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HUMAN RESOURCE ACCOUNTING FOR IMPLEMENTATION IN ACTUAL ORGANIZATIONS

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Human Resource Accounting For Implementation in Actual Organizations

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Abstract – It is highly complicated in the today's market find well knowledge, coached, and highly motivated people. Human resource is one of the most important back office operations of any organization or business. Their skills, creativity, ability human cannot be replaced by machines. We can lose efficiency in work if no qualitative people. At all levels and areas of the business or firm human efficiency is required with machine efficiency. Human can work without machine but machine can't. Hence, industry like advertising and direct marketing for instance human talent is more valuable among other else. No machine can ever come up with a unique advertising idea without the human input. Thus companies must learn to recognize and appreciate the value of their employees. It is worth and capital investments.

Keywords: Human Resources Accounting, Human Resource Valuation, Cost, Model, Investment.

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INTRODUCTION

Capital and natural resources of a country are passive factors of production; human being are the active agents who accumulate capital, exploit the natural resources, build social, economic and political organizations and carry forward national development [1]. Of the key resource factors - human, physical and financial, which determine an organization's capacity for economic growth and development, the human factor appears to be the most strategic and critical. An organization may possess abundant physical resources and the necessary machinery and capital equipment, but unless there are men who can mobilize, organize and harness the organization's resources for production of goods and services, the organization cannot make rapid economic growth. Hence, one of the major tasks confronting the development of an organization is the 'building up of human resources' [2].

Human resources are the energies, skills, talents and knowledge of people which are, or which potentially can be, applied to the production of goods or the rendering of useful services. As such, investment in human resources refers to all forms of investments directed to raise the knowledge, skills and aptitudes of the organization's workforce. In fact, the development of human resources constitutes an essential pre-requisite and a key factor in sustained and accelerated economic growth. Investments in human resources have directly contributed to the growth of an organization - by promoting the knowledge and application of science and technology to production

processes and developing innovations and research [3]. There is also a growing realization among the entrepreneurs that human beings, like other physical assets, are important instruments of productions; that investments in them are as productive, useful, income yielding as in physical assets. The position enjoyed by the human resources in an organization can well be judged from the statements of company's Presidents at the Annual General Meetings of the shareholders. They often proclaim, "The Directors wish to place on record their appreciation of the contributions made by the employees at all levels during the year". "Your directors wish to acknowledge their appreciation for the devoted services rendered by the workmen, staff and executives of the company etc" [4]. Although these statements are qualitative in character, yet they reflect the management's philosophy towards their all-important human resources. That is why firms also need to search people those are on capital investment along with capital (money) while many entrepreneurs are focused on securing capital they have to make sure they have the right management team and employer in place if they want to attract investor create value and maximum wealth. Solid management team in what sets a company apart with venture capitalists. The article highlights the significance of Human resource valuation and methods to measures human assets value. The article describes views of the authors and finds out the organizations those have tried to implement human resource accounting. The article depicts the advantages of human resource valuation.

REVIEW OF LITERATURE:

