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ACCOUNTING PROCEDURE FOR HUMAN RESOURCES AND THEIR EFFECT ON MANAGERIAL EFFECTIVENESS

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Abstract

Every organization's human resources are valuable asset that contribute significantly to both business and economic growth. Human resources accounting (HRA) is relatively new idea, and in order to get the significance of financial statement preparation. Because there are no laws governing the practice of HRA has failed to establish a position comparable to that of other accounting specialties. There has been a gradual increase in the use of HRA practices in addition to traditional accounting as industries have come to recognize the value of people and view human resources as strategic assets. The purpose of this study is to ascertain how HRA practices affect management metrics. Analysis of 100 responses from HR professionals employed by a reputable Bhubaneshwar company.

Keywords: Human Resource Accounting, Managerial Enactment, Models and Methods.

1. INTRODUCTION

HR resources accounting is dedicated to the investments the organization has made with its employees and changes that occur at this value over a period of time. HRA is defined as the process of identifying and measuring human resource data and measuring communication with information to interesting stakeholders. The costs incurred by an organization for set, selection, employment, training, and the development of human assets are considered by HR. The HRA is a financial assessment installation system for monitoring people within the organization and this assessment.

HRA was represented by various analytical centres, and most elements are found in many methods, tools and analytical frames. It combines internal and external requirements for information regarding the costs of investment costs, human resources management and the relationship between the interests of various interested parties in enterprises. It is such a framework in more transparent and rapid development than in Leba.

Economists, HR experts and academics all recognize that people should be considered assets, but accountants have not been recognized for a long time. The objective of bringing human resources into the organization's asset category has led to a series of efforts made in the field of human resources accounting. Many researchers have developed different methods of measuring human resources values.

Others are working to operate these methods in their business sector. In a broader sense, these methods are divided into two parts. In other words, Monetary models and non–monetary

models. Methods grouped according to the monetary model calculate the significance of human resources in cash terms.

The monetary model is further divided into methods based on costs and methods based on cost. Methods based on costs consider the total capitalized value incurred to employees as the value of human resources. Cost -based popular methods are historic cost methods, replacement model, cost model and standard cost model.

The value -based methods consider the current value of future wages and wages as the value of human resources. The calculation method and duration of evaluation vary from model to model. Value-based methods are Lev and Schwartz presented by evaluation models such as the cost of future profit models, the valuation model of flamholtz probabilistic rewards, the valuation model of Jagi and Lau, and the pure benefits of fruit drinks.

The incomplete methods assess the economic value of human resources, by applying various indicators or ratings and notes.

It is a variable causal, intermediate and final model; Statistical method and other efficiency evaluation methods. Various researchers and different companies in the research are conducting to assess employee evaluations and accepting different methods of talent evaluation. In the Indian business sector context, Leo and Schwartz models for personnel assessments have gained advantages in other models. Many companies in India have accepted this model to assess HR.

Human Resource Accounting (HRA) refers to the process of identifying, measuring, and reporting the value of human resources within an organization. It is a way to treat employees as assets rather than just as costs, recognizing their contribution to the long-term success and sustainability of the business. Several models and methods have been developed to quantify the value of human resources, and these approaches can be broadly classified into different categories:

1. Historical Cost Model This model is based on the idea of valuing human resources according to the costs incurred to acquire and develop them. This might include recruitment costs, training expenses, and salary expenses over time. The focus is on the actual costs of human resource investment, which are accumulated and then used to assess the value.

   Advantages: Simple to calculate and understand, based on actual data.

   Disadvantages: Doesn't reflect the future value or potential of employees; fails to consider changes in market conditions or productivity improvements over time.

2. Replacement Cost Model Under the replacement cost model, the value of a human resource is calculated based on the cost to replace the employee. This includes recruitment, hiring, and training costs for a new employee who can perform the same job at the same level.

   Advantages: Provides a measure of the investment required to replace an employee and can be used as a baseline for HR decisions.

   Disadvantages: Like the historical cost model, it does not account for the future value that the current employee can generate for the organization, and it may ignore factors like employee loyalty, skills, and experience.

3. Opportunity Cost Model The opportunity cost model is based on the idea that human resources should be valued by considering the opportunities the organization loses when it utilizes its human resources in one way rather than another. In other words, the value is

determined by comparing the potential revenue or benefits the employee could generate in an alternative situation.

