OPTIMIZING THE EFFECTIVENESS OF FINANCIAL REPORTING THROUGH HUMAN RESOURCES ACCOUNTING

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Abstract

In current era of technological change, human resources are increasingly important parts of an organization's total wealth and should also be recorded as an asset in financial statements under the head of fixed assets. There are two major reasons for recognition of human capital as an asset; first, human resources are a valuable resource for a firm to sustain a long-term competitive advantage; as long as employees render services for organization, future economic benefits flow towards organization from the investment made on human resources. Secondly, the value of human resources is based on the knowledge, capabilities and skills developed in the organization through investment. The objective of the study therefore is to understand the needs and significance of human resources in the context of optimal financial reporting and also to provide suggestions for developing such accounting practices in our corporate environment. The study is exploratory in nature premised on extensive review of relevant literatures carried out earlier in the field of human resources accounting. The results of our study indicate that the majority opinion among scholars in the field of accounting in the papers reviewed hold the belief that human capital should be included in the statement of financial position. These opinions arise from the belief that capitalizing human asset in the statement of financial position will enable investors to make timely and efficient economic decisions. This would lead to optimality and opportunities to show the true value of a company's assets.

Keywords: Human resources Accounting, Financial reporting, Optimality, Economic decision, efficiency

Introduction

The accounting profession is a key player in the world of both internal and external accountability and has a public role in ensuring responsible stewardship of investors' portfolios (Institute of Management Accountant, 2010). As such, it must be a strong contributor to the emerging issues. Failure to do so will see it taking on the responsibility to develop and maintain standards and reporting that increasingly deal with a smaller and smaller share of an investor's value which is not a prescription for a healthy and growing profession. Publicly-held organizations are required to disclose a much broader range of financial information; standards were developed that created defined frameworks for reporting; audits are required to ensure compliance. Financial reporting has continued to evolve to meet the needs of external as well as internal users. Reporting occurs for internal and external purposes. The goal of internal reporting to management focuses on the provision of information that facilitates effective operational decision making, in order to protect the organization's assets and capacity to function and to balance the optimization of short-term results with long-term sustainability. External reporting is typically of two types that which is defined by statute for legal or securities regulatory purposes (mandatory reporting), and that which is discretionary and developed to provide information and communicate affairs of the organization to stakeholders in an open and transparent manner. The goal of statutory reporting is to achieve compliance; the goal of discretionary reporting is to provide key stakeholders with additional information that allows them to make informed decisions relative to their interests, accountability, and responsibility. Typically, statutory reporting requirements lag that desired by stakeholders. Progressive organizations tend to assess their stakeholders' need for information and voluntarily disclose that which is "over and above the minimum required".

Currently, there are movements affecting internal and voluntary external reporting in reaction to the shift of the global economy from the industrial society to the knowledge society. These can be expected to eventually also influence statutory reporting requirements.

The work of the Enhanced Business Reporting Consortium (2003) has focused on external reporting requirements. Prior to EBRC, several other approaches to enhance external corporate reporting had been initiated both by investors and other interest groups. All of these represent a growing level of concern over corporate transparency and visiblity. Corporate organizations, shareholders and boards of directors, have been increasingly concerned over the perception by the public of organizations' failure to disclose certain aspects of corporate activity, particularly in the areas of human resources. Achievement of the goal of effective reporting and transparency is thus being increasingly questioned internally and externally. Management and disclosure of human resources in any organizations is very much important from accounting point of view.

In addition to external financial reporting, human resources accounting may be useful as a managerial tool to aid in making managerial decisions that will benefit the long-run strategic goals and profitability of the company (Bullen, 2007). He further stressed that even if human assets are not reported on the face of external financial statements, human resources accounting can play a crucial role in internal managerial decision making, and human resources accounting measures can be used to show that investments in a company's human resources may result in long-term profit for the company.

Statement of the problem

In this time of rapid technological change, vigorous global and domestic competition, and enormously expanding information processing capabilities, management accounting systems are not providing useful, timely information for the process control, product costing, and performance evaluation activities of managers (Johnson and Kamplan, 1987). Until the 1980s, the valuation of a typical company was approximately equal to its book value. This was as a result of a company's earning capability was strongly tied to its tangible assets. However, an increasing portion of earnings has been driven by a company's human capital. Even in manufacturing businesses that continue to rely heavily on tangible assets, the ability to optimize the performance of these assets is increasingly seen as being driven by the innovation and creativity of the workforce. While these kinds of knowledge assets can be extremely productive, they are invisible in traditional reporting (Institute of Management Accountant, 2007).

