



ACCOUNTING HUMAN RESOURCES IN THEORY AND EXPOSURE

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Abstract

Accounting for human resources, it is very new and has not been popular in applied in Indonesia. To the writer tries to make a presentation and written reviews concerning human resource accounting. Perhaps with this article, can add insight and frame of mind later in the development and application of human resource accounting in Indonesia

Keywords: human resource accounting, theory and applications.

THEORY AND EXPOSURE

Theory of Human Resources

Simanjuntak in Single (1994), states that human resource contains two meanings:

1. Businesses are given in production. It reflects the quality of the effort given person in a given time to produce goods and services.
2. People who are able to work to provide the services or work effort. It reflects the quantity is the number of people who work at a company.

Flamholtz in Single (1994), states that the accounting of human resources is "human resource accounting means accounting for people as an organizational resource" (human resource accounting means accounting for the human being as a source of the organization) ".

Understanding the above explained that human resource accounting is a process that includes identification and measurement of costs incurred for the human assets, covers the costs for recruiting, hiring, training and developing human assets who then informed for the needy.



The purpose and function of Accounting Implementation of Human Resources

Flamholtz in Single (1994), states that the purpose of the application of human resource accounting is:

1. Provide a framework to help managers in using human resources effectively and efficiently.
2. Provide the information required for users to acquire, develop, placing, converting, using, evaluating and appreciating human resources.
3. Provide a measuring instrument cost (cost) and value (value) of a human being for the organization to be used in decision making.
4. Motivate managers to appreciate due to take business decisions on human resources (human resources).

Single (1994) states that the accounting functions of human resources as a whole, namely:

1. Accounting of human resources is a way of thinking about the Management of the human resources of an organization paradigm is based on the premise that man is an organizational resource that has value.
2. Accounting of human resources is a system that gives management the information needed to manage human resources effectively and efficiently.

Accounting exposure of human resources

Determination of Human Resources as Assets

Indonesian Institute of Accountants (IAI) under SFAS no. 17 identified "assets as resources controlled by the firm guidance of past events and from which future economic benefits expected to be obtained by the company".

Indonesian Institute of Accountants (IAI) through SFAS no. 16 gives the definition of the assets as follows: "The fixed assets are intangible assets acquired in the form of ready-made or to be built first, which is used in the operation of the company, not intended for sale in the framework of the normal activities of the company and have a useful life of more than one year."



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Based on the definition of assets above, especially regarding fixed assets, visible weakness of traditional accounting designed to assess all the assets owned by the company, such as not measured and judged assets human resources by reason of assets humans are not assets that last long and very moved so difficult to pass up the process evaluation using formal methods.

Accountants recognize the contribution of human resources to distinguish between the value of assets at the time of loading and the value of assets in the context of its survival. This concept clarifies the status of human resources as a source. Factors that support the company's condition eg in conjunction when companies merge or when a change of ownership for these conditions accountant increasingly recognize the existence of human beings as assets that recognition of the assets of human resources in the form held capitalisation of the costs of human resources that have been issued by the company that the conventional accounting method used in the current period costs.

Measurement Method of Human Resources Accounting

There are two views in the measurement of human resources, namely prospective terms of cost (cost based) and in terms of value (value based).

View in terms of cost (cost-based)

Definition of expenses in the broadest sense is the "sacrifice of economic resources is measured in units that have occurred or are likely to occur in the future" (Mulyadi, 2000).

The concept used in the measurement method of accounting human resources include:

- a. Looking for investment in human resources through the process of capitalization
- b. Recorded portion of capitalization that has been consumed by using the specified amortization
- c. Notes and acknowledges the loss when the expertise of knowledge of human resources can not keep up with technology or acknowledge losses due to high turnover.
- d. Report and discuss with the parties concerned regarding the changes and the investment conditions of human resource accounting.

Human assets should be capitalized as other assets that have the benefit of more than one year or one accounting period, recorded a portion of the cap that has been used with certain amortization method.

