

A Recommendation On Accounting Human Capital Assets

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Abstract

Accounting has been classifying and recording all data related to transactions creating changes on assets and total liabilities and equity of business. Accounting has also roles of assisting managers for making decisions and of serving real, comparable, clear and in time information to outside and inside. Besides, one of most important assets of businesses is labor, in other words, human capital. However, it is not quite possible to able to see human capital asset in balance sheets. In this study, it was explained that human capital assets should be shown in balance sheets as cost factor and its expense process.

Keywords: Human Capital, Existence, Accounting Process, Concept of Periodicity, Cost Element and Expense.

Introduction

Accounting, as it is known, is the financial system of all organizations engaged in economic activities. recording, classifying, summarizing transactions and events in monetary terms It is a science that reports and interprets, and analyzes its results (Gokcen, 2015: 4). One, in other words, changes in the assets of the business and the resources that finance these assets. It records and classifies the data of financial transactions that create it. Therefore, the business defines it as the organism's nervous system (Altug, 2018: 5).

It has two main roles, such as presenting information to outside parties. such as IFRS, BOBI FRS international and national financial reporting standards, particularly to parties outside the business Fair, comparable, clear, and timely information about the current state of the business aims to present.

To achieve these objectives, revenue, inventory, financial assets, joint investments, fixed assets, impairments in assets, provisions and contingent assets and liabilities, foreign currency conversions, taxes, inflation adjustments, borrowing costs, government Various standards are being developed in the titles such as incentives and financial leasing and It is being worked on to make the inside and outside look the same as "in the form of a glass house".

Undoubtedly, the development of these standards will increase the complexity of business activities and especially within the framework of the needs of outside investors, credit institutions, and the public. is taking shape. For example, in an environment where the Leasing Standard does not exist, five The firm that leased fixed assets for a year neither included this asset in its balance sheet, nor was not depreciating, nor was it testing for impairment. Therefore your existence

Making these accounting transactions for a company that leases a significant part of its useful life, important in terms of revealing the real situation of both the lessor and the lessor company. and it is necessary.

Undoubtedly, the emergence of the Financial Leasing Standard directly related to conservation. Similarly, depreciation has been one of the important subjects of accounting. The concept of depreciation, which is expressed as the depreciation of a fixed asset, was used before the Industrial Revolution. was not even mentioned, because such a fair condition (equipment depreciation) did not appear on a massive scale. Maybe it's an expense item after the Industrial Revolution.

The concept of depreciation in accounting, as it reduces the amount of tax payable in terms of has entered the literature and continues today as an element of fair financial reporting. It maintains its existence with the effect of the development of the markets. Moreover, the states have introduced accelerated depreciation methods into tax legislation in order to encourage investments. known.

Human Capital Asset:

The concept of Human Capital Asset (BSV) has a distinctive role with the Industrial Revolution in terms of workforce. way, it arose. But first, in *The Wealth of Nations* in 1776, Adam Smith has highlighted the human as a capital element. According to him, human beings in an economy, education- acquired by the owner, developed by the owner through teaching, study, or practical training because it is always an expense item, just like a machine or a trading instrument. increasing or decreasing in terms of labor and ultimately its profit and expense. It is an element of capital that it meets (Smith, 1776: 217).

According to another definition, human capital is the productive skill, ability, health and It is a stock item, just like factory, equipment, machinery, and tools. As with any type of capital, its performance, success, and effectiveness can vary. of BSV growth can be achieved through investment decisions to be made in education and health.(Goldin, 2014: 22-23). Human capital, as long as it actually contributes to the productivity of the business is meaningful. For this reason, education, knowledge level, experience, Personal dimensions consisting of skills and abilities are considered as human capital elements. (Adelowotan, 2021: 332).

The quality and quantitative size of human capital assets affect the development of a country. directly affects both workforce productivity and technological progress. It is claimed that it develops (Qin, Xue, and Wei, 2020: 1).

The impact of human capital on a country's economy or a company's productivity In such a large environment, BSV can be used by companies, financial or non-financial. It is not possible to see it in the reports (Adelowotan, 2021: 331-332). Because BSV no legal or international accounting standard not available.

Accounting for Human Capital Asset:

Although there is a general opinion about what BSV is, how accountability is not clear. However, a correct assessment of human capital valuation will allow measuring the actual performance of the firm, and It is thought that it will make an important contribution to the accounting profession (McCoy et al., 2019: 115). In addition, the capitalization of human capital assets has a significant impact on business performance.

