

ONGC AND VALUATION OF HUMAN RESOURCES

Dr. Reeta*

ABSTRACT

Despite of the technological advancement and increasing importance of computerization, human resources continue to play a dominating role in the effective use of physical and financial resources. Infact the value of human resources is invaluable and cannot be measured accurately. Human resources are the key elements of the knowledge economy. It therefore becomes essential that human resources are recognized to be an integral part of the total worth of an organization in the knowledge driven economies. Measurement of investment in human resources will help to evaluate the charge in human resource investment over a period of time. This paper attempts to discuss in detail the human resource accounting practices followed by ONGC.

KEYWORDS: Human Resources, Human Resource Accounting, ONGC, Lev & Schwartz, HR Value.

Introduction

The twenty first century has witnessed globalization of business and service. The role of the human forces in the success of any business concern has gained importance as each requires both physical assets and human resources for its success. Human resources are a true valuable resource that a firm must possess as they are responsible for the effective utilization of all physical and financial resources. Better the quality of human resources better the management and utilization of other resources. They are the key elements of the knowledge economy. It therefore becomes essential that human resources are recognized to be an integral part of the total worth of an organization in the knowledge driven economies. Failure of conventional accounting to treat human resource as an asset has led to the development of 'Human Resource Accounting'. American Accounting Association (1973) defines Human Resource Accounting as "the process of identifying and measuring data about human resources and communicating this information to the interested parties".

Approaches to HRA

A number of approaches have been developed and suggested for the measurement and valuation of human resources. These may broadly be classified into two types:

- **Human Resource Cost Accounting:** It may be defined as the measurement and reporting of the costs incurred to acquire and develop people as organizational resources. It deals with accounting for investments made by the organization towards acquisition and development of human resources as well as the replacement of cost of the people employed.
- **Human Resource Value Accounting:** HRVA is based on the view that the difference in the present and future earnings of two similar firms is due to the difference in their human assets. The economic value of the firms can be determined by obtaining the present value of future earnings. A number of valuation models have been developed for determining the present value of future earnings.

* Assistant Professor, Department of Commerce, Zakir Husain Delhi College, University of Delhi, Delhi.