

An Overview of Human Resource Accounting in the Manufacturing Companies

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Abstract

Nowadays in many countries, the human force, as a capital source, has been getting the attention of the entire economical sections and social institutions to improve their performance and efficiency. This study attempts to investigate subjects including human resource accounting and morality, human resource accounting concepts and purposes, human resources - liability or asset, actual cost calculation or human resources value, human resource accounting usage, human resource non-monetary evaluation, human resource evaluation models, human resource reporting methods, and the problems of human asset accounting.

Keywords

Human Resource Evaluation, Human Asset Accounting, Evaluation Models, Human Resource Reporting

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1. Introduction

Accounting is a scientific fact, an offspring of human invention which is designed by the beings to cater the human purposes. The variety of these purposes is many, including: planning, controlling, investing, employing decisions, encouraging, logical reasoning, coordinating and advertising. The design criteria and accounting system implementation for the above-mentioned purposes often deal with attention and focus on the registration and report methods.

This era is famous for technology age of which the relationship between the human resources and efficiency is complicated and is known as “knowledge-based organizations”. This means that efficiency should not be looked for just in tools and instruments and materials, on the other hand, efficiency is increasingly regarded as an outcome of awareness, skill and a developed brain competency, and a human being possesses an unlimited capacity to grow and develop to which not enough value was assigned for its

measuring and reporting up to this time. [2]

Skilled and competent human resources are essentially significant for an organization, including physical assets and its investments and the managers of the organizations spend a large amount of money to educate their workers and employees to improve their organization efficiency. Despite the fact that most of them have extensive information related to their financial and material resources, they lack comprehensive information about their human resources, economical value, education, competency and efficiency. This lack of information, about how valuable these rare assets are, or how much of the expenditure for training and teaching the required and competent individuals contains asset-gaining value and how much of the lost cost it is, is regarded as the weak points of the current accounting systems.

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2. Definition

2.1. The Human Resource Includes

Identifying and assessing the human resources of an institute and reporting it to the interested parties. There are three basic sections about human resources:

Identification: specifying its quality and quantity and preparing proper statistics.

Assessment: measuring economic value and determining its financial rate.

Reporting: setting and presenting proper financial reporting about

Accounting seeks to report the financial status and economic performance of individual, real or legal. When the human parameter is not regarded in financial status report and the given operation result, the human values will lose its situation in accounting. To obtain the following purposes, it seems that the human resource accounting should include quantitative and practical aspects:

- a Registering human economic value in financial reports
- b Regarding the assets of an organization in its own human resources
- c Increasing the human resource management efficiency and providing facilities for assessing the personnel policy such as feasibility and training program.
- d Assessing the human resources of an organization in terms of keeping, reducing, or developing
- e Identifying non-operating profit and efficiency resulting from investment in human resources
- f Calculating the value rate human resources provide in the other physical and financial resources in an organization.

Considering that the management needs information for decision-making, human resource accounting provides information for the managers to be able to use human resources they possess in the best and most efficient way.

One of the chief purposes of human resource accounting is expansion of valid and reliable method application to measure the human resource value (personnel) in an organization. To develop the value of measurement methods of human resource, we should specify the personnel service value and factors affecting value.

2.2. Two Different Meanings for Value in Economics

- A. Usability of a source
- B. Purchasing power of the source

All the examples of value in economy are based on this hypothesis that a source could be desirable in future and makes services. Ludovic Van, the famous economist, asserts "If a person intends to establish a preliminary theory of value and cost, he should think of the desirability first." Similarly, Irving Fisher states:

"the current wealth is a reduced value of the investment value of the coming incomes, if a thing lacks the expected efficiency, it will not worth".

Thus the value of an asset is its expected efficiency in future.

2.3. History of Human Resource Accounting

Human resource accounting is the offspring of the needs of its era, growth and development of human knowledge, and also information need of the users of accounting information. Research on that began in 1960 and developed along with "human management" school. This school of thought particularly regards human as one of the valuable resources of any organization and believes in appropriate behavior and worthy to meet these values.

