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Human Resources Accounting in Iran

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ABSTRACT: Today, in many countries, human resources as a capital resource have been considered by managers of all economic units and social institutions in this research. After a brief look at the history of the development and development of human resource accounting, items such as human resource accounting and ethics, the concept and purpose of human resource accounting, human resources assets or expenses, costing or value of human resources, application of human resource accounting, assessment Non-monetary human resources, human resource accounting model, human resource measurement models, human resource reporting methods and problems of human assets accounting should be discussed.

INTRODUCTION

Accounting is a scientific fact, a product of the human invention, designed by man and for human purposes. There is an excellent variety of these goals, including planning, control, investment, hiring decisions, encouragement, rational reasoning, coordination and promotion. Criteria for designing and implementing accounting systems for these purposes often pay special attention to recording and reporting methods (Packendorff, 1995).

In the age we live in, it is known as the information and communication age. The relationship between human resources and productivity has a unique complexity, which we interpret as "knowledge-based organizations" in the sense that productivity should no longer be merely Searched for tools and materials. Still, productivity is increasingly the result of the developed human brain's awareness, skill, and ability. Human beings have an unlimited capacity for growth, maturity and development, which has not been highly valued for measurement and reporting (Janati et al., 2017).

Skilled and specialized human resources are of fundamental importance to an organization, such as physical assets and investments. Managers of organizations always spend large sums of money on educating workers and employees to increase their efficiency under their supervision. Most of them have extensive information about the material and financial resources of their organizations. Still, they do not have comprehensive knowledge about human resources and economic value and their level of training, expertise and efficiency. Lack of information about the monetary value of such scarce assets or how much of the cost of raising and educating skilled and needed people (Luthans & Youssef, 2004). How much of the cost is thought lost is one of the weaknesses of current accounting systems?

Definitions:

Human resource accounting is:

Identification and evaluation of human resources of the institute and reporting to stakeholders In this definition, there are three primary sections about human resources:

Identification: Recognizing its quantity and quality and preparing appropriate statistics.

Evaluation: Measuring economic value and determining its monetary amount.

Reporting: Preparing and submitting relevant financial reports about it.

Accounting seeks to report the financial situation and economic performance of individuals and legal entities. Human values have no place in accounting when the human parameter is not considered in writing the financial problem and the result of operations. It seems that to achieve the following goals, human resource accounting must find quantitative and practical aspects (Lengnick-Hall & Lengnick-Hall, 2002):

1) Record the human economic value in financial statements
2) Calculating the investment of an organization in its human resources
3) Increase the efficiency of human resource management and create facilities for evaluating personnel policies such as training and justification programs
4) Evaluate the human resources of an organization in terms of maintenance, analysis or development.
5) Identify non-operating profits and productivity generated by investing in human resources.
6) Calculate the value that human resources create in other financial and physical resources of an organization.

Human Resources Accounting in Iran

Due to the need for information management to make decisions, human resource accounting provides information that managers can better and more beneficial to use the human resources at their disposal. One of the main goals of human resource accounting is to expand the use of valid and reliable methods to measure the value of human resources (employees) in the organization. To generalize the methods of measuring the value of human resources, we must determine the value of staff services and the factors that affect this value (Chelladurai & Kerwin, 2018).

Value in economics has two different meanings as follows:

A) Usability of a resource

B) The purchasing power of that source

All value theories in economics are based on the hypothesis that the resource can be desirable in the future and create services. "Anyone who wants to build a basic theory of value and price must first think about its desirability," said Ludwick Van, a well-known economist. Similarly, Irving Fisher says:

Current wealth is the discounted value of future income capital; if something does not have the expected return in the future, it will have no value. Therefore, the value of an asset is the value of its expected future return (Rodriguez et al., 2002).

HISTORY OF HUMAN RESOURCE ACCOUNTING

Human resource accounting is born of the needs of its age, the growth and development of human knowledge, and the information needs of users of accounting information. Research in this field started in 1960. It has expanded in line with the school of "human management". This school pays special attention to human beings as valuable resources of any organization and believes in behaviour worthy of these values (National Research Council, 2003).

