A Literature Review On Human Resource Accounting

Anjna Rani
Research Scholar,
Department Of Commerce
Kurukshetra University, Kurukshetra (Haryana)

Abstract
Human resource accounting is of recent origin and is striving for acceptance. Human resources accounting is an accounting analysis system and in the last decade a large body of literature has been published for setting the various procedures for analysis. At the same time from academicians the theory and underlying concepts of accounting measurement have received sizeable attention and a considerable body of literature has developed. The conventional accountings of human resources are not perceived as physical or financial assets. This paper reviews the literature available on the perception of human resource accounting. In worth, previous study have shown and debated various magnitudes related to valuing human resource. For accounting human resources, different models have been developed which are helpful to identify and report investment made in the human resource of an organization that are not presently accounted for under conventional accounting practice.

1. INTRODUCTION
Winds of change are exhaustive over the corporate landscape and there is an increasing urgency to cope with the continually changing forces of competition, technological development and new trend in the economy which has force to a growing awareness that productive utilization of human resource which is the key to organizational success. Human resource accounting is of recent origin and is striving for acceptance. Human resources accounting is an accounting analysis system and in the last decade a large body of literature has been published for setting the various procedures for analysis. At the same time from academicians the theory and underlying concepts of accounting...
measurement have received sizeable attention and a considerable body of literature has developed. The conventional accountings of human resources are not perceived as physical or financial assets. HRA is a management tool which is designed to assist senior management in understanding the long term cost and benefit implication of their HR decision so that better business decision can be taken. If such accounting is not there, then the management runs the risk of taking decision that may improve profit in the short run but may also have severe results in future.

2. OBJECTIVE OF THE STUDY
The main objective of the present study is to explore the literature review related to human resource accounting.

3. RESEARCH METHODOLOGY
This study is descriptive cum exploratory in nature. Secondary data is used for the purpose of the study. To develop this study in depth literature review has been used which is collected from websites, different books, previous research findings and from different libraries.

4. REVIEW OF LITERATURE
1st. Elias (1976) attempted to provide framework for analyzing the behavioral aspects of accounting methods. It was found that HRA due to its behavioral impact had a distinct effect on decision making. It had a potential impact for both functional and dysfunctional consequences which were different depending on the circumstances and management philosophy. All expenditures related to HR were considered to have been made for the acquisition and maintenance of human assets and are therefore capitalized. It was suggested to consider sunk cost in the various analysis of the company.

2nd. Fleming (1977) assessed the behavioral implications if a value for employee is published as an asset on the balance-sheet. For the purpose of the study a survey was done on faculty members and students, which was based on a questionnaire. It was revealed that 43% of faculty and 38% of students were against the statement that placing a dollar value on human being is an insult to their dignity and an equal percentage of faculty felt that it was not only an insult but also a way treating people as slaves or machines. 85% of students were against the discloser of information publicly related with individual.

3rd. Tsay (1977) analyzed the relevance of internal and external reporting in an organization. The mutual dependence of measurements & decisions was defined by considering some examples and found that the internal reporting was relevant of effective decision making. It was concluded that measurement can be proposed after considering its purpose. HRA measures proposed for financial reporting should be based on the general purpose of financial reporting.
Historical cost measurement was suggested as an appropriate method of measuring.

4th. **Stephenson and Franklin (1982)** gave a macro level perspective to human resource accounting by analyzing different HRA models which reinforced the practical implications of HRA in terms of real dollars and common sense for management. It was found that many companies have recognized the need for systematic assessment of the human element of the organization in quantitative terms for internal management purposes. It was invented that in the near future maximum corporations will be recording their human capital in the balance sheet.

5th. **Dawson (1994)** studied the distinction between prescriptive and descriptive approaches with regard to human resource accounting. It was found that both approaches have a useful contribution to make but prescriptive approach should not be confused with low quality descriptive approaches and that while the latter are to be deplored the former have a valuable place in management research.

6th. **Batra (1996)** calculated the HRA and auditing practices in selected public enterprises like BHEL, SAIL & CCI up to the period 1991-92. Primary and secondary data were collected for the purpose of study. This study suggested a model for measuring the value of human assets of these enterprises and found that HR valuation and audit activity could be helpful in improving the efficiency of human resources in the changing business scenario.

7th. **Flamholtz et. al. (2002)** explored the term HRA and implications of measuring human capital for financial capital and managerial use. It was also studied about the Swedish based HRA applications with respect to measuring human assets and intellectual capital including the Skandia Navigator illustrates the intellectual history and developments in business schools. It was revealed that HRA suggests a vehicle for improvement of management as well as measurement of HR. If HRA can demonstrate that improvement in HR management enhances profits, then managers will integrate human capital implications in their decision making to an enhanced degree.

8th. **Dhade (2005)** gave a macro level perspective to human resource accounting for succeeding in highly knowledge driven economy. It was concluded that companies should focus on intangible assets like human resources for future growth.