Enhanced Business Reporting Consortium (2007), report observed that some 75% of corporate value is not reflected in statutory financial disclosure. In the report, using traditional financial reporting standards, results show 25% of corporate assets being capitalized (the tangibles), plus a portion of the intangibles, such as patents, trademarks, and others that amount to about another 10% of total value. Thus, accounting disclosure deals with about 35% of what is regarded as its value. Invariably, accounting disclosure fails to explain 65% of organizational value.

Presently, financial statements are prepared under the guidelines of conventional reporting framework and treat human resources investment as expenditures, and write-off these investments from current year profits and loss account, which is violation of IAS1 (presentation of financial statements) which states that financial statement should be prepared on the basis of matching concept (Bokhari, Qureshi, Bashir and Hijzi, 2012).

In current era of technological change, human resources are increasingly important parts of an organization’s total wealth and should also be recorded as an asset in financial statements under the head of fixed assets. According to Bokhari, et al. (2012), there are two major reasons for recognition of human capital as an asset; first, human resources are a valuable resource for a firm to sustain a long-term competitive advantage; as long as employees render services for organization, future economic benefits flow towards organization from the investment made on human resources. Secondly, the value of human resources is based on the knowledge, capabilities and skills developed in the organization through investment.

Akintoye, (2012), observes that the accounting profession until approximately 1965 largely ignored the obvious importance of people in organizations and as productive resources and therefore it appears to be wide spread awakening and growing interest in Human Resource Accounting (HRA) and its incorporation into financial reports.

Also, Kieso and Weygandt, (1992), reports that the purpose of financial statements is to provide useful information to investors and creditors, to evaluate companies’ future cash flows, and information of companies’ resources and claims to resources by creditors and shareholders as well as movements of these resources and claims. They however, concluded that the current financial statements do not satisfy the above purpose because they do not properly disclose companies’ investments in human capital and the knowledge assets created by it. It is, therefore, necessary to discuss further the reporting issue of human capital in financial statements under the current practice.

Objective of the study

The objective of the study is to understand the needs and significance of human resources in the context of optimal financial reporting and also to provide suggestions for developing such accounting practices in our corporate environment.

Conceptual Clarifications

The concept of Financial Reporting

The early objective of financial reporting was to prevent frauds by the promoters and managers of public quoted companies and giving some protection to creditors and shareholders against the possibility of malpractices by company managers. The Nigerian company acts of 1968 and as amended by Company and Allied Act, 1990 recognized that shareholders, as owners of the capital of the company were the persons to whom information should be disclosed.

In the past immemorial, accounting process has served stewardship rendition means of accountability and this has been further established by company laws, which compelled directors to render account of their stewardship to the shareholder.

Principal uses of Financial Reporting

1. To give users of corporate reports useful information about the resources and performance of the reporting entity.
2. Users of financial statement need this information in order to make economic decisions.
3. The usefulness of financial statements is a function of its relevance to the decision-making process.
4. Responsibilities for the decisions lie with the user. It seems logical for the user to specify the form, content and extent of the information required and to object if the information provided is considered to be inadequate.

The Stewardship Concept of Financial Reporting

The Concept states that financial reports should be essentially statement in the nature of an account rendered by management to shareholders of their stewardship of the resources with which they have been entrusted.

Its characteristic features are:

a. To safeguard the assets of the company
b. To ensure that assets are well managed
c. To recognize delegation of authority to the steward and his accountability for his actions.

The concept has particular emphasis on the importance of "Feedback information", that is ex-post information. It has majorly concerned itself to selecting the type of information which should be revealed to the shareholders and the extent of the disclosure of the information.

Indeed, if one looks back upon the development of company law in this regard we may see clearly the manner in which this approach had led progressively to an enlarged view of the needed levels of information disclosure.

Although, financial reporting is associated with the development of publicly quoted companies, the concept of stewardship accounting goes back to the origin of accounting as a method by which the owners of wealth made their stewards accountable for the assets entrusted to their care.