The years 1971 to 1976 can be considered as a period of increasing attention to human resource accounting. But from 1976 to 1980, attention to human resource accounting by scientific and commercial circles declined. In the 1970s, many writers were interested in becoming pioneers of human resource accounting and innovators. These ideas commonly referred to human resource accounting, but its brief statements about employees in the long run generalized the importance of human resources (Armstrong, 2020).

Human assets accounting can be found in the literature of the 1960s under the heading of employee management in its new cover or human resource management, which seeks to reinforce the claim of central importance in direction. Perhaps a genuine interest in some executives to measure the value of human resources in terms of currency has led to the re-emergence of human resource accounting in the present era to prepare senior managers to consider employees as the most valuable assets (Hendry, 2012).

Holtz film outlines five steps in the development of human resource accounting:

The first stage of 1966-1960: In this period, the concept of human resource accounting was an inference from the economic theory of "human capital" and was influenced by the school of "modern human resources" and the psychology of centralized organizations and the impact of leadership in the organization.

The second phase of 1971-1961: Technical and practical research in this period focused on models for accurate measurement and identification of potential users of this method and the experimental use of human resource accounting in real organizations.

Third stage 1976-1971: This period can be considered as a period of attention of researchers and organizations to human resource accounting. Small organizations made more efforts to use human resource accounting. The estimates and conclusions were based on the potential effects of human resource accounting information on executive management and investor decisions.

Stage 4, 1980-1976: This period was a period of disregard for accounting researchers and business institutions in human resource accounting.

The fifth stage from 1980 until now is the period of reconsideration of human resource accounting. New research has shown this to be the case for some large organizations trying to use human resource accounting (Rimmel, 2003).

In 1980, a new way of thinking about human resources in management science emerged. After the exchange rate fluctuated and the traditional relationship between gold and the dollar disappeared, the issue of human resources as the backbone of countries' production and money became an obvious principle (Radelet, 2010).

The new management discussions on human resources and strategies for evaluating these resources in the last decade have found a special place and importance that, on the one hand, are considered unlimited resources. On the other hand, lack of attention to it will affect all other resources. He has also raised specific issues in modern accounting, and today, there is no doubt that human resources should be priced and reflected as a part of companies' assets in the balance sheet. The depreciation of these resources should be calculated and considered specially. As in many countries, the devaluation of human resources is included in the tax-eligible set of costs, increasing profits (Agrawal, 2002).

The concepts of management and the duties of managers have been much discussed in the management literature. In recent years, many changes have taken place in management techniques, and new approaches have been proposed in the management of organizations. The manager's role has changed from command and control roles to a coaching role, and two categories of efficiency and effectiveness have become the focus of managers. The trend of change in the knowledge-based economy has led to the increasing growth of globalization phenomena and the information society (Folger & Cropanzano,1998).

Human Resources Accounting in Iran

The general trend of moving from employee-based, mass-employment to networked organizations dictate the need to review management practices. The impact of this change in organizations is seen in the destruction of traditional organizations and employment organizations. Human capital in knowledge-based organizations has found a unique role and importance, and the management of human capital and scientists in today's organizations has become the key to success (Bhaskar, 2012).

Managing today's organizations requires responsible employees who can make decisions that provide uninterrupted customer satisfaction. The real power of the boss is declining. Concentrating power at the top, in the hands of someone who has the knowledge and resources needed to control and guide the whole organization, can be an excellent way to manage inactive and bureaucratic organizations or current and repetitive affairs. Still, this management style is not responsive to rapid, chaotic, and unpredictable change (Hoover. et al., 2002)

In this regard, in today's organizations, profit has a new definition. Profit is the appreciation of the manager by customers who receive good services from capable and responsible employees. In these organizations, managers in the role of coach or mentor to empower their employees. By providing more than expected compassion and service to customers, capable employees become loyal organisation fans (Armstrong & Murlis, 2007).

