



Review of Literature



ROLE OF ACCOUNTING AND AUDITING OF HUMAN RESOURCES IN THE FINANCIAL INSTITUTIONS IN AMRAVATI REGION

Prof. Radhesham P. Choudhari

Associate Professor , Shivramji Moghe Arts, Commerce & Science College, Kelapur (Pandhalkawda), Dist. Yavatmal.

ABSTRACT

Human resource accounting is the procedure to recognize and report the investments made in the Human Resources of an Organization that are currently not accounted for in the conventional accounting practices. It is an expansion of the Accounting Principles of matching the costs and revenues and of organizing data to converse significant information. Normally, human resource Accounting (HRA) engages accounting for the organization's management and employees as human capital that provides future benefits. In the human resource accounting approach, expenditures associated with human resources are reported as assets on the balance sheet in contrast to the conventional accounting approach which treats costs related to a company's human resources as expenses on the income statement that decrease profit.

Hence, it is apparent that the research efforts should be directed towards understanding the role of accounting and auditing of human resources in the financial institutions in Amravati Region.



KEYWORDS: *Human resource accounting , organization's management and employees.*

INTRODUCTION

Organisations such as Banks, Non Banking Financial Institutions, Asset Management Firms and Insurance Companies etc., which are involved in providing various types of financial services to their customers, are known as Financial Institutions. Some of them function as mediators in share markets and debt security markets. Without the financial services rendered by financial institutions entire economy will come to a grinding halt. Monetary organizations give administration as mediators of the capital and obligation markets. They are answerable for moving assets from speculators to organizations, needing those assets. The nearness of budgetary foundations encourages the progression of cash through the economy. To do as such, reserve funds are pooled to alleviate the hazard brought to give assets to credits. Such is the essential methods for storehouse establishments to create income.

Furthermore, the increasing competition and high industrialization has presented a challenging situation for the financial institutions, to retain the best performers. In view of the sustainable development of the financial sector in general and that of institutions in particular, it necessary to develop new strategies as well as policies for employee retention. Essentially, this sustainability can be achieved only by the vision of top management (that gives strategic direction to the institution) and the human resource management department (which is involved in the development and operationalization of various policies).

The human resources department function has evolved and broadened in scope and functionality and has assumed varied roles such as the “people’s people,” “change agent,” and “strategic business partner,” to name a few. These new approaches to HR have opened new horizons for the HR function and have given HR professionals the opportunity to establish better credibility both at the strategic and functional level. The paradigm of HR function has shifted from qualitative to quantitative in nature. HR today speaks the language of numbers: the same language management speaks, understands and expects from its HR department, thus giving HR a more strategic outlook. Recently, the role of HR function has changed remarkably. However, there is always scope for improvement which can’t be ignored. For HR, the diagnosis of improvement areas can be done through one essential tool: the HR Audit.

RESEARCH METHODOLOGY

The researcher has adopted analytical, descriptive and comparative methodology for this report; reliance has been placed on books, journals, newspapers and online databases and on the views of writers in the discipline of Competition law.

AIM & OBJECTIVE

- To study the prevailing HR audit and accounting practices in the financial institutions of the Amravati region.
- To study the factors affecting efficiency of the employees of financial institutions of the Amravati region.
- To study the factors affecting productivity of the employees of financial institutions of the Amravati region.

HUMAN RESOURCE ACCOUNTING & AUDITING

Human Resource Accounting is Assigning, budgeting, and reporting the cost of human resources incurred in an organization, including wages and salaries and training expenses. Human is the center factor and which is required to be perceived before some other 'M's But till now an earnest need based alteration is required while distinguishing and estimating information about HR. In this paper my goal is to recognize the broad utilization of Lev and Schwartz model of Human asset bookkeeping, notwithstanding a few scrutinized from different sides with respect to its pertinence.