The Decision Making Concept of Financial Reporting

It considers the purpose of financial reporting as being the provision of information for decision making by existing and potential shareholders. It has been accepted that the main interest which shareholders have in companies is the return, which they are able to obtain on their invested capital in the form of dividends and increased share values.

Since shareholders are essentially concerned with the optimal allocation of their capital as between the competing investment opportunities offered by different companies, the adherents to this school of thought argue that financial reports ought to be relevant for this purpose. This implies that they are more interested in information about future prospects than about the past, hence they are concerned about the predictive ability of financial information. Thus financial reporting under this school of thought is based on investment valuation theories.

The concept of Human Resources Accounting

The attainment of sustainable competitive advantages was based on different resources like, property, plant and equipments, experimental laboratories, financial resources for productions and value chain which consist on the primary and supporting activities for distributions (Bokhari, et al. 2012). They further clarify that the success of businesses depends upon its specific assets which cannot be imitated or duplicated by the competitors, which personnel acquired by the enterprises. This is why some organizations are in position to maintain competitive advantage over others, with utilization of same Information Technology (IT), resources and only human capital which make the differences.

Employees are considered as strategic assets all over the world; other assets are considered as commodities which are available for the sale and purchase in the open market with the specific price, and only the human capital has the potential to learn, grow, and contribute to organizational development (Fitz-enz, 1995). Subsequently, Darling, (1999), concludes that the significant and most vital and valuable asset for any company is its employees, because strategic plans are converted into actions based on the people.

As conceptualized in the work of Singh and Singh, (2009), Sir William Petty (1623-1687) made the first attempt to value human beings in monetary terms by treating human being in an organization as an element of Wealth. However, origin of human resource accounting is found in the work of Rensis Likert who was the first person to use the term 'human asset' in the late 1950s. This term was replaced by the term human resources by the scholars. For the first time human resources accounting was implemented by R.G. Barry Corporation, Ohio (USA) in 1967 under the guidance of Dr. Rensis Likert and Pyle.

In evaluating the relevance of human resources in financial reporting, Sigh and Sigh, (2009), describe human resources accounting as an accounting technology of identifying, measuring, classifying, summarizing and reporting the data about human resources to the stakeholders for effective decision-making regarding the human resources of an organization.

American Accounting Association (AAA) defines human resource accounting (HRA) as the technique or tool which computes the value of human capital. It is the process of identification, measuring and also communication to all interested parties (American Accounting Association, 1980). In the words of Flamholtz, (1986) "Human Resource Accounting involves measuring the cost incurred by business firms and other organizations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to organizations (Suresh, 2006). In summary, it involves accounting for people as organizational resources for managerial as well as financial accounting purposes.

Human resource accounting (HRA) is an attempt to identify, quantify and report investment made in Human resources of an organization that are not presently accounted for under conventional accounting practice (Amirul Islam, Kamruzzaman and Redwanuzzaman, 2013).

Human resource Accounting (HRA) involves accounting for expenditure related to human asset in an organization as opposed to traditional accounting which merely expense these costs and reduces profit which to our mind sub-optimize financial reporting (Akintoye, 2012).

In conclusion, human resource accounting is primarily involved in measuring the various aspects related to human assets. Its basic purpose is to facilitate the effective management of human resources by providing information to acquire, develop, retain, utilize, and evaluate human resources. Physical assets like plants, machinery, building etc. are unproductive without human resources; hence, the treatment of human resources as an investment in the balance sheet cannot be over emphasized.

Literature Review

Human Resource Value Theory

As documented by Flamholtz, (1986), Likert has formulated a model of the variables which determine the effectiveness of the human organization, and, in turn, the effectiveness of the organization as a whole. He has suggested that the model reflects the value of the human organization (the groups of people comprising the organization). His rationale is that because the model identifies the determinants of the productive capability of the human organization, it reflects the value of people to the organization. The model is comprised of three classes of variables. The "causal" variables are independent variables which can be manipulated by management. The "intervening" variables are organizational processes such as decision making, communication, and control. The "end result" variables are dependent variables, the outcomes desired by the organization. Likert further proposed that the model's variables can be measured as perceptions of organizational members. He suggests that these measures should then be used to indicate changes in the condition and value of the human organization.

