

Some researchers presented the limitations to the three different models of valuating human resources [7]. The Present Value of Future Earnings Model ignores the probability that an employee may advance in his position and ignores the probability that they will stay in the company and will be alive for the whole duration. The Acquisition Cost / Replacement Cost Model measures only the costs to the organization, ignores completely the value of the employee to the organization, and lacks independent validation for the amount while the Replacement Cost Model adds additional subjectivity to the valuation.

Baker acknowledges the need for HRA but the current available literatures do not properly define the limits and standards for it [15]. The measurements available in the current literature are very subjective, which can then be abused when presenting the value of business' assets. He believes that further research is needed so that standards and guidelines can be properly set in place. In a similar literature survey, several difficulties or limitations with regards to human resource cost were presented [16]. Limitations include quantifying the value of a human resource material, calculating on the job training an employee receives, valuating intellectual and physical values of the employee, determining future incomes related to a certain employee, and ethics in attaching a physical value to a person.

An article specified the certain limits of HRA, which focused on the uncertainty of the employees' lifespan and stay in the company [17]. Another limitation mentioned was the lack of guidelines and standards for HRA, assignment of cost and valuation of an employee. A researcher also discussed the same concerns, namely the lack of standards, guidelines and the uncertainty of employee lifespan or stay with the company. In addition to that, the authors also discussed the possible reduction of employee morale if an employee gets low valuation. Likewise, human resources are not capable of being owned, retained, and used unlike physical assets. Another problem mentioned is the lack of empirical evidence that supports HRA as an effective tool in HRA and lack of tax laws that recognizes human beings as assets. Singh also discussed the same subjects and included the problem on how persons are to be amortized, whether it is decreasing or increasing method [18].

Human beings are extremely difficult to account for in a scientific and mathematical way but they are key assets to a company, Jac Fitz-Enz said

4.1 Awareness and Adapting the Proposed HRA system

Table 1: Awareness to HRA and Adapting the Proposed HRA System

| | No. | % |
|--|-----|-------|
| Awareness to HRA | | |
| Yes | 3 | 7.5 |
| No | 37 | 92.5 |
| Total | 40 | 100.0 |
| Adapting the proposed HRA System | | |
| Yes | 4 | 10.0 |
| No | 33 | 82.5 |
| Not Sure | 3 | 7.5 |
| Total | 40 | 100.0 |
| Adapting the proposed HRA System if given proper guidelines | | |
| Yes | 21 | 52.5 |
| No | 16 | 40.0 |
| Not Sure | 3 | 7.5 |
| Total | 40 | 100.0 |

As shown in Table 1, thirty seven (37 or 92.5%) of the respondents attested that their companies are not aware of any HRA. Only three (3 or 7.5%) believe that their companies are aware of HRA, however, they are not using any accounting system to record human resources as assets. None were knowledgeable about the different methods of doing HRA. All 40 companies use the conventional accounting system which records costs incurred relating to HR as expenses. Wages and salaries are normally considered as expenses to the company rather than an investment in human capital. An interesting point was also raised that even if there is no definite value of the HR, a manager still has the grasp of his employees' skills and can use these in making managerial decisions.

Respondents are not particularly interested in using the proposed accounting system for human resource at this time. Only four (4 or 10%) out 40 respondents will use the system. Thirty-three (33 or 82.5%) will not want to use it because their companies are comfortable with their current system and do not wish to alter it unless necessary and three (3 or

in his award winning book, *The ROI of Human Capital* [19]. The author emphasized that the capability information technology puts at the disposal of organizations can be a barrier to understanding human value as economic units and as spiritual beings. He believes that people generate value through the application of their intrinsic humanity, motivation, learned skills, and tool manipulation [20]. He thinks that applying the same double-entry bookkeeping procedures that we use for assets and liabilities for human resources is worth trying but caution that there are not enough studies and researches to prove if this is an effective accounting system or not.

3.METHODOLOGY

In order to substantiate the inference of HRA, its acceptance, constraints, and limitations, the researcher conducted a survey/interview to several companies in the Philippines. Selection of the companies was done out of both convenience and structural reasons. The paper chooses to tackle the insights of different industries to provide a more comprehensive report on the companies in the Philippines. Respondents came from different industries such as telecommunications, education, IT startups, stores, real estates, retailers, an airline, and a business process outsourcing (BPO) company, specifically Convergys. Such companies are a combination of various types and sizes including old, new, small, and large.

Questions/interviews are mostly designed to gather their inputs on the acceptance, constraints, and limitations of the proposed accounting system. Respondents were asked to rank the constraints and limitations to find out which are their major concerns. These constraints and limitations were derived from the previous review of literatures. In the absence of better definitions, lacking in rules, standards, concepts or guidelines are considered as constraints in using the accounting system; while limitations are internal problems that deter the use of HRA system.

4.RESULTS AND DISCUSSION

While human resource accounting expands the view of an accounting system and provides a fuller picture of a company's activities, there are constraints, limitations or even difficulties in adapting HRA.