Advantages: Provides a more strategic approach, taking into account what could have been achieved with different human resources or investments.

Disadvantages: Hard to quantify accurately and relies heavily on estimating potential outcomes, which can be speculative.

4. Market Value Model: The market value model values human resources based on the current market price for individuals with similar skills, experience, and qualifications. The idea is to estimate the compensation an employee could receive in the open labor market and consider this as the value of the employee.

   Advantages: Relatively straightforward and uses real-world data from labor markets.

   Disadvantages: This model assumes that employees are fully interchangeable, which is often not the case. It does not account for the unique contributions and specific skills of individual employees.

5. Present Value of Future Earnings Model (PVFE) The present value of future earnings model calculates the value of an employee by estimating their future earnings (salaries and benefits) and discounting them to present value. This model is based on the idea that human resources can generate a stream of future income for the organization, which can be discounted to find the present value of this future income.

   Advantages: Considers the long-term value of employees and is more future-focused than other models.

   Disadvantages: It requires accurate forecasts of future earnings and discount rates, which can be difficult to predict, especially for long-term projections.

6. Human Capital Model The human capital model takes a broader approach, considering the knowledge, skills, and experience of employees as the primary assets of an organization. It involves quantifying the potential value of these intangible assets, often by using a combination of financial measures (like ROI) and non-financial indicators (such as training, education, and expertise).

   Advantages: Recognizes the qualitative aspects of human resources and can incorporate a wide range of metrics.

   Disadvantages: It is complex and can be difficult to implement because it relies on subjective assessments and may not always lead to precise valuations.

7. Value Added Model The value-added model focuses on how employees contribute to the creation of value in the company. The value added by human resources can be calculated by measuring the employee's contribution to organizational performance, productivity, and profitability. It involves assessing how employee actions directly correlate with organizational outputs.

   Advantages: Provides a more performance-based assessment of human resources and their impact on the organization.

   Disadvantages: Measurement of value added can be difficult and subjective, particularly in organizations where employees' contributions are not easily quantifiable.

8. Balanced Scorecard Approach This approach focuses on integrating human capital into the broader strategic objectives of the organization. It combines financial measures with non-financial ones (learning and growth, customer satisfaction, internal processes) to assess the impact of human resources. The balanced scorecard method emphasizes the alignment of human resources with the company's long-term goals.

   Advantages: Provides a holistic view of employee value and its alignment with organizational strategy.

   Disadvantages: It can be complex to implement and requires ongoing measurement and refinement.

1.1. Key Considerations in Human Resource Accounting:

1.1.1. Measurement Challenges: HRA is inherently difficult due to the intangible nature of human capital. Unlike physical assets, human resources are dynamic and not easy to quantify.

1.1.2. Subjectivity: Some methods rely on subjective estimates, such as the potential future performance of employees or their specific contributions to organizational success.

1.1.3. Legal and Ethical Concerns: There can be legal and ethical challenges in treating employees as financial assets, as this may dehumanize the workforce or lead to discriminatory practices.

1.1.4. Usefulness for Decision Making: While these methods can help in HR planning and budgeting, their direct influence on decision-making within organizations can vary based on how robust and accurate the models are.

In practice, organizations often combine multiple models to get a more comprehensive view of the value of their human resources. The most appropriate method depends on the specific objectives of the organization and the type of information it seeks to obtain.

Importance of HRA in Managerial Performance

HRA is crucial in enhancing managerial decision-making as it helps:

- Evaluate the effectiveness of HR policies and practices.
- Justify investments in training and employee development.
- Improve workforce planning and productivity analysis.
- Assess the financial impact of human capital on business success.

2. RELATED WORKS

Human Resource Accounting (HRA) is a concept that has gained increasing attention in both academic research and organizational practice over the past few decades. HRA involves the measurement and reporting of the value of human capital (employees) in an organization, recognizing their potential to contribute to the long-term success and sustainability of the company. The literature on HRA largely focuses on how it can be utilized for better decision-making, improving managerial performance, and aligning human resources with organizational goals.

This literature review examines the evolution of HRA, its methodologies, and how it affects managerial performance in various contexts.