That is why the definition of quality is presented in a new format. Quality means customer satisfaction. It is a higher quality organization that has more satisfied customers. The employees of any organization are considered its internal customers. The satisfaction of foreign customers depends on domestic customers. Thus, unlike the last century, when the most valuable assets of an organization were the tools of production, today, efficient employees and scientists are considered the organisation's assets (Pulic, 2004).

According to the intelligence-based approach to human capital management, the main task of managers at any level of control is to "develop the intelligence of employees." In this regard, the manager must constantly seek to identify the intelligence in his employees and try to appoint them to tasks that are in the direction of their intelligence so that this intelligence become capabilities; "They exploited everyone!" Therefore, regardless of the size of his management area, the manager's job is to identify the intelligence and talent of his colleagues and select the right person for the right job and improve the organization or department under his management by forming work teams consisting of complementary productivity intelligence. The manager should know that human beings have four dimensions of body, heart, brain, and soul in this way. Paying attention to all these dimensions strengthens the motivation of employees to use all their strengths and intelligence in the organization (David & Foray, 2003).

The process of accounting evolution includes four stages: "inventory accounting", "financial accounting", "management accounting", and "socio-economic accounting". "Human resource accounting" is one of these categories. "Human resource accounting," as defined by the American Accounting Association, is the process of identifying and measuring human resource information and reporting that information to interested parties (Jacques, 1995).

Since the introduction of "human resource accounting" in the accounting literature, which dates back to the sixties, it has always been criticized. Among other things, man is not an asset or property and is not owned. Man is not measurable, the appropriate measurement model is not provided, or the cost of human resource accounting is very high. Great scholars have been held accountable, including Nobel Prize-winning Economist Gray Becker, who writes in the article "Economic Capital in the Age of Digital Economy": Just as factories, houses, machinery and other material assets are part of the wealth of nations, so is human capital part of that wealth. Or the American Accounting Association's response that the accountant must be alert to use new measurement methods that can provide additional and more helpful information to users. This information may be about employee morale, customer satisfaction, product quality, or an organization's reputation, or something more; "In any case, the solution to this problem lies with accounting (Flamholtz, 1999).

However, what is predicted in accounting is the move from value creation based on a transaction with a third party 5 to value creation factors, followed by the move from traditional financial accounting and reporting to providing a parallel accounting and value creation reporting system. A recent statement by the Financial Accounting Standards Board (FASB) that acquired intangible assets should be disclosed at market value in the financial statements is evidence of this (Daum, 2003).

What is human resource accounting?

According to the quantitative and qualitative analysis of such investments, human resource accounting is the criteria and standards for measuring human resources in an industrial, commercial or service organization. In other words, an industrial or commercial enterprise must be aware of the value of investing in its workforce. It can also calculate the rate of return on this capital and know whether the return on investment is satisfactory or not?

Human resource accounting is the application of accounting concepts and methods in the field of human resource management. This accounting is the measurement and selection of costs and valuation of human resources as the primary resources of any institution. These costs, like other costs, consist of current departments and capital, or in other words, direct and indirect prices (Wright et al. 1994).

Human resource costs consist of two parts: initial cost and replacement cost:

1) Initial costs: Initial costs of human resources are all funds used to provide and nurture human resources and include the costs of human resources selection, employment, Deployment, guidance and in-service training, retraining and practical and specialized

training to acquire the necessary skills. This definition applies similarly to other resources since the initial costs of factories and equipment are the same as those spent on obtaining these benefits.

2) Replacement costs: These are the costs that must be borne to replace the employees who are currently working in the institution or unit. These costs are divided into two parts:

A. Postage or job replacement costs

B- Personnel costs

Postal replacement costs:

Some costs must be paid to replace a person in an organizational position with someone who can provide similar services in this managerial position. Such costs themselves consist of three parts (supply, upbringing or training and retirement) (Becker & Gerhart, 1996).

Withdrawal costs: Some sums are spent on the resignation of several employees of organizational positions. These costs include the cost of bonuses or remuneration for the concession, the cost of the difference before the resignation, the cost of leaving the organizational position vacant. It should not be forgotten that the cost of bonuses or severance pay is the same as the cost of redemption of years of service (end-of-service benefits), and the difference of the expenses before retirement is due to reduced productivity before retirement. The cost of leaving an organizational position is an indirect cost affected by the reduction in the efficiency of the left vacant places (Daum, 2003).