7.5%) are not sure if they will want to use the proposed HRA system due to the lack of information available about it and its corresponding effects. Respondents are open to the idea of adapting the proposed accounting system if proper guidelines, standards, and rules are given. More than one-half (21 or 52.5%) of the 40 respondents will use the accounting system. Sixteen (16 or 40%) will not want to use it even if guidelines will be provided because it would disorganize their previous years of accounting records and three (3 or 7.5%) are not sure if they will want to use any HRA system because they still believed that the conventional way of taking accounting records is already perfect as it has been established for a long time. All companies do not have HRA system. This shows that HRA is not included in their company's accounting structure. The unawareness of the interviewed employees indicates that the companies do not see any room for HRA in their system as of this time, and they would still resort to what is already proven and established, that is, the conventional accounting system that does not directly record human capital as an asset.

4.2 Constraints and Limitations in adapting HRA

Lacking in rules, standards, concepts or guidelines are constraints in using the accounting system. Human resource accounting entails a

standardization of processes and methods without sacrificing accuracy in order for it to be adapted well despite the vast differences in management styles among companies. Table 2 shows the constraints in using HRA.

Table 2: Constraints in Using Human Resource Accounting

| Constraints | Rank |
|---|------|
| No laws recognize human as asset | 1 |
| No clear guidelines | 2 |
| Lack of industry standards | 3 |
| No universally accepted method of human valuation | 4 |

Tax laws do not recognize human beings as assets was ranked 1. Most respondents believe that each individual has his own knowledge, skills, and attitude (KSAs) that would be extremely complex to quantify in accounting terms [21]. There are no specific procedures or guidelines for finding cost and value of human resources of an organization was ranked 2. Ranked 3 was lack of industry standards, which will make comparison

difficult. There is no universally accepted method of human asset valuation was ranked 4.

Limitations are internal problems that deter the use of HRA system. Limitations in using HRA are shown in Table 3.

Table 3: Limitations in Using Human Resource Accounting

| Limitations | Rank |
|--|------|
| Problem in measuring value of employees | 1 |
| Problem in amortizing value of employees | 2 |
| Need more time and resources | 3 |
| Employees may demand more compensation | 4 |
| May dehumanize employees | 5 |
| Need training and planning to use it | 6 |

Problem in measuring value of employees was ranked 1. Recording employees as assets or investments would be very misleading on a financial statement according to the respondents. The period of existence of human resource is uncertain; amortization will be a problem was ranked 2. The need for more time and resources to learn about a new system particularly on human resource was ranked 3. More values indicated for employees in the financial statements might lead to employees demanding for higher compensation was ranked 4. Ranked 5 is about labelling people in monetary terms and objectifying them, as assets of a company are behaviorally unacceptable in terms of cultural norms. HRA may dehumanize employees. Respondents believe that human resources are not capable of being owned, retained, and utilized, unlike the physical assets. To adapt a new accounting system will entail a lot of training and planning before it can be used perfectly. This limitation was ranked 6.

5 CONCLUSION AND RECOMMENDATIONS

The results of this study are clear indication that companies in the Philippines are not aware of HRA, since old or new companies whether large or small are not knowledgeable about it nor do they apply it. There is no indication of any innovation to record human resource as an asset in the accounting system of the companies in the Philippines. Companies relied on generally accepted practices due to lack of human resource accounting procedures. The chances of adapting a new accounting system to record human resource as an asset is almost nil. Human resource accounting is still at its developmental stage in the Philippines. It will require a tremendous effort to radically change the perspective of accounting practitioners and firms. Some companies do not put too much emphasis on intangible assets, which makes HRA difficult to introduce at this time. HRA needs international regulations and standards in measuring human resource. HRA also needs more time, planning, and training before it can be understood and used in the Philippines.

However, the results of the study have given hope in adapting an accounting system for human resource in the future. Some companies are open to the idea of using HRA if given proper guidelines, standards, and rules. With its steady economic growth, the companies in the Philippines would have to look at human resource accounting to cater to the international growth of the company. Taking human resources as a valuable asset to the company does not in any way disrupt, disorganize or even disalign the previous accounting records of the company. Furthermore, it adds more area for economic analysis to exist, which definitely gives more insights regarding the company's sustainability and growth. HRA gives more to what the conventional accounting method provides.

Philippines companies should focus on making HRA an organizational goal, to have standardized procedures to measure human capital the way financial capital has been measured for the past decades. If HR is able to accomplish this, then they will be able to have a more accurate estimate of the real value of their current human inventory and assets. They will be able to determine how their talent capital can be best deployed and utilized for the business. Human assets have a potentially high return on investment and it would make sense for a company to be more precise with the measurement of their exact contribution to the profit of the company. Compensation, benefits, training, and retirement are some of the biggest expenses of an organization which make it a necessity for Human Resource Departments to make sure the company is getting good returns on the money invested on employees.

Thus, Philippines companies should be more open to changes in their accounting system. The HRA system in the previous pages provides an idea on how these companies could manage their human resources in such a way that they would be considered assets to the company. Additional research is necessary for effective application of human resource accounting.

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