2.1. The Evolution of Human Resource Accounting

HRA, in its contemporary form, emerged in the 1960s, with the work of pioneers such as Brummet, Flamholtz, and Kates. These researchers proposed the idea that human resources should be treated as assets, similar to physical assets, and that their value should be accounted for in financial reports.

Early studies mostly focused on the theoretical underpinnings of HRA, with limited empirical validation. Since then, several models and methods have been developed to quantify and value human resources, including the historical cost method, replacement cost method, present value of future earnings method, and human capital approach.

2.2. HRA and Managerial Decision-Making

Research indicates that HRA plays a critical role in managerial decision-making, especially in HR planning, compensation systems, and talent management. By assigning a value to human resources, managers are better able to make data-driven decisions about recruitment, training, promotions, and resource allocation.

- **Flamholtz (1974)** argued that HRA provides managers with useful information about the true cost of human resources, allowing them to make more informed investment decisions related to training and development.
- **Hollenbeck & Jamieson (1994)** suggested that organizations with strong HRA practices are more likely to recognize and capitalize on the potential of their workforce, leading to better strategic planning and long-term organizational success.
- **Becker & Gerhart (1996)** highlighted that when the value of employees is properly measured, it aids in aligning human resource strategies with business objectives, leading to enhanced managerial efficiency and effectiveness.

HRA allows managers to go beyond traditional performance metrics and consider factors such as employee competencies, knowledge, and experience in making long-term strategic decisions. It enables **better resource allocation**, as managers are able to identify areas where human capital investments are likely to provide the greatest returns.

2.3. Impact of HRA on Managerial Performance

While the benefits of HRA in improving decision-making are widely recognized, its direct impact on **managerial performance** has been the subject of ongoing debate. The relationship between HRA and managerial performance is influenced by several factors, including the quality of data, the maturity of the organization's HR practices, and the level of managerial engagement with HRA information.

2.4. Enhanced Strategic Planning and Forecasting

HRA enables managers to forecast future human capital needs and align workforce strategies with organizational objectives. By understanding the current and future value of employees, managers can better plan for talent acquisition, succession planning, and skill development.

- **Guthrie (2001)** noted that managers who understand the long-term value of their workforce are better equipped to make strategic decisions that support organizational growth, such as investing in training and development or fostering employee loyalty.

2.5. Improved Employee Productivity

Research has found that when HRA is used to assess the value of employees, it can lead to improved managerial performance by motivating employees to perform at their best.

Employees are more likely to feel valued when their skills and contributions are seen as valuable assets, which, in turn, increases their commitment and productivity.

- **Schultz (1961)** suggested that by treating human capital as an asset, organizations can create a culture of continuous improvement, which enhances both individual and organizational performance.

2.6. Effective Performance Measurement

HRA can also enhance the effectiveness of performance management systems. By measuring human capital through value-based methods, managers can identify high-performing individuals and teams, track talent retention, and develop targeted strategies to improve performance.

- **Phillips & Connell (2004)** found that organizations using HRA to assess employee performance were more successful at creating performance-driven cultures, leading to higher employee engagement and better overall organizational performance.

2.7. Challenges in Implementing HRA in Managerial Practice

Despite the advantages, there are several challenges in implementing HRA that can limit its effectiveness in enhancing managerial performance:

- **Measurement Difficulty**: One of the biggest challenges in HRA is accurately measuring the value of human resources. Unlike tangible assets, human capital is intangible, and its value is influenced by factors such as knowledge, creativity, and interpersonal skills, which are difficult to quantify.
    - **Flamholtz (1999)** acknowledged that the subjective nature of human resource measurement makes it challenging for managers to rely solely on HRA data for decision-making.
- **Complexity of Methods**: Many of the methods used to quantify human resources, such as the **present value of future earnings method** or the **human capital approach**, require significant financial and human resource management expertise, which may not always be available.
    - **Roehling (2000)** argued that smaller firms or organizations without sufficient HR and financial expertise might find HRA implementation to be too resource-intensive.
- **Employee Resistance**: Employees may feel dehumanized or commodified if their value is constantly being measured and treated as a financial asset. This can lead to decreased morale and engagement, especially if employees feel that their performance is being reduced to numbers.
    - **Frenkel (2004)** discussed how employees may react negatively to practices that treat them purely as financial assets, undermining the very goals of HRA.