1. Method of measuring non-monetary



Non-monetary measurement methods in Human Resource Accounting (HRA) using certain variables in presenting information about the value of human resources, such as an inventory of the skills and abilities of workers, and the measurement of attitudes or behavior. The more relevant measurement is used for internal party especially for measuring the performance of lower-level management level to the upper level.

For employee performance appraisal can cause a feeling of satisfaction in them selves. They feel that in this way the work assessed by the company appropriately and at the same weaknesses that exist can be identified by such employee performance appraisal always aim to move vertically (promotion or demotion) or horizontal. Termination and quality improvement for employees can also improve employee morale and confidence to the leadership and the company. Briefly achievement assessment work should provide benefits for employees and is useful for companies to establish policies staffing program on the future. With monetary methods is done to determine how much of the expenditure incurred and can be done by two methods, which measure the cost (cost) that occurred (Human Resource Cost Accounting) and the value (value) that occurred (Human Resource Value Accounting), while the the associated non-monetary method possible to determine employee performance and evaluation of employees.

2. monetary measurement method

Monetary measurement methods that will be discussed by the authors is a monetary measurement method using the Human Resource Accounting Human Resource Cost Accounting (HRCA). "Human Resource Cost Accounting HRA is a measurement method that measures and reports all costs incurred for the search, development and replacement of power as a resource organization" Amin in Single (1994).

Basically, there are two methods HRCA measurement methods, namely Methods Historical Cost (Historical Cost of Human Resource) and the Replacement Cost Method (Replacement Cost of Human Resource).

a. Historical cost method

Methods of historical cost is calculating and capitalizes all costs associated with the acceptance and development of human resources owned by the company that were held amortization these costs over the estimated useful life expected from such assets, and recognizing the loss in terms of asset disposals or enhance the value of the assets if there is any additional costs that may increase the potential benefits of the asset.



This method has the advantage of treatment calculations to compute the value of the human resources that are consistent with the application of conventional accounting, allowing it to calculate the actual costs included in the acquisition of businesses and employees historical cost method is practical and can be tested truth data. But this method also has some disadvantages, among others, first, the economic value of assets in the form of human beings should not be in accordance with the historical cost. Secondly, any appreciation or amortization is likely to be subjective because it connects each increase or decrease in the productivity of the human assets. Third, because of the costs associated with the acceptance and development costs of each individual is different, the historical cost does not give the value of human resource that can be compared.

b. Replacement cost method

This method consists of the replacement cost valuation of human resources that already exist in the enterprise, these costs will cover the entire cost of recruitment, selection, payroll education and training, placement, and development of new employees to reach the level of existing skills.

The main advantages of this method is that this method is a good substitute for the economic value of the asset as based on market considerations to determine the final outcome. The end result is generally intended to conceptually as equivalent to the economic value of a person.

But the replacement cost method there are also some drawbacks, among others:

1. A company may have an employee whose value is considered greater than the cost of a replacement for him.
2. Possible no equivalent replacement for a specific human assets.
3. Any manager who was asked to assess the cost of a replacement for the whole of human organization is likely to be difficult to implement and different managers will obtain different estimates.

View in terms of value (value based)

Flamholtz in Single (1994), states that the value is "potential possessed by the object in contributing benefits or services". The concept of human resource value is derived from the concept that comes from the knowledge in contributing and services.

The value of the resource as well as other resources, depends on its ability to contribute services, exactly is the present value of the contribution of services applied in the future.



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1. The measurement method of compensation (compensation model)

Compensation model based on the economic concept of human capital theory, namely that human resources is a current source of revenue and is a great value present value discounted at a certain rate for owners of these resources.

2. The stochastic model rewards

This model was developed by Flamholtz the basis of economic thinking about the value of a process possibility according to economic theory the value of something is worth if it has the ability to provide benefit or usefulness utilized later on with the process of the possibilities described above, the value of human resources expected to be realized by company.

