2024, 8 (2), 365-379

Uluslararası Ekonomi, İşletme ve Politika Dergisi

International Journal of Economics, Business and Politics

https://dergipark.org.tr/tr/pub/ueip

Representation of Human Resources in The Accounting System: Methods and Applications

Muhasebe Sisteminde İnsan Kaynaklarının Gösterimi: Yöntem ve Uygulamalar

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ARTICLE INFO

Article Type
Research Article

Keywords
Human Resources Accounting
FRS for SMB
FRS for LMEs
TPL/GCIAS
TAS/TFRS

Received: Jul, 02, 2024
Accepted: Oct, 07, 2024

ABSTRACT

The rapid development and progress of the knowledge-based economy has increased the importance of human resources as a key factor in determining the overall value of companies. However, traditional accounting methods have difficulty in accurately reflecting the true value of such intangible assets. In this context, the study aims to examine how human capital, which is becoming increasingly important for companies, can be represented in accounting systems and the limitations of current accounting standards. The study discusses controversial issues and problems related to human capital accounting practices and presents sample applications. It concludes that, under TPL/GCIAS and standards, expenditure on human resources by enterprises should be expensed in the period in which it is incurred, rather than capitalized, because human resources are not considered intangible assets.

MAKALE BİLGİSİ

Makale Türü
Araştırma Makalesi

Anahtar Kelimeler
İnsan Kaynakları Muhasebesi
KÜMİ FRS
BOBİ FRS
VUK/MSUGT
TMS/TFRS

Geliş Tarihi : 02 Temmuz 2024
Kabul Tarihi: 07 Ekim 2024

ÖZ

Bilgiye dayalı ekonominin hızlı gelişimi ve ilerlemesi, şirketlerin genel değerinin belirlenmesinde temel bir faktör olarak insan kaynaklarının önemini artırmıştır. Ancak geleneksel muhasebe yöntemleri bu tür maddi olmayan varlıkların gerçek değerini doğru bir şekilde yansıtmada zorluk çekmektedir. Bu bağlamda çalışma, şirketler için önemi giderek artan insan sermayesinin muhasebe sistemlerinde nasıl temsil edilebileceğini ve mevcut muhasebe standartlarının sınırlamalarını incelemeyi amaçlamaktadır. Çalışmada insan sermayesi muhasebesi uygulamalarına ilişkin tartışmalı konu ve sorunlar ele alınmakta ve örnek uygulamalar sunulmaktadır. VUK/MSUGT ve muhasebe standartlar uyarınca, işletmelerin insan kaynaklarına ilişkin harcamalarının maddi olmayan varlıklar olarak değerlendirilmediğinden dolayı aktifleştirilmesi yerine, gerçekleştiği dönemde giderleştirilmesi gerektiği sonucuna varılmıştır.

1. Introduction

Turkish in changing business conditions where global competition has increased, the importance of qualified human resources has increased as well as time, speed and cost factors (Ceran, 2007: 187). For businesses, people with knowledge have become the most valuable asset and have an important place in determining the total value of the business (Ionel et al., 2010: 926). In general terms, human resources (capital) are an important concept that refers to a set of knowledge, competence, skills, training, innovation, attitude and motivation of the people who make up the organization (Ionel et al., 2010: 927; Arkan, 2016: 175). This concept has helped human resources to gain significantly more importance in the process of value creation for businesses in the information society at a time when the importance of traditional asset values has decreased with the knowledge-based economy (Ceran, 2007: 187). Realizing this importance, businesses spend enormous amounts of money and spare no effort on the training and development of their

Atıf/Cite as: Binici, F.Ö. (2024). Representation of Human Resources in The Accounting System: Methods and Applications. *International Journal of Economics, Business and Politics*, 8(2), 365-379.

employees to fulfil the challenging tasks arising from national and international developments. All these developments are due to the increasing recognition that human resources are the most important business asset (Oluwatoyin, 2014: 64). In addition, human capital plays a key role in determining a roadmap for the organization's reputation and future, and the actions that need to be taken to protect, preserve and sustain the value of the organization. However, traditional accounting methods struggle to accurately reflect the true value of such intangible assets (Shareef & Davey, 2005: 79).

