

Human Resource Accounting Information Disclosure and Decision Making

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ABSTRACT - Human resource is paramount for every organization. No organization can work without the human beings. Organizations spend a lot on their workers in order to increase their efficiency. But when we talk of human resource accounting system, it simply means, collecting the data about human resources, processing the information have not used practically in current scenario. This paper investigates firstly, how much the organization invest on the skilled workers and how much they are receiving in return. whether decisions has an impact on the disclosure of human resource accounting and to what extend the decisions affect the human resource accounting. so finding out which one is the appropriate one taking into account the qualitative characteristics consistent with Indian companies and see what will be the affect of a specific evaluation method on investment decisions. This paper is an attempt to find the best and popular method for Indian companies.

Keywords: HRA information, Human resource Accounting (HRA), Human resource cost, Decision-making, Method of evaluation.

I. INTRODUCTION

Accounting is an art of recording, summarizing, classifying the transactions of a business. Accounting plays an important role in business. There are several accounting principles which has to be followed and accepted by all if one wants to do the accounting in a proper way.

There are four factors of production, of the four factors i.e Money, Material, Man and land. The most important is the man that means the human beings Without the humans no production can take place.

There are so many conventional accounting standards (Carne, Barcons et. al 1995). If we say of human resource, there is no such accounting standard developed so far even if it is the most important for the functioning of each and every organization.

Over the last two decades as the time is changing, the accounting for human resources is gaining more popularity and support by various employee welfare organizations. So, we can say Human resource accounting is getting popular now a days but somehow the evaluation is little complex, As there are so many HRA methods so which one to follow and when.

(Conner, 1991), the resource theory says that the position of the competitive firm does not depend on duplicated assets but depends on the specific assets. The most important asset which an enterprise can have is the humans beings. Everyone have the different knowledge which is advantage for the enterprise as they work more efficiently and they are more productive than the other. If the same input is given to

all, some can use them in a more better way than the other and that makes the difference and proves to be more productive (Archel,1995).

Even if the organization proclaim that their labour or the employees is the most important asset for the organization, but still they fail to recognize their value in the managerial planning, information disclosure, managerial decisions and published in annual reports (Topomy Deb,2009).

The reason for doing the human resource accounting can be-First the firm did not considered a person as a resource for the organization as their services are not quantified. Secondly their value is considered as how he is employed at what level. So it is depend on the management how they treat the employees and how they value them.

II. LITERATURE REVIEW

Mahei (2013) published a paper "Human resource accounting system in selected Indian companies" and his findings were: Through the annual reports of the selected companies, the ranks are given on the basis of human resource accounting information shown in the annual reports and analysis is done so we found that HPCL and INFOSYS are the better ones.

Mamta Ratti (2012) published a paper "A study of human resource accounting practices in respect to 'An Indian company experience' – and findings of the study were: how we can do the cost analysis, analysis of cost of training etc and efforts should be understood by the person. So that Human resource accounting can be done in a more better way.

Neerja (2012) published a paper “Human resource accounting practices and its implications : Many companies admit that IC is very valuable part and improve the companies worth in the market. Disclosing the human capital to show financial position is the impact of practices followed in different sectors of companies. There are worker approachable corporations who value their workers .

Joshi and Reeta(2012) published a paper “Aspects of using human resource accounting” and findings were: Keeping in view , the aspects of human resource accounting , the mean and standard deviation has been concluded showing that development from within and cost of recruitment from outside is perceived to be highest.

Badiyani(2012) published a paper “History of HR models and about the popular models which are being followed” And the findings were: There are many models to find out the importance of an individual with respect to opportunity cost , replacement cost , historical cost , and present value approach to have good economic growth and it is found that among all , the maximum used is the Replacement cost approach model.

.Raiashekhar H(2011) published a paper “HRA information disclosure on managerial decisions” and finding were :There are several models of Human resource accounting and among all , the replacement cost model is found to be the best one.

Manju (2011) published a paper “Human Resource Accounting –The New perspective” and findings were: It tells us that HRA replicates the prospective of the human resource in financial terms , and in monetary reports. There are many firms which have used the human resource accounting system like BHEL , Infosys and Reliance industries. The success of every business rest upon the quality , morality , and excellence of personnel employed over there.

Raunak (2011) published a paper “A new criterion – Human resource accounting” : and the findings were: There are so many conventional accounting standards , but till now there is no such accounting standard meant for human resources. So through the Human resource accounting , the organization can have more better knowledge about the organization and the persons working there .

