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A CRITICAL APPRAISAL OF HUMAN RESOURCE ACCOUNTING MODELS

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Abstract

Rational use of human resources is vital for taking managerial decisions. Pronouncing qualitatively by dignitaries is the manifestation of the importance of human resources to the prosperity of an organization but very often, quantitative information with regard to their contribution is not recorded in books of accounts and does not find proper place in traditional accounting practices prevalent in India mainly due to inappropriately or insufficiency of their quantification. Human Resource Accounting being an information system considers human resources invested in business as assets and places their monetary values in books of accounts providing valuable information relating to human resources to all interested parties. In a developing country like India with abundant human resources, paying inadequate attention and keeping their contribution outside the financial picture of an organisation evidence the lack of transparency in books of accounts. With the advent of scientific management with emphasis on quantitative methodology to execute the effective utilization of all resources, the study aims at quantifying data relating to human resources and critically examining the models developed so far from the author's own perception to report its value for the management of organization. The study finds that there is no single model satisfying all the needs of a model. A great deal of further research work relating to application of a system of modified version of human resource accounting is of paramount importance for successful development of human resource.

Keywords

Human Resource Accounting, Traditional Accounting, Human Resource, Human Resource Accounting Model, Financial Picture

1. Introduction

The world economy is going through the stage of rapid changes. To adopt these changes in a smooth manner, the role of human resources cannot be denied as organisational strategies fail to work without an appropriate support of human resources. Of late, human resource development (HRD) has been the centre of attention of both academicians as well as practising managers and institutes all over the world and they have shown increasing interest in the application of the models, developed so far, into practice for taking effective managerial decisions. But unfortunately, failure of accountants to keep valuable contribution of human resource (HR) outside the financial record of an organisation is a serious obstacle for impressive management. Certain new dimensions like Human Resource Accounting (HRA) have been added to its domain. HRA envisages proper accounting for the costs incurred and presents worth of this important resource of an entity along with physical and financial resources essential for management. Traditional accounting practices prevalent in India have failed to incorporate the value of HR due to inappropriacy or inadequacy of their quantification. Thus, the emerging field of HRA has migrated knowledge across the artificial edification those have been exalted by scientific disciplines (Daft & Lewin, 2008). HRA is applied in accounting concepts and methods in human resource management and used in assessing, monitoring, costing and valuating tools for HR of every organization (Bavali & Jokar, 2014). Corporate attempts to fit suitable model for the valuation of HR as per its own requirements. Financial statement without human asset fails to exhibit actual financial picture of corporate and, thus, there is a strong need to invest in human resource (Rao, 2014). Although the technique of measuring human resources and development on the issue is still in developing stage, the subject has created a widespread appeal and potentiality. The present study is a modest attempt to review and appraise the major HRA models enunciated by the erudite authorities along with its necessity in the current scenario.

2. Deficiencies of Traditional Accounting System

Traditional accounting system fails to exhibit true financial picture of an organization as excepting a few cases, this system does not quantify data relating to its HR. Scientific management gives stress on the quantitative aspect of asset with a view to making most effective use of all assets and for developing models to explain its value for taking

managerial decision. The main drawbacks of traditional accounting system relating to human resources are as follows:

- Like other resources management needs information about the total investment in HR for the purpose of planning and control. But, traditional accounting system fails to supply such information.
- Expenses incurred on acquisition, training and development of human resources are actually capital expenditure in nature and as such assets from accounting point of view because they provide the organization long-term benefits. But unfortunately, traditional accounting system wrongly treats these expenses as revenue and accordingly shows on the debit side of profit & loss account.
- HRA measures and presents replacement cost and HR value of corporate essential for management. Traditional accounting system does not recognize talent, capability, potential, etc. of human resources. Consequently, high labour turnover, frustration among the working-men etc. are observed.

