

Measuring Employees Value: With Reference To BHEL and SPIC in Tamilnadu

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Abstract: This study attempts to analyze the human resources presenting in financial statements. This paper is both a theoretical and empirical exploration, aimed to explore previous literature review with some suggestions of new thoughts, methods, techniques and applications of HRA. Various MNCS in the field of HRM provide different types of thought about the practices of personnel management with different systems and aims of financial analysis and reporting. HRM has been and remains one of the most powerful and influential ideas to have emerged in the field of business and management. Effective practices of human resources in the accounting statement can ensure long-term benefits to the employees of the corporations and it also increases quality, performance, values, and commitment to future need. The data of this study was collected from secondary sources only. Very few corporations are practically practices this concept in their accounting and financial report. Some findings and suggestions are addressed in the study that may be the prerequisite for organizational growth and development.

Introduction

Human resources are the most valuable resources of any organization. The success/failure of an organization primarily depends on the quality, caliber and character of the people who are employed in the organization. Different organizations employ different classes of workers according to the requirements of the job/work. Human resources elements are completely ignored while recording the transactions in the terms of money; it is not possible to understand the real value of human beings present in the organization. So, far as the various methods of calculation of value of human resources of an organization in practice.

Recording and Presenting of HRA

In India, Human Resources Accounting not been recognized as a system of accounting. The Indian Companies Act, 1956 does not give any specific instruction about inclusion of human resources in the financial statements/in notes/in schedules. However, there are 12 companies in India which have adopted the concept of human resources accounting so far. Out of the 12 companies BHEL and SPIC companies are in tamilnadu may follow the HRA practices.

Review of Literature

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.

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 foregoer to measurement the development of general quantitative & qualitative human capital disclosures, with real company examples, be included in a company's sustainability reporting.

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.

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.

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' 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.

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.

Objectives of the Study

The study carried out the following objectives:

1. To review the available models of HRA and focus their appropriateness.
2. To study the value of human resources at BHEL and SPIC

Research Problem

'Human Resources Presenting in Financial Statements Some Special Cases in Tamilnadu'

Period of the Study

The period of the study period is 2015-16.

Sampling: Convenient Sampling

Sample: BHEL and SPIC

Rationale of the Study

Management of human resources in any organization is very much important from accounting point of view. Valuation of human resources, recording the valuation in accounts and fair disclosure of such information in financial statements are the demand of the stakeholders in the context of enhancing managerial performance and employees' productivity. Investment in developing human resources is not revenue expenditure. Its impact on

developing the capability of employees provides benefits for a long period. There is a genuine need for reliable and complete information that can be used in improving and evaluating human resource management. HRA is an actually a part of social accounting in which accountants need to apply their specialized abilities to help find solutions to our social problems. Generally, accounting is a science of measurement, analysis and communication. The designing of proper accounting system for providing information to the stakeholders is also a difficult task. Capitalizing human resources costs is conceptually more valid than the expensing approach. The information concerning human assets is more relevant to a great variety of decisions made by external and internal users. Accounting for human assets constitutes an explicit recognition of the premise that people are valuable organizational resources and an integral part of a mix of resources. This study will be helpful of the different users of accounting information for their day to day decision making.

Measurement of Human Resources

There are several methods developed over a period of time for individuals, groups and for valuation of expense center groups. The lists of popular methods used all around the world are enlisted in table-1 as under:

Table 1 Methods to measure Human Resources

Individuals Value	Group Value	Expenses Centre Group
<p>Cost Methods</p> <p>Historical Cost Method Replacement Cost Method Opportunity Cost Method Standard Cost Method</p> <p>Economic Value Approach</p> <p>Flamholtz’s model of determinants of individual value to formal organization Flamholtz’s stochastic rewards valuation model Lev & Schwartz Model Hekimian & Jones Competitive bidding Model Skills Inventory Performance Evaluation Assessment of potential</p>	<p>The Likert & Bowers Model Brummet, Flamholtz & Pyle’s economic value model Hermanson’s unpurchased goodwill model Human organizational dimensions method</p>	<p>Capitalization of Compensation Replacement Cost Valuation Original Cost Valuation</p>

Out of the above methods the most common used by Indian companies is Lev & Schwartz Model which uses the present value of future earnings of the employees.

Data Analysis

As per the research objective of the paper the secondary data were collected from 5 companies. To identify that whether the difference between selected companies in disclosing human resource value is significant or not, following hypothesis were developed in step first:

H₀: There is no difference in HRV of selected companies.

H₁: A significant difference exists between the values of HRV of BHEL and SPIC.

To analyse the data and significant of the hypothesis one sample ANOVA Analysis of were conducted by taking data of HRV from sample companies and by using SPSS- 19 software. The results have shown table 2 as under:

Table 2 ANOVA Analysis

Company	N	Mean	SD	SE	L	U	Min	Max
BHEL	2	26121.11	1858.05	830.94	23814.03	28428.19	24055.55	28512.04
SPIC	2	10975.27	8805.37	3937.88	41.95	21908.59	1994.20	23645.00
Total	4	37096.38	10663.42	4768.82	23855.98	50336.78	26049.75	52157.04

(5% level of Significance interval for mean)

	Sum of squares	Mean square	F	Sig
Between Groups	8.247	2.149		.000
Within Groups	1.957	1.124		
Total	0.124			

ANOVA on HRV of selected companies have shown a significant main effect of fit level F (24) = 19.278, p>.000; which revealed that there is a significant difference in the level of HRV of various companies in the given time horizon.

Conclusion

For the current study the data of 1 public and 1 private companies were used which revealed that the companies in India were disclosing the HRV in their annual report. For this purpose the Lev & Schwartz model is being used foremost by public and private both sector companies. Since the different companies were selected from different sector there is a huge difference in the number of the employees, profit and EPS. As a main analysis it was found that the Human Resource values of the selected companies have shown significant difference over the period of study and the differences between the companies were also found significant. Finally the paper uncovers the fact that profitability of the companies is dependent upon two factors sales and HRV. Thus this study revealed the importance of HRV as a major and significant factor of profitability.

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