

HRA Practises and its Effect on the Business Organisations

Prof. Rekha D. M¹, Pavithra G R²

¹Assistant Professor, ²Student

^{1,2}SRJ PU College for Women, Department of Commerce, Bangalore, Karnataka, India

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HRA it is process of recognizing, measuring and communicating useful information relating to human resources in every organization human resources is Play important role without human resources nothing will be happen. In company human ability made successful in a short of time. In organization follow the HRA reporting there calculate cost and value of human resources this will be help to make efficiency and effective human resources manager in organization.

Definition

According to Prof. Sidney Davidson, "Human resource accounting as a term used to describe a variety of proposals that seek to report and emphasize the importance of human resource – knowledgeable, trained and loyal employees-in-a company 's earnings process and total assets".

The American accounting association committee on HRA has defined human resources accounting as "the process of identifying and measuring data about human resources and communicating this information to interested parties"

Objective of HRA

- To provides quantitative information on human resources which will help the manager as well as investors in making decision.
- To identify the challenges and how they treat human resources of an organization in HRA practices.
- To study the human resource accounting practices.

ABSTRACT

Human resource accounting it is the process of identifying, measuring the data about human resource. It is highly complicated in the today's market find well knowledge, coached and highly motivated people. But human resource is most important in any organization for work in efficiency and to effective work of human with the machine efficiency. And it is worth and capital investment. It is helps to invest the investors of the company. The article highlights the significance of human resource valuation and methods to measure the human assets value. The article depicts the advantages of the human resource accounting.

Keywords: human resource accounting, HRA challenges, issues, practices and valuation

INTRODUCTION

HRA is used to measure the performance of all the people in the organization, and when this was made available to the stakeholders in the form of a report, it helped them to take critical investment decisions. Human resources accounting is the process of investment reporting and identifying made in the human resources of an organization. It measures the cost of employee in recruit, cost of hiring, training and developing of human beings and also HRA practice in who have large number of human beings work in organization.

- The value of human resources at different level of organization.

Human resource accounting practicing companies in India

HRA has been contributed many benefits of the organization. But many different industries its application and development has not been encouraging because Indian companies act 1956 it does not provide any scope in financial statement. Both public and private, value their human resource and report this information in their annual report. The companies, who are presently reporting human assets valuation, include:

The Indian companies like ACC, CCI, EIL, MRL, OIL, and PEC have adopted economic valuation concept and accepted the model suggested by Lev and Schwartz with refinements suggested by the Flamholtz, Jaggi and Lau. Companies like CFSL, GTL, HPCL, HZI, IDPL, INFOSYS, KRI MECON, MMT, NTPC, ROLTA, SAIL, SPIC, and STC have adopted the Lev and Schwartz model (1971) of economic value and have used an employee's anticipated future earnings as a surrogate of his value. Whereas company like BHEL has developed its own valuation model considering the original model of Lev and Schwartz as a base model.

1. Bharat heavy Electrical Ltd(BHEL)
2. Steel Authority of India Ltd (SAIL)
3. Oil and Natural Gas Commissioning (ONGC).
4. Oil India Ltd

5. Project and Equipment corporation of India,(PEC).
6. Engineers India Limited.
7. Mineral and Metal trading corporation of India. (MMTC).
8. Electrical India Ltd.
9. Hindustan shipyard Ltd.
10. Cement corporation of India.(CCI).
11. Infosys Technologies Ltd.
12. Tata Engineering and Locomotive works
13. Southern petrochemicals Industries corporation Ltd(SPIC)
14. Associated cement company Ltd (ACC).
15. National thermal Power corporation Ltd (NTPCL).

Methods or Models to identify human resources

➤ Historical cost approach:

What and all cost incurred on employee recruiting, selecting, training, placing and developing the human resources of an organization and expect while some of the costs like salaries, instance, direct cost, physical assets of human resources.

➤ Replacement cost approach

This approach cost calculation incurred same as historical cost approach replacement is any person leave the organization. Other employee will replace the same position for recruiting, selecting, training, developing etc...Of new employees to reach the level of competence of existing employee are measured.

➤ Opportunity cost approach

In this approach what would have been spend the money on human resources if the return spent something else. It is also used this is internal reporting on human resources department

➤ Standard cost method

This cost associated with recruitment, hiring, training and developing per grade of employees are determined annual.

➤ Economic value method

The economic value of human resources is the expected to render in future similarly the present worth of the services this may be the value of individuals, groups or the total human organization.

➤ Current purchasing power method

This method historical cost of investment converted on current purchasing power of money with help of index numbers

DESCRIPTION MODEL OF HRA

1. THE LEV AND SCHWARTZ MODEL

Lev and Schwartz developed an economic model in 1971 for determining the value of human resource in a firm. According to them, the value of human capital embodies in a person of age is the present value of is remaining future earnings from employment in the form of salary, wages etc. The value of human capital of a person no of years is given symbolically in the model as.

However the Lev and Schwartz model, suffers from the following limitation:

- The model does not consider the possibility of leaving a firm by an employee.
- The model ignores the possibilities' of promotion of employees.

- it does not consider the contribution of the firm in developing the value of human capital.

Whereas company like BHEL has developed its own valuation model considering the original model of Lev and Schwartz as a base. The model used by BHEL is as follow:

$$HRV = P * 12 * N * E * I / F$$

Where,

- P*12 = Annual compensation including basic pay, DA, CCA, HRA, PFContribution etc.
- N = number of employees in the grade
- E = Efficiency factor
- I = Incremental factor, future expected increments
- F = Discounted factor, which is constant at 12% being risk free rate of return

2. FLAMHOLTZ MODEL

According to this model the present value of services he expected to render the future individual value of an organization and in this during the period remain with the organization in various positions.

This model involves the following steps:

- Estimation of period for which an individual is expected to render services to the organization.
- Identifying the employee various position or services states with the organization.
- Calculation of present value of expected future services at a predetermined rate.

The Flamholtz model is an improvement over the LEV AND SCHWARTZ model in the sense that it takes into consideration the possibility of an employee leaving the services as well as the possibilities of promotion of employees

This model is that it is very difficult to estimate the likely services states of each employee the model also suffers from the fact that individual working in a group have higher value for the organization as compared to the sum of their individual.

3. JAGGI AND LAU MODEL

4. GILES AND ROBINSON'S HUMAN ASSETS MULTIPLIER MODEL

5. MORSE NET BENEFIT MODEL

BENEFITS OF HUMAN RESOURCE ACCOUNTING

- The training and development programs: HRA helps the organization to designing a Suitable training and development program for its employees and managers.
- The give information to investors: HRA provides valuable information to present and future investors. They can use this information to select the best company for investing their money.
- HRA gives information about human cost and value of organization it helps take right decision in employee hire, recruitment, promotion, transfer etc.
- HRA is a technique of control cost on human resources in organization.
- HRA helps to utilization of human resource in organization

- HRA provides useful information about the cost and value of human resources. It shows the strengths and weakness of the human resources. It shows the manpower planning and decision making on human resources in organization.
- HRA give motivation to employee to do their work it increase their efficiency and effectiveness of human resource in organization.

CONCLUSION

Overall, even valuing human resources appear to be important to an organization, HRA gives right vision the towards the way forward, but most of the organization do not value their plans and human resource to implement of HR are as a very early stage. So they should concentrate on both theoretical as well as practical. Hence considering the

importance of HRA. The government and professional boards take initiation at the national and international level to respect the formula and accounting standard, and valuation models on the measurement and reporting of the value of HRA

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