Auditing, in simple terms, is described as a diagnostic tool to gauge the current status of operations and to identify the gaps between what is intended and what is actually being delivered. The HR audit is a systematic process to examine the HR strategies, policies and procedures being practiced in an organization. Although HR audit is not a new concept, it is one that is not generally utilized as part of an organization’s audit cycle. The foundation of HR Audit is based upon the understanding that the business environment is dynamic and ever-changing. Human resource processes and practices need to be adaptive and responsive to such changes as these practices have an impact on employee morale, performance and, ultimately, organizational competitiveness. The scope of HR audit is very

comprehensive in nature, as it requires a thorough assessment and evaluation of HR function and is not a mere personnel activity. It generally covers three important areas: HR policies and practices; HR professionals; and HR department. These three broad categories of the audit tend to find out the current state, the gaps between the current and desired states, their link with the overall strategy and the compliance level with the laws and regulations. HR Audit implies the orderly check of occupation investigation and plan, enrollment and choice, direction and arrangement, preparing and advancement, execution examination and occupation assessment, representative and official compensation, inspiration and confidence, participative administration, correspondence, welfare and standardized savings, wellbeing and wellbeing, mechanical relations, exchange unionism, and debates and their goals. HR review is particularly valuable to accomplish the authoritative objective and furthermore is a crucial device which evaluates the viability of HR elements of an association.

Table 1:Opinion of authorities regarding appropriateness of HR audit practice followed in their institution

Sr. No.	Responses	Frequency	Percentage
1.	Yes	18	72
2.	No	4	16
3.	Uncertain	3	12
Total		25	100

Source: Survey Data

Table 1 shows opinion of authorities regarding appropriateness of HR audit practice followed in their institution. It is apparent from the data that according to 72% authorities HR audit practice followed in their institution is appropriate, whereas 16% authorities reported that HR audit practice followed in their institution is inappropriate. Furthermore 12% authorities were uncertain regarding appropriateness of HR audit practice followed in their institution. Hence, it is evident from the above information that HR audit practice followed in majority of financial institutions in Amravati City is appropriate.

Table 2: Opinion of authority regarding remarkable scope for improving efficiency and productivity of the employees in institution

Sr. No.	Responses	Frequency	Percentage
1.	Yes	16	64
2.	No	5	20
3.	Can't Say	4	16
Total		25	100

Source: Survey Data

Table 2 shows opinions of authority regarding remarkable scope for improving efficiency and productivity of the employees in institution. It is observed that according to 64% authorities there is remarkable scope for improving efficiency and productivity of the employees in institution, whereas 8% authorities didn't think so. Furthermore, 16% authorities were uncertain regarding remarkable scope for improving efficiency and productivity of the employees in institution. Thus it is evident on the basis of above information that there is remarkable scope in majority of financial institutions in Amravati city for improving efficiency and productivity of the employees in institution.

CONCLUSION:-

The Human Resource Audit is an organized official process, which is designed to investigate the strategies, policies, procedures, documentation, structure, systems and practices with respect to the organization's human resource management. It systematically and scientifically evaluates the strengths, constraints, and developmental needs of the existing human resources in order to improve organizational performance. The human resource audit is based on the principle that human resource processes are dynamic and must constantly be redirected and revived to remain responsive to the changing needs. Human Resource Audits are not regular practices aimed at problem solving. Instead of directly solving problems, HR audits, help in providing insights into probable causes for existing and future dilemmas.

- Both internal and external audits were conducted in 100% financial institutions in Amravati City.
- Majority of financial institutions in Amravati city conducted internal audits annually.
- External audit is conducted on annual basis in majority of financial institutions in Amravati City.
- In majority of financial institutions HR audit is conducted by private agencies.
- Factors such as remuneration, personal problems faced by employees, promotion system, organization culture, HR practices, managerial attitude towards employee and lack of motivation are crucial in affecting productivity of employees working at financial institutions in Amravati City.
- There is remarkable scope in majority of financial institutions in Amravati city for improving efficiency and productivity of the employees in institution.