The economic value of human resources: The economic value of human resources, like the monetary value of all resources, depends on the employer's capacity to use the latent power of these forces. Specifically, the economic value of human resources is the current value of services expected of them in the future (David & Foray, 2003).

Non-monetary measurements of human resources: Some human resource accounting experts have emphasized the potential importance of non-monetary criteria in decision making. One of these criteria can be preparing a list of essential people and their skills as assets. The amount of knowledge, skills, health, usability and job performance of employees can be considered other human assets (Radelet, 2010).

Disney Likert created the most critical group of non-monetary behavioural criteria. His model includes:

1- Causal variables (independent variables that can be changed by management) 2- Intermediate variables (reflects on health within the organization such as loyalty, behaviour, movements, performance and goals and understanding of members of the organization) 3- Final variables (such as production power, costs, growth, market share and income)

Some of the methods of measuring the value of human resources are as follows, some of which we examine:

1- Economic value (current)
2- Replacement value
3- Value coefficient
4- Random rewards valuation model
5- Patterns of the whole organization
6- Auction theory
7- Historical cost

4-Theory of Economic Value (Present Value): This theory is based on the value of capital. Based on this theory, some researchers believe that asset market prices are the discounted value of future benefits from these assets. Still, it should be noted that macroeconomic analysis is not fully generalized to the microeconomic level. The market price of an asset is the price paid for all the potential benefits and services of those assets. This does not apply to employees' salaries. Because the wage is the price of using the services of employees for a particular time or a certain amount of work. Therefore, the market price of labour is not precisely comparable to the price of assets. In addition, it can be argued that the labour market is strongly influenced by labour law, adverse regulations, and collective bargaining agreements. As a result, comparing the labour market with other markets is not very practical. However, according to this theory, some believe that future revenues from human resource services can be discounted and counted as the value of human resources (Rodriguez et al., 2002).

Disadvantages of the Economic Value Method:

1- In this model, the possibility of leaving the organisation's service due to non-retirement or death is not considered.
2- This model does not consider the possibility of changing the person's position while serving in an organization.
3- It is challenging to estimate employees' income.
4- Applying this method in human resource accounting is not compatible with accepted accounting principles.

Replacement value theory: The replacement value of human resources is the cost of replacing the existing human resources in an organization. The replacement value in this method includes the following items:

A- Expenses for hiring new people for existing jobs

B- Training costs for new people

C- The cost of transfer or dismissal of the employed person

A- Hiring costs: This cost includes direct and indirect costs.
Direct cost including:

1- Hiring costs, including the initial search for human resources needed inside and outside the organization.
2- Selection costs, including the fees of selecting employees from among eligible individuals.
3- Recruitment costs, including the cost of new people entering the organization and getting a suitable job.

Indirect costs include the cost of upgrading yourself and getting new jobs within the organization.

B- Training fee: This fee includes two direct and indirect parts.
Direct costs are:

1- In-service training: includes in-service training costs for employees.
2- Formal training: including the cost of training programs and familiarity with the organization.

Indirect costs are:

1- Instructor time, including supervisors' expenses during the training period.
2 - Loss of productivity during training, including the cost of hours that employees (except trainees) are not engaged in the assigned services.

C- Transfer or dismissal cost: includes the fee imposed on the organization when a person leaves the organization. This cost consists of two parts, direct and indirect.
Its direct cost includes the cost of firing or leaving the organization. Its indirect price includes reducing the person's efficiency before transfer or dismissal and the cost of vacancy in question until hiring a new employee.
Replacement value theory considers the individual's position within the organization, the costs of transferring or firing the individual, and reducing efficiency.
Disadvantages of the replacement value method:

1. The future benefits of human assets are not considered.
2. The replacement value method is subjective.
3- It is difficult to determine the value of human resources based on replacement value.