Human capital Theory

Human capital theory is derived from the work of Becker (1964) that addresses the role of a person’s stock of education, experience, and skills that can be used to the benefit of an organization (Terjesen, Sealy, and Singh, 2009). They further posited that, differences in gender results in directors having unique human capital. Human capital theory complements some of the concepts associated with board diversity derived from resource dependence theory. One question raised by the fact that women and ethnic minorities have unique human capital is, “the claim that women lack the ‘right’ human capital for directorships.” (Terjesen et al, 2009). The evidence on the human capital of women suggests that women are just as well qualified as men in terms of several important qualities including level of education but women are less likely to have experience as business experts (Terjesen et al., 2009). The net result is that human capital theory predicts that the performance of the board will be affected by board diversity as a result of diverse and unique human capital but the effect could be either positive or negative from a financial performance perspective.

External Financial Reporting Theory

External Financial Reporting Theory is well captured in the study carried out by Akintoye, (2012). He explains that the theories of external financial reporting have been categorized into two broad groups: descriptive and normative. While descriptive theories attempt to set forth and explain what and how financial information is presented to users of accounting data, the normative theories attempt to prescribe what data ought to be communicated and how they ought to be presented.

In an attempt to explain further the theories upon which financial reporting is based, Morries (1996) came up with the following three classifications: the traditional approach; the information requirements of investors; and failure in the market for financial information. The traditional approach, which is descriptive in nature, represents a time honoured approach which relates various mechanical procedures to the existing regulatory and legal framework. The information requirements to investors concentrate mainly on the information needs or requirements of equity investors, even though, financial statements are used by variety of users for differing purposes. While the failure of market for financial information, on the other hand, proposes that potential users will generally require some information to help them reach decision and will, if necessary, employ intermediaries to obtain it. These theories point to the existence of contention in financial reporting and existence of information asymmetry.

Learning Curve Theory

Learning Curve Theory is concerned with the idea that when a new job, process or activity commences for the first time it is likely that the workforce involved will not achieve maximum efficiency immediately (Akintoye, 2012). Repetition of the task is likely to make the people more confident and knowledgeable and will eventually result in a more efficient and rapid operation. Eventually the learning process will stop after continually repeating the job. As a consequence the time to complete a task will initially decline and then stabilize once efficient working is achieved. The cumulative average time per unit is assumed to decrease by a constant percentage every time that output doubles. Cumulative average time refers to the average time per unit for all units produced so far, from and including the first one made (Akintoye, 2012).

Empirical literature review

Since the first study carried out by Rinses Likert in 1967 on human resources accounting, scholarly researches have been conducted on the possible relationship that exists between human resources and financial reporting. This present study documents some of such studies within and outside Nigeria.

Sharma and Shukla, (2010), document a study on “Application of Human Resource Accounting in Heavy Industries” The paper aims at analyzing the application of human resource accounting in heavy industries covering the period from 2001-2010 with the case study of The Hindustan Copper Limited, a public sector undertaking in India and conclude that the concept of human resources is yet to gain momentum in india.

Khan wrote the article on "Human Capital Disclosure Practices of Top Bangladeshi Companies". The purpose of the paper is to examine the extent of human capital (HC) reporting in leading Bangladeshi firms using the HC reporting framework. Using the technique of content analysis, three years of annual reports of 32 leading manufacturing and service sector-companies listed on the Dhaka Stock Exchange (DSE), selected on the basis of the market capitalization, the findings reveal that the human capital reporting practices of leading Bangladeshi firms are not as low as projected in relation to the total list of items reported. The most commonly disclosed human capital items are information on employee training, number of employees, career development and opportunities that firms provide, and employee recruitment policies.

Steen and Welch, (2011) in their study “Are Accounting Metrics Applicable to Human Resources? The Case of Return on Valuing Assignments” investigated the concept of human capital and its measurement through a review of the HRA literature, as well as the literature in Human Resources (HR). The paper then draws on the findings of a small exploratory study into the measurement of Return on Investment (ROI) for international assignments. Interview data reveals that intangible costs and benefits are problematic when applying such a metric; that much of the outcome from the assignment is intellectual capital, in its broad sense, and therefore difficult to isolate and effectively measure. Another key finding from the study is that human resource performs the role of bureaucratic administrator.

