

HUMAN RESOURCE ACCOUNTING: CHALLENGES IN INDIA

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ABSTRACT

The present paper deals with the present status and challenges of human resource accounting in India a systematic manner so that the layman can understand easily. This paper's concept helps to HR manager to make decision for face challenges of HRA in an institution and implement successfully human resource accounting in their institution.

Keywords: *Human Resource Accounting, Human Capital, Challenges.*

Introduction

Human Resource Accounting a process of classifying, budgeting, and conveying the cost and investment of human resources incurred in the organization including staffing (wages & salaries and training) expenses ,in the present time those are not included for the calculation and accounting practices. An important object behind HRA (Human Resources Accounting) is to estimate and project the worth of the humancapital and the value produced (generated) by them, like physical assets:- furniture, plant and machinery, land, building are estimated and recorded in the books of account at written down value, respectively the human resources should also be calculate and recorded and disclosed in the financial statements for show true picture by financial statements. In this paper we will discusses about the human resource accounts, examine these issues and challenges in India on the findings of the study with suggestions.

Human Resource Accounting in India

It is true that the success of any organization is completely depend on the manage and optimum utilization of human resources. An organization can obtain physical assets (resources) with sufficient financial capital by recent technology as organization requirements, but even then an organization may be faced with many difficulties, if it does not have enough and strong human resources.

The Indian Companies Act has no clearly obligation and any provision for companies to disclose human resources in their balance sheets (financial statements). Also The Institute of Chartered Accountants of India has not provided an accounting standard (AS) for the reporting of the human resources of an organization. Due to this reason, it is now up to the organization to decide how many factual details, what and how much information they want to voluntarily disclose in their financial statements about human resources. However, accept the facts in favour of the human resource accounting (HRA) many Indian companies have voluntarily computed valuation and disclosure related to human resources in their financial statements.

In India, the companies, they are presently reporting human assets valuation in their financial statements, include:

- ONGC (Oil & Natural Gas Corporation Ltd.)
- NTPC (National Thermal Power Corporation Ltd.)
- HSL (Hindustan Shipyard Ltd.)

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- SAIL (Steel Authority of India Ltd.)
- HMTL (Hindustan Machine Tools Ltd.)
- OIL (Oil India Ltd.)
- MMTC (Minerals and Metals Trading Corporation of India Ltd.)
- CCI (Cement Corporation of India Ltd.)
- EIL (Engineers India Ltd.)
- HZL (Hindustan Zinc Limited)
- IDPL (Indian Drugs and pharmaceuticals Limited)
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- IDPL (Indian Drugs and pharmaceuticals Limited)
- IOC (Indian Oil Corporation)
- ELIL (Electrical India Ltd.)
- ACC (Associated Cement Companies Ltd.)
- TELCO (Tata Engineering & Locomotive Co. Ltd.)
- ITL (Infosys Technologies Ltd.)
- BHEL (Bharat Heavy Electricals Limited)
- GTL (Global Tele Limited)
- HPL (Hindustan Petroleum Limited)
- PEC (Project and Equipment Corporation of India)
- MECON (Metallurgical and Engineering Consultants Of India)
- CFSL (Canbank Financial Services Ltd.)
- SPIC (Southern Petrochemical Industries Corporation Ltd.)
- CRL (Cochin Refineries Ltd.)
- MRL (Madras Refineries Ltd.)

Challenges which Concern Human Resource Accounting in India

- Under the financial accounting, there are particular accounting standards which each organization has got to distinctly follow. Conversely, there are not any defined standards for HRA. Each organization has its own set of principles which they follow. Therefore, there are not any uniform standards for it. Consequently, the HRA of two organizations can't be compared.
- There is often consistent fear of disagreement from trade unions. Introducing any value on employees would prompt them to hunt rewards compensation supported such valuation.
- HRA may produce to division between ranks of the workers. a gaggle of employees can feel that they're valued less than their real worth due to manipulative practices on the a part of the management. Such manipulative practices can produce to conflicts between the labour and management disputes.
- Valuation of human assets methods of accounting are supported some assumptions and suppositions, which may fail at any time. for instance , it's impossible that each one workers still work with an equivalent organization till retirement, which is way from possible because employee mobility is extremely high.
- The human resource accounting may cause the dehumanization manipulation of employees within the organization. If the valuation isn't done properly then the results of the valuation cannot utilized by the book. for instance , an individual having a lower value may feel discouraged and this, in itself, may affect his competence in work.
- The duration of human resources can't be predicted. Hence its valuation also seems to be impracticable.
- The conception of human resource accounting isn't acknowledged by Tax authorities and thus, it's only academic usefulness. If the accounting standards board makes it mandatory to disclose the values of Human capital or Human Assets, then only the Direct or tax Authorities will take HR Accounting into consideration.
- HRA isn't efficient for little business units as proves to be excessively expensive if the firms desire to put in the HR accounting package in their organization.

- The ICAI and ASB of India have prepared accounting Standard in various important field of accounting and have emphasised on their execution, but not yet the Accounting Standard have been made of human resources for the valuation, accounting and discloser in financial statement.

Suggestion

For suggestion regarding that purpose a common (uniform) system should be acceptable to all stakeholders as the improvement of human resources accounting. It is pure unfortunate fact of accounting system that said (HR) most valuable assets are included in accounts (financial statements) of the majority concern of the Indian corporate sector. Physical assets like furniture, building etc. are valued and show in the balance sheet but in view of human assets most efficient managers are not show in the accounts (Financial statements). Now some suggestion (given the below) may be put forwarding –

Suggestion for Government

- Standard should be set up by Indian government for computation, measurement of human resources under the AS (Accounting Standard).
- For development of HRA in India, Govt. Should be suggest a specific model those acceptable by all corporate.
- The presentation of value of human resources (disclose) practice should be made compulsory in the provision of Company Act.
- In order to increase the productivity of human capital, the accounting standard boards of Indian should be prepare AS (accounting Standards) for the valuation, accounting and presentation (discloser) of human resources.
- For improvement of discloser of human resources in financial accounts, the Govt., Prof. Bodies and scholars would take initiatives for development a objective model for the HR's valuations.
- The Govt. should motivate to the corporate sectors by provides some scheme like rebate in tax ,subsidies, grants, allowances for depreciation etc. to corporate bodies for presentation information regarding human resources.

Suggestion for Corporate

- The Companies that do not disclose the elements of employee's costs should disclose.
- All the companies would show presentation for the information about human resources with included related variables like idle time, loyalty of employees, amortization of HR (human resources).
- The discount rate of future employee income should be kept as constant as possible. If the discount rate needs to be changed, the human resource estimates must be reported at the revised rate for the past few years to keep the human resource data consistent. There are more useful for Human resources (personnel decisions).
- The companies should encourage human resources audit, through which data can be collected in regard to the trustworthiness of human resources.
- For encourage human resources accounting the companies should motivate computation of per employee turnover every year, it may be more or less year after year of compared to other companies. After that they shall find out causes of variance and maintain the optimum level of turnover.
- The companies should their goals properly; plan to achieve those goals and the implements plans properly. The performance of human resources should be computed (measured) and they should be included in their financial statements.
- In order to assess the performance of human resources properly, companies should computed some significant ration related to human resources and included in their report, like manpower utilisation ratio, ratio for per employee production, ratio for investment per employee, average sales and net profit per employee etc.
- Top level management of companies should be interested for human resources accounting

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