
**HUMAN RESOURCE ACCOUNTING AND PRACTICES IN PUBLIC ENTERPRISE:
(A STUDY OF BHARAT HEAVY ELECTRICALS LIMITED)**

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ABSTRACT:

Human Resource Accounting is one of the methods to measure the cost and value of human resource of the organization, it measures the cost incurred to recruit, hire, train and develop employees and managers. In this era, a key to competitive success is skilled and knowledgeable human resource of an organization. To ensure growth and development of any organization, the efficiency of human asset must be augmented in the right perspective. Without human resources, the other resources will not operate effectively. The companies invest heavily on its human resource, but the value of HR may not be adequately reported to the stakeholders due to strict recognition criteria for intangible asset that do not allow showing human resource in the Balance Sheet as an asset.

INTRODUCTION:

In the 21st century where knowledge and attitude of employees assume greater significance than the physical assets and the accomplishment of objectives of these organizations is contingent on the quality of their Human Resource their knowledge, skills, competence, motivation and accepting the organizational culture. In knowledge driven economies it is imperative that the humans are recognized as an integral part of total worth of an organization. Human Resources Accounting was introduced way back in the 1960s, but not many companies in India have adopted it in their organization. There is little concord concerning the procedure of accounting for human assets. There are proponents and critics of the various approaches like cost and value approaches. Not many evidences are available that portrays the application of Human Resource Accounting in organizations in India. Hence, the growth and acceptance of HRA is quiteless. The implementation of HRA is voluntary and no official body has made it mandatory, that HRA should be put into practice. Current amendments in IFRS standards have declared the requirement of implementation of HRA in all the Indian companies by the end of 2015. Human resources have been enthroned as the canopy of all the “assets” that a nation possesses and owns at a given point of time. In order to ensure that these assets are preserved, there is a need of valuing them in correct manner. Thus, HRA would gain impetus.

The American Accounting Society Committee on Human Resource Accounting (1973) defines it as follows: “Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties.” In simple terms, it is an extension of the accounting principles of matching costs and revenues and of organizing data to communicate relevant information in financial terms

OBJECTIVE OF THE STUDY:

1. To make an overall analysis of HRA practices in BHEL

2. To study the impact of HRA on Performance of Companies.

SIGNIFICANCE OF THE STUDY:

This study provides the basis for the better knowledge of human asset of the company. It throws light on strength and weakness of existing workforce. Which enables the higher authority to take the major decision? It is also important to practice the Human resource Accounting to evaluate the performance of human resource recruited by the company and also the capital invested in training and promoting them.

INTRODUCTION OF BHEL:

BHEL is a public sector enterprise having its registered office at Sirifort, New Delhi. BHEL is one of India's largest engineering and manufacturing enterprises in the energy and infrastructure sectors and a leading power equipment manufacturer globally, is a celebration of India's industrial achievements. In its journey of over 55 years, it has gained the status of being one of the strongest pillars of Indian industry. BHEL serves the core sectors of the economy and provides a comprehensive portfolio of products, systems and services to customers BHEL's greatest asset- its highly skilled and committed workforce of more than 35,000 employees is the cornerstone of its success.

HUMAN RESOURCE MANAGEMENT IN BHEL:

Aligned to the changing needs of the organization, knowledge transfer, skill development and behavioral interventions were facilitated for BHEL employees. With a view to encourage and motivate employees to attain higher level of excellence and to contribute towards growth and development of the organization and to provide thrust to BHEL's initiatives towards enhancing engagement levels of employees by providing them training and skill development. The Human Resource Department of the enterprise always stand with their workforce in the every walk of their service, The department always strive to make proper schemes of wages and remuneration for their employees. With this reference an Employee Recognition Scheme was also introduced in the organization.