3. Identification of the Research Domain

Traditional financial accounting considers only the fixed assets and current assets as assets and records these in the books of accounts, but the real asset, i.e., HR as asset is outside its purview. Although, this accounting of human asset known as human resource accounting is well followed in the developed countries and there is much research about this accounting, still there is a gap in the literature on this area in developing and fast developing countries like India. There is no sufficient comprehensive study in the field of HRA. Till today many of the Indian corporate do not follow HRA and they are facing copious number of questions which are yet to remain unanswered like whether HR can be treated as asset and should it be shown on the face of a balance sheet?, how can one put its value?, which model is appropriate for HR valuation, etc. Although accounting professionals differ in their opinion for the valuation of HR and suggest different approaches for treating the most valuable asset of the organization, but unfortunately, there is no unanimity in the matter. In this backdrop, it has been felt necessary to make a comprehensive study to discuss about the rationale of HRA and to analyze the HRA models suitable to the management of the users making use of it so as to give the awareness about HRA and make benefits out of its' disclosures. The study contains the general cognition of the erudite authors relating to HR valuation models and the causes arresting the corporate from following the method for this purpose.

4. Objective of the Study

In the light of the deficiencies in the traditional accounting system, the present study extends the literatures by considering depth knowledge about HRA and various models available for valuation of human resource. The basic objectives of the study are:

- ❖ To discuss the rationale of human resource accounting;
- ❖ To make a brief study on the major important models suggested by researchers;
- ❖ To have a critical appraisal of the models; and
- ❖ To draw concluding observation in the context of availability of information and other considerations.

5. An Overview of the Literature

Very few studies have been undergone to improve the quality of HRA system in India. But the growth pace to create an impactful change in HRA system has become sluggish. Some of the research analysis of authors has been reviewed here. Badiyani (2012) in his study observed the importance of HRA for an organization and its gradual developments and new approaches. Different organizations followed models as per its requirement. Hosseini (2012) in his study found clearness about human capital development and its impact on organizational operation, economic and social development to everybody for solving problems and making relation with others. Ratti (2012) determined HR competency selecting fifteen companies at random for measuring HR and observed that the values of HR were not dependent on the number of staff serving. Cherian and Farouq (2013) while examining the relationship between HRA and organizational performance observed reluctance of the company management to implement HRA but disclosures on human assets evidenced wealth creation, management development, etc. Pandurangarao, Basha and Rajasekhra (2013) carried out a study to examine the methods and models of HRA pursued by the corporate in India and showed that few corporate follow the proper methods of HRA. Madhumalathi et. al. (2014) emphasized the role of HRA in corporate sectors in India with special reference to Infosys and concluded that HRA in Infosys helped in identifying the right person for right job. Sharma and Lama (2014) highlighted that Indian companies were found conscious about HRA and for its development; the Regulatory Bodies at both the National and International levels had to concentrate on HRA and compel appropriate standards for it. Stanko et. al. (2014) tested the feasibility of human asset accounting in current financial reporting environments. Further, they demonstrated importance and different approaches of human asset accounting in financial reporting system. They argued in favour of inclusion in a company's sustainability reporting the development of general quantitative and qualitative

human capital disclosure. Bavali and Jokar (2014) examined the existing models of HRA and concluded an organization cannot make progress disregarding human value and quantitative value in managerial reports. Kaur et. al. (2014) made an attempt 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 their annual reports. It was revealed that measurements and reporting were highly subjective and the companies were trying to fit available model for the valuation of HR as per their own requirements. Rao (2014) argued that financial statements without taking into consideration the concept of human asset does not provide a true picture of firm's position. Employees develop the competitive advantage of their firms. Thus, there is a strong need to establish an investment perspective for HR which makes it mandatory to evaluate returns from investment made in human resource. Also, treatment of employees as assets provides them with a sense of job security and hence, it acts as an employees' morale booster. Ikpefan et al. (2015) agreed in their sample study that HR expenditure should be capitalized and treated as assets rather than written off to profit and loss accounts. But, Ravichandra et al., (2015) opined that the critical question arises whether HR satisfy the test to be classified as assets.

