

ROLE OF HUMAN RESOURCE ACCOUNTING IN LABOUR WELFARE

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ABSTRACT

Human Resource Accounting refers to recording of expenditure incurred on human assets of any organisation. This is against the traditional accounting which only records the expenses due to which profit is reduced. As results of this agitation and therefore the need for harmonization of human with other resources in financial reporting, this study was meted out. With the arrival of the new economy, knowledge-based economy it's been concluded that human resources becomes increasingly more important in determining the full value of a company. Human capital refers to a collection of information and competence, skills and training, innovation and capabilities, attitudes and skills, intelligence and motivation of the those that form the organization. Human resource is the most precious and valuable asset for any organization and successful utilization of all other resources depends directly or indirectly on the previous and hence, they need to be importance and a selected position in the record. But, in reality, they're totally ignored and aren't given the worth, they worth for, at the most of the places. Most of the organizations are still adopting the normal accounting practices where they consider the expenditure on human resources as revenue expenses rather than considering it as an investment under contemporary accounting, under which human resources are valued and shown in the record as 'asset'. Through this research work, a shot has been made to point out the importance of Human resources in the organization, over all other assets. Findings of the research study provided a sign that HRA features a great impact on the Earnings after tax of the businesses, and also the HR value is increased by increasing the salary and bonus of the staff. There should be a separate standard for HRA or some statutory provision in the Companies Act, in order that companies could adopt such practice compulsorily.

Keywords: Human Resource, Valuation, Accounting, Labour Welfare, Recognition, Capital Structure.

Introduction

In any organization the foremost important input is the human element. The success or failure of any organization substantially depends on the persons who manage the organization. It's a matter of general knowledge that capital problems with even new undertakings are over-subscribed, if they're floated by the competent persons. this is often because the investor in the capital market places high value on the human ability instead of the other factors like net worth, yield, price-earnings ratio which don't seem to be available just in case of a replacement company. In volatile market situation & uncertainties (due to competition and crisis), abate in overall production reflect in the fall of 'SENSEX'. The scenario is grim. There's a whole change in the functioning, governance and the focus area. Hitherto unnoticed, unrecognized assets are coming to the lime light and appear in the corporate financial reports as additional information or as annexure. Similar to financial capital structure, which consists of assorted kinds of capital, the human capital structure consists of varied styles of employees employed in a company. The kinds of employees could be executives, supervisory, artisans, clerical and skilled - staff or semi - skilled staff. The composition and proportion of varied varieties of employees play a very important role in the development of a corporation. The human capital structure is extremely related with human resource accounting and therefore the techniques to value human resource. Therefore, within the present study, the human resource accounting and its role in Labour welfare has been discussed.

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What is Human Resource Accounting

HRA is comparable in essence to the financial accounting, that is, even as financial accounting reflects the prices of assets like building and machinery, HRA shows human resources as capital not as expenses. Thus, HRA shows the investment, the organization makes in its people and the way their values change over a period of time. HRA is a sophisticated due to measure the effectiveness of personnel management activities and the use of individuals in a company. Undoubtedly the substantial progress of the country in the industrial sector has brought remarkable upliftment and has changed the design of accounting normally. Today the numbers of organizations which are following HRA in India are very less, survey shows that developing countries are lagging far behind as far as revolution in accounting theory and practice is worried. The recent developments in HRA at global level result in great potential in the modern age of professionalisation when the human resource investment is being considered as a true investment.

Human Resource Accounting and Labour Welfare

It is proven fact that the 21st century is era of Human demand, countries those have labor quality ruling the globe with dominant technology. Countries like china and Japan forerunners in technology advancement, is all results of hands performance. Hence whole world realized that human resource is that the real investment into business ventures that ought to only catch and stick the success waves. Due to human resource accounting the staff use to induce an area in the companies finances and companies started realising that labour is an important a part of their operations and without which they'll progress even they can't run their business. Companies started valuing their employees and making their respect. Companies providing them best resources for his or her input and facilities which they deserve for long but they failed to getting. In reciprocal the businesses are becoming best output from their employees and their productivity has increased. Hence Human Resource Accounting has made available the workers their True value.

Human Resource as an Asset

The success or failure of an organization is largely hooked in to the caliber of the people working therein. So on attain the goals or the activities of an organization, therefore, they have to recruit people with requisite skills, qualifications and knowledge. While doing so, they need to stay this further because the future requirements of the organization in mind. Nowadays, one altogether the foremost important concerns for all the business is that of individuals. The strain is on having the proper people in the right place at the right time. Seeking new employees may well be a necessary element for every employer, not only in organisations where particular emphasis is placed on the company's human resources policy. Each employer wants to rent the foremost appropriate candidate for the work who not only has the correct qualifications but whose personality will blend in well with the company's structure. The selection of the correct people to form a team in organization is one in every of the foremost important factors resulting in its success. Hence, to attain this, a corporation possesses to pay an oversized attention on the recruitment and selection process. Effective recruitment and selection procedures are vital in attracting and retaining top of the range staff so every company should take them deeply into consideration. Moreover, human errors are rather costlier as compared to such assets as land and capital, and sometimes cause serious irreversible consequences.

