



Effect of accounting for human resource diversity on development capabilities - a field study at Cihan bank in the region of Kurdistan

**Saleem Raza Bhatti
Emaan Institute of Management & Sciences, Pakistan
Wasim Shahid Khawaja
Emaan Institute of Management & Sciences, Pakistan**

Abstract

The problem that the research attempted to address was that companies cut all expenses related to the acquisition, development and development of human resources from the revenues in the period in which they are spent, i.e. revenue counting, which makes the statement of financial position and income statement does not reflect the real financial position of the company or the result of its activity, Consequently, the results of the performance evaluation based on the data of these two statements are unrealistic. This study aims to shed light on the importance of human resources in companies and the need to measure their cost as an important asset, and to show the models used to measure the cost and value of human resources as well as measuring the cost of human resources at Cihan bank and to demonstrate the impact of this measurement on the evaluation of the bank's performance.

Keywords: accounting, HRM development, bank

1. introduction

There is no doubt that human resources trained and qualified scientifically and practically sublime essential pillars set for the level of performance pillar in the company and a critical factor in achieving its objectives, so the importance of the role that these resources can play in areas of productive and organizational, which led the departments of companies to allocate large budgets To develop these resources and spend a lot of money on them.

Hence, the subject of human resources accounting becomes important in the accounting literature, since the signs of interest have emerged from the accountants since the early sixties of the last century, and developed models and methods to measure the cost and value of human resources and show them as an asset in the statement of financial position and download income statement, part of this cost for the purpose of amortization Over a number of years from which companies are expected to receive services.

In spite of the concern of the regulators of the accounting profession and thought leaders in measuring the cost of human resources, companies are still counting the amounts spent on the development of income expenses from income in the year in which they spent, making the statement of financial position does not reflect the reality of the company's assets and that the income statement does not a result, the information contained in these statements will be reflected negatively on the measurement of the efficiency of the company's performance, whether from management or investors, because the criteria used in the performance evaluation will be based on incorrect information.

Hence this research to measure the cost of human resources and calculate performance indicators in the light of this cost.

2. Research Methodology

Research problem: The research problem is the omission of the impact of accounting information on human resources in the statement of the effectiveness and efficiency of the performance of the economic units, especially since these units are addressing everything that is spent on these resources as an expense which fact and reality does not appear as a result of its activities and its financial position.

The importance of research: The importance of the search of the importance of the role played by human resources in companies and huge sums of money spent on getting them, developing and teaching them the necessary skills and the need to measure the cost and the impact of this cost in performance evaluation.

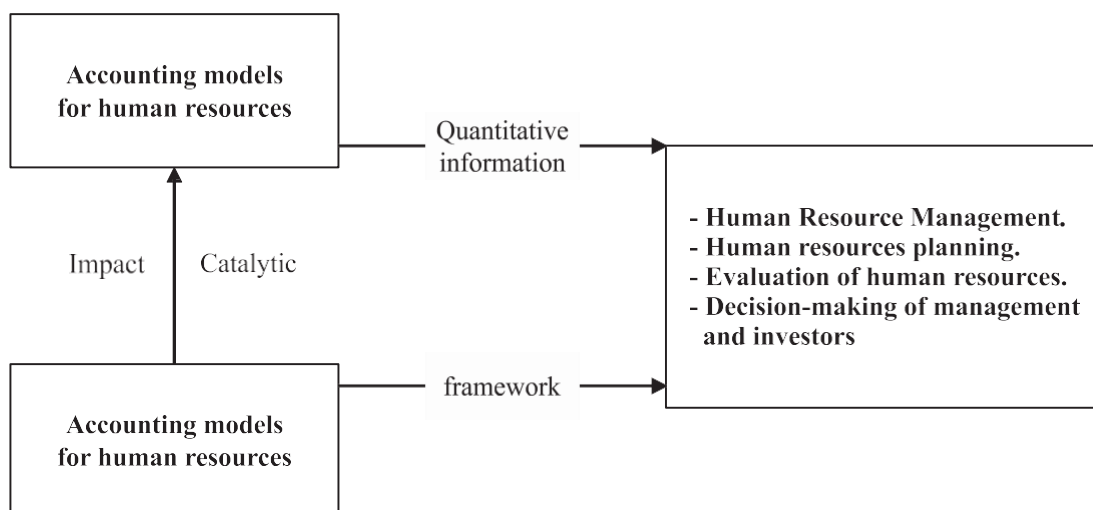
The importance of human resources accounting: The importance of human resources accounting stems from the role it plays in the benefit of both companies and external parties. In this context, Batt believes that human resources accounting is useful in providing data on planning for access to human resources and preparing budgets, which can be used to make decisions about evaluating alternative investment opportunities and judging the efficiency of human resources planning policies and procedures (Batt, R, 2002,45).