In this paper we will examine how human capital, which is becoming increasingly important to organizations, is accounted for in accordance with the Tax Procedure Law (TPL) / General Communique on the Implementation of the Accounting System (GCIAS), Turkey Accounting Standards (TAS) / Turkey Financial Reporting Standards (TFRS) 2024 Set Financial Reporting Standard for Large and Medium Enterprises (FRS for LMEs) (2021 Edition) and Financial Reporting Standard for Small and Micro Enterprises (FRS for SMB) (2022 Edition) for small and micro enterprises to perform accounting and financial reporting processes in a simple and lowest possible cost; The main purpose of this study is to examine the representation of human resources within the accounting system and the limitations of existing accounting standards, and to address the proposed accounting approaches that can help us understand and measure the value of this critical asset. It is anticipated that the study will support the accounting literature and practitioners in the presentation of human resources in the accounting system that organizations need to operate effectively and efficiently.

2. The Concept of Human Resources

Turkish the most important source of wealth for companies is their skilled, knowledgeable and experienced employees. These people are the invisible assets of companies and provide competitive advantage. When enterprises begin to benefit from the knowledge, talents and skills of qualified people, they become successful and gain competitive advantage over other enterprises (Şerbetçi, 2015: 2). Therefore, it is very important to increase the efficiency of human resources in order to increase the competitiveness of businesses. The efficiency of human resources requires enterprises to improve the skills, knowledge and abilities of their employees, make their business processes more effective and use their potential at the maximum level (Kaya & Kesen, 2015: 24).

Organizations view training and development, which is one of the key objectives of human resource management, as a strategic investment rather than a wasted expense as in the past (Woodhall, 1987: 21). Budgets allocated to training are now seen as an investment that has an economic return and supports the long-term success of the business, and significant budgets are being allocated to training and development programmes to ensure the continuous development of employees and increase their skills (Ceran, 2007: 188). This can be seen as an indication that the value of human resources is being increasingly recognized over time. One of the first attempts to address the value of human assets in the accounting profession was the application of economic reasoning to valuation issues, including those related to human resources. Scoth (1925) argued that having a force of trained workers should be valued in some way on an organizations' balance sheet, although the accounting for intangible assets, which we call human resources, is controversial. Other important work that does not define people as a valuable resource has been done by industrial and organizational psychology scholars who consider the workforce as a passive instrument of the organization from a "*human resource perspective*" as opposed to the more traditional idea of employees as "*personnel*" (Likert, 1969; Oluwatoyin, 2014: 67).

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Human capital can be defined as the individual knowledge stock of the employees of an enterprise. Employees' technical knowledge and skills (know-how), skills, experience, professional competence, entrepreneurial enthusiasm, creativity, willingness to change, willingness to share information, adoption of the objectives of the enterprise, education level, motivation and work styles are the factors affecting the individual knowledge stock (Guthrie, 2001: 35). All elements such as knowledge, expertise, technology, customer structure, patent, brand, competitive advantage, skills and experience that an enterprise uses to gain competitive advantage today are referred to as intellectual capital (Aslan, 2023: 24). Human capital is an important element of intellectual capital. Similar concepts such as intellectual capital assets; intangible fixed assets, information assets, goodwill, human capital are used in the same sense with the concept of intellectual capital (Bulgurlu, 2011: 5). Among these concepts, the most difficult one to define and recognize is human capital (Kerimov, 2011: 21).

3. Human Resources Accounting (HRA)

The American Accounting Association Committee of Accounting for Human Resources (1973) has defined 'Human Resources Accounting (HRA)' as the process of identifying, measuring and communicating data related to human resources to relevant parties. More specifically, HRA is an accounting method that makes information meaningful to management and other stakeholders in order to effectively manage issues such as personnel costs, training and development expenditure, performance measurement and strategic decisions related to an organization's human resources (Ionel et al., 2010: 927; Ceran, 2007: 187). HRA is not only a system established to calculate, measure and record the cost of people working in the company to the company, but also to develop a system of thinking that includes the management of human resources (Aslanoğlu & Zor, 2006).

