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## CONTENTS

S. No.	Title of the Research Paper	Page No.
1.	VOLATILITY OF SELECT SECTORAL INDICES OF INDIAN STOCK MARKET: A STUDY <b>Prof. A. Sudhakar &amp; P.S.Viswanadh</b>	01-16
2.	IMPACT OF AGRICULTURAL CREDIT SCHEMES ON IRRIGATED AREA IN INDIA <b>Prof. M.C. Sharma &amp; Dr. Jatin Yadav</b>	17-21
3.	REVENUE RECOGNITION FOR LONG-TERM CONTRACTS UNDER IFRS 15: AN ANALYSIS WITH REFERENCE TO THE REAL ESTATE COMPANIES IN BANGLADESH <b>Dr. Bidhan Chandra Mazumder &amp; Dr. Kanchan Kumar Purohit</b>	22-30
4.	FINANCIAL REPORTING REFORMS IN THE INSTITUTIONS OF HIGHER EDUCATION IN INDIA <b>CA Vikram Nayyar</b>	31-37
5.	SIZE OF FIRMS AND ITS IMPACT ON FINANCIAL PERFORMANCE OF SELECT INDIAN PUBLIC LIMITED COMPANIES <b>Dr. K. Apama, Dr. CH. Krishnudu &amp; Mr. Raghupthi</b>	38-44
6.	AUDIT COMMITTEE: A TOOL FOR SUCCESS IN BOARD MANAGEMENT (A CASE STUDY OF IT AND TELECOM SECTOR COMPANIES) <b>CMA Dr. Meenu Maheshwari</b>	45-48
7.	RECORD KEEPING PRACTICES OF MICRO AND SMALL ENTERPRISES IN CACHAR DISTRICT OF ASSAM: AN EMPIRICAL STUDY <b>Md Ekbal Hussain Khadim &amp; Dr. Soma Roy Dey Choudhury</b>	49-56

8.	MANDATORY CORPORATE ACCOUNTING DISCLOSURE PRACTICES: AN INVESTORS VIEW <b>Dr. C. Vethirajn &amp; Dr. K. Banupriya</b>	57-66
9.	IND AS 16: ITS IMPACT ON VALUATION OF TANGIBLE ASSETS <b>Ayush Saraf &amp; Dr. Bhaskarjyoti Bora</b>	67-73
10.	STOCK PRICE, EARNING POWER AND RESERVE: HOW THEY ARE CORRELATED <b>Mridul Kumar Ghosh, Dr. Bijay Krishna Bhattacharya &amp; Lakshmi Kanta Sinha Ray</b>	74-78
11.	AN EVALUATION OF CHANGING ATTITUDE AND BEHAVIOR OF WORKING AND NON WORKING WOMEN TO PROMOTE THE FINANCIAL INCLUSION THROUGH PLASTIC MONEY (A CASE STUDY OF JABALPUR, M.P.) <b>Mrs. Surbhi Jain &amp; Dr. Gyanendra Tripathi</b>	79-86
12.	COMPARATIVE STATEMENT ANALYSIS OF SELECT PAINT COMPANIES IN INDIA <b>Merajud Din Drangay &amp; Dr. N. Periyasami</b>	87-92
13.	THE IMPACT OF MERGERS AND ACQUISITIONS ON PRE AND POST FINANCIAL PERFORMANCE: A CASE STUDY OF SELECTED PHARMACEUTICAL COMPANIES <b>Suruchi Satsangi &amp; Prof. Prem Das Saini</b>	93-100
14.	AN EMPIRICAL STUDY ON EFFECT OF FINANCIAL LEVERAGE ON FIRM'S PERFORMANCE AND VALUATION OF SELECTED PHARMACEUTICAL COMPANIES IN INDIA <b>Dr. Sanjay J. Bhayani &amp; Dr. Butala Ajmera</b>	101-110
15.	HUMAN RESOURCE ACCOUNTING: A SUGGESTED APPROACH FOR PRACTICE <b>Dr. Nimlala Rajak</b>	111-115
16.	CLOUD COMPUTING IN ACCOUNTING: A CASE STUDY OF KPMG FIRM <b>Lipika Aarthiya &amp; Aarti Gupta</b>	116-124



## HUMAN RESOURCE ACCOUNTING: A SUGGESTED APPROACH FOR PRACTICE

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Dr. Nirmala Rajak\*

### ABSTRACT

There can hardly be any difference of opinion about the fact that human beings are the most important asset of an organization. However, this important asset is not reflected in the balance sheet of a concern. There is neither any universally accepted valuation model of human resource nor any accepted accounting method of it. The study attempts to find out a suitable human resource valuation model and its accounting in the books of the concern. For accounting purpose cost related to human resource are classified into human resource expenses and human resource investment.

**KEYWORDS:** *Human Resource Investment, Human Resource Valuation, Government Accounting.*

### Introduction

It is now unanimously accepted view that the human being is the most important input in an organization. The success or failure of an organization depends largely upon the qualities and productivity of its human resource (HR). Other resources, i.e. non human resources can only be properly used through human resource. Therefore, HR is regarded as the most important resource of management. Human resources are the energies, skills, talents and knowledge of people which are potentially applied to the production of goods or rendering of useful services. More precisely, human resources of an organization comprise the value of the productive capacity of its people. In spite of its recognition as the most important and valued element of an organization, it is neither shown in the Balance Sheet of an organization nor any portion of cost on HR regarded as an investment. In conventional accounting practice, human workforce, a core element, is yet to find its place.

### Definition and Concept of HRA

The committee on Human Resource Accounting of the American Accounting Associations defined human resource accounting as "the process of identifying and measuring data about human resources and communicating this information to interested parties".

**Stephen Knauf** defined HRA as "the measurement and quantification of human organizational inputs, such as recruiting, training, experience, and commitment".

**Eric G. Flamholtz** explained human resource accounting as accounting for people as organizational resources. It is the measurement of the cost and value of people for the organization.

### Review of Literature

With an objective of identifying the fundamental reasons for undertaking the present study, an endeavour has been made to survey the various studies carried out in the field of human resource accounting. The following are some of the major studies in this field:

**Gupta (1988)** conducted a study on human resource accounting. The study showed various methods of measuring HR, limitations and benefits of HR. The study suggested that the accountants along with social scientist should take initiative to develop a system of measuring value of HR to the organization.

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