Flamholtz believes that accounting for human resources plays an important role in the process of budgeting access to human resources by providing information that represents standard costs on recruitment, selection, recruitment, etc. (Flamholtz, 2003; 13). In 2003, Flamholtz and Others highlighted the importance of human resources accounting through the roles they can play, as follows:

1. Use as a framework to facilitate decision-making in the field of human resources.
2. Provide digital information on the cost and value of employees as resources for the company.
3. Motivate decision makers to adopt a human resources perspective when making their decisions.
4. Provide valuable information to investors who want to know the capabilities of the company's human resources to be taken into consideration when making investment decisions.
5. Develop accounting models to measure the value and cost of human resources.

It is noted from the above that the authors above tend that the bulk of the human resources accounting functions benefit internal parties (management of the company).

Accounting functions of Human Resources



In this regard (Cascio) went further in his presentation of the importance of human resources accounting, as he believes that their development and therefore increased attention to them was a reflection of a group of variables, the most important of which is the following (Cascio, 2005: 430): -

1. The increasing importance of intangible resources in general and human in particular in modern companies, as well as the steady growth in the activities of service companies such as consulting offices, audit offices, insurance companies, etc. The human resources in such companies are the most important part of their resources.
2. The increasing trend in modern companies towards the formation of information systems
Its objective is to provide stakeholders with appropriate information about the company's workforce and to disclose changes in value.
3. The openness of accounting to behavioral sciences, and thus acquired accounting from these sciences many

concepts that contributed to the improvement and development of methods and methods of measurement in general and in the field of human resources in particular.

As for the role of human resources accounting in reducing the turnover of work * and the preservation of human resources, Flamholtz believes that it contributes to the preservation of resources and hence human capital, through the establishment of an early warning system that enables the company to assess the human resources situation through sociological measures (Social - Psychological), so that the administration can predict the turnover of work before it occurs early (Flamholtz, 2003: 38). With regard to the role of accounting for human resources in increasing the value of the company, both (Jones) that the application of valuable results is to increase the value of the company during the financial period, as a logical result of translating human efforts into a digital image, by distributing the cost of human resources to more From an accounting period by capitalizing the amounts spent on human resources and showing them as human assets in the statement of financial position, which encourages investors to invest in such a company (Jones, 1995: 42-43). Thus, accounting for human resources is one of the most important tools for the development of human resources management methods on various economic and social factors, because they are individuals are organizational elements with a high level of scientific and practical knowledge and not only material production capacity, which requires fundamental adjustments in the accounting and management sciences because the need to Human capital is greater than the need for physical capital. It is influential in the field of power, science, technology and creativity (Denisi, Angelo, 2001: 114).

Reflecting the importance of human resources, intangible assets, including human resources, accounted for the largest proportion of corporate assets. For example, the ratio of intangible assets to tangible assets in the United States in 1929 was about 30% and tangible assets accounted for 70%. In the nineties of the last century, the ratio reversed, with intangible assets accounting for 63% of total assets, while tangible assets represented 37%. At present, more than 70% of profits come from intangible assets, leaving only 30% of tangible assets. (Hellriegel, 2001; 1).

3. REVIEW OF LITERATURE

Rasheed's (2007) It is a research published in Tikrit Journal of Administrative and Economic Sciences entitled (the possibility of designing an information system for accounting for human resources in economic units).

This study focused on clarifying the importance of accounting for human resources as an information system in economic units, which can contribute to the organization of data on those resources, to be produced in the form of information that can be useful in making more effective decisions regarding human resources, especially if Integration with the human resources management information system in those units (Sultan, Noor, & Nasirun, 2018).

The researcher relied on a basic hypothesis that the design of an information system for accounting for human resources in economic units can contribute to increasing the effectiveness of decisions about the human resources in which they work.

