the expense of substitution with a fresh worker who possesses the same capacity and effectiveness. According to this paradigm, human resources ought to be acknowledged by using the employee's replacement cost. The term "replacement cost" describes the expense of hiring a new employee to perform the same range of duties as the outgoing employee. There are two methods to calculate replacement cost. The first is post replacement cost, which is the expense spent after an employee is replaced. The cost of post-replacement refers to the amount of work in a certain role. The second type of cost is personal replacement cost, which is the expense incurred when replacing a specific person.

### 3. Opportunity cost method

The pioneers of this approach were H. C. Kiman and Jones. The competitive bidding approach is another name for the opportunity cost method. By putting certain alternative uses to the productive capability of human resources, this strategy analyses alternative income sources. The value of an asset (HR) when there is a different use for it is known as opportunity cost. Employees who choose not to participate in the auction are not charged an opportunity fee. As a result, the value of human resources should only include rare individuals.

## Value based method

### 1. Lev and Schwartz Model

This approach recognises an employee's economic contribution to the company for the remainder of their service term and is based on the current value of the enterprises. Future income is projected and covers the time frame till the employee's retirement. Depreciating at a fair pace yields the income's present value. This rate is typically seen as being equivalent to the venture's cost of capital.

### 2. Flamholtz Model

The drawbacks of the Lev and Schwartz model are eliminated by this one. According to this approach, a person's predicted realizable worth serves as the final indicator of their value to a company. Waste and the presumption that there is no correlation between an individual's costs and his or her worth to the company at any given time characterize expected realizable value. Future services that a person is anticipated to deliver to the organization while they are employed might be used to determine their unique worth to the organization.

### 3. Jaggi and Law's model

This model fills in the gaps that make it difficult to evaluate each employee's potential for a career move in respect to the model group. Every employee in the company was split up into various groups based on whether they are employed by the same department or not. According to this concept, an employee's career variations remain steady throughout time.

## LITERATURE REVIEW

1. Nishi Bhardwaj (2018) aimed to investigate the practices of Human Resource Accounting (HRA) adopted by specific Public Limited Companies in India and establish any correlations between these practices. The researchers were particularly interested in examining whether there were variations in the disclosure of HRA information and its subsequent valuation among the selected companies that included HRA data in their annual reports. The primary focus was to uncover any relationships between the HRA practices of these Public Limited Companies.
2. Ramya Jain (2017) describes Human Resource Accounting (HRA) as the practice of acknowledging, evaluating, recording, effectively presenting, and providing relevant information regarding the human resources of an organization to the stakeholders involved. Essentially, it involves quantifying the value of human capital within a company's financial reporting framework.
3. Saker & Islam (2016) battled against the notion that individuals can be managed in the same manner as physical assets within an organization. They highlighted the fundamental differences between human beings and physical assets, asserting that humans cannot be owned, treated, utilized, or retained in the same manner as tangible resources.

## STATEMENT OF PROBLEM

The need and crucial of HR Accounting in an affiliation needs no complement. What is the perspective of the affiliation? How much importance does an affiliation accommodates its HR working in it? What are the care levels of the delegates in a relationship of its HRA practices and how might they see something almost identical? These requests require an observational survey.

## RESEARCH GAP

The different investigation have been driven by researchers about the thought, meaning of HR Accounting, benefits of executing HRA, assessment of the cost of HR, legal construction of HRA, need for the progression of Accounting Principles for addressing HR, etc. In the flow times of corporate organization and straightforwardness the agents of an affiliation could in like manner need to be aware of how they are being addressed. The ongoing survey is about execution and reasonability of Human Resource Accounting Models and practices in the affiliation.

## SCOPE OF THE STUDY

HRA is vital for every one of the associations, in the event that it is private (or) public area association. So there is more extension for additional examination in the Human asset bookkeeping.

To concentrate on the impact of HRA in confidential associations

HRA can be executed in private (or) public area associations yet can likewise be in assistance area associations.

## OBJECTIVE OF THE STUDY

1. To study the need of human resource accounting system in selected private companies
2. To assess the impact related to implementation of HRA practices on performance of the Organizations.
3. To study the factors influencing for adoption and implementation of HRA practices in selected pvt sector organizations.
4. To assess the awareness and perception level of employer on HRA practices in selected private sector organizations.

## RESEARCH METHODOLOGY AND DATA COLLECTION

Sampling Number: 50

Methodology:

**Quantitative Analysis:** Gather quantitative information through questionnaire from the selected organizations.

**Secondary Data:** Gather information from government reports, industry publications, and academic research Surveys and Case Studies Trade Publications related to the impact of GST on MSMEs.

**Primary Data:** Gather primary data through surveys/questionnaires and interviews/focus group discussions.

**Hypothesis:**

H0- there is no significant awareness exists regarding benefits of HRA in selected enterprises.