Flamholtz in Single (1994), Declare that the measurement value to the organization involves the following activities:

- a. Estimate the time period or period of the employment for the company.
- b. Identify positions that can be occupied by employees concerned
- c. Measure the value of a given company if employees into office for a certain time measure
- d. Estimating the probability of a person occupying each of these positions for the size of a particular time.

The end result of the application of this model, which is the present value of the expected life of employees acquired the company during working lives.

Human Resources report in the Financial Statements

Presentation of the financial statements aim to provide information regarding the financial position, performance and changes in financial position that benefit a large number of users in making economic decisions. The accounts also constitute what has been done management or accountability for the resources entrusted to it.

At this time the financial statements were prepared in accordance with "Generally Accepted Accounting" (GAAP / General Accepted Accounting Principles), which in Indonesia is called the Indonesian Accounting Principles do not indicate the value of man in the organization. The financial statements report the depreciated cost of the asset as a substitute for the value. Besides the financial statements do not provide information to outside parties interested investors example of an organization on the investment in human assets. Conventional accounting treats investment in human resources as a cost (cost) of the asset (asset).

Accounting practices that treat investment in human resources as an expense rather than as an asset, resulting in the calculation of profit and loss and balance sheet becomes inaccurate. In



the calculation of income, which is presented as a nominal net profit becomes inaccurate, because accounting treats all expenditures incurred to acquire or develop human resources as an expense during the period occurred, rather than capitalizing and amortization these costs over its useful life. Balance becomes inaccurate because nominal named "total assets" does not include human assets of the organization. For there is no indication of actual investment in the organization's human assets. Accounting treat every IDR conducted by management to obtain human assets as a cost, although the useful life exceeds the spending period.

Inaccuracies in the presentation of financial statement information above causes not accurate measuring the ROI (Return On Investment). The concept of ROI is a crucial variable in the decision of the ratio of net income to total assets. "Net profit in the ROI analysis reflects management ability in managing costs, sales and investment change" Helfert in Single (1994). ROI becomes inaccurate can cause investors to an incorrect assessment in looking at performance management.

Human Resource Cost Accounting (HRCA) is the measurement and reporting of costs incurred for the search, development and replacement of power as a resource organization. In this case there are two types of costs relating to this HRCA, namely:

1. Personal Cost Accounting is a cost associated with the function of the personnel management process in the search for and development of human resources.
2. Human Assets Cost Accounting includes the man him self entered as a human resource of a company.
3. Human Resource Value Accounting (HRVA). Understanding the value here is the present value of future service. While HRVA are: present worth of future service that people are expected to provide.

Recognition

ASDM has been agreed among accountants as part of the company's assets are enormous contribution in providing future economic benefit to the company. Attempts to include human resources as an asset in the balance sheet hampered because it must meet the recognition criteria as an asset of the company. IASB Framework in Mirza, and Holt (2011) defines assets as "a resource controlled by the entity as a result of past events and from the which future economic benefits are expected to flow to the entity". That is, the asset is a resource controlled by the entity as a result of past events and is expected to provide economic returns to the entity.



Judging from the asset definition above, the SDM can be categorized as resources owned by the company as a result of past activities (recruitment, training and development of human resource capabilities in the company) are expected to provide a return to the company. The disadvantage, in conventional accounting designed to assess all the assets owned by the company, the absence of measurement and assessment of human resource human assets are not assets that last long and very moved so it is difficult to conduct the evaluation process using formal methods. (Nicoline, 2010). In practice, the company will issue a certain fee in the process of getting HR standards and quality desired by the company. Costs - costs that the intent is in this regard issued by the company's Human Resource Accounting (HRA) Human Resource Cost Accounting (HRC A) Personal Cost Human Assets Human Resource Value Accounting (HRVA) costs for selection, acceptance, training and development of human resource capabilities in the enterprise, Therefore, to implement a ASDM then there must be a method or approach to the measurement of human resources owned by the company.