VALUE COEFFICIENT THEORY

According to value coefficient theory, the value of human resources is equal to the difference between the total value of the company and the value recorded in the company's offices. This calculation adjusts intangible assets such as goodwill, royalties, customer dependency, and long-term contracts. In this method, the value coefficients that are the basis of the calculation are determined according to each of the following factors:
Education and technical experiences Experience required for the job Individual characteristics Ability to be promoted - Supply and demand - The degree of people's dependence on the company and the company's expectation of productivity from their services.
In this method, an optional coefficient is set from zero to 2.5; employees are divided into four main categories of senior management, management, supervisors, and employees (Lengnick-Hall & Lengnick-Hall, 2002).
Due to the above division, the annual historical cost of employees is divided between four classes and the share is multiplied by the specified coefficients. Thus, the approximate total value of human resources is obtained. Suppose the value of human resources is more than intangible assets (difference between company market value and net book value). In that case, the coefficients are adjusted so that this difference is equivalent to intangible assets. The cost incurred for employees to hire, train and educate human resources over time is considered. The result of changes in the value of human resources during the period is shown. In this way, the profit and loss statement and the balance sheet of human resources can be prepared and presented (Rodriguez et al., 2002).

DISADVANTAGES OF VALUE COEFFICIENT THEORY

1- The value of human resources is not measured directly but is obtained by comparison with other factors. Because intangible assets are generally valued based on speculation, the resulting figure is not accurate enough.
2- There is no way to determine the primary scientific coefficients.
3- It is not possible to determine the net present values of the company accurately.

AUCTION THEORY

According to this theory, the company is divided into investment centres, and specialized human resources services are auctioned based on employment in these investment centres. In this way, the manager who offers the highest price for the human resources services to be auctioned will have the human resources available. The agreed price is considered as the capital of the investment centre. Conceptually, this method evaluates managers' performance of different economic unit sectors, including the mentioned investment centres. Each of these models offers a different perspective and creates an additional mechanism for calculating the value of employees in the organization. Each of the various models according to various systems and contexts and other theoretical structures are proposed by researchers.

The auction pattern is different from other patterns. According to this model, employees are valued by the organisation's managers to compete for the limited human resources available in the organization. Managers bid against each other to obtain scarce human resources at the highest prices (Hoover. et al., 2002).

Disadvantages of Auction Theory:

1. The rate of return on capital is not an acceptable ratio for evaluating managers' performance.
2- No criteria have been set to determine the scarcity or abundance of specialized people.
3- The application of auction theory in non-profit organizations and stage production that cannot be divided into investment centres faces problems.
4- This theory may harm the morale of employees whose services have been tested at a low price or who have not participated in the auction at all.

HISTORICAL COST THEORY

This theory is based on standard accounting principles, according to which the costs incurred by employees directly increase the value of their services. Therefore, it increases the value of human resources by calculating its historical cost and is calculated.

The cost of human resources includes the price of hiring and training staff.

Which is a person consists of two parts, direct and indirect.

Advantages of This Theory:

1- This method aligns with the current accounting practice based on the principles accepted to measure assets.
2. The historical cost method is objective.
3. This method is probably more accepted by the tax administration than other methods due to its documentation.

DISADVANTAGES OF THIS THEORY

1. It is challenging to distinguish between human resource items and other resources and separate human resource costs into current costs and capital.
2. The resources obtained from the historical cost method cannot meet all the management needs for economic decision-making because what is essential from the management point of view in an organisation's financial decisions
3- It is impossible to determine the relationship between the returns of human resources and the costs incurred for these resources based on predetermined depreciation rates.

There are three main reasons for valuing human resource assets and reporting on investment in human assets:

1- Preparing information about the financial situation, including financial statements for the transmission of investors, employees and lenders
2- Determining the participation of capital and labour in the overall performance of the organization
3- Providing a basis based on more frugal ideas for managing the organization and providing extensive information for the performance of employee duties.

