

PDF - A CRITICAL EXAMINATION OF HUMAN RESOURCES ACCOUNTING AS A TOOL FOR MEASUREMENT OF HUMAN CAPITAL - researchcub.info

CHAPTER ONE: Introduction

1.1 Background to the study

Business organizations now spend enormous sums of money and spare no effort in selecting, training, re-training and developing their managers to equip them adequately to meet the challenging tasks arising from internal and international developments. The increasing technical complexity of modern business and the time required for personnel to gain skills, and experience and judgement in many vital areas makes brain power the critical resource in our economy.

Financial analysis stresses the quality of management behind the business more than any other factor in evaluating diversification and takeover propositions. All these arise from the increasing recognition that human resources are the most important business assets. We recognize that people are valuable to business enterprises, universities, hospitals and perhaps, all organizations. We know that the value of human resources is derived from their ability to render services which have economic value.

Human Resource Accounting (HRA) provides useful information to both internal and external users of accounting information. It helps internal users (like management) in making decision on employment and utilization of human resources and also in deciding transfers, promotion, training and retrenchment of human resources. It provides a basis for the planning of physical assets vis a vis human resources, as well in evaluating the expenditure incurred for imparting further education, training and development in employees in terms of the benefits derived by the firm, among others. For external users (such as potential investors), HRA provides useful information for making investment decisions.

Mayo (2006) posits that people are often spoken of as assets, but are generally treated as cost because there is no credible system of valuing them.

Marshall (1961) had also said that the most valuable of capital is that invested in human beings.

1.2 Statement of the problem

If human capital is, in real sense, "best practice", why is it that some organization lack human capital resources processes yet are successful in their purpose? Or, put another way, why doesn't everyone adopt human capital principle? A simple answer would be that such firms may be successful now, but the possibility of their sustaining their success is reduced by their failure to implement human capital concepts.

1.3 Objective of the study

The main objective of the study is to critically examine the human resources accounting as a tool for measurement of human capital.

The specific objectives are:

To find out if human resources accounting serves as a useful tool for measurement of human capital.

To determine if human capital has helped in improving organization.

To examine if human capital is the key determinant in explaining the rise and fall of the nations as well as factor in determining individual income.

To find out if organizations make use of the human resource.

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