9th. **Theeke (2005)** in a study presented the positions and conclusions of scholars to support a proposition that the asset approach to human resource accounting has failed. The paper offered an alternative liability approach to account for and report human resources. The paper provided an argument and rationale to demonstrate that a liability paradigm would be compatible with normal accounting and reporting procedures.
10th. **Vedd and Kouhy (2005)** analyzed the role of management accountants in relation to strategic human resource management. The study was based on four case studies by using a grounded theory approach. It was found that three of the four cases, where there was particularly increased awareness of global competition, the organizations were developing strategic team leadership to face this challenge. The strategy for leadership and supervisory development programmes for the Royal Mail, Canada Post and Weycan tried to give employees the ability to understand cultural values and to develop organizational excellence. Further, it was concluded that management accountants in these four cases had several roles in relation to SHRM including contributing information and analyses for strategic planning (including competitive analysis), setting targets, decision-making, measuring performance (both financial and non-financial) and reporting (including benchmarking).

11th. **Theeke and Mitchell (2008)** in a study made an attempt to explore the implications of HR liability accounting paradigm including effects on financial statements, ratios, risk and management behavior. It was found a relationship between a firm value and the present value of HR expenses and recognizing HR expenses will tend to depress asset turnover and return on assets while inflating estimates of risk in the form of a higher debt ratio, lower cash flow coverage and higher degree of operating leverage.

12th. **Tracy (2008)** directed at analyzing the types and adoption of HR policies, practices and programs in the hospitality industry of Kenya that may be linked to a firm’s overall business strategy & helps to drive performance in the hospitality industry of Kenya. It was proclaimed that there is a need to develop a clear and strong alignment between the overall business plan and the HR function.

13th. **Catasus et. al. (2009)** conducted a study to measure the sensegiving cues encapsulated in models of reporting for human resources by investigating elements, arguments and formats of the model. The paper focused on the three discourses’ of HR reporting. It was revealed that sensegiving process is affecting by different sensegiving cues/models which have an ethical dimension.

14th. **Mamun (2009)** investigated the relationship between corporate characteristics and Human Resource Disclosure level in fifty five companies of Bangladesh. The relationships were determined using a HRAD Index under a number of hypotheses and found that companies averagely disclosed 25% of the total HRAD items. In this study, HRAD has been found significantly related with the size of the company, category of the company and profitability. However, HDAD was found in a condition not influencing the age of companies.

15th. **Seth (2009)** studied the concept of human resource accounting and various human resource accounting models, which have been adopted by a number of Indian enterprises to give information about human resource in their balance sheets, steps involved in calculation of human value using Lev and Schwartz...
model and its critical aspects, and lastly, concludes with suggestions for improvement in the field. It was revealed that the measurement and reporting of HRA in Indian Industry were in growing trend. Further, it was found that most of the Indian companies and corporations have followed Lev & Schwartz model for determining the value of human resources & HRA should have been flourished throughout the nation.

16th. Avazzadehfath (2011) checked the impact of human resource accounting information on the investment decisions and explored the factors that could interfere in the effect. Further, it was examined that which evaluation method of human resource was the most appropriate method consistent with Iranian companies in terms of qualitative characteristics of accounting information. It was revealed that human resource accounting (HRA) information disclosures in financial statements were relevant and affect on the optimal investment decisions. Original cost method was found to be the most effective and appropriate evaluating method of human resource consistent with current status of Iranian companies and institutions.

17th. Compbell and Helleloid (2011) conducted a study to analyze the adoption of IFRS in the organization and HRM practices by global accounting firms. Theoretical framework was the base of the study. It was found that there is a need to be part of the discourse surrounding the possible U.S adoption of IFRS. It was suggested that if global accounting regulatory standards are adopted then it would be much easier for staff to work trans-nationally, and much easier to meet regulatory standards regarding supervision when audit work was performed in different countries.

18th. Badiyani (2012) described the brief history and the popular models of assessing the value of human resources in the organization. It was found essential for an organization to consider its human resources as an asset. The gradual developments have been observed in the field of human resource accounting and new approaches and models were given. Different organizations were found using various models according to their need and the nature.

19th. Hosseini (2012) in a research studied the concept of human resource accounting and found that the promotion of human capital and its effect on different aspects of organization operation and in more extended level on economic and social development was not hidden for everybody. Promotion of this capital was found including a collection of competences for applying knowledge and skill for achieving to results of programs. Creativity, flexibility, capability of conducting, solving problem and making creative relation with others, job making and complex skill such as knowledge of manner of learning were the features embracing in the competences.

20th. Pandey (2012) analyzed HRA practices of fifty selected companies on the Nifty based of three years of annual reports. Content analysis was used for the study. It
was found that out of 50 leading companies of India only one (ONGC) company follows the HRA practices. Due to increasing importance of intangibles especially human resources, how to what extent these are reported is of utmost interest to a large number of stakeholders.

21st. **Ratti (2012)** calculated the value of human resources at different levels of organization and determined the human resource efficiency quotient taking the sample of fifteen Companies for the measurement of human resources. Primary data were used in the study. It was revealed that the value of human resources did not depend upon the number of persons employed.