It is also claimed that it will be the determinant of it (Bassey and Tapang, 2012: 56). Wayne J. Morse has put forward an important concept in this regard. According to him, human capital accounting and human asset accounting are separate concepts. human asset accounting in terms of business organization of human assets consisting of employed employees. While trying to determine the value of human capital accounting, the human asset of a business It tries to determine the value of its capacity in terms of the employees of that organization. to Morse According to this, human capital is the future earnings of employees due to their employment. is the present value of their income.

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Therefore, the social benefits for the personnel are also will be included in the revenues (Morse, 1973: 590).

Since human capital has value in terms of production for a business, it is also It is important to be recognized as an asset. Therefore, the human capital element should be shown in the asset class of the balance sheet. In addition, in the profit/loss statement as an expense element of this asset, Expense payments should also be reflected in the cash flow statement.

As a result, humans Showing the capital asset separately in the balance sheet, profit-loss, and cash flow statements recommended. (Bassey and Tapang, 2012: 51). However, in current practice, human capital is a are not carried as an asset to the operating balance sheet.

Accounting for Labor Wage in Current Practice:

In the current practice, labor costs are expensed directly. rectified due to labor costs, it causes a decrease in the equity of the enterprise. In contrast to this by borrowing from the employees, the social security institution, and the state.

an increase in the liabilities of the balance sheet. Therefore, direct labor costs expense does not create a change in the total amount of the balance sheet liability. However, as a result of the payment of debts arising from labor costs, the active and passive amounts are mutually decreased as labor costs. This accounting technique is human for labor. does not see capital as an asset element. In total, in a given period Recognition under the assumption of labor costs of 1,000,000 TL¹ is carried out as follows.

Table-1: Accounting for Labor Costs in the Current Situation:

Labor Expense		1.000.000	
	Payables to Personnel		590.539
	Obligations to the State		103.339
	Debts to the Social Security Institution		306.122
Payables to Personnel		590.539	
Obligations to the State		103.339	
Debts to the Social Security Institution		306.122	
	Cash and Equivalents		1.000.000

Accounting for BSV in the form of Table-1 directly covers the labor cost. is expensed, but is not included in the balance sheet, so the human capital of the entity in a given period capital assets are not visible. Basically, it is suggested that this expense should be included in the balance sheet first. then it is remedied. While doing this, the labor that the business will bear in a certain period recording the expense in accordance with the definition1 in International Accounting Standard 37 can be recommended.

¹ Turkish lira (TL; symbol: ₺; code: TRY), official in the Republic of Turkey and the Turkish Republic of Northern Cyprus. In order to increase the global prestige of the Turkish lira and to put an end to various confusions, six zeros were removed from the currency, and the Turkish lira was temporarily withdrawn from circulation on 31 January 2005 and the New Turkish lira was started to be used instead. The sub-unit of YTL is Yeni Kuruş. It was put into circulation again on 1 January 2009 due to the completion of the transition from YTL to TL. However, there are no 6 zeros in the coins that entered circulation in 2009, as in the YTL.

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For example, in the next 1 year, 1,000,000 TL to the labor cost assume it will fold. Receipt of this amount as an asset at the beginning of the period balance sheet possible.

Table-2: Representation of Human Capital Asset in the Balance Sheet:

Current Assets	2.275.000	Short Term Liabilities	1.025.000
Cash and Equivalent	195.000	Debts	25.000
Stocks	630.000	Provision for Human Capital	1.000.000
Receivables	450.000		
Human Capital Asset	1.000.000	Long-Term Liabilities	1.500.000
Fixed Assets	1.852.580	Equities	1.602.580
Assets	4.127.580	Resources	4.127.580

The value of 1,000,000 TL is estimated by the enterprise in a certain period, related to the production process.

It is the budgeted amount that includes any additional fee obligations that may arise as a result. Fixed charges that are not related to the capacity utilization rate are included in the amount.

takes. Accordingly, while the monthly average labor cost is 70,833 TL in a period, According to the increase in the utilization rate of the capacity, it will be able to reach 83,333 TL. for both situations The registration principles can be shown as follows.

Table-3: Accounting for Labor Cost of 70,833 TL:

Labor Expense		70.833	
	Payables to Personnel		41.830
	Obligations to the State		7.3202
	Debts to the Social Security Institution		21.6843
Provision for Human Capital		70.833	
	Human Capital Asset		70.833

According to the accounting record in Table-3, first of all, the labor cost is expensed, Then, from the estimated budgeted human capital asset to the labor expense. Is deducted. In other words, first, the labor amount, which is a cost element, then the periods. are expensed. According to this accounting record, the current balance sheet will appear as follows.

