

# CORPORATE ACCOUNTING-II

Prepared By  
Sowmya R P  
Assistant Professor  
Department of Commerce  
IV Semester

# HUMAN RESOURCE ACCOUNTING

HRA is the process of identifying, and reporting investments made in the human resources of an organization that are presently unaccounted for in the conventional accounting practice. It is an extension of standard accounting principles. Measuring the value of the human resources can assist organizations in accurately documenting their assets. In other words, human resource accounting is a process of measuring the cost incurred by the organisation to recruit, select, train, and develop human assets.

# OBJECTIVES

- ◉ To furnish cost value information for making proper and effective management decisions about acquiring, allocating, developing, and maintaining human resources in order to achieve cost effective organizational objectives.
- ◉ To monitor effectively the use of human resources by the management.
- ◉ To have an analysis of the Human Asset, i.e. whether such assets are conserved, depleted, or appreciated.
- ◉ To aid in the development of management principles and proper decision making for the future, by classifying the financial consequences of various practices.

# METHODS

- ⊙ Cost approach
- ⊙ Replacement cost approach
- ⊙ Present value of future earnings
- ⊙ Expense model
- ⊙ Model on human resource accounting

# LIMITATIONS

- ⦿ There are no clear cut and specific procedures or guidelines for finding costs and value of human resources of an organization. The systems that are being adopted all have certain drawbacks.
- ⦿ The period of existence of human resources is uncertain and hence valuing them under uncertainty in the future seems to be unrealistic.
- ⦿ The much needed empirical evidence is yet to be found to support the hypothesis that HRA as a tool of management facilitates better and effective management of human resources.
- ⦿ Since human resources are incapable of being owned, retained, and utilized, unlike physical assets, this poses a problem to treat them as assets in the strict sense.
- ⦿ There is a constant fear of opposition from trade unions as placing a value on employees would make them claim rewards and compensations based on such valuations
- ⦿ In spite of all its significance and necessity, tax laws don't recognize human beings as assets.
- ⦿ There is no universally accepted method of the valuation of human resources.

THANK YOU