



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore - 641 107

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Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai



DEPARTMENT OF MANAGEMENT STUDIES

COURSE NAME : 19BA202 - HUMAN RESOURCE MANAGEMENT

I YEAR /II SEMESTER

Unit 5 - PERFORMANCE EVALUATION AND CONTROL PROCESS

Topic 2: Human Resource Accounting & Audit



HUMAN RESOURCE ACCOUNTING

Human Resource Accounting is the process of identifying and measuring data about human resources and communicating this information to interested parties.

- Human resources accounting is the measurement of costs and value of the people for the organization.



OBJECTIVES OF HR ACCOUNTING

To facilitate effective and efficient management within an organization for human resources

▶ To provide information of changes in the structure of manpower to the management

- ▶ To provide basis to the future investors in making better decisions about investment in human resources.
- ▶ To provide qualitative information on human resources
- ▶ To measure the costs incurred on human resources by firms.



NEED FOR HRA

- ▶ HR Accounting is very much needed to provide effective & efficient management within the organization.
- ▶ If there is any change in the structure of manpower, it is HRA which provides information on it to the management.
- ▶ HRA provides qualitative information & also assess the cost incurred in personnel.
- ▶ It gives a platform to the management by providing factors for better decision-making for future investment.
- ▶ The return on Investment on human capital is best evaluated through HRA
- ▶ HRA communicates to the organization and public about the worth of human resources & also its proper allocation within the organization
- ▶ HR helps the management in developing principles by classifying the financial consequences of the various practices.



METHODS OF HR ACCOUNTING

- ▶ **Historical Cost Method** : the sum total of all the costs related to human resources is calculated to find out the value of a human resource. These costs include the cost of recruitment, selection, training, placement, and development of human resources of an organization.
Acquisition cost & Learning Cost
- ▶ **Replacement Cost Method**: Replacement cost is that cost which is incurred on replacing the existing human resource by an identical one i.e. human resource capable of rendering similar services.



METHODS OF HR ACCOUNTING

- ▶ **Present Value Method and Economic Value Method:** the future earnings of the employees are estimated up to the retirement period and is discounted at a discount rate which is usually the cost of capital.
- ▶ **Asset Multiplier Method:** It consider that there is no direct relationship between the cost incurred on human resource and how much value he is for the organization. The value of human resources depends on various factors like the level of motivation and employee attitude towards work and the organization.



HRD AUDIT

- HR Audit is a process of examining policies, procedures, documentation, system and practices with respect to an organization's HR function
- The purpose of HR audit is to reveal the strengths and weaknesses in the organization's human resource system and any issues needing resolution.
- The audit works best when the focus is on analyzing and improving the HR function in the organization





HR AUDIT

Steps in HR Audit

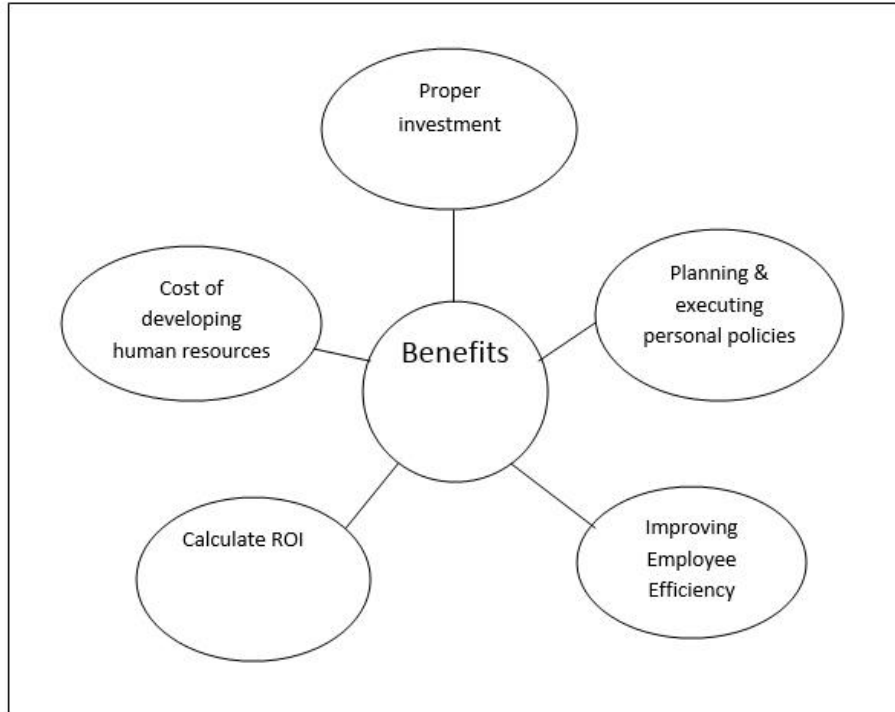




Benefits of HR Audit:

1. Identifies contribution of HR Department.
2. Improves HR Department's Professional Image.
3. Fosters greater Responsibility & Professionalism amongst HR Staff.
4. Classifies HR Department's Responsibilities & Duties.
5. Stimulates Uniformity of Personnel Policies & Practices.
6. Identifies Critical personnel problems.
7. Ensures Timely Legal Compliance Requirements.
8. Reduces HR Costs

HR ACCOUNTING & AUDIT





RECAP

QUESTIONS???

THANK YOU