HUMAN RESOURCE ACCOUNTING IN BHEL

BHEL has started providing information regarding their Human Resource Accounting in the year 1974-75 in its annual report by using Lev and Schwartz model. It is the very first organization in India who has adopt practicing Human Resource Accounting and considering efficiency factor for the purpose of Human Resource Valuation from the year 1980-81. The company divides their employees on the group wise, category wise and also per physical challenged employee. The company followed 12% as discount rate. Company provide the information regarding particular of employee under section 217(2A) of Companies Act 1956 with company rule 1975. BHEL has reporting information like total No. of employees, Employee Remuneration and Benefit, Value Added per Employee, Turnover per Employee.

PERIOD OF STUDY:

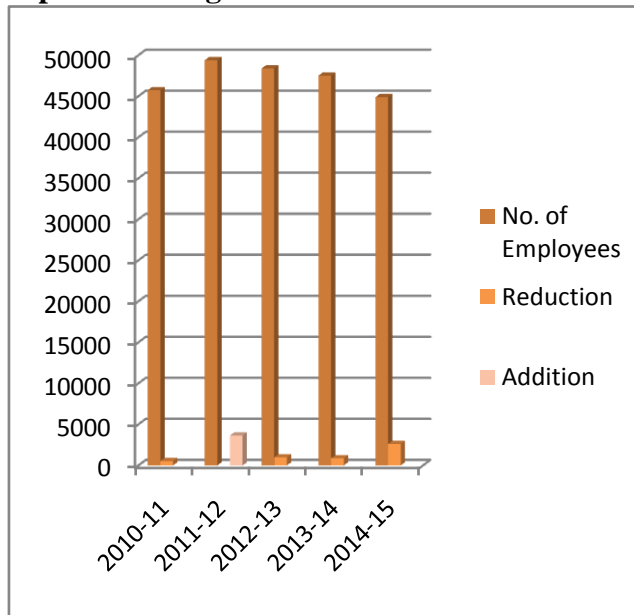
The Period of study taken for research is of 5 years from the year 2010-11 to 2014-15

DATA COLLECTION AND METHODOLOGY:

To access the importance and the role of Human Resource Accounting in Public Enterprises especially in BHEL the collection of secondary data is required. The secondary data is collected from the various published and unpublished records of BHEL, Annual reports of the company, Financial Statements of the organization

Table 1- Manpower Strength

| Year | No.of Employees | Reduction | Addition |
|---------|-----------------|-----------|----------|
| 2010-11 | 45748 | 546 | ----- |
| 2011-12 | 49399 | ---- | 3651 |
| 2012-13 | 48399 | 1000 | ----- |
| 2013-14 | 47525 | 874 | ----- |
| 2014-15 | 44905 | 2623 | ----- |

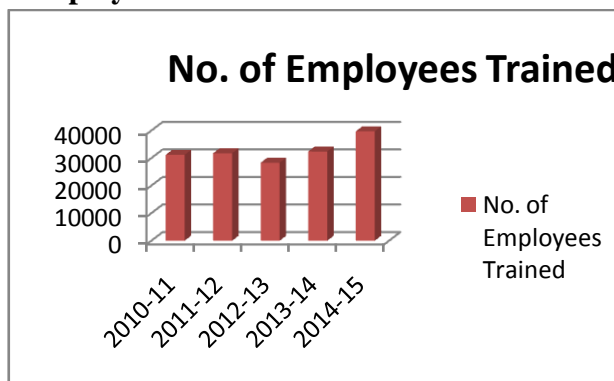


Source – Annual Reports of BHEL Figure –1

Analysis: The above Table shows the no. of employees in an organization during five years of study. In the year 2011-12 the no. of employees increases and after that there is gradual decrease and after 2012 the company has stopped appointing new people, exemption only in special cases as directed by government. The above graph can easily illustrate the position of in and out of employee in the organization.