Bontis, (2002), conducted a study on “Intellectual Capital Disclosure in Canadian Corporations” The paper outlines a study in which content analysis was conducted on the annual reports of 10,000 Canadian corporations. Statistical tests were conducted across this sample of 68 companies that disclosed intellectual capital terms versus the population of 10,000 to examine any significant differences. T-test results showed no statistically significant differences between the sample of companies that disclosed intellectual capital terms and the rest of the population in terms of employee size or shareholders' equity ($ millions). A closer examination of the five companies that were identified to disclose the term "intellectual capital" showed that the presence of this term was generally used in the management discussion section. There was no evidence at all in any of the firms identified that an actual intellectual capital statement was developed or that any intellectual capital metrics were being published. A major recommendation for corporations that are concerned with their relationship with the capital markets is to develop strategic and tactical initiatives that provide for voluntary disclosure of intellectual capital. These initiatives may initially be used for internal management purposes only; however, an external stakeholder-focus report will more than likely be the ultimate goal. In their own study, Lee and Siddiq, (2012), studied "Human resource disclosure: A study of the perceptions of stakeholders in Malaysia. The paper identifies the awareness of the concept of human resource disclosure among the stakeholders of the companies. This research also investigated the impact factors, obstacles and motivators on the development of the concept of human resource disclosure in the Malaysian context. The study further analyzes the correlations of five different variables to the level of awareness of human resource among the respondent and test was carried out to test the hypotheses established based on different variables.

The study findings indicate that the awareness of human resource disclosure as a dependent variable has a significant positive relationship with the independent variables of size of the companies, type of industry, listing status of the companies a weak negative significant with financial performance, and non-significant relationship with the mission statement disclosure. Similarly, the study conducted by Syed, (2009) "Human resource accounting disclosure of Bangladeshi companies and its association with corporate characteristics" reports the relationship between corporate characteristics and Human Resource Disclosure (HRAD) level in fifty five randomly selected companies of Bangladesh. The relationships were determined using a HRAD Index (HRADI) under a number of hypotheses. The results of the study show that companies averagely disclose 25% of the total HRAD items. In this study, HRAD has been found significantly related with the size of the company, category of the company (financial or non-financial) and profitability. However, HDAD had no influence on the age of companies.

Within Nigerian context, Akintoye, (2012), in his study "The Relevance of Human Resource Accounting to Effective Financial Reporting" used Oceanic Bank Plc as a case study and adopted the Lev and Schwartz model to determine the value of human resources, simple linear regression was used to analyze the impact of human resource to effective financial reporting using investment in human capital, profitability and capital employed. Secondary data obtained from the annual reports and accounts of Oceanic Bank Plc from 2002-2006 was also used.

The findings show that human resource has a positive effect on the profit and capital employed by the bank.

Similarly, Enyi and Adebawojo, (2014), investigated "Human Resource Accounting and Decision Making in Post-Industrial Economy" The empirical study was carried on 16 publicly quoted Nigerian Banks using the Ex-post facto research design. The hypotheses were tested with statistical regression analysis which presented a significant effect of human asset accounting on management decision at F=121.977 with p value of 0.00 significance while the R2 value and the adjusted R2 returned 0.341 and 0.338 respectively. Based on these findings the study concluded that there is need to value Human Asset and reflect this value in the financial statement like other intangible assets. This is the only through path towards complete business information goal congruence.

Methodology

The study is exploratory in nature premised on extensive review of relevant literatures carried out earlier in the field of human resources accounting and we also present comparative pictures of the case studies prepared to justify our conclusion and recommendation.

Table 1 a. Case study: Statement of financial position without disclosure of human asset of company A.

Company A

Statement of Financial Position as at 31st December, 2013

Non-current assets		
Property		18,000
Equipment		9,000
Furniture & Fittings		6,000
		33,000
Current Assets:		
Cash	5,000	
Inventories	7,000	
Receivables	5,000	
	17,000	
Current liabilities	5,000	12,000
Net assets		21,000
Non-current liabilities		3,000
		18,000
Finance by:		
Ordinary share capital		16,000
Reserves		2,000
		18,000

Table1b. Case study: Statement of financial position with disclosure of human asset of company B.