6. Rationale of Human Resource Accounting

Prosperity of an organisation is considerably dependent on HR. Rationale behind introducing HRA lies in the fact that treating HR as physical assets should be disclosed on asset side of balance sheet. Failing to do so in balance sheet in traditional accounting system indicates lack of reliability of the financial picture. Recognition of HR as asset in HRA removes the obstacles of traditional accounting practice and reflects the actual financial position of an organisation. HRA deserves the following merits:

- Any change in the investment in human resources affecting the earning capacity and growth of an organisation cultivates the concept of human resource accounting in which assets status is accorded to human resources and accordingly brought into account like other assets.
- HRA first justifies the truth that acquisition, training and placement costs of HR for productive purposes are capital in nature.
- Expansion of building, plant & machinery etc. obviously leads to enhancement in HR. Hence, information in the form of HRA is necessary.
- Additional information in the form of HRA inspires the shareholders and creditors to make long-term investment with confidence.

- Cordial relationship among the employees in an organisation is possible only when management realizes the importance of contribution made by the employees and workers in an organisation. HRA is a useful tool in detecting the spirit of labour turnover, return on investment and utilisation of potential capacity of an organisation.
- HRA helps in solving industrial disputes; it helps in collective bargaining process as management representative can put forward data in systematic manner.
- HRA helps in proper planning of HR.
- HRA supplies shareholders and stakeholders sufficient information to the organization useful for determining profitability and stability of such organization.
- It provides the organization information about the adequacy or inadequacy of HR.
- Employees valued such will start thinking themselves as asset leading to more commitment on their parts towards the achievement of the organizational goal.
- With HRA, management is well equipped to take rational managerial decision to move the organization forward.

7. Methodology

The study being theoretical and conceptual, a simple methodology has been followed. The opinion expressed in this paper reflects the author's own perception and the opinion of some reputed authors to some extent. Despite regulatory disclosure requirements prevailing in India, corporate sector usually provides favourable information to the decision maker mostly in a traditional format. This paper highlights the rationale of HRA and attempts to provide different interpretations of the models, criticising strongly for their dependences on unrealistic assumptions. Data for the purpose of the study has been collected from websites, different books, previous research findings, journals, etc. It also attempts to examine the deficiencies of the traditional accounting system. This paper does not seek new solution to the underlying problems facing HRA, it may, however, shed some light on the theoretical development of HRA models. The study is expected to provide penetration and a basis from which anybody can test their current practices and seek to nourish them in terms of providing better understanding of the interaction between corporate sector and HRA. More and more emphasis is ascribed to HRA models as this is supposed to be the crying need of the day. The study is organized into fourteen phases. Firstly, Introduction has been given followed by several phases: Phase-2: Deficiencies of the Traditional Accounting System; Phase-3: Identification of the Research Domain; Phase-4: Objective of the Study; Part-5: An Overview of the Literature; Phase-6: Rationale of Human Resource Accounting; Phase-7: Methodology; Phase-8: Discussion; Phase-9: Analysis; Phase-10: conclusion; Phase-11: Concluding

Comment; Phase-12: Recommendation ; Phase-13: Future Research Scope and Phase-14: Acknowledgement.

8. Discussion

8.1 Human Resource Valuation Models

Considering the rapid changes in the global economy, the role of HR is crucial as organisational strategies are not much willing to work without due support of HR, especially in terms of issues relating to its implementation. Estimating or measuring HR is a complicated task; yet, various HRA models or approaches have been promulgated to estimate the monetary value of HR as assets in an organization. Notable among them are explained briefly in the following paragraphs:

8.1.1 Historical Cost Model/Approach [Likert, Reusis, 1967 & Pyle, W. C., 1970]: – Under this model developed by Rennis Likert and his associates Pyle, the actual expenditure incurred on advertising, selecting, recruiting and training the labour force is capitalised and amortized over the period for which the employee remains in the organisation. The unexpired costs are considered to be the investment in HR. Due to death or retirement of employee, human asset becomes useless and the remaining is charged off against the current earnings.