It is difficult to determine the starting point of the human resource accounting as a research or study subject. In 1976, the Accounting Magazine published list of organizations and the societies related to this issue, in which eleven of them is related to unpublished Ph.D. dissertation, and the first reference acting as the basis for Doblin and Latka's work.

1971 to 1976 was the period that the human resource accounting took most attention. However, there was a drop in it during 1976 to 1980 due to inattention of the academic and business societies. In 1970, many authors, as pioneers of human resource accounting, were interested to offer their most recent thoughts. These thoughts commonly dealt with the human assets, but their short statements over the personnel made the significance of human resources generalized in the long term.

The term *human asset accounting* in the 1970s literature can be assumed in its new coverage as the personnel management or the human resource management attempting to strengthen the significance-based claim in management. A real interest in some of the executive managers might reemerge human resource accounting in this era to assess it based on the currency, so as to prepare the senior managers to consider the personnel as the most valuable assets.

First stage, 1960-1966: in this era, the concept of human resource accounting inferred from economic theory "human capital", influenced by "modern human resources", the psychology of centralized organizations and the influence of leader role in the organization.

Second stage, 1966-1971: The technical and scientific

research in this era focused on the pattern for the precise measurement and the potential users' determination of this method and also the empirical use of the human resource accounting in the real organizations.

Third stage, 1971-1976: this era got the most attention of the researchers and organizations of human resource accounting. The small organizations made a better attempt to implement human resource accounting. The estimates and conclusions, based on the influence of the information of the human resource accounting, were performed by executive management and the investors' decisions.

Fourth stage, 1976-1980: this era lost the attention of the researchers and the trade institutions over the human resource accounting.

Fifth stage, 1980-present: This era attracted the attention once more to the human resource accounting. This issue, along with the new studies' assistance, was depicted as an attempt of some large organizations for using human resource accounting.

In 1980, a modern thought was raised in management science for human resources. Floating the currency rate and removing the traditional relation of gold and dollar, human resource, as a product support, was raised just like an axiomatic.

In the new topics, the management in human resource and the assessment approaches of these resources has great significance in the recent decade. On one hand, it is regarded as an unlimited resource, and on the other inattention influences all the other resources. It has also brought up some specific topics, it is obvious that the human resources should be reflected as part of a company asset in the balance sheet, and its depreciation is regarded as a specific calculation method. In many countries, the human resource depreciation is placed in a set of acceptable tax expenditures of which in turn increases the profit.

It has been long discussed of the management concept and the managers' functions throughout the literature. In the recent years, many changes have occurred in the management skills and new approaches have increased in the organization management. The manager role is turned from commanding into training role and the two factors efficiency and effectiveness attracted the managers' attention. The procedure of change in the knowledge-based economy increased the globalization and the information society. Consistent with these changes, the management pattern has changed and attention seems to be required in customer orientation, the employees empowering and change in the leadership styles.

The influence of these changes in the organizations is

observed as demolition of the traditional organizations and employment bodies. The general trend of movement from the employee organization to the network organizations, which is not based on mass employment, requires a review in the managerial methods.

The human capital in the knowledge-based organizations is significant by now and the human capital management and knowledgeable workers in the modern organizations have turned into success.

The real power of a manager is declining. Centralizing power in the top is by a person who possesses the required knowledge and sources to control and direct an organization can be a proper method to manage inactive, Bureaucratic and or current and routine affairs. It is clear that this style of management is not enough in the era of quick, rebellious and unpredictable changes. Managing today's organizations needs the responsible employees unable to decide providing the non-stop customers' satisfaction.

Thus the profit has a new definition in today's organizations. A profit means praising a manager by the customers receiving good services from the able and responsible employees. In these organizations, managers start to empower their employees and act as trainer or guide. These employees are the competent ones turning customers into loyal fans through their care and their more-than-expected services.