Stankeviciene (2011) conducted a study “For creating the value--what is the role of human capital” The study is based on both the aspects i.e Theoretical as well as Analytical. And the findings were: Now the companies are more dependent on the Human Capital (HC). So company’s leadership should be in such a way, that it contributes to company’s overall performance.

Shukla and Shalini (2010) published a paper “Application of Human Resource Accounting in Heavy Industries” and findings were :For the improvement of the people it is

essential to estimate the cost of human resource in an efficient and best manner and to record the data linked to it in the fiscal report of the business .But the idea of HRA is yet to gain momentum in India.

Vivek and Singh HK (2009) published a paper ‘An evaluation of Infosys Technology Ltd’ and findings were: Till now there is no legal framework for Human resource accounting . ICAI has not formulated any standard regarding human resource accounting . Knowing to all facts Infosys Technologies Ltd has still using the Human resource accounting practices and discloses the information on the regular basis in annual reports .The HRA practices of Infosys Technologies Ltd are satisfactory. But still we can say there is more need to work on and make Human resource decisions more effective.

Seth (2009) published a paper “Human resource Accounting practices and Indian industries” and findings were: It emphasis on all the concepts and models of HR accounting , which is used by many companies that gives the report of individual in company’s financial position or in the balance sheet . By seeing everything, it is realized that there is need for improvement in this field.

Murthy and Guthrie (2009) published a paper “Possible developments in human resource accounting”. And the findings were: Developed countries and Public Limited companies are day by day increasing in research in field of human capital accounting. Human resource accounting is gaining more importance now a days as compare to 90’s.

Jafar and Debasish(2008) published a paper “Taking into consideration NTPC Ltd during the pre as well as post liberalization period- The evaluation performance of human resource” and findings were: When we talk of liberalization , we take into account both the era - Pre liberalization and post liberalization.The NTPC Limited attained a high summary in the presentation of Human resource organization.

Tiwari Ravindra and Dr Deo kodwani Amitabh(2007) published a paper “A new dimension-Human resource accounting” and findings were- It can be seen that human resource accounting is a medium to measure and recognize the investment that is made in human resources so that decision can be taken in a more better way.

Theeke (2005) published a paper “Transmission of Human resource accounting”. and the findings were : Taking into account the report for human resources i.e Asset Approach and Liability Approach. Human resource is an asset for every organization but sometimes they are treated as liability too.

Hansson and Leitner (2004) published a paper “Taking the evidence from literature ,and European survey results- The emphasis of human capital and human capital investment in company’s performance ” and the findings were: The investment in the study of training the employees can use this training in other companies , even though there is

enough profit for the companies. Impact of Skill and Ability on productivity and innovation are generally can be considered to be best and important , Although relationship in respect to profits can be less hopeful.

Khatik and Ramakanta (2003) published a paper “HR policies and practices with respect to Bharat Heavy Electricals Limited , Bhopal, India” and the findings were : The estimation is made based on the judgement in order to achieve the organizational objectives.

O’Connor(1997)published a paper “For the knowledge based economy-Corporate financial disclosure of human resource values” .The study revealed the annual reports of Fortune 500companies of 1996 that what voluntary disclosures about employees reveals about companies and the findings were : Now a days companies try to measure and find out better workplace practices to see how better they manage the human resources. For the most part,these new measures are used internally.

Batra G.S(1996)published a paper “Human Resource accounting as a device of human resource valuation” and the findings were: There is a need to follow a competent system of auditing along with the Human resource valuation system . As the worth of Human resource estimate rest on the prospective experimentations to be prepared by Accountants etc.

Vashisht(1993)published a paper “Accounting for human resource development” and the findings were: There is not a proper single method which achieves all the necessities that can help in doing the Human resource accounting .

III. 3. HYPOTHESIS

The following is the hypothesis which are taken while doing the study-

1. There is a relationship between individual background and HR information.
2. There is a relationship between assessment of HR and HRA information.

IV. RESEARCH METHODOLOGY

The Research methodology used here is descriptive or correlation in nature. The descriptive research is used as it includes surveys and fact finding enquiries. Correlation research is a kind of relationships naturally occurring variables have with one another. The data is collected from primary source that is , the first hand data is collected through the questionnaire. The SPSS Software is being used in the study. There are several parametric and non parametric tests which are used like standard deviation, mean, coefficient correlation, T-test, F- Test, and Chi-square test.

V. THE QUESTIONNAIRE DESIGN

Primary Data- The first hand data is collected through the questionnaire and questionnaires are filled up by the stakeholders of the company.

Secondary Data- The data has been collected through the internet , Annual reports of the selected companies , newspapers etc.

