

CHALLENGES OF HUMAN RESOURCE ACCOUNTING

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ABSTRACT

Accounting for human resource has always been a problem in terms of recording this because there are no guidelines for it. Business has gone sea change from production of goods to service sector where the value of human resource is more than any other factor of production. In such environment if they are not given any place in annual accounts it would be difficult to take right decisions regarding them. The research methodology used in this paper is based on primary data. The paper analysis the problem and tries to bring out solution based on response from the questionnaire for the world of accounting.

KEYWORDS: *Human Resource Accounting, Primary Data, Human Resource Disclosures.*

Introduction

As accounting is an applied science and art. It is not in exact form and with its development it keeps on changing. The concept the human resource accounting is developed with the passage of time as the researchers contributed in this field differently.

Review of Literature

Shri Pragmesh B. Shah (2004) analysed Human resource accounting is in infancy and there is need of unification of presentation of such information. Aditi Dixit (2005) observed some accounting standard is required to bring unification in presentation of accounting standard of human resource accounting. Eric Flamholtz (2005) investigated that positive culture affects the contribution of the employees. Dr. Arindam Gosh and Prof Asit Gope (2009) according to him quantification of information related to human resource helps in taking decisions related to human resource. Yagnesh M Dalvadi (2010) examined that there is difference in accounting of human resources of private and public sector organizations. Raunak Narayan (2010) observed that calculations of various ratios related to human resource helps in studying human resource but this subject has issues and challenges in it. Dr. Sandeep (2012) analyzed that accounting of human resource has relevance but it has hurdles in its adoption within the organization and outside the organization. Michael Mankins, Karen harris et al (2017) observed that present age is the age where value of human capital outweighs the importance of financial resources which further supports the requirement of research in the field of human resource accounting.

Objectives of Study

- To study various problem of human resource accounting.
- To explore the possible solution of human resource accounting.

Research Methodology

This research is descriptive in nature.

Source of Data

Primary data is the main source of information.

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Tools of Data Analysis

The data and information collected is classified, tabulated and processed and its findings are presented in systematic manner. The aim of the survey was to collect information of different issues of Human Resource Accounting so that in future this information can be used in framing guidelines for companies related to Human Resource disclosures. It will help in full disclosure of the assets of the company. Various questions regarding better job performance, facilities to women employee and standardization of information regarding Human Asset were explored, that what is the opinion of different section of people in this context? An attempt has been made to find out the areas where the work regarding development in the field of Human Resource Accounting can be carried out in future. This information can be used by the authorities in framing guidelines for companies to disclose information in its annual reports. The questionnaire was circulated to 100 respondents out of which 86 questionnaires were received back. Information collected is from different groups. Out of 86 respondents 23 are academicians 11 are CA and Accounts related people, 16 professionals, 22 commerce graduate students and 14 are others. The component of respondents is of cross sectional so the respondents mix provides good variety of information.

Information of Respondents

The first page of the questionnaire was to get information from the respondents regarding their name, qualification, address, age, experience etc. The information regarding age is as under.

Age	Number of Respondents
Less than 22	22
25-35	26
36-45	23
46-55	11
56 and above	4

Qualification

	Graduation	Post graduation	CA
Commerce	27	22	11
Science	-	15	-
Arts	-	11	-

From the table it is clear that the maximum number of respondents is from the age group of less than 22 to 45 and qualification wise maximum respondents are post graduate.

Part -1

Managerial Use of Accounting

Here an attempt is made to get opinion from different group of people that to what an extent they are convinced with the managerial use of Human Resource Accounting.