REFERENCES

- Abdul Aziz Arain (2001). <http://www.pakistaneconomist.com/issue2001/issue1&2/f&m8.htm> Viewed on 28th January 2012
- Adler (2007) *Start Your HR Audit With This Checklist*. VOLUME 84 NO. 6, HR Focus.
- Arens, A, Best, P, Shailer, G, Fielder, B, &Loebbeche, J 2002, *Auditing In Australia - An Integrated Approach*, 5th edn., Pearson Education Frenchs Forest, Australia.
- Acland, D. (1976). *The effects of behavioural indicators on investor decisions: An exploratory study*. *Accounting Organisations and Society*, 1(2-3), 133-142. [http://dx.doi.org/10.1016/0361-3682\(76\)90017-9](http://dx.doi.org/10.1016/0361-3682(76)90017-9)
- Afiouni, F. (2007). *Human resource management and knowledge management: a road map toward improving organizational performance*. *Journal of American Academy of Business*, 11(2), 124-31.
- American Accounting Association Committee of Accounting for Human Resources. (1973). *Report of the Committee on Human Resource Accounting*. *The Accounting review Supplement*, 48.
- Arthur Lewis, *the History of Economic Growth*, Geoge Allen and Unwin Ltd., London, 1965, p.
- Bratton J. & Gold J 2001, *Human Resource Management – Theory and Practice*, 2 nd edn., Palgrave Macmillan, UK.
- Brune, C 2004, 'Is self-assessment with independent validation right for you?' *Audit Wire*, vol 26, no. 4, July-Aug 2004
- Bontis, N., Dragonetti, N. C., Jacobsen, K., &Roos, G. (1999). *The knowledge toolbox: a review of the tools available to measure and manage intangible resources*. *European Management Journal*, 17(4), 391-402. [http://dx.doi.org/10.1016/S0263-2373\(99\)00019-5](http://dx.doi.org/10.1016/S0263-2373(99)00019-5)
- Boudreau, J. W., & Ramstad, P. M. (1997). *Measuring intellectual capital: learning from financial history*. *Human Resource Management*, 36(3), 343-56. [http://dx.doi.org/10.1002/\(SICI\)1099-050X\(199723\)36:3<343::AID-HRM6>3.0.CO;2-W](http://dx.doi.org/10.1002/(SICI)1099-050X(199723)36:3<343::AID-HRM6>3.0.CO;2-W)

-
- Bowen, D., & Ostroff, C. (2004). *Understanding HRM-firm performance linkages: The role of the "strength" of the HRM system. The Academy of Management Review, 29(2), 203–221.*
 - Boxall, P., & Purcell, J. (2000). *Strategic human resource management: Where have we come from and where should we be going? International Journal of Management Reviews, 2(2), 183–203.* <http://dx.doi.org/10.1111/1468-2370.00037>
 - Bozzolan, S., O'Regan, P., & Ricceri, F. (2006). *Intellectual capital disclosure (ICD); a comparison of Italy and the UK. Journal of HRCA: Human Resource Costing and Accounting, 10(2), 92–113.* <http://dx.doi.org/10.1108/14013380610703111>
 - Burr, R., & Girardi, A. (2002). *Intellectual capital: more than the interaction of competence and commitment. Australian Journal of Management, 27, 77–87.* <http://dx.doi.org/10.1177/031289620202701509>
 - Cantera, J. (1995). *Del Control Externo a la Auditoría de Recursos Humanos.*, en Ordóñez, M., *La Nueva Gestión De Los Recursos Humanos, Aedipe, Gestión 2000, Madrid, pp. 369-397.*
 - Christopher John Andrews, (2007). *Developing a human resource management performance audit. A dissertation submitted to Faculty of Business University of Southern Queensland.*
 - Devarajan Dasa (2011). *Human Resource audit. TIJ's Research Journal of Social Science & Management. Volume:01, Number:08, pp. 92*
 - Carrell, J. (2007). *Intellectual capital: an inquiry into its acceptance. Business Renaissance Quarterly, 2(1), 67– 95.*
 - Cascio, W. F. (1998). *The future world of work: Implications for human resources costing and accounting. Journal of Human Resource Costing and Accounting, 3(2), 9–19.* <http://dx.doi.org/10.1108/eb029045>
 - Catasus, B., & Grojer, J. (2006). *Indicators: on visualizing, classifying and dramatizing. Journal of Intellectual Capital, 7(2), 187–203.* <http://dx.doi.org/10.1108/14691930610661854>
 - Covalleski, M. A., & Aiken, M. (1986). *Accounting and theories of organizations: some preliminary considerations. Accounting, Organizations and Society, 11(4/5), 297–319.* [http://dx.doi.org/10.1016/0361-3682\(86\)90002-4](http://dx.doi.org/10.1016/0361-3682(86)90002-4)
 - Cuganesan, S. (2007). *Reporting organizational performance in managing human resources; intellectual capital or stakeholder perspectives? Journal of HRCA: Human Resource Costing and Accounting, 10(3), 164–88.* <http://dx.doi.org/10.1108/14013380610718629>
 - Dolenko, M 1990, *Auditing Human Resource Management, IIA Monograph, the Institute of Internal Auditors Research Foundation, Florida.*
 - Dwyer, D 2002, *Human Resource Auditing, SHRM White Paper, Society of Human Resource Management.*
 - Daft, R. L., & Lewin, A. Y. (2008). *Rigor and relevance in organization studies: Idea migration and academic journal evolution. Organization Science, 19(1), 177–183.* <http://dx.doi.org/10.1287/orsc.1070.0346>