Accordingly, the quality definition is presented in a new way. Quality means customers' satisfaction. An organization is more high-quality which has more-satisfied customers. The satisfaction of the external customers depends on the internal ones. Therefore, on contrast to the previous century on which the most valuable asset of an organization was the production, today the employees and knowledgeable workers are considered the assets of an organization. These are seen as double-edged sword. If not managed correctly, as Michael Dell puts it, they can become the biggest threat for an organization.

According to an intelligent-based view 3, the main task of managers in any level of management is "developing the employees' intelligence". A manager should always be looking for identifying intelligence in his employees and attempt to apply them functions consistent with their intelligence to turn that into capabilities. "Not everyone is fitted for every work." A manager's job, whether small or big, is to specify the intelligence or talent of his colleagues, choose the best person for the job and enhance the organization or department under his supervision through making work teams consisting of efficiency supplement intelligence. In this way, a manager should know that the humans possess four dimensions body, heart, brain and soul.

Attending to the four dimensions refresh the work motivation for the employees so that everybody employs his entire competency and intelligence.

The change procedure of accounting consists of four stages “fill-up accounting”, “financial accounting”, “management accounting”, “socioeconomic accounting”, where the accounting crossed the first three and the coming challenge is implementing the fourth stage for the accountants of which the human resource accounting is of that type. “human resource accounting”, as defined by the American Accounting Association (AAA), includes: a process of measuring and specifying information about the human resources and reporting this information to the interested people.”

Since the term “human resource accounting” was raised in the accounting literature in 1960s, there has always been wide criticism, like human being is not an asset or possession and cannot be regarded as someone’s property, a human is not measurable and there is not proper measuring model, or the cost of human resource accounting is too expensive. Big figures have been responsible for this, including Garry Becker who writes in an article “economic asset in the era of digital economy”:

“as the factories, houses, machinery and the other material capital are part of the wealth of nations, the human capitals are also a part of that.” Or a response given by the AAA is that “an accountant should be alert to implement new methods of measurement capable of making more excessive and useful information for the users. This information might be about the employees’ spirit, customers’ satisfaction, product quality and or reputation of an organization, etc., accounting, however, will be responsible for the problem.”

Whatever predicted in the accounting is moving from making value based on third- party deal to value creation value, then moving from financial accounting and traditional reporting to presenting an accounting parallel system and reporting the value creation. The issue recently raised by the Financial Accounting Standards Board (FASB):” Acquired intangible asset should be revealed in the financial reporting” is a proof for the claim.

2.4. Description of Human Resource Accounting

The human resource accounting consists of the criteria and standards of measuring human resources in an industrial, trade or service organization with qualitative and quantitative analysis of such investments. To simply put it, an industrial or trade organization should be aware of its investment value among its forces, should be able to compute the return rate of

this capital and know if return on investment is satisfactory.

The human resource accounting is in fact the application of the concepts and the accounting methods in human resource management. This accounting is measuring criterion and assessing cost and rating the human force as the main resource of every organization. These costs, like the others, consist of current and investment sections or in other words direct and indirect costs.

The “human cost resources” is formed of two section initial cost and replacement cost:

- a Initial cost: the initial cost of human resources are all the funds consumed for supplying and training human forces consisting of personnel selection, employment, settlement, direction, in-service training, retraining, functional and specialized training to acquire the required skills. This definition has the same function for the other sources since the initial costs of factories and equipment are the same amounts spending for these sources.
- b Replacement costs: these are the costs should be assigned for replacing the personnel working in the institute or a unit. These costs are divided into two:
 - i. Career or position replacement costs
 - ii. Personnel costs

Career or position replacement costs:

Are the costs should be spent for replacing an individual in an organization position with a person capable of offering similar services in that position. These costs consist of three sections (supply, nurturing or training and vacating the job).