Table-2 No of Employees Trained

| Year | No.of Employees trained |
|---------|-------------------------|
| 2010-11 | 31166 |
| 2011-12 | 31758 |
| 2012-13 | 28338 |
| 2013-14 | 32396 |
| 2014-15 | 39715 |

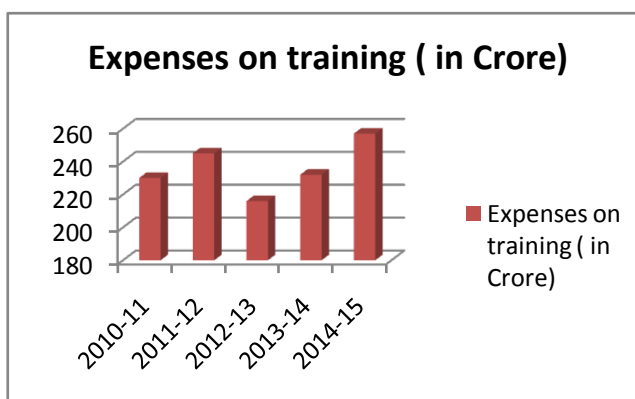


Source – Annual Reports of BHEL Figure -2

Analysis: This table and graph shows the no. of employees under taken training program period of study. The no. of employee trained is less in the year 2012-13 otherwise, there is gradual increase in numbers

Table – 3 Expenses on Training

| Year | Expenses on training (in Crore) |
|---------|---------------------------------|
| 2010-11 | 230 |
| 2011-12 | 245 |
| 2012-13 | 216 |
| 2013-14 | 232 |
| 2014-15 | 257 |



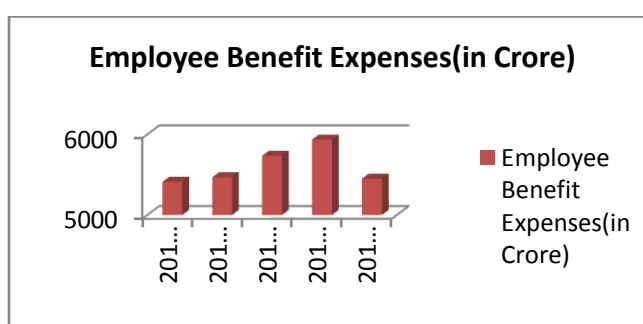
Source – Annual Statement of BHEL

Figure-3

Analysis: The above table and graph shows the amount of expense which the organization incurred on their employees training and development. The amount spend is varies with the no. of Employee trained every year, if no. of employees is more the expense is more and if the no. is less the expense is also less.

Table -4 Employees Expenses

| Year | Employees Benefit Expenses(in crore) |
|----------|---------------------------------------|
| 2010-11 | 5410 |
| 2011-12 | 5166 |
| 2012-13 | 5733 |
| 2013-14 | 5934 |
| 20104-15 | 5450 |



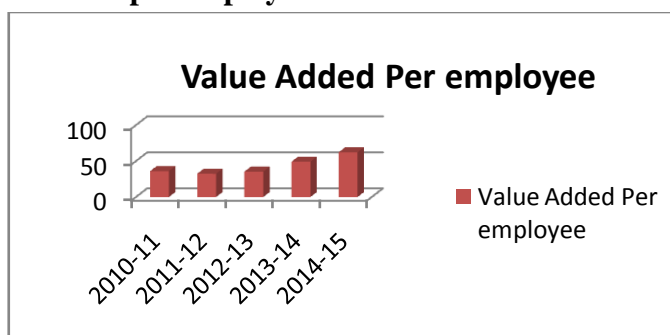
Source – Annual statement of BHEL

Figure -4

Analysis: The above table and graph shows the expense which the organization incurred on various benefit which the employees derived from the organization each year. These expense include salary, bonus, commission , Contribution to provident fund etc . The company spends huge amount for their employees benefit.

