

METHODOLOGICAL BASES OF ACCOUNTING VALUATION OF HUMAN CAPITAL

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ABSTRACT

The difference in the cost of property between its accounting and market valuation due to the presence of intangible assets, in particular human capital, indicates that accounting does not provide users with accurate information and, accordingly, does not allow determining the real property status of the enterprise. The systematization of theoretical approaches to valuation allowed formulating a methodology for valuation of human capital of an enterprise, which takes into account qualitative and quantitative indicators and contains the following elements: organizational components, methodical components; information and computer security of the procedures for valuation of human capital of the enterprise. Using the proposed methodology allows to value human capital, and a combination of quantitative and qualitative methods of valuation ensures its objectivity. The complexity of the accounting valuation of human capital in enterprises requires the creation of appropriate approaches and techniques to reflect it in accounting. The expensive approach has proposed to be supplemented with qualitative indicators of human capital, in particular, the coefficient of professional prospectivity of employees, which, due to the calculation of goodwill of human capital, ensures the approach of the accounting valuation of enterprise in the market and serves as the basis for developing financial forecasts of sustainable development of the enterprise.

Keywords: Human Capital, Valuation, Goodwill, Personnel Quality, Accounting System, Book Value and Market Value of the Enterprise.

JEL Classifications: M21, O16

INTRODUCTION

World economic experience shows that the success of an enterprise depends not only on its material and financial resources, but also on human capital, which is a key condition for economic growth, the main driving force of increasing the competitiveness of the enterprise. Successful development of an enterprise depends on efficient management of economic resources based on the data generated in the accounting system. However, accounting methodology in the human capital management system remains not developed to the extent that it is used. Improving the methodology of development accounting requires a number of techniques and tools that will implement the theoretical proposals, transforming the functional content of entity management.

In spite of the importance of available scientific works, the importance of its influence on the further development of the theory of accounting, problems of the transformation of the accounting system due to the spread of the theory of human capital, the definition of the role of accounting in the system of human capital management, the development of accounting methodology of operations on the formation, use and reproduction of human capital remain unsolved.

The discrepancy of the content of accounting with the requirements of users in the context of the paradigm of human capital management, which became widespread under the influence of socio-economic concepts of the development of society, caused the choice of the topic of the article, determined its relevance, purpose, task, scientific and practical significance.

REVIEW OF PREVIOUS STUDIES

Evolution of scientific views on the essence of human capital shows the concentration of research of representatives of different areas of economic theory on the problems of human capital as the main wealth of society (Drobyazko et al., 2019). Economists rejected the idea of incorporating the ability to work, knowledge, and human skills into capital, but viewed them as a source of national wealth, the main driving force of the development of society, an element of production (Tetiana et al. 2018). However, the overwhelming majority of scientists relate useful natural and acquired abilities to work, knowledge, professional skills, qualifications of workers to capital, considering them to be the bearer of value, the investment of which will result in future benefits (Bharadwaj et al., 2017).

Scientists apply diametrically opposite interpretations of the same economic terms, introduce their own “terminological symbiosis” without proper justification of its content and expediency, which results in ignoring the role of accounting in ensuring human capital management (Bilan et al., 2017)). However, the general orientation of the development of ideas about person shows the socio-economic necessity of the emergence of the category of “human capital”.

The analysis of conceptual theoretical positions of world economic thought has shown that the above concepts in aggregate reflect the evolution of ideas about the place and role of a person in production and social life (Kianto et al., 2017). At the present stage of development of a society there is an essential combination of these economic categories, since its qualitative characteristics determine the ability of a person to master the knowledge, skills, etc. necessary for performance of work (Noe et al., 2017).

METHODOLOGY

The methodological basis of the study is the totality of dialectical methods, the fundamental provisions of classical political economy, the economic theories of Keynesianism, monetarism, institutionalism, classical and modern views on the theory of human capital, the scientific concepts of leading foreign and domestic experts on the theory of accounting and the concept of sustainable development.

The following methods and techniques are used to carry out the tasks set in the article: historical and dialectic in the research of the formation and development of the theory of human capital for studying its influence on the development of the theory of accounting; epistemological for the theoretical substantiation of the content of the concepts and categories of related human capital used in the field of accounting; system-structural for construction of the

classification of expenditures in terms of the components of human capital; analysis, synthesis, induction, deduction, abstraction, idealization and generalization for the development of accounting of the costs for the formation, use and reproduction of human capital; bibliographic and bibliometric analysis for establishing trends in the development of accounting as a system that generates information on the impact of human capital on enterprise activities; generalization for studying the prospects of increasing the informativity of accounting and social reporting of enterprises in terms of human capital.