- **HRA helps the organization in recruitment planning.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
26	48	12	-	-

- **HRA provides measurement of standard cost of Human Resource acquisition and development.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
21	51	7	7	-

- **HRA is helpful in selection of right candidate by making available the measurement of relative expected values of applicants.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12	53	16	5	-

- **HRA is helpful in taking decisions regarding the allocation of financial resources among various Human Resource development programmes by providing a measure of expected rate of return on the proposed investment in such programme.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
16	42	23	5	-

- **HRA can help management to take comparative analysis of taking decision regarding developing an employee within the organisation for a particular post by providing data on historical and current cost, or by hiring an employee from outside.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
21	58	2	5	-

- **HRA provides pre warning regarding loss due to turnover of employees in monetary terms.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12	45	16	13	-

- **HRA is disregarded by employees as they feel that they are considered as industrial input commodity.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
2	35	28	21	-

- **HRA provides a framework to help management utilise Human Resources effectively and efficiently.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12	67	7	-	-

- **HRA creates an environment where the employees are treated in the best possible way.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
21	37	19	9	-

- **HRA is useful in performance evaluation by developing reliable methods of evaluating Human Resource.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
16	53	14	3	-

Part 2

Opinion on Various Issues to Make HRA Clearer

- **The most important asset of any organization is Human Resource.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
58	21	5	2	-

- **Human Resource turnover should be insured from the insurance company and a compensation for leaving the job must be given by the insurance company as the fixed assets are insured in the company. It will make HRA clearer.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
12	44	21	9	-

- **Like fixed assets there shall be some uniform norms in deciding the rate of amortisation of Human Resources.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
5	63	16	2	-

- **The accounting rule making body should fix the method of HRA for a particular type of business organisation.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
15	46	16	9	-

- **The norms regarding disclosure of Human Resource information in annual reports can improve the disclosures of the companies.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
16	53	9	8	-

- **The accounting of Human Resource must be made compulsory.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
30	46	5	5	-

- **In the organization before selecting a candidate there shall be a psychological test also in order to know the willingness and positive attitude towards his work.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
51	30	5	-	-

- **The organization must provide enough opportunity (Conferences, seminars, training programmes etc.) to upgrade its employees.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
53	26	7	-	-

- **There must be flexible working hours for employees.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
23	40	21	-	2

- **More technology should be used to watch the performance of the employees.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
21	49	12	4	-

- **While dealing with employees there shall always be a Human touch and not only a standard formula.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
42	37	7	-	-

- **Female employees shall be given due facilities (e.g. child care leave and other leaves) to retain them in the organization.**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
67	16	3	-	-

Conclusion

- The questionnaire was divided in two parts. Part -1 relates to Managerial use of Human Resource Accounting and Part-2 relates to opinion on other issues related to Human resource Accounting.
- Amongst the different options given such as strongly agree, agree, neutral, disagree and strongly disagree none has opted for the option strongly disagree.
- It has been observed that most of the respondents agree on various issues related to managerial use of Human Resource Accounting. It means that if information regarding Human Resource can be quantified it certainly will help in taking decisions related to management of human resources.
- Respondents in significant number agree that employees disregard Human Resource Accounting as they feel they are considered as industrial output. Here it can be concluded that employees should be trained and made aware that on the whole accounting of Human Resource is good for their development and growth of the organization.

- Part-2 relates with different issues concerned with accounting of Human Resource which is yet to be explored and identified.
- Respondents in majority agree that there must be some uniform norms in deciding the rate of amortization of Human Resources as in case of other fixed assets. Showing Human Resource expense in profit and loss account does not justify its accounting.
- Uniformity in accounting of Human resource for a particular type of business is also agreed by respondents in majority. Further it is agreed that accounting rule making body must make compulsory to disclose it in annual report.
- There seems to be agreement that in selection of Human Resource there must also be psychological test to reduce employee's turnover.
- Respondents also agree in majority that employees can be developed from within the organization if opportunity to attend and participate in different conferences, seminars and training programmes are given to the employees.
- It is also concluded that flexibility in working hours of employees will help in better performance of them and use of technology in watching their performance will help in better management.
- Human touch in dealing with employees and proper leave facilities to female employees will help in retaining good employees and reduce employees' turnover.
- Last but not the least the most significant development in the accounting of Human Resource is to get the turnover of employees insured from insurance company like other assets. Where if any employee leaves the organization, its loss to the company will be paid by insurance company. This aspect can be further explored by the insurance companies.

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