The vacating the job costs:

Are amounts of money spent for vacating the job of each or some of the employees. These costs consist of work reward or vacating pay, the cost difference before vacating, and the cost of job vacancy. It should be remembered that the reward or vacating pay are the cost of repurchasing the years to serve (end-service benefits), and the cost difference before vacating results from a person’s reduction in efficiency before vacating. The costs of job vacancy are the indirect ones affecting by the reducing in efficiency of positions made by vacating a positions.

Human resource economic value: depends on the employers’ capacity to use a latent power from these forces, just like the economic value of all the resources. Obviously, the economic value of the human resources is the same current service value expected in the years to come.

Measuring non-monetary human resources:

Some of the experts of the human resource accounting underline the significance of non-monetary criteria in

decision-making. One of them can be a list of important individuals of an organization and their skills as assets. The knowledge, skill, health, utilization, employee career performance, are considered as the other human assets.

The most important non-monetary behavioral criteria group was made by Rensis Likert. His model consists of:

- a Causal variables (independent variables which is changeable by the management)
- b Mediating variables (reflecting the health inside the organization such as loyalty, behavior, movement, performance and purposes and understanding of the members)
- c The final variables (such as production power, costs, growth, market share and income).

Some of the measuring methods of the human resource value follow:

- a Economic value (current)
- b Replacement value
- c Value coefficient
- d Random reward rating pattern
- e The entire organization patterns
- f Auction bid
- g Historic cost price

Economic value theory (current value): this theory is based on capital value. As Irving Fisher puts it, "capital as capital value, is the reduced value of the future incomes". Accordingly, some of the researchers believe the asset market costs include reduced value of benefits taken from these assets later in future. However, it should be note that the macroeconomics analysis will not generalize in microeconomics. Asset market cost is the paid price for all the benefits and services of these assets. This is not true about income and salary of the employees because the paid salary is the value of the use of the employees' services for a specific time and or amount of work. The job market cost is not precisely comparable with the asset costs.

In addition, it can be reasoned that the job market is strongly under the influence of labor law is negative regulations and all-together job agreement. Comparing the job market with the other markets will not be practical. Based on this theory, some people believe that the future income from the human resource services can be reduced and count as human resource value.

Uysal (2016) adds another dimension for human resource accounting field. It is costs, human resource management related costs. Research topic is intellectual capital and human

resource costs in human resource accounting. Research question is that human resource accounting is technic of management accounting. Research methodology is the case study approaches. Main result of study is that human resource costs are recorded in financial accounting and this information might be used by human resource leaders and other executives. Further, human resource of company may be recorded as intellectual capital in balanced sheet. Quantity of record might become total compensation of firms. In conclusion, HR accounting is management accounting technic with its support for information role and decision-making role. [13]

Insufficiency of the economic value method:

- a In this model, the possibility of one's leaving the job due to retirement or death is not considered.
- b The possibility of changing the position and individual's position is not considered during the time he is in service.
- c Assessing the employees' income is difficult
- d Implementing this method in human resource accounting is not compatible for the accepted accounting principles.

The replacement value theory: It is the replacing expenditure of the available human resources in an organization. The replacement value in this method includes items:

- a. Employment costs of the new individuals for the available jobs
- b. The training cost of new individuals
- c. The transfer or dismissal cost of the employed individuals

a. Employment costs: this cost consists of direct and indirect costs

-the direct cost includes:

- i. Employee-seeking cost, including the initial seeking cost for the human resource required inside and outside the organization.
- ii. Selection cost, including the employee selection costs among the qualified individuals
- iii. Employment costs, including new-comers entrance to the organization and placing in an appropriate job.
- iv. The indirect costs include its enhancement cost and placing in the new jobs inside an organization.

b. The training cost: these costs include two sections, direct and indirect.

-The direct costs include:

- i. In-service training: includes the employees training cost during service.
- ii. Formal training: includes the training program costs and

individual's familiarity with an organization.

-The indirect costs include:

- i. Trainer time, including the supervisors' cost during training.
- ii. Losing efficiency in training, including the costs when the employees (except apprentices) during a training period, are not functioning.
- c. transfer or dismissal cost: includes the imposed costs on an organization when an individual leaves an organization. This cost includes direct and indirect.