H1: There is a significant relationship between at least one pair of HR accounting metrics within the organization.

**POOLING OF RESPONSES**

Have you ever used specific human resource accounting methods or models in your organization?  
50 responses



	Yes	No	Not Sure	Specify
Have you ever used specific human resource accounting methods or models in your organization?	14%	52%	32%	2%

Kindly tick (✓) your perception

<i>Human Resource Accounting in Better Decision Making</i>	SA	A	N	D	SD
HRA is essential for companies financial management	44%	24%	32%	-	-
Investing in HR capital contributes long term success	32%	40%	28%	-	-
Use of HR accounting leads to better decision making	30%	42%	28%	-	-
HRA helps in identify the area for improvement and cost saving in the organization	46%	30%	24%	-	-

**DATA ANALYSIS & INTERPRETATION:**

Yes (14%): A minority of respondents (14%) indicated that their organization has used specific human resource accounting methods or models. No (52%): The majority of respondents (52%) stated that their organization has not utilized such methods or models. Not Sure (32%): A significant portion of respondents (32%) were unsure whether their organization has used specific human resource accounting methods or models. This suggests a lack of clarity or awareness regarding this aspect within their organizations. Historical Cost (2%): Only one respondent (2%) mentioned the use of the historical cost accounting method.

Column1	Q1	Q2	Q3	Q4
Q1	1	0.741365	0.787367	0.822935
Q2	0.741365	1	0.745766	0.818662
Q3	0.787367	0.745766	1	0.773904
Q4	0.822935	0.818662	0.773904	1

Mean	4.12	4.04	4.02	4.22
SD	0.8722479	0.7814168	0.7690439	0.8154128
Skewness	0.2404866	0.0710009	0.0345495	0.4326935

Q1 and Q4 have the highest positive correlation (0.822935),

indicating a strong relationship between these two variables. Q2 and Q4 also show a strong positive correlation (0.818662). Q4

has the highest mean value, suggesting it tends to have higher values on average compared to the other variables. Q4 has the

highest negative skewness (-0.4326935), indicating a longer left tail in its distribution.

**SUMMARY OF FINDINGS**

The investigation into the implementation of cost-based models for assessing personnel resources within our chosen organization yielded a comprehensive array of findings. Foremost among these was the evident effectiveness of such models in evaluating cost-efficiency, enabling the organization to fine-tune its resource allocation strategies. By pinpointing primary cost drivers like employee turnover rates and training expenditures, the study illuminated areas ripe for improvement and offered actionable insights into potential cost mitigation measures. Moreover, the analysis facilitated a nuanced comparison of the organization's personnel costs against industry benchmarks, illuminating its competitive standing within the labor market. These insights not only inform immediate decision-making but also lay a solid foundation for long-term financial planning, fostering a proactive approach to resource management. Ultimately, the findings underscore the pivotal role of cost-based models in optimizing organizational performance, offering a roadmap for sustained efficiency and success.

### SUGGESTION

In evaluating personnel resources within an organization, employing cost-based models offers valuable insights into HR management efficiency. Commencing with the identification of key HR metrics pertinent to organizational objectives, data collection from various sources ensues. Cost analysis involves scrutinizing recruitment, hiring, training, compensation, and benefits expenditures. Calculating metrics like cost per hire and cost of turnover reveals the financial implications of HR processes. Return on investment (ROI) analyses for HR initiatives provide further clarity on expenditure effectiveness. Benchmarking against industry standards informs performance evaluation, guiding improvement strategies. Visualizing findings aids in stakeholder communication, facilitating data-driven decision-making. Continuous monitoring ensures ongoing optimization of HR practices, with actionable recommendations guiding implementation efforts.

### CONCLUSION

HR accounting can provide valuable insights into various aspects of an organization. **Employee Costs and Productivity:** By analyzing HR accounting data, conclusions can be drawn about the relationship between employee costs (salaries, benefits, training) and productivity. This analysis can help in optimizing resource allocation and identifying areas for improvement in workforce efficiency. **Cost Control and Budgeting:** HR accounting helps in understanding the costs associated with recruiting, hiring, and retaining employees. Conclusions drawn from this data can inform budgeting decisions, enabling organizations to allocate resources effectively and control costs. **Employee Performance and Development:** Through HR accounting, conclusions can be drawn regarding employee performance, training needs, and career development opportunities. This information is crucial for designing training programs, performance appraisal systems, and succession planning strategies. **Compliance and Risk Management:** HR accounting data can reveal trends related to employee turnover, absenteeism, and compliance with labor laws and regulations. Conclusions drawn from this data can help in identifying potential risks and implementing measures to mitigate them, such as improving workplace safety or addressing employee grievances.

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