Measurement

Until recently quantitative measurement to assess the SDM with the nature of accounting where the measurements used in accounting is in the form of monetary size or money (monetary unit) if it is recognized as an asset of the company, remains a problem. General Accepted Accounting Standards (GAAP) it self has not agreed to include this resource as an element in the Balanced Sheet. In ASDM measurement, there are two major groups of human resource costing models. Two of the measurement model consists of Human Resource Cost Model and Human Resource Value Model. (Harahap, 2007).

1. Human Resource Cost Model (HRCM).

ASDM measurement model is based on the costs incurred for the search, development and replacement of power as an organizational resource. HRCM there are three models in the following measurement.

a. The Historical Cost Model. Model introduced by Flamholtz for measurements in ASDM, which identifies the initial cost ASDM into two groups of costs as follows.

1) Acquisition Cost, which is all the sacrifices that must be spent to get new officials. Recruitment direct costs such as the cost, the cost of selection, hiring and placement. Indirect costs of the company's promotional costs.



2) Learning Cost, namely costs incurred to train employees to have a quality that is expected to occupy the position. Direct costs such as cost of training, orientation, on the job training. Meanwhile, indirect costs are losses incurred from reduced productivity during training.

b. The Replacement Cost Model. HR assessment models is measured by estimating the amount of costs to be incurred for employees who are as good as they are today.

c. The Opportunity Cost Model. The model advocated by Hekimian and Jones (Belkaoui, 1995), where HR is measured by a competitive bidding process that is performed internally on the basis of the concept of opportunity cost. In this model, investment center managers offer employees assessed scarce so only those that form the basis of measurement. And here lies the weakness of this model, because the selection criteria or rare assessed are subjective and discriminatory.

2. Human Resource Value Model (HRVM)

ASDM measurement model focuses on the value that is owned by HR and the impact on the value of the company. There are two major groups in the valuation model HRVM ASDM.

a. Monetary Model. ASDM measurement model with monetary approach model using the unit value of money as a measure of human resources owned by the company. The models included in HRCM can be categorized as monetary models. The difference with monetary HRVM models is the point of reference for the assessment of heavy use. Where monetary HRCM models focused on the costs incurred by the company in order to obtain the desired human resources. While monetary HRVM models focuses on the value that is owned by HR and its impact on the value of the company. Some monetary models in HRVM are as follows:

1) Discounted Wage Flows Method. HR value assessed by looking at the value of compensation in the future. Calculation formula is as follows. Where :

V_r = Value of human resources person at the age of "r"

$I(t)$ = Revenues are delivered to pension

r = special discount rate for someone

T = Age pension

2) Adjusted Discounted Future Wages Method. These models make adjustments to the value of the compensation to be received by employees. Discounted from the salary will come customized with the efficiency factor which is intended to measure the relative effectiveness of the value of a company's human resources. Efficiency factor is the ratio of return on



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investment (ROI) of certain companies compared to the overall company in an economy at a given moment is calculated with the following formula.

Where:

RFI = rate of return on assets owned accounting firm in year i

REI = level accounting profit on assets owned by the whole company in the i -th

i = Year (0-4)

Justification This ratio is to show the differences in the ability of the company to profit due to the difference in the achievement of human resources owned by the company

3) Present Monetary Value Method

A = Value of HR for a formal organization

N = number of workers employed organization

t = the time is now

= Time is most often an employee leaves the organization $G_i(t)$ = Value of services provided by a person i at time t to the organization

4) Discounted Future Value

This method was developed by Brummet, Flamholtz and Pyle. They suggested to foresee the present value of the company's profit at the level of the normal rate of return and allocated as of the economic value of the company as human resources based on their relative contribution.

5) Goodwill Methods

This method was developed by Ole Hermanson. He suggested discounts excess above the normal expected earnings based on a comparison of companies in the industry sector and allocate assets to which there has been no example of investment in human resources. Gilbert also proposed the same thing in which the value of goodwill is allocated to the assets of HR and non-HR based on the ratio of total assets.