Proponents of human resource accounting believe that the efficiency of human resource management is growing by facilitating the estimation of administrative policies such as the inferential stages of training programs and so on. Failure to provide adequate and timely information to managers leads to inappropriate decisions, and as a result, work-related costs and human resource planning are not taken into account (Packendorff, 1995).

Economic analysts believe that investing in human resources leads to efficiency; Therefore, having information about investing in human assets is necessary for investors to maintain efficiency. This can be beneficial for investors in various ways. Investors can determine whether human resources are adequately protected or whether resources are developing or declining. Reducing investment in human resources may increase short-term profits, but it is a threat to the organization's long-term profitability. The minimum advantage of using human resource accounting is to make such information available to investors (Daum, 2003).

In the United States, some believe that human resource accounting can have important implications for how taxes are levied. The group believes that the gradual shift of the Western economy from the industrial (manufacturing) sector to the service industry will increase investment in employees' knowledge, skills, and experiences in such organizations. Expanding the need for qualified staff in these industries and developing human resources will reduce tax payments and exceed the standard quota allowed by tax laws. Similarly, recognising human resource expenditures in institutions such as auditing and management services enjoys tax benefits through acceptable depreciation of related human resource expenditures in this area (Chelladurai & Kerwin, 2018).

REPORTING METHODS

There are four ways to reflect HR investments in companies' annual financial statements. Information on HR investments can be found in the board report to the general meeting of shareholders, intangible assets, unaudited financial statements, or in the form of an attached notice, Provided basic finance. The Board of Directors' report to the General Meeting of Shareholders often contains information on human resource expenditures that may be significant or even more significant than the expenditures made on tangible assets.

As a first step in accounting human assets, the board report may report expenditures as investments in human assets. Such information helps investors and financial analysts assess the extent to which management pays attention to human resource development as a critical factor in ensuring the company's long-term profitability. In addition to the report, the board of directors must include information about the staff leaving in terms of process and cost. For example, a company may notify the cost of training its employees separately. The company must also report the departure of key executives and technical professionals who may join the company's business competitors or create a new competitor. This is not uncommon in industries that are advancing with technology and in which the research and development of technical knowledge play a significant role (Chelladurai & Kerwin, 2018).

The second method is to provide information about investments in human assets in the intangible assets report. The Arthur Anderson Auditing Institute has proposed this method. It suggests that large amounts of intangible assets, including human resources, be reported separately in the financial statements. In addition, companies that incur significant costs related to intangible assets. Particularly tech-savvy companies, service companies that make substantial investments in their employees and companies that grow by merging and buying stocks and paying large sums for the goodwill of existing business activities must provide some form of intangible assets. This report should show the expenses incurred for various intangible assets in the current period and previous periods (Rodriguez et al., 2002).

The notes required to disclose information about the nature of the expenditure and other related information should be attached to the Intangible Assets Report. An important limitation of this method is that the balance sheet is misleading. Because the value of the company's assets is less than the reality. The measurement of profit or loss is also defined because all expenses related to human assets in the period in which they are incurred are considered current expenses. Similarly, the measurement of return on investment will be defined (Rodriguez et al., 2002).

The third method of providing information on investments in human resources is their reflection in the unaudited financial statements. Companies can complete a set of financial statements that include investments in human assets according to the proposed methods of human resource accounting with financial statements annually. The reports shall state that these financial statements should be considered separately from the basic financial information prepared and presented following generally accepted accounting principles. The last method of reporting investments in human assets is to include them in the basic financial statements. In this method, investing in human assets is considered a long-term asset and is depreciated over its expected useful life. Some institutions and companies, such as airlines, electronics industries and professional sports clubs, whose significant capital is human resources, apply this method. Although this is not the case for investing in human resources, some companies have followed suit (Wright et al. 1994).

How to report human assets: If it is decided to write human assets in the financial statements, some basic questions must be answered.

1- What expenses should be considered as capital expenses?
2- How should these expenses be depreciated?
3- Under what circumstances should these assets be removed from the accounts?
4. How should investment in human resources be reported in the financial statements?