-The direct section includes the dismissal or leaving a person from an organization and the indirect cost includes reduction of an individual's efficiency before transfer or dismissal and the cost of job vacancy till the time a new person is substituted.

The replacement value theory, not only consider somebody's position inside an organization, but the transfer or dismissal of an individual, and also the cost of somebody's efficiency reduction.

The insufficiency of replacement value method:

- i. The benefit the future of human asset is not considered.
- ii. The replacement value method is a mental method.
- iii. The determination of human resource value is difficult based on the replacement value.

2.5. Value Coefficient Theory

Accordingly, the human resource value equals with the difference of total value of a company and the registered value in offices of a company. In this computation, the intangible assets like goodwill, patent, dependence of the customers and the long-term contracts value. In this method, the value coefficients, which are the basis of the computation, are specified based on these factors:

- education and technical experience
- required experience for a job
- personal traits
- possibility of promotion
- demand and supply
- Dependence of individuals on a company and expectation of efficiency of their services.

In this method, an optional factor, 0-2.5, is specified. The employees are divided into four categories higher level management, management, supervisors and employees.

Based on the above division, the annual historic cost price of employees is divided into four categories and the share of

each one is multiplied in the given coefficients. The estimated total value of human resources will be obtained. If the human resource value is more than intangible assets (the difference of the company market and the office net worth), the coefficients will balance in a way that these difference equals to the amounts of intangible assets. The cost for the employees to employ is considered education of human resources in a period in coefficients. And the results of the changes are depicted during the period. Thus, profit and loss statement and the human resource balance sheet can be provided.

2.6. Insufficiency of the Value Coefficient Theory

- a The value of human resources is not measured directly, but it is obtained by comparing with the other factors. Considering that the intangible assets are usually assessed by speculation, the obtained amount is not precise enough.
- b The way to determine the coefficients is not scientific.
- c Determining the current value net of company is not precisely possible.

2.7. The Action Theory

Based on this theory, a company is divided into investing centers and the expert human force services are auctioned based on the employment in these centers. A manager auctioning the highest price for the human force services, will take human force. The cost agreed is regarded as the investing center profit. Conceptually, this method is based on the assessment of managers' performance of different sections of commerce nits in which it involves the mentioned investing centers. Based on this pattern, rating the employees is done based on the organization managers to compete about the limited human resources available in the organization. The managers take part in the auction against each other to get access to the rare human resources with the highest cost.

Insufficiency of the auction theory:

- a The capital output rate is not an acceptable proportion for assessing the managers' performance.
- b There are not any principles to specify scarcity or abundance of expert people.
- c The application of auction theory in the non-profit organizations and production of stage, not dividable to the investing centers, make problems.
- d The theory might have a negative effect on the spirit of those to which their services is assessed little or they have never been in the auction.

2.8. The Historic Cost Price Theory

This theory is based on the frequent principles of accounting. Accordingly, the spent cost for the employees increases their service value. Thus, it causes that their human resource value increases through calculating its historic cost price, it then will be computed.

The cost price of human resources includes employment and training of the employees.

In an individual, it divides into direct and indirect.

The advantages of theory:

- a This method is consistent with the current performance approach of accounting based on the accepted principles as the scale of asset measurement.
- b The historic cost price method is an objective method.
- c This method is probably more accepted than the others methods from the tax methods due to its documentation.

2.9. Insufficiency of This Theory

- a It is difficult to determine the difference between the human resource items and the other resources and also divide the human resource costs into current and investment costs.
- b The resource from the historic cost price cannot be responsible for all the management needs for commercial decision-making since what matters in commercial decision-making in an organization is the result of the future of decisions relating to what has happened before.
- c it is impossible to determine relationship between human resource efficiency and the costs done for these resources based on the pre-determined depreciation rate.

There are three main reasons for assessing the human resource assets and reporting investments in human assets.