All the processes of the organization are operated by human resource, hence valuation of this resource is very necessary and information about the valuation should be given to the investors, the management and others through financial statements. Human resource accounting is basically an information system that tells management what changes are occurring over time to the human resources of the business. In the early 1990s industries were recognized the value and importance of human assets [5]. When service sector started major contribution to a country's economy the significance of human assets got prominence. Knowledge sectors like Information Technology (IT), Banking, Teleservices and others the intangible asset especially humans contributed highly to the building of shareholder value. Intellectual power of employees only major input to these sectors. The critical success factor for any knowledge based company is its skilled and intellectual work force. "Real assets will not appreciate much as businesses get commoditized; Innovation and Intellectual power are going to be the key to the future" [5]. Employees are the most valuable resources of comparison in the services (software, Banking, Management Consultancy, etc) sectors. Like all other resources the company the employees possess value because of providing future services [6]. Human resource accounting is an attempt to identify and report investment made in resources of the organization that are not presently accounted for under conventional accounting practice. There is an almost universal belief among business executives, investment managers and other stakeholders that consistent human capital metrics would be valuable. Moreover, investors would take human capital data into consideration if it could be provided on a reliable basis that would enable intelligent comparison [7]. describes the HRA paradigm in terms of the "psycho-technical systems" (PTS) approach to organizational measurement. According to the PTS approach, the two functions of measurement are: 1) process functions in the process of measurement and 2) numerical information from the numbers themselves. Whereas one role of Human resource Accounting (HRA) is to provide numerical measures, an even more important role is the measurement process itself¹. Prof. Sidney Davidson defines human resource accounting as a „term used to describe a variety of proposals that seek to report and emphasize the importance of human resources-Knowledgeable, trained and loyal employees-in a company's earnings process and total assets. American Accounting Association defines it "as a process of identifying and measuring data about human resources and communicating this information to interested parties". "it is the measurement of the cost and value of people for the organization".

1. Origin of Human Resource Accounting:

Recognizing human being as asset as old one. Form the observation of Indian History; it is evident that

Emperor Akbar gave importance to the nine jewels. Freedom fighters in India like Shri Motilal Nehru, Mahatma Gandhi, Sardar Vallabh Bhai patel, Pandit jawahar Lal Nehru cannot be removed from the historical pages of freedom movement of India. In spite of the uncountable sacrifices forgone by the above individuals, no one make efforts to allocate any monetary values to such individuals in the Balance sheet of India [8]. The suitable work was started to determine the cost and value of human beings by behavioral scientists from 1960 onwards. The experts in this field etc who contributed appropriate methodology and correct methods for finding out the value of the employee to the organization [9]

2. World demand of Human Resource Accounting:

It is fact that the 21st century is era of Human demand, countries those have labor quality ruling the world with dominant technology. Countries like china and Japan forerunners in technology advancement, is all result of work force performance. Hence whole world realized that human resource is the real investment into business ventures that should only catch and stick the success waves. It can be say that INFOSYS, Bharat heavy Electrical Ltd (BHEL), DR.REDDY'S and Steel Authority of India Ltd (SAIL) are ever profit generators because recognized value of quality of labor and ordered peak priority so as company's yields ripped fruits with assistance of ripped force (quality employees) and can stand against any business storm and cope up effectively.

3. Human Resource Accounting Practicing Companies In India:

Even though, many benefits have contributed by HRA, yet its development and application in different industries has not been encouraging. Because Indian companies act 1956, does not provide any scope for showing any information about human resources in financial statement [10]. Due to the development of business and industries, some of the Indian companies, both public and private, value their human resources and report this information in their annual report. The companies, who are presently reporting human assets valuation, include:

1. Bharat heavy Electrical Ltd (BHEL).
2. Steel Authority of India Ltd (SAIL).
3. Oil and Natural Gas Commissioning (ONGC).
4. Oil India Ltd
5. Project and Equipment corporation of India.(PEC).
6. Engineers India limited
7. Mineral and Metal trading Corporation of India.(MMTC).

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| 13. Southern Petrochemicals Industries Corporation Ltd SPIC). 14. Associated Cement Company Ltd ACC) | 9. Jelsy joseph, Kuppapally (2008).Accounting for Managers. Prentice-Hall of India Private Limited. New Delhi: 596 |
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CONCLUSION:

Overall, even valuing human resources appear to be important to Indian organizations, most organizations do not value their human resources and plans to implement valuation of human resources are at a very early stage. Despite the interest in valuation there will be little or moderate progress in the area over the next five to ten years. In order to show greater progress, more needs to be done at both the theoretical and practical level. More search into valuation methods and models, and the practical implication of these, is needed together with the engagement of both human resource and accounting professionals in the debate on valuation and its implementation in practice.

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