

Application of Accounting in Human Resource Management

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Abstract. With the continuous development of economy, the function of human resources in terms of business management has been highlighted. Nowadays, enterprises have paid much attention to talents while the proportion of human resources cost is higher and higher. However, how to adopt accounting to manage human resources in order to realize management objectives is a problem remaining to be discussed. Concerning this problem, this paper shall demonstrate the concepts of accounting in human resources, analyze relative existing problems as well as countermeasures so as to fully play the function of accounting in human resources and finally realize management objectives.

Concepts of Accounting in Human Resources Management.

At present, human resources management do not always refer to accounting, however in foreign countries there is a mature development and operation mode to apply accounting to human resources management. In China, such kind of application is not perfect while a glittering array of enterprises have carried out valuable attempts in practice. In foreign countries, there is a special name to apply accounting to human resources, namely human resource accounting, which was firstly put forward by an American scholar called Hermanson in 1960s.

Along with the continuous development of market economy, the internal management of enterprises have been continually normalized while the application of accounting in human resources is developing with human resource accounting, human resource value accounting and labor-equities accounting being created. At present, preliminary results have been achieved when domestic enterprises apply accounting to human resources management. To begin with, some enterprises start to emphasize on the dominant role of employees, which is a problem that cannot be ignored both from the perspective of employee value or cost. What's more, the value of human resources has been intentionally or unintentionally adopted. However, the theories of human resources management should be deeply studied, and there are a heap of constraints in China the application of accounting in human resources has not been widely adopted which cannot fully play its value.

Concrete Functions of Accounting in Human Resources Management

Help to Improve the Accuracy of Decision. Accounting can help managers to effectively analyze the human resources information, organize the internal organization information and report it to managers. Based on this, managers are able to make proper human resource investment decisions, and thus effectively avoid the mistakes as well as short-run decisions in order to help enterprises win a place in the intense competition market with continuous development.

Effectively Realize the Optimal Allocation of Human Resources. To play the function of accounting in human resources can help enterprise employees to properly develop their own capacity and fully play their advantages. The accounting can reflect the human resource information and provide basis for enterprises to carry out proper and effective human resources management. Furthermore, it can help managers solve the human resource optimal allocation which can promote the planning and management of human resource management.

Mobilize Employees' Initiative and Enthusiasm. Traditional financial reports are lack of the human factors and cannot reflect the information of human resource cost, which ignore human resource contribution to the economic development. To fully play the function of accounting in

human resources, establish relevant systems should be conducive to provide a guarantee to the human resources development as well as investment, which can also help enterprises to fully tap employees' existing potential, evaluate the proportion of human resources in enterprise economic contribution to finally carry out better internal human resources construction.

The Application of Accounting in Human Resources Management

Accounting and human resources management are closely related to each other in modern societies which coordinate with each other and can promote more scientific as well as accurate human resource management.

The Application of Accounting in Recruitment and Selection. Human resource department will infuse new blood to enterprises based on recruitment, selection, employment and training so as to satisfy new human resource requirement along with the development of enterprises. Before the recruitment, human resource department have to carry out a statistical plan on the required personnel for each department so as to conduct forecasting.

In human resource recruitment and management, the costs mainly include recruitment cost, selection cost, employment cost and replacement cost. The recruitment cost refers to the cost to release recruitment information and attract potential employees, which includes the advertisement cost to disseminate the information, human resource cost, possible travel expenses, commission and court fee etc. Selection cost include the cost to select, carry out matching degree test and competence assessment as well as human resource salary, material and management fee. The employment fee incurs when there should be material and management cost while employees are recruited.

The Application of Accounting in Employee Training and Development. The human resources training and development costs are mainly to help new entrants to be better familiar with corporate culture, their responsibilities for Department and work, and at the same time help new employees to upgrade their skills in terms of personal qualities in order to better match the corresponding post. These costs include direction cost, on-the-job training costs and off-job training cost. Direct cost actually refers to the pre-post training cost, which includes the salary for the trainer as well as the materials for the employees. On-the-job training costs are the fees spent on the training for employees. Off-job training cost occurs when employees receive short-term training based on the job requirement. In human resource cost, the setting of development cost shall be helpful to assess the total cost on human resource investment.

Application of Accounting in Employee Allocation, Arrangement and Turnover. Human resource allocation, arrangement and turnover refer to the process to properly arrange employees to different position after being recruited or adjust their positions based on their abilities as well as personalities. In this process, human resources management accounting can help determine the number of variables in the humane resource allocation and describe these variables based on currency, which is beneficial for managers to properly arrange the employees turnover.