- a Providing information related to financial status including financial statements to make the investors, employees and loan-givers aware.
- b Determining the participation of capital and work in overall organizational performance.
- c Presenting a basis based on more economic motivation to manage organization and providing extensive information for performing staff duties.

The advocates of human resource accounting believe that the efficiency of human resource accounting is increasing by facilitating the estimation of official policy such as inferential stages of training programs, etc. The insufficiency in presenting sufficient information of managers leads to improper decisions; consequently, the costs related to work

and planning required for the human resources will not be considered.

The economic analysts believe that the investment in human resources results in efficiency, it is thus essential to have information related to investment in human assets consistent with maintaining efficiency in terms of the investors. This can be helpful for the investors in different ways. Can the investors determine the human resources are ideally protected or if they are developing or reducing?

Reducing the investment in human resources might increase the short-term profits, but it is a threat for the profit-making of an organization in long-terms. The least advantage of using the human resource accounting is that it makes such information accessible for the investors.

In the US, some people believe that the human resource accounting can be about the approach as to establish and pay the tax. This group believes that an increase in gradual movement of west economy from the industrial (production) section to service industries grows investment in terms of science, skills and the employment experience in these organizations. Requiring so many employees in these industries and requiring development of human resources reduce tax payments. Its amount is more than the usual threshold authorized by the tax laws. Thus, determining human expenditure in organizations such as audit institutions and management services brings about tax benefits by an acceptable depreciation of relevant human resource expenditure.

Aronmwan and Izedonmi (2011) believe that the financial statement shows how an organization is fairing viz a viz its economic resources. These economic resources have been broadly divided into human and physical resources. While the physical resources have been conveniently accommodated in the preparation of financial statements, the accountant is still faced with a dilemma concerning the means by which human resources will be captured in the statement hence the concept of human resource accounting. Their objective therefore was to conceptually examine the meaning of human resources, understand how they can be accounted for, find out the various arguments for its valuation and inclusion in the balance sheet, as well as contribute to existing literature on the subject matter. They saw that there are various methods proposed for valuing HR each having their own weaknesses and since there is yet to be a standard as guide, the accountant will continue to be in a dilemma as to evaluating HR as assets for balance sheet purpose. [1]

3. Reporting Methods

There are four methods to reflect investments in human

resources in annual financial reporting of companies. The information related to the investment in the human resource in the board report can be presented to general assembly of shareholders, intangible assets report, not audited financial statements, or in form of essential financial statements appendix. The report of the board to the general assembly of shareholders usually includes information about expenditure related to human resources which might be salient or even more significant than the expenditure done for the objective (tangible) assets. As the first step to do human asset accounting, the board report might include expenditure as the investment in human assets. For example, a firm might separately report its expenditure for training its employees.

These information helps investors and financial analysts to assess the attention of management to development of the human resources as an essential factor for assuring profit-making of a company in a long-term. Furthermore, the report of board should include deserting a job by employees in terms of process and its cost. A firm should report about desertion of key managers and technical experts which might join their commercial rivals or turn into a new rival. This is not unusual for the industries moving forward with technology and for also considering research and development of technical knowledge as significant.

The second method is to provide information about investments in human assets in reporting intangible assets.

This method was proposed by Arthur Anderson institution. It proposes that major amounts, spending on intangible assets such as human resources, are reported separately in financial statements. In addition, the firms enduring huge amounts of money for the intangible assets should provide a statement of their intangible assets, particularly the technology-dependent firms, service firms making major investment for their employees, and also those growing through merging, purchase of share and paying large amounts for their available trade activities goodwill. This report should represent the expenditure for the intangible assets in the current and also past periods.

The necessary notes should be provided to reveal information about the nature of expenditure and the other relevant information in the appendix of the asset reports. The limitation of this method is that the balance sheet is illusive because the value of a firm's assets is presented less than what it is. Measuring profit or loss is also defined since all the expenditure related to the human assets realized in periods considered as current costs, and accordingly the investing period measurement will be defined.