2.8. The Future of HRA and Its Role in Managerial Performance

The future of HRA in enhancing managerial performance lies in the increasing use of **data analytics** and **artificial intelligence (AI)** in human capital management.

The ability to collect and analyze vast amounts of employee-related data allows for more precise forecasting, real-time decision-making, and targeted talent management strategies.

- **Kaufman & Hotchkiss (2014)** noted that advancements in HR analytics are opening new doors for managers to assess the real-time value of human capital, helping them make more dynamic and timely decisions.

3. STATEMENT OF THE PROBLEM

Human Resource Accounting (HRA) has introduced a transformative shift in global accounting practices by emphasizing the valuation of human capital as a critical organizational asset. This approach has proven instrumental in effectively managing the performance and costs associated with human resources. Rapidly developing economies have particularly embraced HRA, recognizing its role in enhancing organizational value and efficiency.

Numerous global studies underscore the effectiveness and significance of HRA in the operational success of enterprises. In contrast, the adoption of HRA in India remains limited. Few companies and institutions have implemented these practices, and scholarly literature on HRA within the Indian context is sparse. This gap highlights the need for focused research to explore the potential benefits of HRA in India's corporate landscape.

Recognizing that HRA provides critical data on the costs and value of an organization's human resources—and aids in optimal personnel placement for improved managerial outcomes—this study is undertaken with the following objectives:

1. To portray HRA practices in India and different models of HRA
2. Identify the challenges and barriers hindering the implementation of HRA in India.
3. Evaluate the impact of HRA practices on managerial performance and decision-making.

3.1. Implementing Human Resource Accounting (HRA) in India faces several challenges and barriers:

1. **Lack of Standardized Guidelines:** India lacks uniform norms for HRA, leading to inconsistencies in valuation and reporting methods across organizations.
2. **Intangible Nature of Human Assets:** Quantifying human resources is complex due to their intangible qualities, making it difficult to assign accurate financial values.
3. **Conventional Accounting Practices:** Traditional accounting in India focuses on tangible assets, often overlooking the value of human capital.
4. **Lack of Awareness and Expertise:** Many Indian organizations lack awareness and expertise in HRA practices, hindering its adoption.
5. **Confidentiality Concerns:** Disclosing detailed information about human resources may raise privacy and confidentiality issues.

4. MATERIALS AND METHODS

This study is exploratory, incorporating both qualitative and quantitative data collected from primary and secondary sources. For a comprehensive analysis, primary data was gathered through a structured questionnaire completed by 100 HR department officials from various organizations. Secondary data was sourced from books, journals, magazines, and online resources. The questionnaire addresses topics related to managerial functions, costs, and the effectiveness of HRA practices, with data analysed using a specified test.

5. RESULTS & DISCUSSION

5.1. Managerial Performance on Human Resource Accounting Practices

The specialized tasks are referred to as the managerial function. The term "managerial function of human resource accounting practices" refers to the managerial tasks that an organization performs on a daily basis, including organizing, planning, controlling, and directing operations.

With the aid of a single sample t-test, the subsequent analysis is predicated on the managerial application of human resource accounting procedures. For each managerial function, the mean and standard deviation are determined, and the mean value is used to assign a rank.

Respondents' answers were gathered using a five-point rating system, which has been used to examine the findings.

The weights assigned are as follows: Strongly Agree = 5, Agree = 4, Neutral =3, Disagree = 2 and Strongly Disagree = 1. The mean score and the standard deviation scores are calculated from the same and presented in table 1.

Table 1: Respondents opinion on managerial performance on HRA practices

Managerial functions	5	4	3	2	1	No. of Respondents	Mean	Std. Deviation	Rank
Recruitment and planning	84(84)	16(16)	0	0	0	100	4.84	0.368	1
Budgeting in acquisition and development cost	56(56)	38(38)	6(6)	0	0	100	4.50	0.611	12
Personnel selection process	46(46)	48(48)	6(6)	0	0	100	4.41	0.605	13
Allocation of HR development programs	56(56)	44(44)	0	0	0	100	4.56	0.499	7
Recruitment of outside and inside development	70(70)	30(30)	0	0	0	100	4.70	0.461	2
Conservation	58(58)	38(38)	4(4)	0	0	100	4.54	0.576	10
Loss due to turnover of employees	56(56)	42(42)	2(2)	0	0	100	4.54	0.540	10
Alienation	58(58)	40(40)	2(2)	0	0	100	4.56	0.538	7
HRP effectiveness and efficiency	66(66)	34(34)	0	0	0	100	4.66	0.476	3
Treatment of personnel	62(62)	36(36)	2(2)	0	0	100	4.60	0.532	5
Evaluation process	60(60)	40(40)	0	0	0	100	4.60	0.492	5
Better reward administration	58(58)	40(40)	2(2)	0	0	100	4.55	0.539	9
Performance of personnel	68(68)	30(30)	2(2)	0	0	100	4.66	0.517	3