RESULTS AND DISCUSSION

The intellectual and business qualities of the personnel, their qualifications and ability to work in the intangible assets are not reflected as they do not meet the criteria for recognizing the assets of the enterprise (the inability to identify, the existence of control over the expected economic benefits, the difficulty in a reliable assessment, etc.).

Disproportions between the book value and the market value of enterprises, whose business is based on knowledge, create problems in the field of professional valuation of property of economic entities. The answer to them was a new methodology for assessing business and intangible assets, a characteristic feature of which is the interpretation of the concept of “intangible assets” in the broad sense.

Understanding the importance of searching for rational indicators of human capital has led to the emergence of a large number of approaches to its evaluation in the economic literature and in practice (Hilorme et al., 2019):

1. Measurement methods related to indicators that can give executive management more complete information about the quality of human capital of the enterprise.
2. Assessment methods - provide expressions of human capital in the absolute and relative values and characterize its size.

The valuation is an integral part of one of the most important components of the human capital accounting methodology. It differs from the order of evaluation of material objects, therefore the main problem is the development of a valuation technique in order to reflect the value resulting from the formation, use and reproduction of human capital.

The existence of alternative ways of valuation human capital causes the objective need to develop adequate approaches to its valuation, which will expand the limits of informative accounting for its users.

The valuation of human capital is based on three approaches: cost, profit, and market. Taking into account the advantages and disadvantages of the marked approaches to the valuation of human capital, the advantages of using the cost-effective approach, which is the most studied, are fully in line with the national legal framework and national and international accounting standards and principles of financial reporting. The value of human capital calculated under this approach is identified with the cost of its formation, use and reproduction. However, an expedient approach, which has gained significant dissemination in accounting, does not provide sufficient analysis. Therefore, recognizing the need to use financial indicators in valuating the cost of human capital, it has been proved that in order to address strategic management tasks, it is necessary to supplement the cost-oriented approach with qualitative indicators of human capital, such as: the coefficient of professional prospectivity of employees, which is the basis for calculating the goodwill of human capital, which provides approximation if accounting valuation

to market value and serves as the basis for developing financial forecasts for sustainable development of the enterprise.

Systematization of theoretical approaches to determining the value allowed to develop a methodology for valuation of human capital of the enterprise, focused on achieving its objectives (Figure 1).