The third method of providing the information about investments in human resources is their reflection in the not-audited financial statements and firms could provide a body

of financial statements consisting of investments inside human assets based on proposed methods of human resource accounting as further information along with annual financial statements.

It will be clear in reports that the financial statements should be investigated separately from the basic ones which are based on the accepted principles of accounting.

The last method of investment report in human assets is to appropriate them in the basic financial statements. In this method, investing in human assets is raised as long-term assets and depreciated in the useful time. Although the approach to this performance about the investments in human resources is not usual, some companies have followed it. Some organizations and firms, such as: airlines; electronic industries; sports club; apply this method which forms their major share.

The approach to report these human resources: if it is going to decide to report human assets in financial statements, some basic questions should be answered:

- a What expenditure should be regarded as investing expenditure?
- b How should his expenditure be depreciated?
- c Under what circumstances should these assets be removed from the accounts?
- d How should the investments in human resources be reported in the financial statements?

The first question is the most essential one. This issue is in fact categorizing the human resource expenditure as current costs and investment expenditures. The basic principle to determine it, whether it should be regarded as current or asset, is the possibility of its future services, for example specific employee training expenditures.

Although the intangible assets have unlimited useful life, they should be depreciated in a useful life period in terms of accounting. The human assets are costs named depreciation. The main purpose of depreciation of human assets is the correspondence of assets with its benefits. This is usually called correspondence of costs with income. While the servicing life (service) of some of the human assets might equal with the expected transfer period of a person in an organization, the other servicing life of the others might equal with periods he is expected to occupy positions in an organization. The servicing life of some others might function as the status of the expected technology. For example, the employment of individuals in an organization might be effective proportional to the periods a person is expected to work for an organization.

Although depreciation is the main method to assign gradually

human assets to costs, in some situations, it is necessary to balance the human asset account. For example, a human asset might be removed or balanced by someone's deserting a job or change in estimating the service period. The remaining of the non-depreciated of human asset account should be regarded as the loss of period a change has occurred.

An aspect of human asset making external reporting problems is the possibility of employees' desertion. Some of the organizations have contacts their employees limits their transfer, but it is clear that a human is not an organization's property. The main question of accounting is that how this could be solved by considering savings for the expected costs of job desertion.

Problems and expectations:

Criticisms and problems about accounting of human resource focus on three basic aspects. The first is the organization management behaviors. The theoretical changes and caring too much to executive activities make the managers cautious and compelled to resist against human resource accounting.

The second problem is the complexity of the measuring patterns. The managers' expectation is reality, possibility and effectuality of the costs.

The third one is the concern of the managers about the reaction of the employees about a problem. A system of human resource accounting might bring about resistances in personnel since they consider this problem as a chance to measure their activities.

The methods of human resource accounting:

There are four methods to reflect investments in human resources in the annual financial reporting of the firms. The information related to investments in human resources can be presented in board reports to the general assembly of shareholders in the form of intangible asset reports, non-audited financial statements or appendix of essential financial statements. The board report of general assembly of shareholders often include information about expenditure related to human resource that might be salient or even more significant than the expenditure done for the objective (tangible) assets. As the first step to do human asset accounting, the board report might include expenditure as the investment in human assets. For example, a firm might separately report its expenditure for training its employees.

These information helps investors and financial analysts to assess the attention of management to development of the human resources as an essential factor for assuring profit-making of a company in a long-term. Furthermore, the report of board should include deserting a job by employees in terms of process and its cost. A firm should report about

desertion of key managers and technical experts which might join their commercial rivals or turn into a new rival. This is not unusual for the industries moving forward with technology and for also considering research and development of technical knowledge as significant.

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4. The Problems of Human Asset Accounting

If the decision is to report the human asset in the financial statements, five major accounting questions should be answered that consist of:

- a What expenditure should be regarded as investing expenditure?
- b How should his expenditure be depreciated?
- c Under what circumstances should these assets be removed from the accounts?
- d How should the investments in human resources be reported in the financial statements?
- e How can this possibility be avoided to use that human asset accounting as a tool for manipulation of profit and loss?