The first question is the most fundamental question on this subject. It is a matter of classifying human resource expenditures as running costs and capital expenditures. The main criterion for determining what expenses should be current or assets should be related to the possible future service of those expenses—for example, specific staff training costs.

Although intangible assets have an indefinite useful life, they should be depreciated over the estimated useful lives. Human assets are also allocated as expenses, which are called depreciation. The primary purpose of depreciation of human assets is to match support with the benefits derived from it. This is commonly referred to in accounting as the matching of expenses with income. The service life of some human assets may be equivalent to the expected transfer period of the person in the organization. The service life of others may be comparable to the periods that the person is expected to occupy a specific position in an organization. The service life of others may be a function of the predicted state of the art. For example, recruiting and hiring people in the organization may be cost-effective compared to when the person is expected to be employed (Bhaskar, 2012).

Although depreciation is the primary method for the gradual allocation of human assets to expenses, it is necessary to adjust the account in some circumstances. For example, human assets may be adjusted due to staff layoffs or changes in service period estimates or deleted from accounts. The unused balance of the human assets account should be considered a loss for the change that occurred.

Human Resources Accounting in Iran

One aspect of human assets that creates external reporting problems is the likelihood that employees will leave. Some organizations have employment contracts with their employees that restrict their relocation, but they do not own humans. The principal accounting question is how to solve this problem by considering the reserves for the expected costs of leaving the service (Chelladurai & Kerwin, 2018).

Problems and expectations: Criticisms and issues regarding human resource accounting focus on three main axes.

The first issue is the management behaviours of the organization. Theoretical changes and overemphasis on executive activities make managers cautious and compelled to resist HR accounting.

The second issue is the complexity of measurement patterns, which managers expect to be realistic, feasible, and cost-effective.

The third point is the managers 'concern about the employees' reaction to the issue. A human resource accounting system may cause resistance in the organization's employees because they see this as an area to measure their activities.

HUMAN RESOURCE REPORTING METHODS

There are four ways to reflect human resource investments in companies 'annual financial reports. Information on human resource investments can be found in the board of directors' report to the general meeting of shareholders, intangible assets report, and financial statements. Unaudited or presented in the form of an appendix to the basic financial statements. The Board of Directors' notice to the General Meeting of Shareholders often contains information on human resource expenditures that may be significant or even more significant than the expenditures made on tangible assets (Olsson, 2001).

As a first step in accounting for human assets, the board of directors may report expenditures as investments in human assets. For example, a company may notify the cost of training its employees separately. Such information helps investors and financial analysts assess management's focus on human resource development as a critical factor in ensuring the company's long-term profitability. In addition, the board of directors' report should include information about the departure of employees in terms of process and cost. The company should also report on the resignation of its key managers and technical professionals who may join its business competitors or create a new competitor. It plays a significant role in them. It is not unusual (Flamholtz, 1999).

The second method is to provide information about investments in human assets in the intangible assets report.

The Auditor Anderson Auditing Institute has proposed this method. The agency suggests that large amounts spent on intangible assets, including human resources, be reported separately in the financial statements. In addition, companies that incur significant costs related to intangible assets. In particular, companies that are heavily dependent on technology, service companies that make substantial investments in their employees, and companies that grow by merging and buying stocks and paying large sums for the goodwill of existing businesses should Present a form of their intangible assets. This report should indicate the expenses incurred for various intangible assets in the current and previous periods (Wright et al. 1994).

PROBLEMS OF HUMAN ASSETS ACCOUNTING

If it is decided to report human assets in the financial statements, the five major accounting questions must be answered. These questions include:

1- What expenses should be considered as assets of capital expenses?
2- How should these expenses be depreciated?
3. Under what circumstances should these assets be removed from the accounts?
4. How should investments in human assets be reported in the financial statements?
5. How can the possibility of human assets accounting be used as a tool to manipulate profits and losses?