8.1.2 Replacement Cost Model/ Competitive Bidding Model/Opportunity Cost Model [Hekimian, J. J. and Jones, C. H., 1967]: - This model suggested by Hekimian and Jones, a simple variation of the ‘Historical Cost Model’ values HR at their current replacement cost instead of the cost of acquisition (i.e. historical cost). This model is useful for scarce HR having alternative uses. The price at which other division or department is willing to pay in a competitive bidding against which the present employment is chosen is taken as opportunity cost of that particular HR.

8.1.3 Standard Cost Model [Kolay, M. K., 1987, Horngren, Charles, T., 1967 & Lynch, Richard, M. & Williamson, Robert, W., 1973]: -This model suggests determining standard cost for recruitment, training and development of different categories of labour and applying the cost so determined for all those employees in an organisation and aggregating it as the investment in HR for the organisation.

8.1.4 Economic Valuation Model [Brummet, Lee, R., Flamholtz, Eric, G. & Pyle, William, C., 1968]: The theme under this model is the aggregate of the services expected to be derived from employee are capitalised. Under this model, the present value of the expected future services of employees during the total tenure of the employee’s association with the organisation is taken into consideration for valuing HR. The employee’s probability of

departing from the organisation before the due date is also considered here. The total expected service of an employee in an organisation is obtained as under:-

$$E(S) = \sum_{i=1}^n S_i P(S_i) \quad (1)$$

$E(S)$ > Expected total service value;

S_i > Service expected to be derived from each state to be occupied by the employee;

$P(S_i)$ > Estimated probability of the expected service being actually derived.

This model is thought most rational as it makes provision for an *ex-ante* economic value of HR.

8.1.5 Present Value of Future Earnings Model: - Present value model seeks to measure HR on the basis of total future earnings of the entire labour force up to the date of retirement and then discount at the cost of capital rate for the organisation. On this basis, the following HRA models have been emerged e.g. i) Lev and Schwartz Model; ii) Jaggi and Lau Model; iii) Flamholtz Model; iv) Certainty Equivalent Model and v) Aggregate Payment Model.

8.1.6 Lev and Schwartz Model [Lev. B. & Schwartz, A., 1971]: - Based on economic concept, B. Lev. and A. Schwartz in their model opined that the value of human capital represented by an employee of age is the aggregate of the present value of employee's remaining future earnings discounted at certain rate. The formula proposed: -

$$V_r = \sum_{t=r}^T \frac{I(t)}{(1+R)^{t-r}} \quad (2)$$

V_r > Value of an individual 'r' years old.

$I(t)$ > Individual's annual earnings up to the retirement.

(t) > Retirement age.

R > Discount rate.

8.1.7 Jaggi and Lau Model [Bikki, Jaggi & Lau., 1974]: - The proposed model of Jaggi and Lau requires valuation of HR on homogeneous group basis rather than on individual basis. The formula for computing value of HR: -

$$TV = (N)r^n(T)^nV \quad (3)$$

TV > Column Vector i.e. current value of employees in each rank.

(N) > Column Vector i.e. number of employees currently in each rank.

n > Period of Time.

r > Rate of Discount.

(T) > Rank transitional matrix i.e. probability of an employee in each rank within the organisation or termination subsequently provided employee's current rank.

(V) > Column Vector i.e. economic value of an employee of rank 'i' during each period.

This method simplifies the calculations by considering groups of employees for valuing HR.

8.1.8 Flamholtz Model [Flamholtz, Eric, G., 1971]: - Flamholtz Model suggested present worth of expected realisable value is the ultimate measure of an employee's value in an organisation. Movement of employee from one place to another being a stochastic process, an employee creates value for an organisation occupying varied positions and rendering services. The formula expressed for this model: -

$$\sum(R_v) = \sum_{t=1}^m \frac{\sum_{i=1}^m R_i P(R_i)}{(1+r)^t} \quad (4)$$

$\sum(R_v)$ > An employee's expected realisable value.