VI. RESEARCH VARIABLES

The two research variables are used in the study -

1 .Dependent variable

2 .Independent variable

This variable measured by 11 questions based on Human resource accounting. The are as follows-

- a.. Which HRA approach is used by your organization.
- b. HRA provides numerical information about value of people in the form of organizational resources.
- c. HRA provides facilities for management on the historical cost of recruitment, and training for various aspects of human resource planning and providing facilities at the same time.
- d. HRA helps in deciding on investment in research and development.
- e. HRA plays an important role in the selection of personnel as it can provide information about future value to the organization of various job candidates.
- f. HRA is useful for managing decisions in respect of allotment /appointment for human resources in various tasks.
- g. HRA provides information that is necessary for decision making .
- h. In case of corporate mergers and acquisitions , evaluation of human assets is very important and can be done effectively by HRA.
- i. HRA system employees feel that there is improvement in the motivation , morale , commitment and loyalty of the valued and the employees.

j. The value of human resources and its organs is taken into consideration , the decision to invest , or to provide financial assistance /credit facilities is more meaningful.

k..HRA information is used to evaluate profit on investment on management development programmes.

6.3 The Most appropriate method of evaluation-

There are several methods like historical cost approach , replacement cost approach, opportunity cost approach and present value approach .So , In the questionnaire , It is asked which method is being followed in the organization and which seems to be most appropriate.

VII. RESEARCH FINDINGS & ANALYSIS

The findings of the research are-

Table 1. First Behavior: Mean amount allocated in Company A & B

Company Name	Mean	St deviation	St error	Percentage
A	8,435,129	724562	62765.2	82.2%
B	41,564,871	724562	62765.2	16.9%

Table 2. Second Behavior: Mean amount allocated in Company A & B

Company Name	Mean	St deviation	St.error	Percentage
A	35,455.117	724562	62765.2	69.9%
B	14,543,881	724562	62765.2	30.1%

In table 1 the mean amount allocated in Company A was 8,435,129 in First behavior and 35,455.117 in Second behavior. Furthermore, the mean amount in Company B was 41,564,871 in First behavior and 14,543,881 in Second behavior.

Table 3. Decision-making based on HRA between 2 groups-

Critical value of T	Calculated value of T	D.O.F	Sig.
2.863	16.424	160	0.031

In Table 3, T- Test was used. The critical value of T is equal to 2.863 and value of calculated T is equal to 16.424. It can be concluded as the value of calculated T is more than calculated critical value of T.

Table 4- The impact of background and experience on decision making.

Resource	D.O.F	Calculated value of F	Critical value of F
Regression	8	0.6970	1.99
Residuals	151		

The result of the table indicates that critical value of F with degree of freedom 8 and 151 and the alpha value of 5% is equal to 1.99. With regard to this, the calculated value of F is equal to 69.70 % .

Table 5-Correlation coefficient

Questions	Number	Coefficient of correlation	Sig.
A	161	0.49	0.020
B	161	-0.64	0.031
C	161	0.42	0.329
D	161	-0.22	0.087
E	161	0.58	0.124
F	161	-0.33	0.045
G	161	0.67	0.036
H	161	0.39	0.029
I	161	-0.67	0.031
J	161	0.74	0.025
K	161	0.16	0.426

In the table , different responses were given and different scores were correlated with the responses to each of the eleven HRA viewpoints .Using a one-tailed test , the results of correlations between different score of individual's viewpoint and HRA is shown.

Table 6- Compare between evaluation methods of HR.

Evaluation methods	Historical cost Approach	Replacement cost Approach	Opportunity cost Approach	Present value Approach
Means	2.4552	2.1221	1.8788	1.3232

In the table , According to the evaluation method, it states that Historical cost approach is more consistent with qualitative characteristics of accounting information.

VIII. CONCLUSION

With taking into account the results of study, there is an incremental impact on individual's decision making process with respect to HRA information. There is a relationship between the individual background and HR information and there is also a relationship between assessment of HR and HRA information. So we can say HRA is important and helps in the decision making process. It's also important to obtain the viewpoints of executives regarding the valuation of human resources and presentation of Human resource accounting information in the annual reports , as the annual report are the guiding force for planning budgeting , investing and organization performance for assessment in financial year. It is important that all the assets are mentioned in annual report correctly. Since human resources are one of the vital assets of the organization, hence it was crucial to understand whether the presentation of human resource assets leaves a significant impact in the annual reports .At last it is shown that several important test shows that attraction of investors vary from practicing Human resource accounting model to model and it is found that companies follow historical cost model more to put HRA figure in the annual reports effectively. It includes the recruitment cost , Training and development cost and cost of acquiring. This method has greater acceptability as compare to others. This study has shown the HRA data in context of Indian companies.

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