The most fundamental question in accounting for human assets in financial statements is what should be considered an investment expense? After human assets are considered investment, the next issue in accounting is to determine the part of the expenditure that should be recognized as an expense in each period in proportion to the useful life invested. This process is called depreciation for physical assets such as machinery it is possible. Although depreciation is the primary method for the gradual allocation of human support to costs, it is necessary to adjust the accounts of human assets in some cases. One aspect of human resources that poses particular reporting problems is the likelihood of staff leaving. Although some organizations enter into employment contracts with their employees, which restrict their movement, individuals are relatively free to leave the organization in most cases. Therefore, there is some uncertainty about realising the prediction of a person's potential service life. The main question of accounting is how the degree of uncertainty about the non-fulfilment of the forecast of human services to present investments in human resources, in financial statements, in the accounts can be considered. This problem can be solved by considering a reserve for the expected costs of leaving the service. Impairment of profit and loss The last issue in reporting human assets in financial statements is the probability of profit and loss (Chelladurai & Kerwin, 2018).

Some accountants believe that intangible assets such as human assets, although expected, should have future benefits and should be reported as an expense in the year in which they are incurred due to the high level of uncertainty surrounding the asset. There are positive points in this regard. But generalizing it is extremism. Revenue manipulation is not a rudimentary problem and still needs to be studied. Even then, this problem can not overshadow the need to reflect human assets in the institution's non-internal financial statements (Beigzadeh and Gholami 2008).

SUGGESTIONS

The following suggestions are offered to overcome the problems of human resource accounting:

A- It is suggested that the Center for Management and Productivity Studies hold a periodical in connection with the growth and promotion of human resource accounting for the managers of listed companies.

B- It is suggested that the stock exchange organization hold a course for stockbrokers (investors) in connection with the growth and promotion of human resource accounting.

C- It is suggested that the auditing organization formulate and implement a human resources accounting standard for accountants.

D- It is suggested that the Central Bank and the Economic Council provide facilities for the units that intend to implement the human resources accounting system.

E- It is suggested that the faculties of accounting and management be considered and held under the title of human resources accounting in the bachelor's degree in accounting and management.

And finally, it is suggested:

Considering the significant role of human resources in different sectors of the economy and the usefulness of human resource accounting reporting and according to Statement No . 5 of the Financial Accounting Standards Board (FASB), which considers the disclosure of supplementary financial statements to provide new, valuable and valuable information. The existence of a human resources accounting system and the current accounting systems in our country also seems very necessary (Flamholtz, 1999).

CONCLUSION

Despite the central role of human resources in the development process, especially the discussion of sustainable development as a significant challenge for governments, human resource accounting is a technique for collecting, summarizing and reporting criteria for recruitment, development, progress, expertise, retention, maintenance, operation, evaluation and reward Human resources are thereby helping managers to make the right decisions related to Manpower to help the organization; however, managers are not familiar with the role of human resource accounting Supporters of human resource accounting Managers at all levels believe that they should be aware of the creative abilities of the skills of the employees under their guidance so that human resource accounting can measure the lost costs of unnecessary turnover. And the Accountant strengthens the assessment of responsibility. However, the managers of countries have the existence of human resource accounting; in this case, they know it is irrelevant.

One of the advantages of human resource accounting is that it can be used in manufacturing versus purchasing decisions. Still, managers are not aware of this application of human resource accounting (Bontis et al. 1999).

The rate of return on investment is an essential variable in investors' decisions, so if the human resources accounting system is implemented, this rate will change due to changes in its implementation. In contrast, investors are unaware of this change. Investors are unaware of the role of HR accounting reporting information, which can provide them with more helpful information for making decisions regarding the acquisition, maintenance, sale and transfer of shares.

As a result, the current accounting and reporting practices are such that investors are not aware of the accurate investment sources of the company in human assets. Human resource accounting can overcome this limitation and provide them with complete information, but investors from They are not fully aware of this role of human resource accounting.

Current accounting systems are involved in the economy's structure based on organisations' financial and physical capital. They cannot provide the required information about the costs and value of human resources. However, accounting colleges and training centres harmonize accounting systems with the structure of the economy. No action based on human resources Professional accounting associations have not been able to play an active role in introducing and disseminating the human resources accounting system and its goals.

It is hoped that a practical step will be taken in this direction by applying the suggestions provided.

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