R_i > Value 'R' to be derived by the organisation for each position 'i'.

$P(R_i)$ > Probability of an employee occupying position 'i'.

t > Retirement time

m > State of exist.

r > Rate of Discount.

8.1.9 Certainty Equivalent Model [Ogan, Pekin., 1976]: - Pekin Ogen suggested in this model to introduce certainty factors as the valuation of 'net profit' is surrounded by many uncertainties. The net benefit multiplied by certainty factors gives the value of HR.

8.1.10 Aggregate Payment Model [Chakraborty, S. K.]: - S. K. Chakraborty in his model suggested for averaging calculations e.g. tenure of service, salary, return on capital employed, etc. This model avoids wide fluctuations in the valuation of HR from time to time.

9. Analysis

9.1 Critical Appraisal of Models

The previous phases are concerned with the major important models of HR valuation. A critical examination of different models shows that in some aspects they are found to be similar while in some other aspects they differ. Let us examine them for suitable application in an organisation.

9.1.1 Historical Cost Model

Value at present of the services expected from employees during their stay with the entity equals the amount spent for their selection, training etc. It enables the firm to compare the cost incurred in developing HR and the benefit derived from them. But it becomes difficult to estimate the duration, volume or magnitude and values of such services because nothing has been clearly defined on these aspects. It takes into account only the cost incurred not the potential service value HR is likely to perform later. Discount factor necessary for the capitalisation of service value is ignored in this model. Experience and loyalty of an employee to an organisation making HR more valuable cannot be measured in terms of cost.

Although the model provides an objective measure of the HR, it cannot serve the purpose as it fails to supply an indication of the services expected to be derived from them in future.

9.1.2 Replacement Cost Model

The current value of HR becomes more realistic than putting them at the historical cost in financial statements. The potential value of the labour gets indirectly included if the estimate is made at replacement cost. With the rapid change in technology and economic scenario, it attempts to incorporate the impact of advancement in production methods. But the cost of replacement by a new combination is not highlighted here. Replacement cost of valuation of asset is against accounting convention of valuing asset at historic cost. It is also difficult to estimate replacement cost of varying categories of labour with different levels of services and experiences. This model cannot be applied in practice due to lack of objective information on the replacement cost of employing the present set of employees.

9.1.3 Competitive Bidding Model/Opportunity Cost Model

This model also suffers from the consideration of the value and volume of services, discount factors, etc. At present, multifarious activities are required to be performed for smooth functioning of an organisation and also specialised training is imparted to employees to make them suitable for particular department as per to its peculiar need. They are not developed with the object of making them competent for bidding. Thus, the application of the model does not appear to be feasible. It is clear that HR having no alternative use or scope of employment cannot command any value under this method.

9.1.4 Standard Cost Model

This model is easy to apply but the setting up of standard cost for different types of labour force becomes a difficult task.

9.1.5 Economic Valuation Model

This model is logically sound as it considers the benefit derived from the labour of the employees; but the benefit derivable from such labour may not always be equal to the sacrifices made to acquire the services. It may be higher or lower than the emoluments paid to them. Further, it is very difficult to have an objective and separate measure of the value of services of individual employee. Owing to the difficulty of quantifying the benefit, it is not easy to apply the method for measuring the HR of an organisation.

9.1.6 Present Value of Future Earnings Model

This takes future potential productive powers of HR into account but fails to take into account mobility of labour from one position to another and the employees leaving the organisation and new recruits coming in.

9.1.7 Lev and Schwartz Model

This model can be contemplated in a better way than the cost model as it requires valuing HR taking economic value of employees of an organization. However, excepting death and retirement the model does not consider the possibility of an employee's departure from the organisation. Further, the assumption that the employee will adhere to the same level in future is unrealistic as it rules out the possibility of promotion, demotion, transfer, etc. A critical look at HRA system reveals that the unrealistic assumption of an employee's not leaving the organisation prior to retirement or death or transfer is subject to strong criticism.