The researcher Juma (2008) It is a research published in the Journal of Baghdad College of Economic Sciences University entitled "Human Resources Accounting - a new approach to measure the value of human resources services, the study aimed at introducing the accounting of human resources, and the methods and methods proposed to evaluate, and the problems and criticisms facing each, and sought to propose specific treatments To avoid these problems and criticism, and to propose possible disclosures in the financial statements, and these proposals, the researcher offers a specific approach to measurement and disclosure, and provides the reasons for believing the possibility of its application.

The researcher Jubouri Study (2008) It is a thesis submitted to the University of Mosul, College of Management and Economics to obtain a master's degree in accounting entitled "Measuring the cost of human resources and their role in the rationalization of administrative decisions."

This study aimed to determine the cost of human resources and the procedures and methods required in the Faculty of Medicine / University of Mosul to allocate its components and analysis on the branches and scientific sections for the purpose of accessing the cost of human resources in the branch and then employ them to serve administrative decisions related to them.

The study was based on the hypothesis that (the measurement and classification of human resources cost provides detailed and analytical information and data that help in the development of future plans and control of the use of human resources and decision-making for human resources for the purpose of rehabilitation and protection).

The researcher Hamada's (2002) This research was published in the Journal of Damascus University, Faculty of Economics entitled "Measurement and accounting disclosure of human resources and its impact on the financial statements." In addition to the proposal to implement a system of accounting for human resources at the University of Damascus.

One of the most important findings of the study is that human resource accounting ensures optimal use of those resources as assets, based on the economic concept of the asset. The failure to include in the financial statements information on human resources is a fundamental shortage in both the accounting and administrative function. And others to better rationalize a range of strategic decisions, both financially and non-financially, and ultimately contribute to the development process.

The researcher Adam's Study (2005) A research published on the Internet entitled (Measurement and Disclosure in Accounting for Human Resources in Sudanese Service Establishments)

The aim of this study is to account for human resources, choose the accounting method for them, and to know the different methods of measurement and evaluation of accounting for human resources and how to disclose them in the financial statements.

The study found that the concept of accounting for human resources is a modern concept in accounting, and that the method used to measure the costs associated with human resources in the sample of the study is to consider income expenses appear in the income statement, and the practical application of human resources accounting is unclear.

3.1. Human resources accounting in social accounting

In order to carry out corporate functions fully, facing the recent social responsibility towards the external community (the environment) and towards the internal community (the company), such as the employment of the minority, the employment of the disabled, providing employment opportunities for equal members of society, male and female ... etc., as well as contribute to a different solution to many social problems, including the human resources problems.

Hence, we can provide a definition of social accounting as: "the process of selecting the variables, measures and measures of measuring social performance with the company level, and finally communicating this information to the concerned parties within the community, whether those parties inside or outside the company" (Hellriegel., 1999: 164).

In doing so, social accounting determines whether a company's strategy and activities that have a direct impact on resources, individual centers, and community segments are aligned with social priorities on the one hand and the acceptable ambition of individuals on the other. In order to increase the efficiency of employees and the management of the company and improve the quality of decisions of the company, we are guided by the fact that the company must full fill its social obligations towards the human resources working. Providing all possible factors to create and deepen the satisfaction and belonging of employees towards the company, and therefore the benefits of this will be reaped by the company, including reducing production costs, and increase the productivity of workers At the same time, it contributes to increasing the social welfare of an important segment of society, thus reflecting the company's social commitment in the field of human resources working in carrying out activities that achieve the welfare of employees, including the provision of financial assistance to human resources working, Providing occupational health and safety requirements from work hazards and other social activities such as food, transportation, housing, etc. (Hitt, 2001: 125).

One of the key areas in which businesses can exercise their social responsibilities is social activities related to human resources, because human resources are an internal area of social responsibility, so the social activities of workers aim to improve the condition of workers in general. Examples of these activities in addition to the above, participation in the administration, and it is clear that some Iraqi companies give great attention to their workers, so note that the provision of different social services to them is one of the basic features of these companies, and this is logical, as the services directed to workers, There will undoubtedly be indirect economic returns. Perhaps one of the most important features of the reports of the boards of directors of these companies from the social point of view, some of these companies disclose their activities towards the workers in these reports, such as granting workers free treatment for them and their families, although these companies do not work in the field of health (Ivancevich, 1997: 171).