The main question in human asset accounting is its financial statements in that which expenditures should be regarded as investment? After the human assets are considered as investment, the next issue in accounting is to determine that part of expenditure consistent with useful life of capital, and should be identified in each period as the cost. This process is called depreciation for the physical properties. Although depreciation is the main method to assign gradually human assets to costs, in some situations, it is necessary to balance the human asset account. An aspect of human asset making external reporting problems is the possibility of employees' desertion. Although some of the

organizations have contacts their employees limits their transfer, in most cases individuals are almost free to leave their organization. So, there is doubt cast upon the realization of predicting potential useful life for a person's serving. The main question of accounting is that how doubt can be placed for non-realization of predicting human services to provide investment in human resources, financial statements and accounts. This problem can be solved through considering a supply for the expected costs of deserting job. Tarnishing loss and profit is the last issue in human asset reporting in financial statements about the possibility of loss and profit. Some of the accountants believe that the intangible assets such as human assets, although it is expected to have future benefits, should be reported as cost of report in a year they happen due to unreliability which exists about their regarding these asset as expenditure. In this view, there are positive points. Generalizing, however, is not accepted. Manipulating the incomes is a primary problem and it is not insignificant and should be studied about. Even in that case, the problem cannot overshadow the necessity to reflect the human assets in non-internal financial reports of an institute [2].

5. Suggestions

To overcome the human resource accounting problems, the following is suggested:

- a. It is suggested that the center for management studies and efficiency holds a course related to growth and promotion of human resource accounting for the accepted company managers in the stock exchange.
- b. It is suggested that the stock exchange organization holds a course related to growth and promotion of human resource accounting for the stock brokers (investors)
- c. It is suggested that the corporate audit makes standard as human resource accounting and circulate it for the accountants.
- d. It is suggested that the central bank and economic council offer facilities for the units intending to implement human resources accounting.

It is suggested that the accounting and course management faculties consider and hold a course as human resources accounting in bachelor's degree of accounting and management majors.

Finally, it is suggested:

Considering the major role of human forces in different parts of the economy of countries and the efficiency of human resources accounting and the statement no. 5 of financial accounting standards board, which regards it useful to reveal

the supplementary financial statements in presenting useful information, it seems that the human resources accounting is essential in our country along with current accounting systems.

6. Conclusion

Despite the basic role of human forces in the process of development, particularly the sustainable development as an essential challenge for the governments' progress, the human resource accounting is as a collective skill and summarization skill and reporting the attraction criteria, development, progress, assign, maintenance, use, assessment and reward of human resources to help the managers in making proper decisions related to human forces of an organization. The advocates of human resources accounting believe that the managers, in any level, should be aware of the capabilities of the creativity of employees functioning under their direction. So, the human resource accounting can assess the lost costs in circulation. However, the managers of different nations find the human resource accounting unrelated. One of the advantages of human resources accounting is that it can be used in decision-makings for building against purchase, but the managers have no idea of the application of the human resources.

Return rate of changing investment is in the investors' decision-makings which will be manipulated if human resources accounting is enforced. It happens while the investors are unaware of the change. The investors are unaware of the information role of reporting human resources accounting which can pose more helpful information to decide for education, maintenance, sale and transfer the share.

As a result, the approach to current accounting and reporting is in a way that the investors are not aware of the real investing sources of a company in human assets. The human resources accounting can solve this problem away and provide a further information to them, but the investors are not aware of the role of human resources accounting.

The current systems of accounting involve with the economy structure based on financial and physical capitals and cannot provide the required information about costs and values of human resources. However, the faculties and education centers of accounting have taken no step to coordinate the accounting systems with the economic structure based on human forces. The accounting professional assemblies could not have an active role in presenting and circulating the human resource accounting system and its aims. It is hoped an effective and useful step is taken using the above-mentioned suggestions.

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