9.1.8 Jaggi and Lau Model

The model of Jaggi and Luis is an attempt to ease off the calculations of valuing HR by considering groups of employees as valuation base. But, this model faces difficulty in collecting reliable and authentic information.

9.1.9 Flamholtz Model

This model takes into account the possibility of employees' movement from one position to next higher position, employees' leaving the working place, expected realisable value from an employee. As it deals with futurity, the model is said to be scientific; but from practical point of view, collecting authentic data would be tremendously expensive and time consuming and will involve large variance reducing its usefulness (Raman, Arulanandam).

9.1.10 Certainty Equivalent Model

By introducing certainty factors, this model tries to give the value of HR.

9.1.11 Aggregate Payment Model

This model has the merit of ignoring wide variations in the process of valuing of HR over time. Various costs like recruitment, training, labour development, etc. are to be shown as deferred revenue expenditure and excluded while valuing HR. Exhibiting HR under "Investments" instead of "Fixed Assets" is a better approach.

10. Conclusion

10.1 Concluding Observation

Based on the above discussion relating to the concepts and models HRA, it can be inferred that actually most of the models appear logically sound in appropriate cases, but it is not possible to apply all the models in practice for lack of sufficient data and inability to have objective measurement. Thus, while cost based HRA system are severely restricted in the range of their usefulness, within that range, they can be quite worthwhile; furthermore, the applicability of existing accounting techniques suggest that such an approach can serve as

logical starting point, and an replacement cost be viewed as representing a bridge between historical cost approach and economic value approach. The evaluation of HRA and HR value accounting and different approaches therein suggest that there is not yet widely accepted technique for the valuation purpose of HRA. Valuation is a problem not only in HRA but is still an unresolved and controversial topic in conventional financial accounting also. It is true that historical costs, and more appropriately replacement costs, appear to be most feasible and usable system in HRA. But HR value accounting recognizes “value” of employees in an organization and therefore, it would prove more useful to both management and external users. As no single model fulfils all the needs of corporate and other interested parties, necessity arises to develop a valuation model which should not be strong only in theory and concept but should meet criteria of understandability, usefulness, feasibility, and reliability as well. Uniform method (Gebauer, 2003) is difficult to follow because different countries’ needs are not same and alike. Further, manufacturing firms and auditing firms associated with different objectives are not expected to follow the same HRA models; management may also manipulate HR by using impressionable information for their own interest. A few critics also strongly object to showing HR as assets in the corporate. Thus, several criticisms and challenges arrest the progress of HRA (Okpala & Chidi, 2010). On the other hand, Present Value of Future Earnings Models like Lev and Schwartz Model, Flamholtz Model, Jaggi and Lau Model, Certainty Equivalent Model and Aggregate Payment Model also have respective characteristics and peculiarities in their respective fields. So, management needs to be fully focused when applying HRA and to consult HRA specialist to coordinate the whole process and design the suitable model for HRA measurement in the organization, also a follow up staff should continue the process and provide proper auditing to avoid manipulation. Moreover, determining ‘probabilities’ for each individual occupying various services would be tremendously expensive and time consuming which may involve large variance reducing its usefulness. Some researchers emphasized that there is a lack of organizational support for the voluntary attachment of HRA and clear cut idea about the reporting standards of HR. Although there is no precise evaluation measure to assess HR, the study has evidenced importance for valuing HR defining that HRA is vital for corporate and every corporate should make necessary arrangement to value its HR on continuous basis for effective decision making.

11. Concluding Comment

The foregoing analysis shows that no single model can satisfy every requirement for valuing HR development. HRA is a developing subject. Various approaches and models are

the contributions of different authorities on the subject. Due to problems in the application of HRA, this accounting is not yet popular. Overall, even valuing HR is significant to the corporate sectors in India, they do not properly value and plan these resources for their corporate and as such, satisfactory progress in the field of HRA is yet to come. For successful implementation of HRA at both the theoretical and practical levels, a great deal of investigation is of urgent need taking HR along with accounting professionals which is expected to be of considerable help in the progress of HRD.