Table -5- Value added per employee

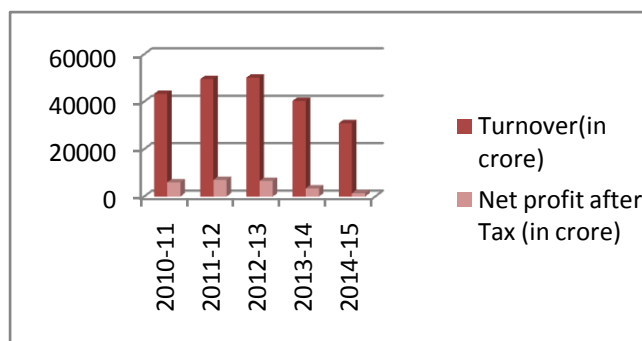
| Year | Value Added per employee |
|---------|--------------------------|
| 2010-11 | 36.03 |
| 2011-12 | 32.39 |
| 2012-13 | 35.37 |
| 2013-14 | 49.19 |
| 2014-15 | 65.22 |



Source – Annual Report of BHEL Figure -5

Table -6 Annual turnover and Annual Profit

| Year | Annual Turnover (in Rs.) | Annual Profit (in Rs) |
|---------|--------------------------|-----------------------|
| 2010-11 | 43337 | 6011 |
| 2011-12 | 49510 | 7040 |
| 2012-13 | 50160 | 6615 |
| 2013-14 | 40338 | 3461 |
| 2014-15 | 30947 | 1419 |



Source-Annual Statement of BHEL Figure -6

Analysis: The above table and graph shows the amount of annual turnover and profit after tax of the organization. The turnover increases in first three year but there is huge decreases in the fourth and fifth year i.e 2013-14 and 2014-15 for about 10,000 crores. The profit is highest in the year in the 2011-12 and after that the profit is going down every subsequent years.

FINDINGS OF THE STUDY:

1. The no. of employees is decreasing every year as there is no new appointment after 2012-13. This is matter of concern for the organization as other asset remains ideal if there is no human resource.
2. Every year almost 60%to 70% of employees are trained in organization which will help the company to attain their goals and objectives skillfully and helps in accomplishment of plans of the organization.
3. The organization spend a huge amount on employees benefit expenses every year. The amount varies between 10% to 18% of the turnover in all the years. First year -12.48%, second year-10.43%, third year-11.42% , fourth year-14.71% and fifth year -17.61%.
4. As a result of all the training and development schemes of the organization the value added per employees are also increasing every year, which is constructive step for the company
5. The turnover and the profit of the company is decreasing every year despite being with status of Maharatana enterprise , the company fails to increase their turnover , the no.of orders received is also increasing. The reason behind this is increase in competition.
6. Every year the organization invests a good amount of money to make their employees more skilled and trained.

SUGGESTION OF THE STUDY

1. The BHEL should adopt some other method for valuing the HR.
2. The BHEL should invest more on training and development of their employees.
3. Adopting HRA shall become mandatory for all the companies.
4. The government shall make provision for all the companies to value and disclose HR related information in its annual report.
5. There is the need of specific model that is acceptable by all the companies.

CONCLUSION:

To conclude, the HR Accounting system tries to evaluate the worth of human resources of an organization in a systematic manner & record them in the financial statement to communicate their worth with changes in time & result obtained from their utilization to the users of the financial statement. Hence, now it is required under the law & government guidelines, to maintain a separate

item in their balance sheet about such HR activities undertaken by them. Because it is the time for the organizations to realize that the information of their workforce/human capital is the prime assets and not liabilities. Human resource accounting provides information about the value of human assets, which helps the top management to take decisions regarding the adequacy of human resources. When proper valuation and accounting of the human resources is not done then the management may not be able to recognize the negative effects of certain programmes, which are aimed at improving profits in the short run and could lead to a fall in productivity levels, high turnover rate and low morale of existing employees. The HRA concept itself represents a new way of thinking about people as assets. It has a great potential for future organization to understand the value of human forces and the same should be mentioned in the financial statement.

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