6) Economic Value Approach

This method uses translation services money on future expected levels of services and the services of a company group, the level of salaries and positions the service level. Differences in levels of achievement illustrates group service.

If $P(S_i)$ is the probability of an individual to occupy every state in the composition of existing services then: services expected value of output = the number of products on the



number of services that are expected to be obtained from every possible service \times expected probability of happening. This probability can then be obtained from actuarial calculations or probability based on personal considerations.

b. Non Monetary Model. HR measurement is currently owned companies still use non-monetary approach. Some methods of measurement of human resources with non-monetary technique is as follows. (Harahap, 2007).

1) Apply a person's skills and abilities. This method performs bookkeeping, files or personal records of each employee that contains expertise, experience, education, positions that have been, experiences, and others.

2) Preparation of a rating or ranking on individual achievement. In assessing the achievements of a person can be used rating, checklist. It can block, assessed the level of education, experience, and so on.

3) An assessment of the potential of a person. Here measured the possibility of a person's potential if promoted or moved so that it knows its potential if given a new assignment.

4) Measurement of attitude. Commonly used here to find out information about a person's tendency to express his feelings about an object. For example, asked his attitude towards work, salary, quality, and others. Can use the scale for example; (1) strongly agree; (2) agree; (3) do not know; (4) do not agree;

(5) strongly disagree.

5) Subjective Expected Utility. Here coupled between the subjective value of a person and the person's level of confidence in the possibility of an event. Psychophysical methods were developed to measure the utility and subjective probability using a massive scale (magnitude) subjective. Can also perform paired comparison, rating, and estimated magnitude.

6) Model Likert-Bowers. This model seeks to measure the variables that determine the effectiveness of HR in an organization. The questionnaire is based on a theoretical model Organizations survey designed to measure "organizational climate". The questionnaire results can be used as a basis to help measure the value of human resources by describing the perceptions of employees about the working atmosphere in a company. Then combined with behavioral approaches and it gives birth to the economic value of HR.

7) Assessment of performance (performance appraisal). Basically a key factor in order to develop an effective and efficient organization, due to the policy or program that is better or human resources that exist within the organization. Individual performance assessment is very beneficial for the dynamics of the growth of the organization as a whole, through the



assessment it can be seen the actual conditions on how the employee's performance. Dessler (2009) defines as a performance assessment of employee performance evaluation of current or past relative to the achievement standards. Bernardin and Russel (Gomes, 2003) "A way of measuring the contribution of individuals to Reviews their organization". The performance assessment is a way of measuring the contribution of the individual (employee) to the organization where they work. Performance assessment models are exemplified by Gary Dessler (2009) includes the following indicators.

- a) The quality of work is accuracy, precision, and be acceptable for the work performed.
- b) Productivity and efficiency is the quantity of work produced within a specific time period.
- c) Knowledge work is skills and practical information / technical use on the job.
- d) Can be relied upon is the extent to which an employee can be relied upon completion and follow-up tasks.
- e) The presence of the extent to which the employee is on time, observing a period of rest/dining specified and overall attendance record.
- f) The independence is the extent of the work being done with or without supervision.

CONCLUSION

ASDM is one of developments in the science of accounting. However, until now there has been an agreement in implementing the human resources as assets owned by the company in Indonesia in particular. Some measurements in HR accounting as to qualify: definition, measurement, relevant and reliability. From some of these conditions, the main problem to be able to implement human resource accounting is the measurement. Some obstacles and problems that may be encountered in the application of ASDM in an Indonesian company that is associated with the technical issues and problems concept. Technical problems, in the form of value-based ASDM arguably more potent than the technical aspects of the problem because the concept of ASDM assessment can be based on the assessment of experts from outside the accounting profession, such as psychologists, Psikometrisian, and so forth.

As a concept ASDM can not be accepted as a GAAP (Generally Accepted Accounting Principles) or principles generally accepted, this is due to the measurement requirements of a particular item as an asset set out in FASB no.5 (In Single, 2004) namely: (1) Measurement (measurable) and (2) Relevance and reliability.

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