



Human Resource Accounting and its Impact on Organizational Performance

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Abstract:

Human resources or human capital are the most valuable resources in the organization, resources which are always appreciated over the passage of time, year to year expertise, productivity will increase and decreases time taken to complete the given work, without interference of human capital none work completes in the organizations so the organizations takes a lengthy and systematic procedures while recruiting the employees to the organization. Employees or human resource directly influence the performance of the organization, performances depends upon the qualitative human resource, qualitative human resources results in productive results, development of the organization the work of human resource itself start from collecting financial resources, physical resources up to reaching converted products and facilities to the end users. The aim of organizations is to serve the people, earn the profit and time to time evaluate their financial and organizational position by preparing financial statements like Balance sheet, profit and loss account, Comparative statements, and ratios etc..... In these type of statements, they consider assets, liabilities, Capital expenditure, revenue expenditure etc..... to inform the financial positions to the users like shareholders, stakeholders, public, supplier, etc..... Management of human resource is very important in accounting point of view, Recruitment, training, placements, development, human resource planning, all needs lengthy and costly process these type of large investment made by the organization only on those assets which give benefits for several years, like human resources,,,,, once the employees recruited they serve for many years...so there is a need to recognize human resources costs, expenses, and benefits but it is difficult to compare with other assets and liabilities. The study attempts to know the Human resource accounting, its practices and its impact on organizational performance, growth, impact on employee's performances, the accounting treatment for the valuation, measurement, and disclosure of the human resource.

Keywords: Human Resource Accounting, Capital Expenditure, Cost Accounting, Value Accounting

Introduction:

Human resources play a stupendous role in development or progress of the organization; these are the main resources in the industrial world, services of the employees are indispensable at all stages from pre-production, during production and after the production, without men (human resources) there is no value for other resources like materials, capital etc..... therefore a concept like all tangible, intangible and non-living thing is shown in the company's financial statements but not human resources, so it emerged the concept of Human resource accounting.

Human resource accounting is the process of identifying and measuring data about human resource and communicating this information to the interested parties; human resource accounting is measuring and quantifying the inputs like recruiting, training, experience and communications, and also valuing those human resource activities in accounting treatments. In other words Human Resources accounting, also known as Human Asset Accounting, is an information system involved in identifying, measuring, capturing, tracking and analyzing the potential of the human resources of a company and communicating the resultant information to the stakeholders of the company. It is a method by which a cost is assigned to every employee when recruited, and the value that the employee would generate in the future. Human Resource accounting reflected the potential of the human resources of an organization in monetary terms, in its financial statements.

In short, human resource accounting is the art of valuing, recording and presenting systematically the worth of human resources in the books of account of an organization. This Definition brings out the following important characteristic features of human resource Accounting:

1. Valuation of human resources
2. Recording the valuation in the books of account
3. Disclosure of human resource information in the financial statements of the business.

Current Accounting Practice:

At presents the cost associated with the human resource or the labour considered as revenue expenses, charging these expenses to the profit and loss account of concerned year these practice pursued by entire industrial world, as we observe in profit and loss account we treat only those expenses which we can't expect any benefit from that in the future periods, but in relation to the human resources expenses we can expect benefit or many future advantage from the expertise, experienced employees, the company which incur costs on training and developmental activities its benefits were returned through performance of employees results in increased productivity,

These practice followed by the traditional companies may have two reasons; one is human resource is also considered while converting raw material in to finished goods who are directly connected with the production so the salaries and wages considered as benefit for that and it shouldn't be capitalized and second thing is human or people can't purchased like other non-living things.

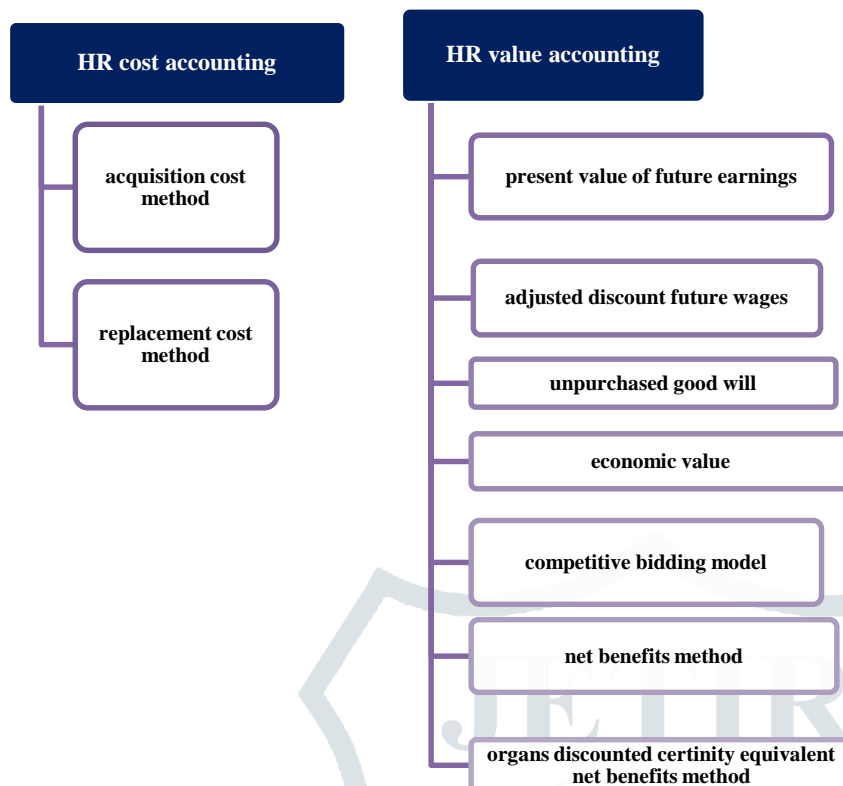
Approaches of Human Resource Accounting:

Sir William Petty was perhaps the first person to make an attempt to signify the HR accounting In around 1691 The post 1960's witnessed a significant Development of business people joining hands with the academics to evolve suitable methods to account for human resources. Consequently, a number of models or approaches have been Developed and suggested for the measurement and valuation of human resources.

These Approaches may broadly be classified into two types:

1. HR Cost Accounting (HRCA)
2. HR Value Accounting (HRVA)

Sub types under human resource cost accounting approach and human resources value accounting approach



Source: Secondary Data

Review of Literature:

David Watson developed Standard Costing Approach according to him —human resource data is used for setting standard costs for various HR functions like hiring and training

Roger H. and Herman son (1964) developed —The Unpurchased Goodwill Model according to this model, the organization must ascertain its actual earnings and average it for the past few years.

Tsyanalyzed the relevance of internal and external reporting in an Organization. The mutual dependence of measurements & decisions was defined by considering some examples and found that the internal reporting was relevant of effective decision making.

Human resource accounting and organizational performance:

Human Resource Accounting provides useful information to the management, financial analysts and employees. It impacts both internal and external people, the benefits reach both internal and external, positive or negative effects will depend on both how they will going to accept and adjust for the updated methods even though there is a obstacles but it is a valuable information like a financial information it is also reach interested parties, now a day's external parties were also requesting that they also need to know about human resources and hr department.

- Human resource accounting gives information about economic value of human resources
- Human Resource Accounting helps the management in the Employment, locating and utilization of human resources
- human resource accounting started to evaluate and measure human skill and abilities very carefully

- HR accounting provide a definite picture about the expenses incurred on human resources and benefits received by company
- HR accounting measure and discloses employees contribution towards organizational goals employees gets motivated and encouraged
- It provides valuable information for persons interested in making long term investment in the firm.
- HR accounting is the toughest job for the accounting professional because still there is no international standard for human resource accounting
- Human resource is not easy to value or measure like other tangible and intangible assets
- There is constant fear of opposition from the trade unions as placing a value on employees would make them claim rewards and compensations based on such valuation.

Human Resources Cost:

As human resource is considered as an asset, any expenditure incurred in the acquisition and accumulation of human resource will be treated as an investment in human resource accounting. Cost of human resources represents sacrifice that will have to be incurred today to acquire and develop people in future. The cost of human resource otherwise called Historical cost of human resources is the investment in human resources which has both Revenue (expense) and Capital (asset) components,

Recruitment cost:

Cost incurred up to joining employee for the duty or reporting to the job is called recruitment cost, this cost may include advertisement about job vacancy, interview process, other expenses like amount given to recruitment committee members and others.

Development and training cost:

It refers to the sacrifice that must be made to train a person either to provide the expected level of performance or to enrich the individual's skill. Training improves the productivity potential of both the individual and the organization. The training cost includes remuneration for trainers, trainees, petty expenses, consultation fee and other executives' development programmers' expenses.

Operational costs:

These cost were incurred after the reporting to job like regular payments salaries and wages, bonus, employees provident fund, other monetary and non monetary facilities

Human resource accounting in Indian scenario:

In India, human resources accounting until now has not been introduced as a system. But some of the companies were attempt to follow human resource accounting like steel authority of India limited, Hindustan machine tools, oil and natural gas corporation, oil India limited, project and equipment corporation of India, Infosys technology limited, Hindustan petroleum limited, global tele limited,rolta India limited and others are doing this evaluation,

Difficulty in adopting human resource accounting:

- There is no specialized human resource accounting staff
- There is no accounting standards
- Human being cannot be owned like other physical assets.
- There is no generally accepted model for valuation of human resources. The mode of presentation has also yet to be codified
- There is constant fear of opposition from the trade unions as placing a value on employees would make them claim rewards and compensations based on such valuation...
- Tax laws do not recognize human beings as assets.

Conclusion:

Success and development of any organization depends upon skilled human resource in the organization. Efficient and effective utilization of inanimate resources depends largely on the quality, caliber, skills, perception and character of the people, that is, the Human Resources working in it. Till now many organizations are following GAPS they did not know the importance of preparing human resource accounting, Human Resource Accounting has fewer acceptances by business world. Considering the paramount importance of HRA, proper initiation should be taken by the Government as well as Professional Boards at the National and International levels in respect of formulation of specific accounting standard and suitable valuation models on the measurement and reporting of the value of Human resource, so human resource accounting is one of the positive development if the companies really adopt this method it has benefits more it impact positively on organization, on employees and on their performances.

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