



The Presence of Reporting Standards in Recognising the Human Resource Accounting

Gopika M.S. Nair, Research Scholar, PG Department of commerce and research centre
Ratheesh R., Ph.D., PG Department of commerce and research centre

Mar Ivanios College (Autonomous), Nalanchira, Thiruvananthapuram, University of Kerala, Kerala, INDIA

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Authors

Gopika M.S. Nair
Ratheesh R., Ph.D.

shodhsamagam1@gmail.com

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ABSTRACT

The human resource accounting is a new concept with immense opportunities. This system is a result of various studies and researches conducted by the experts. All the experts and researchers strongly argued that the human resources are inevitable source of asset to the organisation and it should be properly replenished by the management. In traditional accounting practice there is no particular classification for human resources. This paper reviews the relationship between human resource accounting and reporting standards. In fact, previous study have shown and debated various magnitudes related to valuing human resources. In conventional accounting practices, assets are classified as both tangible and intangible. The reporting standards always try to transparent the transactions in the organization and it provides a unique feature for all the disclosure practices. Therefore the purpose of this research is to understand in how extend the reporting standards boosts up the better implementation of human resource accounting.

KEY WORDS

Reporting Standards, Human Resource Accounting, Disclosure Practices, Human Resources Valuation.

INTRODUCTION

The human resources are precious resources in the context of human resource accounting. Human resource accounting involves accounting for costs related to human resources as against to traditional

accounting practices. The introduction of globalisation and paves ways to human resources and it consider the human resources as a valuable asset of the organisation. And nowadays human elements are most important for the success of the organisation. The HRA practices also helps the succession planning, where the proper education and training to an employee always have a positive outcome. (Rani, 2016).

The strong growth of International financial reporting standards (IFRS) encourages the consideration of alternative measurement and reporting standards and lends support to the possibility that future financial reports by the human being, through a direct way like direct labour, or indirect way through automation that can be considered as a product of human being effort, thus HR in the business are the source of value added, by managing, using, assets and resources that guaranteed overstating and increasing the owners equity through returns on assets. (Jamal Jaarat, 2013).

The all other resources in an organisation are performed by the hands of human resources. For securing the effective utilisation of human resources there is various methods like motion study fatigue study etc. are introduced by the experts. All these principles claims that the organisational resources would be better it handles through properly. So the human resource accounting got recognition here. In this accounting practices the cost related to the human beings are accounted properly.

This research work tries to make an appraisal on human resource accounting and its future to the disruptive business transactions. This paper also aims to take an effort to find the relationship between reporting standards and effective implementation of human resource accounting.

Review of Literature

(Jamal et al., 2003) studied that, Government regulation of financial reporting by publicly listed firms, coupled with a punitive regime for violation of generally accepted accounting principles (GAAP), they argued that the public listed companies are directly responsible to the public and Government therefore their transaction should be transparent in nature. For assuring that transparency they might to adopt reporting standards.

(M. L. Bullen & Eyler, 2004) Note that Human Resource Accounting (HRA) involves accounting for expenditures related to human resources as assets as opposed to traditional accounting which treats these costs as expenses that reduce profit. The IFRS emergence plays a crucial role in the expenditure related measures. The expenditure related with human resources must be properly accounted and clear off.

(Albu & Albu, 2012) investigated that, International Financial Reporting Standards (IFRS) are a reference point for the modernisation of accounting models in emerging economies. The emerging economies face lots of threats as well as they posses' immense opportunities. The organisational success depends on the conversion of those threats into strong points. The adoption of reporting standards provides a new way to the transparency.

(Jamal Jaarat, 2013) explored by the human resources considered as the most important resource in every entity, because it represents the resource that controls and directs the other resources, but at the same time the organisations does not provide the needed carefulness to the inevitable human resources. It is the fact that the human resources force all other resources in the organisation in a better way.

(Rao, 2014) gives an impression that, Accounting is crossing its borders and developments of multinational corporations supports the proper treatments of the account ting system. The transparent nature of accounting transaction can satisfy the stakeholders of the organisation. The satisfied stake holders are also the assets the organisation. Everyone push up the important of accounting but no one cares about its proper implementation. So reporting standards provides a unique nature to all the transactions.