Table-4: Reflection of 70,833 TL of Expense Record on the Balance Sheet:

Current Assets	2.251.389	Short Term Liabilities	1.025.000
Cash and Equivalent	195.000	Debts	25.000
Stocks	677.222	Provision for Human Capital	70.8334
Receivables	450.000		929.167
Human Capital Asset	929.167	Long-Term Liabilities	1.500.000

² The amount may vary depending on the tax policies of the country of operation..

³ The amount may vary according to the social security policies of the country of operation.

⁴ It will be assumed that no wages will be paid to the employees during the period.

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Fixed Assets	1.852.580	Equities	1.578.969
Assets	4.103.969	Resources	4.103.969

According to Table-4, as a result of the reflection of the expense record on the balance sheet, human capital assets and :The provision for human capital decreased by TL 70,833 and the debt arising from labor costs was TL 70,833. increased. However, the decrease in own funds was TL 23,611. The reason for this is 47,222 TL direct labor cost was tied to stocks as a result of production. Indeed, the business: Since no sales were made during the period, the labor cost charged to the product was not expensed.

Approximately 2/3 of the company's human capital assets are in the production department. belongs to the workers.

Table-5: Accounting for Labor Cost of 83.333 TL:

Labor Expense		70.833	
Overtime Wage Expense		12.500	
	Payables to Personnel		49.212
	Obligations to the State		8.612
	Debts to the Social Security Institution		25.510
Provision for Human Capital		83.333	
	Human Capital Asset		83.333

According to the accounting record in Table-5, the normal labor cost is 70,833 TL and TL 12,500 arising from overtime is expensed, after which it is deducted from human capital assets are deducted as the total labor cost of the period. 59,722 TL of the product of the business for this period The information that there is a labor cost that is not included in the product of 23,611 TL. In this framework, the current balance sheet of the sample business will appear as follows.

Table-6: Reflection of 83.333 TL of Expense Record on the Balance Sheet:

Current Assets	2.227.778	Short Term Liabilities	1.025.000
Cash and Equivalents	195.000	Debts	25.000
Stocks	736.944	Provision for Human Capital	154.167
Receivables	450.000		845.833
Human Capital Asset	845.833	Long-Term Liabilities	1.500.000
Fixed Assets	1.852.580	Equities	1.555.358
Assets	4.080.358	Resources	4.080.358

According to Table-6, as a result of the reflection of the expense record on the balance sheet, human capital assets and human capital provision decreased by 83,833 TL, and the debt arising from labor costs was 83.833 TL.increased. However, the decrease in own funds was TL 23,611. The reason for this is 59,722 TL direct

labor cost was tied to stocks as a result of production.

There may be new employments or layoffs in businesses. new employment in the case of human rights up to the total amount of the payments to be made for the hired person. the capital

stock is increased. When the dismissal occurs, it will be done for the person leaving the job. The total amount of payments is deducted from the human capital asset. For example, 7,000 TL in March. The change in the human capital asset for a person who will start a business with a fixed gross wage is as follows: will be calculated:

$$\text{Increase in Human Capital Asset from Employment} = [7,000 \text{ TL} + \text{Legal Deductions}] \times 10 \text{ months}$$

For example, as of March, a person with a fixed gross salary of 5,500 TL quits his job. In this case, the change in human capital asset will be calculated as follows:

$$\begin{aligned} &\text{Human Capital Asset Decrease from Employment} \\ &= [5,500 \text{ TL} + \text{Legal Deductions}] \times 10 \text{ months} \end{aligned}$$

As a result of the increase in employment and leaving the business, the net human capital asset of the enterprise, it is calculated that it will increase by 18,375 TL. Accordingly, the change in the company's Human Capital Asset will be displayed as follows.

Table-7: Reflection of 18,375 TL of Human Capital Cost Increase to the Balance Sheet:

Current Assets	2.246.153	Short Term Liabilities	1.043.375
Cash and Equivalents	195.000	Debts	25.000
Stocks	736.944	Provision for Human Capital	154.167
Receivables	450.000		864.208
Human Capital Asset	864.208		
		Long-Term Liabilities	1.500.000
Fixed Assets	1.852.580	Equities	1.555.358
Assets	4.098.733	Resources	4.098.733

According to the balance sheet in Table-7, the business has a net human capital cost of 18,375 TL. contributes to its increase. As a matter of fact, as a result of hiring and turnover, bringing a high value of labor power into the business cost increase in the end. is coming. This record directly coincides with the concept of cost. Indeed, the cost businesses incurred to obtain the goods or services that fall within the scope of their activities. is the monetary value of sacrifices (Altug, 2018: 15). By this definition, the business becomes an asset.

all the production that he brings and expects benefit from him to continue his activities. costs for its components. Therefore, physical, intellectual, or the cost basis of such bookkeeping, as benefits are expected through emotional labor. fits the concept. As a matter of fact, the concept of cost is primarily associated with activities. and its relevance to the results emerges later (Buyukmirza, 2019: 126). The table showing the labor expenses incurred within 1 year of the enterprise is given below.