As well as the granting of annual promotions and bonus pension and social security contributions of human resources and workforce development, training and human resources development, maintenance and perpetuation and preservation of human resources. Perhaps all of this needs to accounting methods for human resources, which can facilitate the accounting task of social responsibility towards the workers The volume of investments in human resources could be used to indicate the extent of the company's contribution to capital

formation of human society, the company's contribution to social responsibility standards is to build Human resources of these categories (Flamholtz, etl 2004: 81).

As it is in France, the companies show data on social responsibilities include categories of workers, wages, bonuses and benefits, industrial security, health care, training programs and industrial development, and the living conditions of workers and their families. It has been five criteria for each category of the development of the employees and as follows: -

1. Wages.
2. Training leave = number of training hours / number of actual working hours.
3. Industrial Security = number of accidents / number of actual working hours.
4. Absence = Total number of days of absence / total working hours.
5. turnover rate = number of employees leaving the service / number of employees.

And these are integrated data within other social performance of companies and presentation of information on trade unions as well as to enrol them in the financial statements prepared for the companies.

In Germany some of the social indicators used in the management decision-making and negotiating with workers setting, which is divided into four parts: working conditions, industrial relations, and the surrounding environment, human forces. Examples of indicators include:

- A) Absenteeism rate based on sex = average absenteeism / average workforce.
- B) Absenteeism rate based on categories of workers = average absenteeism / average workforce category
- C) Absentee Absentee Ratio = Average Absentee Excused / Average Workforce.
- D) the proportion of work accidents and the frequency = number of accidents / actual working hours (Jones, G.R, 2009: 262-263).

Thus, the researcher believes that human resources accounting verification Another benefit is added to the many benefits, namely social accounting facilitate the task of the company over the level as previously or at the national level.

3.1. The implications of measuring the cost of human resources performance evaluation

Data This section aims to release the implications of the recognition of human resources as assets on the total assets of the company as well as the total property rights therein, that the exclusion of private development and human resources development of the company's expenses expenditure leads to the increase in net profit and consequently increase retained or profits (accumulated surplus) as a component of Property rights.

Based on the above, the researcher will address this topic in recognition of the implications of human resources as an asset on the company's performance evaluation through the following: -

First: The implications of measuring the cost of human resources to measure profitability

1. ratios Return on Investment Index

$$(A) \text{ Return to total assets index} = \frac{\text{Net profit}}{\text{Total assets}}$$

It is one of the most commonly used measures in this area and is affected by the accounting treatment of funds invested in human resources after which the asset is originally at both ends of the index. Which is replaced by the amortization cost of investment in human resources.

The index will increase by adding the cost of investing in human resources to long-term assets and thus increasing the total assets of the company.

If the cost of human resources is not taken into account, the result of this measurement will be misleading to the users of the financial statements.

$$(B) \text{ Return on equity index} = \frac{\text{Net profit}}{\text{Capital}}$$

The extension of this indicator in the same way that has been clarified in the previous index is affected, while the denominator index, which is the total property rights, it will change the other by the increase in net profit, which reflected an increase in retained earnings or (accumulated surplus).

2. Return to net sales index = $\frac{\text{Net profit}}{\text{Net sales}}$

Net sales

The counting of investment in human resources as an expense under way and not as investment capital makes the income statement, as well as the financial position does not express the reality as the No. Net income (Net income) becomes real and does not represent reality, and thus the return on sales index under traditional accounting does not Correctly expresses the activity of the company and will be misleading to users of financial statements.

$$3. \text{Net profit before tax index to net sales} = \frac{\text{Net profit before tax}}{\text{Net sales}}$$

second: This indicator is also affected by capitalizes human resources expenses and reflected on the impact of the extension of the indicator only

The implications of measuring the cost of human resources to measure the activity or asset management ratios indicators

$$1. \text{Total assets turnover index} = \frac{\text{Net sales}}{\text{Total assets}}$$

$$2. \text{Fixed assets turnover index} = \frac{\text{Net sales}}{\text{net fixed asset}}$$

With regard to indicators measuring activity will these indicators numbers differ in the case included denominator turnover of total assets index and fixed assets and human assets turnover, so that these indicators will be misleading under traditional accounting does not reflect the reality of the company's activity.

third: The implications of measuring the cost of human resources on borrowing or measuring indicators (financial leverage measure).

$$\text{Total Liabilities indicators to equity} = \frac{\text{Total Liabilities}}{\text{Capital}}$$

The impact of the change in this indicator, which will get in the place of this indicator, which is to increase equity due to the increase in net profit, which will be reflected on or retained earnings (accumulated surplus) which will increase by this increase.

$$\text{Total Liabilities to Total Assets Index} = \frac{\text{Total Liabilities}}{\text{Total assets}}$$

This indicator shows under the traditional accounting increase of the proportion of liabilities to total assets, as the total assets shows less than what it really is, so as to not include the cost of investment in human resources, and when you add the cost of investment to total assets of the index will be reduced and thus reducing the risk associated with the size of liabilities.

$$\text{Equity index to total assets} = \frac{\text{capital}}{\text{Total assets}}$$

With regard to the equity index to total assets are shown in accordance with the traditional accounting is reality, as both equity and total assets do not reflect reality.