Source: Primary Data

Note: Figures in parenthesis represents the percentage of respondents

The data in the table provides insights into how respondents perceive various managerial functions, emphasizing their importance through average scores and the variation in responses.

The allocation of HR development programs stands out as the most valued function, with an average score of 4.84, indicating a strong agreement among respondents about its critical role in effective management. Following closely are the functions related to recruitment of outside and inside development and performance of personnel, both scoring 4.82, which highlights their significance for achieving organizational success.

Conversely, the function of alienation received the lowest score of 4.56, suggesting that while it is recognized, it is not considered a top priority compared to other managerial functions.

The presence of relatively high standard deviations for several functions, particularly for budgeting in acquisition and development costs (0.476) and better reward administration (0.539), indicates a range of opinions among respondents.

This variability may reflect different experiences or expectations associated with these managerial roles. The above data is further analysed to test the following hypothesis with the help of Regression and test results are presented in table 2.

Table 2: ANOVA of Managerial Performance on HRA Practices

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	.001	1	.001	.036	.850[b]
	Residual	3.853	98	.039		
	Total	3.854	99			

a. Dependent Variable: Management Performance

b. Predictors: (Constant), HRA Practices

The ANOVA table provides important insights into the results of a regression analysis, which examines the relationship between an independent variable and a dependent variable. The Regression Sum of Squares is 0.001, indicating that the model explains only a tiny fraction of the overall variance in the dependent variable, which has a total sum of squares of 3.854. This suggests that the independent variable does not significantly influence changes in the dependent variable.

The Mean Square for Regression is 0.001, while the Mean Square for Residuals is 0.039. This comparison shows that the variance explained by the regression model is very small compared to the unexplained variance, indicating a poor fit of the model to the data.

The F-statistic is 0.036, which reinforces the conclusion that the model does not adequately capture the relationship between the variables. Additionally, the p-value (Sig.) of 0.850 is well above the typical threshold of 0.05, suggesting that there is no statistically significant relationship between the independent and dependent variables in this analysis.

Table 3: KMO and Bartlett's Test of MP & HRA Practice

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.500
Bartlett's Test of Sphericity	Approx. Chi-Square	.036
	df	1
	Sig.	.850

The findings from the KMO and Bartlett's Test offer important insights regarding the appropriateness of the data for factor analysis. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy is reported at 0.500, which is on the lower end of the acceptable range.

Generally, a KMO value close to 1 indicates that the data is suitable for factor analysis, while a value below 0.5 suggests that the sample may not be adequate for this type of analysis.

Furthermore, Bartlett's Test of Sphericity shows an approximate Chi-Square value of 0.036 with a significance level (p-value) of 0.850.

This high p-value implies that we cannot reject the null hypothesis, which states that the correlation matrix is an identity matrix—meaning that the variables are not significantly correlated.

5.2. Cost Consideration under HRA practices

Cost allocation or consideration is the main function of HRA practices that includes an extension of the concept of proper matching of cost with revenue. The different costs in HRA are acquisition cost, training and development cost, and welfare and facilitative cost.

The analysis has been made to know which cost is used compulsorily, periodically, and which is never used in the allocation of cost and the responses were analyzed hereunder.