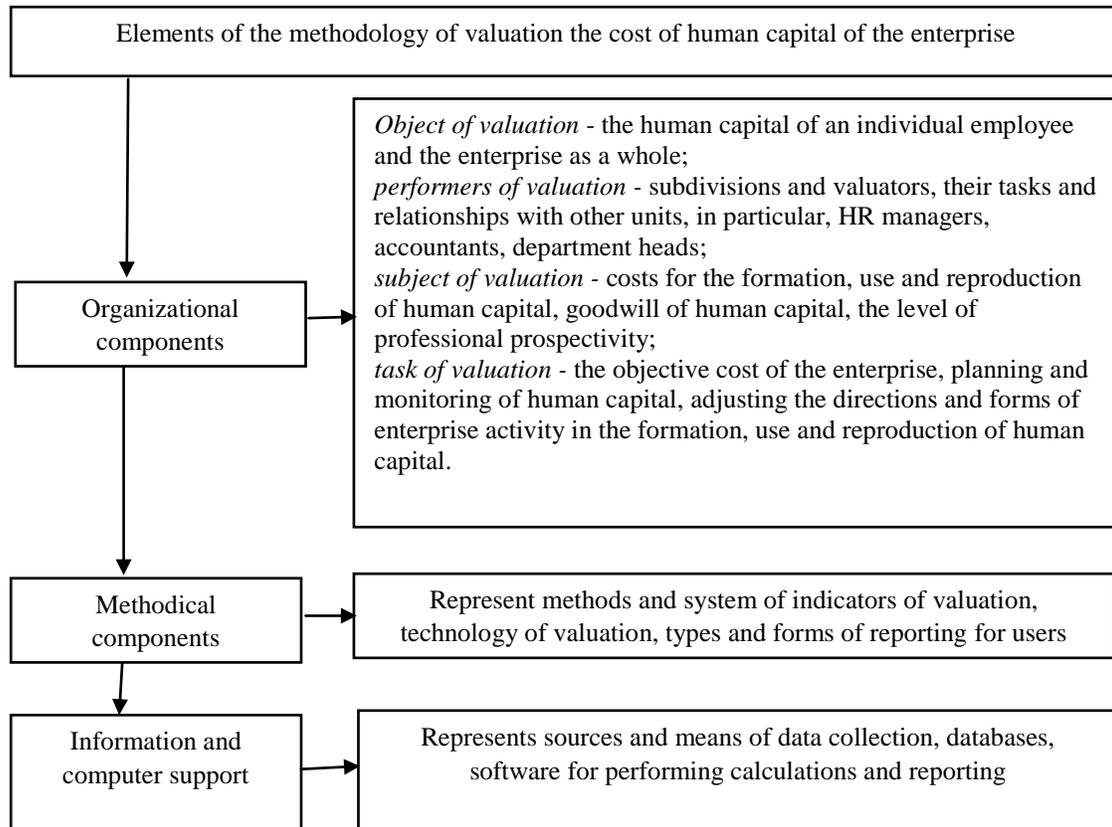


Figure 1

VALUATION OF COST OF HUMAN CAPITAL OF THE ENTERPRISE (AUTHOR'S DEVELOPMENT)

The developed methodology for valuating human capital is an information base for the management system of the enterprise, represented by the absolute values expressed in economic indicators (profit, expenses, goodwill of human capital, etc.), is related to the accounting metrics, first of all, to the costs; is detailed in divisions and is formed taking into account the size of the enterprise, volume and types of its activities.

The organizational and methodical approach to the human capital management system of an enterprise through the allocation of phases of the process of its formation, use and reproduction requires a change in the reflection of these costs and its ordering in the accounting system.

In the working plan of the accounts it is proposed to provide analytical accounts for homogeneous objects to account the costs for the formation, use and reproduction of human capital for each employee of the enterprise, in accordance with the provisions of the collective agreement, based on the quantitative and qualitative (age, sex, professional) staff structure of the enterprise.

Further detailing of information on the costs for developing, using and reproducing human capital for management can be carried out by structural subdivisions of the enterprise, groups of personnel, etc.

Information on staff costs, reflected in tax, statistical and financial statements, contains only aggregate data, but does not fully cover the costs incurred by the enterprise in developing skills and knowledge of its employees.

RECOMMENDATIONS

In order to manage human capital and develop recommendations for the adoption of effective solutions, a scientific approach to the development of the methodology of accounting for the human capital management is recommended, and the allocation of blocks of interconnected components is justified.

Provides for the development of a methodology of accounting, in terms of reflection in the cost accounts in terms of stages of the formation, use and reproduction of human capital, implemented in two areas: accounting and information support and analytical component of the system.

Based on the improvement of methodological approaches to valuation of human capital, realized through supplementing the cost-effective approach with qualitative indicators;

Ensures the system formation of indicators of cost accounting in terms of the components of human capital, as well as improving the order of formation of integrated reporting to make managerial decisions on the amount of such costs, its analysis and strategic development of the enterprise.

The outlined provisions for the development of the methodology for creating accounting systems for the human capital management system are aimed at studying the methodological context of accounting problems in accordance with the human capital management paradigm and, consequently, the need to tune accounting tools, due to the actualization of such factors as professional competence, labor potential, goodwill of human capital.

CONCLUSION

It has not been yet reached a consensus in the report on sustainable development in the valuation of social performance. A number of social issues that are essential for valuation of performance, in particular with regard to the amount of funds allocated by an enterprise for the payment of not only wages, but also bonuses and other incentive and compensation payments; the amount of funds for training, retraining and advanced training, the volume of funds for medical services, etc., do not have a quantitative valuation, so some indicators are based on the use of qualitative valuation of the enterprise's activities, including policies, procedures and management approaches, but they do not cover all that may be of interest to interested parties. The variety of social situations and problems that enterprises face when preparing a report requires informing users of reports on the human capital of enterprises through social reporting.

Such information serves as a tool for analyzing, planning and forecasting available human capital for its formation, use and reproduction, demonstration of enterprise attractiveness for shareholders, investors, as well as for the retention of the most talented employees.

The conducted research showed that the main direction of the development of human capital paradigm at the present stage is to increase the economic feasibility of accounting metrics, to increase the control and analytical capabilities of accounting information to meet the

needs of users. The development of apperception of users of reporting requires the use of fundamentally new approaches to the definition of economic and accounting indicators and the methodology for its calculation, and the increase in the importance of reporting indicators expand the information framework of its use, turning the reporting into a serious factor in the adoption of reasoned and effective management decisions.

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