Capital and natural resources of a rustic are passive factors of production; individual are the active agents who accumulate capital, exploit the natural resources, build social, economic and political organizations and carry over national development. Of the key resource factors - human, physical and financial, which determine an organization's capacity for economic process and development, the human factor appears to be the foremost strategic and significant. Hence, one among the main tasks confronting the event of a corporation is the increase of human resources. Human resources are the energies, skills, talents and knowledge of individuals which are, or which potentially may be, applied to the assembly of products or the rendering of useful services. As such, investment in human resources refers to all or any varieties of investments directed to increase the knowledge, skills and aptitudes of the organization's workforce. In fact, the event of human resources constitutes a vital pre-requisite and a key consider sustained and accelerated economic process Investments in human resources have directly contributed to the expansion of a corporation - by promoting the knowledge and application of science and technology to production processes and developing innovations and research. There's also a growing realization among the entrepreneurs that individuals, 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 a company may be judged from the

statements of company's Presidents at the Annual General Meetings of the shareholders. They often proclaim, "The Directors wish to position on record their appreciation of the contributions made by the staff in any respect levels during the year". Although these statements are qualitative in character, yet they reflect the management's philosophy towards their all important human resources.

Need for HRA

The need for human asset valuation arose as results of growing concern for human relations management within the industry. Behavioural scientists concerned with management of organizations detected the subsequent reasons for HRA:

- Under conventional accounting, no information is created available about the human resources employed in a company, and without people the financial and physical resources cannot be operationally effective.
- The expenses associated with the human organization are charged to current revenue rather than being treated as investments, to be amortized over a period of your time, with the result that magnitude of profits is significantly distorted.
- If the worth of human resources isn't duly reported in profit and loss account and record, the important act of management on human assets can't be perceived.
- Expenses on recruitment, training, etc. are treated as expenses and written off against revenue under conventional accounting.

Advantages of Human Resource Accounting

- **Data for Labor Arranging:** Human Resource Accounting gives helpful data about the expense and estimation of HR. It demonstrates the qualities and shortcoming of the HR. This data helps the supervisors in arranging and deciding on the right choices about HR. Along these lines, it gives valuable data to Manpower Planning and higher cognitive process.
- **Data for Creating Labour Arrangements:** Human Resource Accounting gives valuable data to creating reasonable staff strategies about advancement, positive workplace, work fulfillment of representatives, and so on.
- **Usage of HR:** Human Resource Accounting encourages the association to form the simplest use of HR.
- **Appropriate Arrangements:** Human Resource Accounting causes the association to place the proper man in the correct post contingent upon his aptitudes and capacities.
- **Expands spirit and inspiration:** Human Resource Accounting demonstrates that the association worries the representatives and their welfare. This expands their spirit and it persuades them to work and attain the targets of the association.
- **Pulls in Best HR:** Just presumed associations lead Human Resource Accounting. Along these lines, skillful and competent individuals must join these associations. Along these lines, it draws in the best workers and chiefs to the association.
- **Structuring Preparing and Improvement Programs:** Human Resource Accounting encourages the association to configuration (make) an inexpensive preparing and improvement program for its workers and directors.
- **Profitable Data to Speculators:** Human Resource Accounting gives profitable data to present and future speculators. They'll utilize this data to settle on the simplest organization for contributing their cash.

Other Advantages of Human Resource Accounting

- The worth of Human Assets is disclosed appropriately with the assistance of Human Resource Accounting and hence proper calculation of return on Capital employed is calculated.
- Managerial decision-making is improved with the assistance of Human Resource Accounting.
- The establishment of Human Resource Accounting shows that Human Assets may be a valuable asset for the organisation, and it helps in prevention of underutilization or misutilisation of Human Asset in the organisation.
- It also makes help in optimum utilization of Human Resource and having the correct understanding of the bad impacts of labour unrest etc on Human Resource's quality.
- With the assistance of Human Resource Accounting, best methods of wages and salary will be implemented.

Disadvantages of Human Resource Accounting

- The valuation methods have certain disadvantages in addition as advantages; therefore, there's always a bone of contention among the firms that which method is a perfect one.
- There aren't any standardized procedures developed thus far.
- In the historical method of accounting some common standards or methods are used which don't seem to be possible under accounting for Human Resource.
- It's an appropriate and known proven fact that some assumptions are used which can be wrong in some circumstances or time.
- It's believed that human resources don't suffer depreciation, and of course they always appreciate, which might also prove otherwise in certain firms.

Conclusion

It is a pioneering add the sphere of accounting, which might be of immense use to accounting educators, researchers and professionals, policy planners and every one people who are concerned with the event of accounting research, training and standards at the worldwide level. The numbers of accounting theories on the HRA, which are developed up to now, have led to lack of cohesion in the expectations and desired outcomes. By rummaging the study of HRA, a reader can understand the classification of working force, the number spent on research and development and its proper effect in accounting, ratio analysis (human to non-human resource) etc. If the HRA information is correctly developed, it'll be useful to the management in the slightest degree levels regarding cost of turnover and the efficient utilization of human resource which can lead to higher decision regarding personnel. Unfortunately, the quantity of organization in the country which giving appending note regarding human resource are only a few. So it's found necessary to review the explanations of such non-acceptability of HRA and see solutions over them. It's also necessarily to review the probable new areas where the HRA is utilised in an exceedingly simpler manner by the government, the society and also the businessmen at large. The HRA is extremely important aspect to each variety of organization. The advantages of adopting HRA were manifold. It helped a corporation to require material decisions supported the supply and therefore the necessity of Human resources. When the human resources were quantified, it gives the investors and other clients true insights into the organizations to discriminate the negative effects of redundant labour. This successively, helped them to channelize the available skills, talents, knowledge and knowledge of their employees more efficiently.

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