Cost Category		No. of Respondents			Total No. of Respondents
	Type of Cost	Compulsorily	Periodically	Never	
Acquisition Cost	Recruitment	90(90)	10(10)	0	100
	Selection	92(92)	8(8)	0	100
	Hiring	94(94)	6(6)	0	100
	Placement	86(86)	14(14)	0	100
Training and Development	On the Job Training	90(90)	10(10)	0	100
	Special Training	6(10)	94(94)	0	100
	Development and Training Program	100(100)	0	0	100
Welfare And Facilitative Cost	Welfare and Amenities Within the Organization	94(94)	6(6)	0	100
	Welfare and Amenities Outside the Organization	84(84)	16(16)	0	100
	Health of Workers	100(100)	0	0	100
	Safety of Workers	100(100)	0	0	100

Source: Primary Data

Note: Figures in parenthesis represents the percentage of respondents

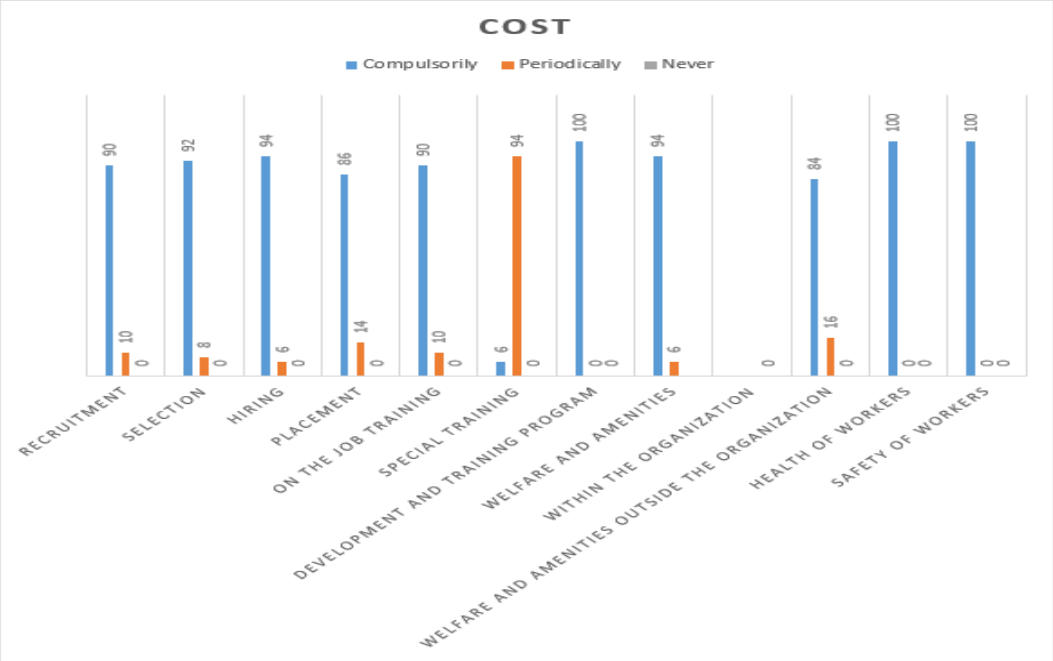
Recruitment, selection, hiring, and placement expenses are all included in the acquisition cost. Only a small percentage of respondents indicated that these costs would be taken into consideration on a periodic basis, while the majority (more than 85% in all cases) stated that they are mandatory when HRA is practiced in the company.

Job training, specialized training, and training expenses are all taken into account in the training and development process.

While special training costs are only taken into account when they are actually incurred and are incurred by the organization on a very regular basis, the majority of respondents (more than 90 percent) believe that on-the-job training and development and training costs should be taken into consideration when preparing human resources accounts.

Under Welfare and facilitative cost, the cost like welfare and amenities within and outside organization, health of workers and safety of worker cost are highly predominant, and the majority respondent's opinion is observed saying that this type of cost is to be compulsorily taken into consider while heading towards practice of HRA.

Finally, it can be inferred that the HRA practices in any organization is strongly considering the various cost aspects in determining human resource values in a compulsory policy because of its importance in determining true and fair value of HR and for future planning of human resource asset management in enterprises.



Graph 1: Opinions of respondents regarding cost consideration in HRA procedures

5.3 The effect of HRA practices on organizational effectiveness

The literature provides useful information about the importance of HRA practices in making organizations more effective in executing their functions and ensuring greater credibility in discharging their duties and responsibilities. The opinion of respondents towards how effective the HRA practice in various essentials of the organization is collected and summarized in the subsequent part of this research. The responses were collected on a scale of 1-10 which measures 1 being least effective and 10 being most effective. Later the weights assigned to different opinions are grouped from 1-3 as not effective, 4-7 as moderately effective and 8-10 scores as highly effective.