The methods and frequency for employee turnover shall be determined based on the profits that will come out, which are actually an investment comparison process. Only when the employee turnover can bring along with a sound benefits, namely the turnover benefits are bigger than turnover costs, enterprises will implement it. While referring to the accounting assessment method, enterprises can adopt return on investment as well as net present value analysis method to analyze the investment gains employee turnover will bring about. For example, the following formula shows how to account the return on investment:

$$B = (Ba - Bb) / C$$

In the formula, B refers to the labor turnover benefits, Ba refers to the incremental benefits while labors changing to department a, Bb refers to the loss while labors coming out of department b; C refers to the cost to carry out internal turnover.

Based on the formula, we can clearly compare the return on investment as well as loss based on employee turnover, which is helpful to help managers make decisions.

Application of Accounting in Human Resource Reset. The main cost occurs in human resource reset is severance cost, including the compensation, performance difference as well as the vacant position cost. The compensation refers to the money spent on individual because of severance. The performance difference cost refers to the cost after employees leave the company and there will be loss, which mainly depends on their business performance. The vacant position cost mainly refers to the cost while some tasks cannot be completed before a new employee is recruited.

Application of Accounting in Employee Salary Design. Salary is an important content of human resource management in modern enterprises. Salary design includes salary content, structure, salary payment methods and salary amount. The salary design is highlighted in human resource management which will influence the performance of enterprises. Therefore, to properly design the salary with the accounting idea can helpful to carry out more ideal incentive mode, solve the problem of principal-agent and at the same time conduct meaningful exploration to perfect the property right structure. Enterprise salary incentive mainly includes the encouragements for grass-roots workers, management staff, and non-oriented incentives. For different levels we ahem to use different incentives.

Problems of Accounting in Human Resource Management

Unable to Achieve a Breakthrough Comparing to Traditional Accounting. At present, the accounting assessment in the current human resource still belongs to the traditional accounting in terms of philosophy as well as methods, which only change the assessment project as well as procedure and cannot achieve a breakthrough comparing to traditional accounting.

Incorrect Human Resource Accounting. In the actual work of enterprise human resource management, there are uncertainty in human resource assessment caused by a dazzling array of subjective factors which cannot fully play the function of human resources.

Unable to Clear the Property Right of Human Resource. While determining the property right of human resources, enterprises take the cost of acquiring, developing and using human resources as single assets but they find it difficult to specify the property right of spending money on human resources. Since managers cannot clear this problem, they cannot encourage employees' enthusiasm and cannot help to develop the enterprises.

Measures to Strengthen the Application of Accounting in Human Resources

Establish Special Research Institutions for Human Resources. At present, even though there are achievements in terms of human resource management application theories with accounting as methods, the biggest problem is the practical use.

Do the Human Resource Report Well, Fully Convey Human Resource Information. In external reports such as balance sheets, enterprises have to list human resources separately, which should include specific data on human resource original value, amortization, and net worth. Besides, the note should carry out static analysis and dynamic analysis on human resource information. The former is able to reveal the proportion of human resource in total capital as well as the overall quality of employees while the latter can demonstrate the data of human resource investment, developments and proportion in total capital so as to help carry out more detailed analysis on human resources.

Strengthen Accounting Personnel's Assessment Training in Terms of Human Resources as Well as Complexity. The application of accounting in human resources management in China is rare because there are not actual standard which will be seriously affected by subjective factors. In order to make the application become more scientific and proper, accounting personnel's should be quipped with relevant experience with solid accounting knowledge and should be familiar with accounting operation.

Build the Environment to Help Accounting Fully Play its Role in Human Resource Management. At present, the political, economic and social cultural environment in China have

been developed a lot while enterprises have paid more attention to human resource management. Therefore, there are better external environment and internal requirement for accounting to play its role in human resource management.

To conclude, to apply the function of accounting in human resource management in China is possible both from the theoretical circle and practical circle, which develops along with the normalization of enterprises. In order to keep pace with international society and become competitive among other countries, Chinese enterprises have to focus on the human resource construction and profit, improve the consciousness to apply accounting to human resource management with implementation. The application of accounting in human resource management can help to continually perfect the employment mechanism, timely make adjustment, and strengthen the core competence of enterprises. At the same time, it can help enterprises to clear the cost of human resources to attract elites. Finally, in order to add the value of human resources, enterprises have to add the proportion of human resources as well as educational funds for employees to properly develop resources. Only in the above ways, can enterprises keep long-term and stable development.

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