The development of the concept of Human Resource Accounting (HRA) can be traced back to research conducted at the University of Michigan by a team of researchers including Flamholtz et al. Beginning in 1967, R.G. Barry, a casual footwear company in Columbus, Ohio, used HRA to report the value of human assets in relation to annual reports and financial documents developed for external analysis, and did so for several years (Flamholtz, 1973). Flamholtz developed a management accounting style approach to recognizing the value of employees rather than financial reporting. Although he sometimes emphasized that HRA should be seen as a way of viewing people as valuable business resources, most of his work focused on developing cost and revenue information (Roslender & Fincham, 2001: 389). In terms of the historical development process, the evolution of HRA to the present day is shown in Table 1.

Table 1: Development Process Stages of HRA

Phase 1 1960-1966	Establishing the origin of **HRA** together with the theories that represent the (primary) inference of the basic concepts of human resource accounting
Phase 2 1967-1970	The first basic academic formulation of some measurement models is based on the **HRA**
Phase 3 1971-1977	rapid increase in interest
Phase 4 1978-1980	Static level of academic interest in institutions and emphasis on fixed assets, reduced interest in **HRA** at the level of institutions and universities
Phase 5 1981-1990	Revival of international interest in theory and work in **HRA**
Phase 6 1990- Now	Beginning the development of concepts, models, approaches, disclosures, accounting standards and practices

Source: Flamholtz & Main 1999; Arkan, 2016

Studies on human resource accounting were intensified between 1960 and 1970 (Yazarkan, 2016: 97). In 1968, the term *'human resource accounting'* was first used by Brummet et al. (1968). In the late 1970s, academic and business interest in the subject waned. Studies on HRA continued until 1980, but after 1980 it was not on the agenda until 1995. After 1995, the modernization of human resources and the general acceptance of the concept of HRA rather than personnel management brought HRA back on the agenda. In the 2000s, HRA was considered as a separate concept or within the concepts of green accounting and intellectual capital (Selimoğlu, 2001: 23-24).

The rapid development and progress of the knowledge-based economy has led to a renewed emphasis on human resources (Ionel et al., 2010: 926), which are of great importance in determining the total value of a company, and on measuring and accounting for the costs of these resources (Yazarkan, 2016: 97).

The reasons for the emergence of HRA can be listed as follows (Patel, 2005: 15):

- In traditional accounting, human resource information is not available to managers,
- In the traditional method, the measurement of income is not fully reflected in business performance,
- Comparing the cost of human resources with current income, rather than considering it as an investment to be amortized over years of service,
- The impact of human resource decisions is not clearly visible in the financial statements.

Human capital is the most difficult element of intellectual capital to identify and value. The difficulties in recognizing and reflecting it in the financial statements can be listed as follows;

- Good tools for managing investments in human skills and basic technologies,
- Accounting methods to reveal the differences in the investments made,
- The need for tools to measure the return on investments made are some of the difficulties experienced (Alagöz & Özpeynirci, 2007: 179).

With a history of more than half a century, HRA has accumulated a wealth of academic and applied knowledge. One of the effective tools to improve the power and potential of companies to create added value and benefits is to make an accurate and effective measurement with HRA. In addition, it is possible to increase the awareness of management and eliminate the problems related to performance measurement with HRA (Aydın, 2015: 687). On the other hand, the lack of necessary procedures, the inadequacy of capitalization systems, the difficulties in valuation due to the lack of physical assets, the lack of empirical evidence as a management tool and the fact that HRA is not yet a universally accepted approach are the obstacles to its implementation (Roslender & Fincham, 2004). When analyzing the studies on the application of HRA, Özcan (1992) calculated the costs such as recruitment, acquisition, training orientation, on-the-job training and induction training using the historical (actual) cost method for human resources in the tourism sector. Çiftçi (1998) analyzed HRA within the framework of the human resource management process. In this context, he explained the cost and value measurement models of human resources in detail. Ceran (2007) made suggestions regarding the application of HRA. In the study, he suggested that "*research and development expenses*" should be recorded in the "*intangible assets*" account. Erhan (2008) calculated the fair value of human resources using the accounting perspective emphasized in TAS 38 principles. By developing a method that suggests calculating the cost of human resources first, he argued that the fair value of human resources can be calculated after deducting these costs.