Company B

Statement of Financial Position as at 31st December, 2013

Non-current assets		
Property		18,000
Equipment		9,000
Furniture & Fittings		6,000
		33,000
Human asset		10,000
Current Assets:		
Cash	5,000	

Inventories	7,000	
Receivables	5,000	
	17,000	
Current liabilities	5,000	12,000
Net assets		31,000
Non-current liabilities		3,000
		28,000
Finance by:		
Ordinary share capital		16,000
Retained earnings		10,000
Reserves		2,000
		28,000

Tables 1a and 1b above show the comparative statements of financial positions of two companies (A & B) for the same financial year. In table 1a, Company A statement is prepared using the conventional accounting principle, thereby treating costs relating to human resources as a charge in the statement of comprehensive income. The statement therefore, shows net assets figure of eighteen thousand naira (N18,000). The implication of this treatment is that the retained earnings of the company has been depleted so also investment in assets. With this depletion in profit and assets, it means the financial report does not show the real financial position of the company and as such, whatever economic decision made relying on the statement may be subjective.

However, table 1b shows the statement of financial position of company B prepared, taking into consideration human resources as an investment. In this statement, human resources are been capitalized and treated as an asset in the statement under a separate heading as against been expensed in statement of comprehensive income. With this treatment, the net assets of the company increases from eighteen thousand naira (N18,000) to twenty eight thousand naira (N28,000). The retained earnings also increased ten thousand naira (N10,000). In line with Toulson and Dewe, (2004) submission, capitalizing human resources is perceived as important because the measurement reflects the strategic and competitive importance of human resources.

Conclusion

The results of our study indicate that the majority opinion among scholars in the field of accounting in the papers reviewed hold the belief that human capital should be included in the statement of financial position. These opinions arise from the belief that capitalizing human asset in the statement of financial position will enable investors to make timely and efficient economic decisions. This would lead to optimality and opportunities to show the true value of a company's assets.

An organization having vast physical and financial resources may find itself unable to achieve organizational objectives if it is not utilizing its human resources effectively and efficiently. For this purpose, it is necessary to keep proper record and information about human resources.

Financial statements are the main source of information about the performance and position of the resources held by an organization. Traditional accounting system provides this information about the physical and financial resources only and not about the human elements of an organization, which resulted into the false and unfair presentation of financial statements. Various research carried out substantiated the importance of human resource disclosure. Human Resource Accounting provides quantitative information about the value of human assets and other non-financial human resource information has been proved to be useful in making decisions internally and externally (Lee and Siddiq, 2012).

Toulson and Dewe, (2004) revealed that measuring human resource is perceived as important firstly because the measurement reflects the strategic and competitive importance of human resources, and secondly, because in order to earn credibility of a company, human resource must be expressed in financial terms.

John, Edward & Gary (2001) stated that this disclosure was first developed to help management to make decision. The two most prominent classes of decision makers who are most likely to use the accounting information are the investor in securities (external) and managers making resource allocation decision within the firm (internal). The investors can benefit from human resource data as they reflect the current state of business organization and their growth possibilities. On the other hand, this can inform managers on the cost of specific personnel behaviors, such as training and turnover, thus encouraging better assessment and development of people.

Failure to measure and report the value of human resource, however, may cause managers to ignore the impact of their decision on employees (Lawler 2001 cited in Lee et al, 2012). According to Lawler (2001), managers may make decisions which in effect liquidate a company human resource by suspending the human resource investment in order to increase the short term profit while the organization will definitely suffer in the long run.

Financial statements without a proper disclosure of human capital are misleading for companies' management, who are used to making decisions based on the information provided by financial statements. Inappropriate decisions, such as layoffs, may thus be reached, thereby hampering companies' performance, far from its intended purpose of raising efficiency. The root of this mismanagement is the treatment of human capital as expenses instead of resources in traditional accounting (Hermanson, Hermanson and Ivancevich, 1992).

Recommendations

Human resources are the energies, skills and knowledge of people which are applied to the production of goods or rendering useful services. It is the method of identifying and measuring data about human resources and communicating the information to interested persons (Amirul et al, 2013). In consonant with the above assertion; the following recommendations are made:

Company and Allied Matters Act, 1990, presently does not provide for valuation of human resources. Subsequently, disclosure of such information has become voluntary to business organizations. There is need to prescribe the specific provisions for valuing human resources and disclosing the details of investment in human assets in the form of training and development expenses, salaries and other allowances through annual reports.

The concept of human resource accounting is yet to gain momentum in Nigeria. For the betterment of the organizations, it is necessary to evaluate the worth of Human Resources in a systematic manner and record the information related to them in the financial statement of the organization to communicate their worth time to time to the users of the financial statement.

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