The above discussed literature reviews are reveals that human resource accounting is a new concept and its play a major role towards the decision making process of the management. The proper recognition and measurements of transactions and disclosure practices are only possible trough formal standards. Here the relevance of reporting standards lies.

Objectives

1. To study the concept of human resource accounting in detail.
2. To study the impact of reporting standards for the better practice of human resource accounting.

Methodology

The study entitled “How Important Is Reporting Standards for the better practice of Human Resource Accounting.” is descriptive in nature. Secondary data is used for the study. Data regarding the human resource accounting and reporting standards are collected from various published and unpublished sources.

Data Collection

Human resource accounting is an area where the importance lies on the human resources in the organisation. In this concept the employees are treated as the valuable resources. The reporting standard tries to make a comparison towards the transaction and implement a transparency. In this article the data are presented through three major headings. They are as follows;

- I. Introduction to Human Resource Accounting.
- II. Human Resource Accounting and reporting standards : an overview
- III. Human Resource Accounting and IFRS.

Human Resource Accounting: An Introduction: Human Resource Accounting (HRA) is a concept of accounting where the crucial element focusing on human beings. The stakeholders can get the information directly from the organisation. It will create a good image for the business enterprise. The human resource accounting is a management tool for better decision making in order to achieve cost effective organizational objectives.(Kashive, 2013)

The human resource accounting always provides useful information about the human capital in the organisation. Therefore the decision making process of top level managements become easier. It can light up through the strengths and weaknesses of employees in the organisation. Human resource accounting facilitates the management to evaluate the HR policies and practices of the organization. The management aims through the HR accounting is that it would provide cost value information about acquisition, developments, allocation and maintenance of human resources so as to achieve organisational goals in the effective manner. It also can be said that the information provides by HRA enables management to control various types of human resources costs and, in turn, help improve the profitability of the organisation.

Human Resource Accounting and Reporting Standards: An Overview: Everyone knows the significance of accounting but no one cares about the importance of accounting standards. When we follow these accounting rules the outsiders can also understand all the transactions. The reporting standards maintain all the stakeholders such as shareholders, employees, Governments, creditors and suppliers and also customers on the same way. The crucial point is that evaluation that is when all the business follows same accounting rules and regulations then the evaluation process become easy.

Some observations also prevent the organisation from unauthorised transactions and malpractices. Always the company recognised the human resource as an intangible asset and it also possess a certain degree of variable cost such as expenses incurred for training and induction programme. The human resource accounting always gives importance to the organisational employees, they are treated as emerging resources and it will helps the prevention of skill obsolescence, reductions in career improvements and employee health etc. instead from cost perspective.(Rao, 2014)

The theories of human capital are primarily depends on economic theories. The human beings here are employees and the labour rules and regulations are also mentioned there. Accordingly the proper education and training to employees improves their productivity and career advancements. This would attract the human beings for work harder. It always beneficial to both employees as well as the organisation.(Danaei et al., 2014)

Human Resource Accounting and International Financial Reporting Standards:

Without a formal standard like International Financial Reporting Standards, the business enterprises could present and interpret the financial information in its best way. The time value of money and present value of money calculations are much easier towards the standards setting. It would help the proper accounting of the transactions. (Luecke & Garceau (2001, p. 57) shows that the traditional methods have its own limitations, therefore the cash flow method is much more better.

The International Accounting Standards Board (IASB) take an emerging initiative for the development of reporting standards. Prior to 2001, the International Accounting Standards Committee (IASC) issued International Accounting Standards (IAS), which were adopted initially by the IASB when it replaced the IASC currently there is no fully fledged standards for human resource accounting, and it would be a major limitation.. It is to prescribe the entity should carefully check whether the assets carrying amount should not be more than the ordering value..(M. Bullen & Eyler, 2010)

CONCLUSION

The discussions bring into a conclusion that, Human Resource Accounting (HRA) involves accounting for the company's management and employees as human capital that provides future benefits. It is a strongest point to achieve cost effective organizational objectives. While the IFRS do not currently have standards requiring HRA, it could be strongly suggests the experts that they are moving closer to providing more manageable and effective approaches to accounting treatments and disclosure practices. However, in recently the adoption of the IFRS by many multinational companies has been strongly argued for materialising these human resources as a valuable asset for the organisation. So consideration of international reporting standards for the better practice of human resource accounting is expected immediately with strong foots

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