12. Recommendation

The trend to satisfy the legal compulsions through the current disclosure norm needs amended. Impact of HR to the organisation and functional impact of the organisation towards the resource will be ascertained and accounted. The prosperity of an organisation is very much dependent on the quality workforce in every sphere. Intellectual assets are knowledgeable creation of HR on which the organisation can assert ownership [Sullivan, Patrick, H., 1994]. An exercise of HRA can help managing intellectual asset management programs in taking decisions in the area of human resource management. A close scrutiny of different HRA models reveals that accountants may well concede the theoretical validity of recognising human capital as an asset for making decision and reporting financial information but they find major stumbling block in the need for objectivity as the first criterion to an accepted method for the valuation of human assets. Every accountant must be constantly alert to have the possible applications of new measurement methods to develop additional quantifiable information for external users. The company giants are reviewing their management style. Standardised techniques, mobile global funds, etc. can yield better result only when there is a fusion with the human race. **Mobilise the human resource, Retain the human resource and most importantly, Account for the human resource.** To evolve a technique of valuation of HR, revelation in the annual report and the general acceptability as accounting practice (GAAP) is the real challenge for the researchers, management consultants and practising accountants. In Indian context, only a few reputed organisations follow the model suggested by Baruch Lev and Aba Schwartz as this model emphasises on the capitalised value of remuneration payable to the employees. This model may, thus, be regarded as a better approach for evaluation than others because it provides a surrogate measure of value of HR on the basis of estimated future earnings of the employees in an organisation. **Let us hope HRA will bring one of the major innovations in accounting and control in near future.** The following are the summarized recommendations:

- ✓ Accountants should develop proper techniques for valuation and disclosure of HR in the financial reports.
- ✓ Employees should be considered as assets of the business at any cost. A corporate should assess its needs and invest in acquisition, maintenance and development and allocate these vital resources to the divisions and projects where their contribution is highest.
- ✓ From profit and loss, HR be highlighted in due place in accounts if HR are recognized as assets or valuation of HR as assets.
- ✓ There is an urgent need for evolving a uniform system of HRA acceptable to professional accountants, managers, decision makers, investors, creditors and other stakeholders as the improvement of management of HR automatically brings both quantity and quality services.
- ✓ Imperfect convention inadequate to measure and report the cost of human capital should be replaced with a perfect convention of time valuation which accounts for and reports HR as asset in the book. This increases managerial efficiency and ensures shareholders' value maximization.
- ✓ The longevity of employees should be taken into the policies of recruitment process, staff training and welfare activities for ensuring their continued service in the organization.
- ✓ Computerized human resource information system (HRIS) can solve intonation and other problems relating to computation of HRA system.

13. Future Research Scope

To make HRA popular and practical, modified version of HRA should emphasize quantitative presentation not only qualitative presentation. Hence, further study relating to the application of HRA system can help considerably towards the progress of HR. It being a fertile area, further research and validation is required. It may lose some of the ingredients of accounting but may acquire a new name. Further research scope lies in the adaption and broadening of different technologies for the measurement of HR. Slow progress of research study in the area of HRA system is also due to this reason. Although most of the studies have been carried out on HRA recently in India, there is a paucity of such studies with depth knowledge about HRA models. More study for the development of HRA models is difficult due to dearth of depth knowledge, cooperation and implementation which will obviously increase cost of operation. Search for added values leads us invariably back to, evaluating and enhancing the tangible assets to the business, particularly HR; but, considering the benefits of HR value, there is a need to spread awareness about the implementation and benefits derived

from HRA practices among both the employers and employees and consensus regarding the best valuation model for the measurement of HR, an appropriate discount rate, best method for determining the future earnings, benefits derived from employees by the firm, more recognition of HRA practices by governmental organizations, tax authorities and International Accounting Standards Board. In the coming millennium, drastic changes are expected to be incorporated to the body of accounting knowledge and HRA can be used as a strategy for decision-making.

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