22nd. **Cherian and Farouq (2013)** examined the relationship among HRA and organizational performance and a study was conducted on reviews in the field of Human Resource Accounting. It was found that company management and in addition to HR professionals were not willing to execute HRA. Further, it was revealed that organization faced several challenges during the HRA implementation but disclosures on human assets acted as evidence for wealth creation and helped in calculating the human resources capital, worth of management development and enhances the value of management accounting.

23rd. **Kesavan and Dayana (2013)** made an attempt to analyze the Human Resource Accounting disclosure in selected Indian companies. 20 companies were considered for the study, out of that only 6 companies (3 Public and 3 Private sector companies) were following Human Resource Accounting and Independent’t’t’ test was used to find the difference in the disclosure of Human Resource variables in selected Indian companies. A significant difference had been found between human resource disclosers of public and private sector banks.

24th. **Bloom and Kamm (2014)** conducted a study to aim at analyzing the human resource costs incurred by organization under U.S generally accepted accounting principles and reflect the impact of the Balanced Scorecard and recent literature on the valuation of human capital. The study concluded that superior performing companies recognized and reward their best employees to highlight the value of human capital.

25th. **Kaur et. al. (2014)** attempted to evaluate extent of HRA measurement and reporting practices of selected Indian companies. The study was aimed at analyzing these companies and ranks the companies on the basis of the extent of disclosure of HRA information in annual reports of companies. The study was based on exploratory research design and secondary data were collected for this purpose. It was revealed that measurements and reporting are highly subjective and the companies are trying to fit available model for the valuation of HR as per their own requirement.

26th. **Madhumalathi et. al. (2014)** identified the objectives of Human Resource Accounting and various HRA models which are need to arrive at HR value. It
also emphasized the application of HRA in various corporate sectors in India with special reference to Infosys. It was concluded that HRA in Infosys helped in identifying the right person for right job based on the person’s specialized skills, knowledge, capabilities experience etc. and proper initiation should be taken by the govt. for the measurement and reporting of such valuable assets. It was suggested to take proper initiatives by the government along with the other professional and accounting bodies both at the national and international levels for the measurement and reporting of such valuable assets.

27th. Sharma and Kumar (2014) compared the disclosers and practices adopted by selected public and private sector banks and revealed that public sector banks were disclosed more information related to the human resource practices than the private sector banks. Public sector banks were found disclosing some quality information of human capital related information.

28th. Sharma and Lama (2014) highlighted the growth and development made in the field of human resource accounting taking the examples of some Indian companies that made effort to value and account human resource in the financial statements. Further, the validity of the misleading financial statements was examined. The Indian companies were found conscious about various advantages of the HRA and for encouraging the development and application of HRA the Regulatory Bodies for Accounting Standards in both the National and International level have to focus on the measurement and reporting aspect of HRA and enforce sound standards for it.

29th. Stanko et. al. (2014) examined the history of human asset accounting and its feasibility in current financial reporting environments. Additionally, the importance of human asset accounting, different approaches toward human asset accounting, and how beneficial an accurate method could prove to be in financial reporting was demonstrated. It was revealed that as a forerunner to measurement the development of general quantitative & qualitative human capital disclosures, with real company examples, be included in a company’s sustainability reporting.

30th. Bullen and Eyler examined the international contributions made to the field of HRA considering the human capital, human resource metrics, intellectual capital, and organizational management. In results, a situation of growth was recorded in the field of HRA Along with advances in HRA theory. It was concluded that HRA gained positive effect overseas assignment on personal development. It was suggested to follow the international trends emerging in intangible reporting, capitalized human resource information, so that HRA can become more prevalent.
5. FINDINGS OF THE STUDY

i.) HRA termed as a vehicle for improvement of management as well as measurement of HR.

ii.) The measurement and reporting of HRA in Indian Industry are in growing trend.

iii.) Human resource accounting (HRA) information disclosures in financial statements were relevant and effect on the optimal investment decisions.

iv.) It was found that most of the Indian companies and corporations have followed Lev & Schwartz model for determining the value of human resources.

v.) Some organization faced several challenges during the HRA implementation.

vi.) The companies are trying to fit available model for the valuation of HR as per their own requirement.

6. CONCLUSION

In concise we perceived that a large body of theoretical and empirical research has been done on human resource accounting disclosures, human resource accounting models and measurement for assessing the human resources. Human Resource Accounting has fewer acceptances by business world. But previous study have shown and debated various magnitudes related to valuing human resource which defines that human resource accounting is inevitable for every business and these businesses should valuing their human resources. For accounting human resources, different models have been developed which are helpful to identify and report investment made in the human resource of an organization that are not presently accounted for under conventional accounting practice. On the behalf of accounting bodies, government agencies and regulatory bodies there is a need to come forward and issue guidelines of accounting in relation to disclosures being more objective and user worthy. The scope of the further study is in how the technology of HRA can be adapted and broadened to the measure of different types of intellectual property.

7. REFERENCES


Dr. S. Nirmala, Deepthy. K: A Study Of Cointegration Between Indian, American And Chinese Stock Markets