According to Table-8 data, since March, the company has a fixed amount of 72,671 TL every month. wage expense, production increase in different amounts and therefore variable in parallel with the hours worked wage expense incurred.

Table-8: Amounts of Labor Expenses as of Periods:

	Fixed Fee Expenses	Variable Fee Expenses	Total
January	70.833	0	70.833
February	70.833	12.500	83.333
March	72.671	13.500	86.171

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Engagement	72.671	14.500	87.171
May	72.671	15.500	88.171
June	72.671	16.500	89.171
July	72.671	17.000	89.671
August	72.671	17.500	90.171
September	72.671	16.700	89.371
October	72.671	7.000	79.671
November	72.671	3.000	75.671
December	72.671	2.300	74.971
Balance	0	14.000	

According to these realized amounts of the enterprise, the unrealized labor amounting to TL 14.000 expense has occurred. According to this result, the business will determine how much labor costs will be. He was wrong in his guess. The said error rate was 1,410%. According to IFRS-estimation it cannot be measured accurately due to the current uncertainties in operating activities. This accounting transaction, which does not adversely affect the reliability of the financial statements, Due to its nature, its revision is not an error correction, nor is it related to previous periods.(KGK & TMS-8; 2017: 7). Therefore, the effects of the change in accounting estimate the related asset, as it causes a change in the assets, liabilities, or equity items.

The book values of the foreign resource or equity item in the period in which the change is made should be corrected (KGK & TMS-8; 2017: 7). Since the said adjustment was not incurred, the amount will be removed from the balance sheet at the end of the period. But business hiring, firing, due to internal or external reasons in human resources policies such as remuneration and promotion.

make the necessary revisions from the date you determine that changes need to be made. will be able to. Accordingly, the company's current account before the end of December, period-end transactions balance sheet will be as follows.

Table-9: Period-End Balance Sheet of the Enterprise⁵

Current Assets	2.003.917	Short Term Liabilities	1.043.375
Cash and Equivalent	195.000	Debts	25.000
Stocks	1.344.917	Provision for Human Capital	1.004.375
Receivables	450.000		14.000
Human Capital Asset	14.000		
		Long-Term Liabilities	1.500.000
Fixed Assets	1.852.580	Equities	1.313.122
Assets	3.856.497	Resources	3.856.497

Remaining balance in Human Capital Asset is TL 14.000, accounting estimates Since it is caused by mistake, this amount at the end of the period is written off with a reverse posting and the last balance sheet takes place as follows.

Table-10: Period-End Balance Sheet of the Enterprise:

Current Assets	1.989.917	Short Term Liabilities	1.029.375
Cash and Equivalent	195.000	debts	25.000
Stocks	1.344.917	Payables Arising from Labor Costs	1.004.375

⁵ It is assumed that the entity did not make any payments to labor expenses during the period and did not generate any income during the period.

Receivables	450.000	Provision for Human Capital	0
Human Capital Asset	0	Long-Term Liabilities	1.500.000
Fixed Assets	1.852.580	Equities	1.313.122
Assets	3.842.497	resources	3.842.497

According to Table-10, human capital asset and provision in the end-of-period balance sheet of the enterprise amounts will be reset and will not be shown on the balance sheet. Up-to-date on new term opening records. Estimated human capital asset by wage policy, number of employees and hours of labor worked must be recalculated and included in the balance sheet.

Conclusion:

The basis of the contract made by the enterprises with the people they employ human capital as a cost element in accordance with the periodicity concept of accounting is recommended to be included in the balance sheet. Thus, the human capital of the enterprise in a certain period will be possible to see its power in monetary terms and to compare this power with other companies. At the same time, investors are more sensitive to stability or fluctuations in human capital assets. country will have the opportunity to reach more meaningful and direct information about the labor market is considered. In addition, the future workforce for investors, business managers, and the general public. It will be valuable and meaningful to be able to predict the level of expenses. Thus It is both difficult and retrospective to remove this from the profit and loss statements of the enterprises.

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