Table 4: Views of respondents regarding how HRA practices affect organizational effectiveness

Variables	Not Effective			Moderately Effective				Highly Effective			Total no. of Respondents
	1	2	3	4	5	6	7	8	9	10	
Management of Employees Attrition	0	0	0	0	0	0	12(12)	26(26)	46(46)	16(16)	100
Management of Productivity	0	0	0	0	0	0	6(6)	18(18)	36(36)	40(40)	100
Managing Quality of Work	0	0	0	0	0	0	8(8)	20(20)	26(26)	46(46)	100
Control and Cost Reduction	0	0	0	0	0	0	4(4)	22(22)	36(36)	38(38)	100
Management Performance of Employees	0	0	0	0	0	0	8(8)	16(16)	34(34)	42(42)	100
Ensuring Employee Engagement	0	0	0	0	0	0	4(4)	14(14)	32(32)	50(50)	100
Management of Firm Value	0	0	0	0	0	0	8(8)	6(6)	40(40)	46(46)	100

Source: Primary Data

Note: Figures in parenthesis represents the percentage of respondents

For Management of Employees Attrition, a substantial portion of respondents, specifically 46 out of 100 (46%), rated this practice as highly effective, indicating strong confidence in the organization's ability to manage employee turnover. Additionally, 26 respondents (26%) viewed it as moderately effective, suggesting overall positive feedback. In terms of Management of Productivity, 40 respondents (40%) also rated this area as highly effective, reflecting a favorable perception of productivity management strategies. The Managing Quality of Work category received similar support, with 46 respondents (46%) rating it highly effective, which underscores the effectiveness of quality management practices. Conversely, the results for Control and Cost Reduction show a more varied response, with only 38 respondents (38%) rating it as highly effective. This indicates that there may be opportunities for improvement in this area. The Management Performance of Employees and Ensuring Employee Engagement were perceived positively as well, with 42% and 50% of respondents respectively rating them as highly effective. Finally, regarding the Management of Firm Value, 40 respondents (40%) rated it highly effective, suggesting a strong belief in the organization's value management strategies. Overall, while there is a general consensus on the effectiveness of many management practices—particularly in attrition and employee engagement—there are areas such as cost reduction that may benefit from further attention and improvement to enhance overall organizational performance.

6. CONCLUSION

The literature on Human Resource Accounting provides significant insights into how HRA can affect managerial performance by improving decision-making, fostering strategic alignment, and increasing employee productivity. However, challenges such as measurement difficulties, the complexity of methods, and potential employee resistance must be addressed to fully leverage HRA's benefits. While the full integration of HRA into managerial practice is still evolving, it is clear that organizations that adopt and adapt HRA methods have a distinct advantage in managing human capital effectively. As data analytics and AI continue to evolve, HRA may become an even more crucial tool for managers seeking to optimize their workforce's contribution to organizational success.

Human resource accounting is becoming more popular in India, with an increasing number of companies beginning to acknowledge employees are valuable resources similar to other assets. Due to the increasing number of businesses being established, as the number of people hired continues to rise, prioritizing the adoption of HRA practices can be effectively initiated. Improve and enhance transparency in distributing expenses for employees and to understand how these costs will produce outcomes advantages in the future. The performance of human resources should be measured and reported in companies. Financial reports that will lead to revealing the fair value of the business to the public and stakeholders and Businesses need to establish clear goals, plan to achieve them, and implement their strategies efficiently. Ultimately, organizations ought to endorse human resources audits, which provide information concerning the reliability of human resources to be gathered. This research is centered on human resources accounting, a novel approach to accounting practices. Human resource accounting is a topic within accounting that can’t be defined in purely economic terms. It provides numerical data that assist management in determining the suitability of human resources. The organization can form further assessments regarding employee productivity during the hiring process and selection and it is additionally utilized in the management activities of the organization. Nonetheless, numerous efforts are being promoted to encourage the adoption of HRA in organizations. Since HRA considers employees as valuable resources of the entity. In order to uphold the significance of human resources accounting within any

organization, a broadly and established method of assessment needs to be created. This study demonstrates that HRA practices are becoming increasingly efficient. An increasing number of companies are gradually adopting HRA practices, as they prove to be effective in assisting the different managerial roles within the organization.

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