Fourth: The implications of measuring the cost of human resources to measure the market value index

$$1. \text{The book value per ordinary share index} = \frac{\text{capital}}{\text{Number of ordinary shares in issue}}$$

$$2. \text{Book value per ordinary share index} = \frac{\text{net income}}{\text{Number of ordinary shares in issue}}$$

And exhaustion. Thus the performance evaluation according to the previously mentioned indicators and others, relying on the traditional financial statements give judgment is incorrect and unfair for not counting the human resources costs of capital as costs.

These effects previously mentioned and other performance calendar does not realize its meaning what the actual impact of the accounting of human resources in the performance and expression calendar has not been tested in numbers and this is what would be included in the next chapter.

Conclusions

1. Investment in human resources development is an important component of goodwill, especially for investors, as well as achieving the ability or competitive advantage of companies.
2. The concepts of assets apply accounting to human resources, provided that the element of ownership is dispensed because this is fundamentally incompatible with optimal values and principles.
3. The measurement and disclosure of human capital maximizes the significance and media value of published financial statements and internal accounting reports to be truer and more objective and comprehensive.
4. Human resources accounting plays an important role in the process of preparing the budget for the acquisition and development of human resources, including the standard costs of recruitment, selection and training.
5. Human resources accounting and its objectives and assumptions are related to the principle of the corresponding accounting (which is the essence of accounting), ie, the corresponding revenue for the period and expenses related thereto.

Recommendations

1. The need to prepare a budget for the purpose of obtaining human resources at the beginning of each year stating the required numbers and specialties for each branch of the bank as well as the costs expected to be spent in this area.
2. The need for a specialized unit in accounting for human resources within the financial affairs section of the bank.
3. Create a specific policy for investment in human resources in the light of the strategies and objectives of the bank and prepare plans and budgets for the annual investment costs.
4. Companies wishing to apply human resources accounting should develop an integrated information system on human resources management and accounting.
5. The performance of the bank management in accordance with the accounting of human resources with the provision of requirements for implementation.

References:

- Batt, R. (2002), "Managing Customer Services: Human Resource Practices, Quit Rates and Sales Growth", *Academy of management journal*, 45(3).
- Flamholtz Social Capital And Sustainable Behavior Of The Fern", *Industrial Management & Data Systems*, Vol.106, No.7
- Cascio, Wayne F., (2005), "Managing Human Resources", 7th edition, McGraw – Hill Irwin, New York.
- Jones, G.R., (1995), "Organizational Theory: Text and Cases", New York: Addison-Wesley Pub.
- Denisi, Angelo S. & Griffin, Ricky W., (2001), "Human Resources Management", Houghton Mifflin company, New York.
- Hellriegel, Don., Slocum, Jr. John, Woodman W. Richard,(2001), "Organizational Behavior", 9th Edition, South-Western College Publishing, Thomson Learning.
- Hellriegel, Don; Slocum, John W. & Woodman, Richard W., (1999), "Management", 8/E., South-Western College Publishing, U.S.A.
- Hitt, M.A., Reland, R.D. & Hoskisson, R.F., (2001), "Strategic Management Competitiveness and Globalization", 4th Ed, Printed In Usa, South-Western College Publishing.
- Ivancevich, J.; Lorenzi, P.; Shinner, S., & Crosby, P., (1997), "Management: Quality and Competitiveness", 2nd Ed., McGraw-Hill, New York.
- Jones, G.R., (2009), "Organizational Theory: Text and Cases", New York: Addison-Wesley Pub
- Sultan, A. A., Noor, S. M., & Nasirun, N. (2018). Technological factors and e-commerce adoption among small medium enterprises in Kurdistan, Iraq. *Int. J. Eng. Technol*, 7(3.5), 98-101.