Durgut (2012) analysed the accounting of human resources activities in accordance with TAS. In this context, he explained TAS 19, TAS 26 and TFRS 2 standards in detail and examined the accounting of human resources activities in terms of TAS 19 and TFRS 2 standards. In his study, Kaya (2013) analysed the relationship between human resources and accounting and then made some sample calculations related to the main models for measuring the cost and value of human resources. In accounting for human resources, he evaluated these activities within the scope of "*intangible fixed assets*" and proposed an account in which these records are made. Demirbaş (2013) stated that the resource utilisation (cost) element and the benefit relationship for employees can be examined in account group No. 8, provided that it does not contradict the simultaneous cost determination method. Aydın et al. (2015) focused on the cost of human resources and explained the methods for measuring the cost of human resources accurately and reliably.

Arkan (2016) overcomes the limitations of models for measuring the cost and value of human resources and proposes a model that includes calculations suitable for inclusion in financial statements. In accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) 38 Intangible Assets, he argues that the '*historical cost method*' adjusted by the discounted present value of extraordinary earnings is the most appropriate model for measuring the cost of human resources. Yazarkan (2016), similar to this study, has dealt with HRA within the framework of TAS 38 and has stressed that the testimonial fees paid to football players, who are human resources for football companies, should be capitalized. Bayram (2018), in his Ph.D. thesis, examined the cost and valuation methods of human resources within the framework of human resources accounting. In addition, he presented a model and sample application for the evaluation and accounting of each standard of TAS related to human resources within the scope of HRA. In his master's thesis, Ulucenk (2018) examined the accounting records related to football players within the framework of the uniform chart of accounts, with a case study of a football club. His research concluded that these records alone are not sufficient to account for transactions related to human resources, and that human resources accounting should be used more in areas where traditional accounting is insufficient. Koçyiğit et al. (2019) stated that it would be appropriate to present human resources under the title of intangible assets in the balance sheet.

Acar Yurdasever (2019) found that the human resources accounting approach was not adopted in the accounting of monetary transactions related to human resources, on the contrary, it was observed that these transactions were recorded according to the traditional method, the Accounting System Implementation General Communiqué (GCIAS). Following this finding, the thesis presents the journal entries made by the sample company on the subject and, under each entry, journal entry suggestions are presented on how that monetary transaction should be accounted for according to the HRA approach. It is concluded that the monetary transaction should be capitalized rather than expensed under the HRA approach. Tosunoğlu and Öztürkcı (2021) analysed the annual reports of 127 companies traded on Borsa Istanbul (BIST) between 2014-2018. It is seen that these banks include the majority of human resources activities in their annual reports and these activities consist of human resources policies, information on HRA, number of personnel, training and development, retirement and social benefits, career planning of employees, employee benefits and performance appraisal system.

4. Accounting of Human Resources Within the Scope of FRS for SMB, FRS for LMEs, TPL/ GCIAS, TAS/TFRS

Various expenditures are incurred in the recruitment, hiring, selection, and training of human resources, which are considered part of intellectual capital. According to the HRA (Intellectual Capital Management) approach advocated by Daştan & Bayraktar (2020: 2558), it is suggested that these expenditures should be allocated to specific accounts opened for employees and capitalized. This practice enables the activation of human resources and their inclusion as assets in financial statements, facilitating a more realistic analysis. However, differences exist between the traditional accounting approach and Human Resource Management (HRA) practices, often due to legal requirements or standards. For instance, under traditional accounting norms, investments in human resources do not typically appear on the balance sheet, thereby obscuring the value attributed to personnel and posing challenges in terms of the business's social responsibility concept (Tosunoğlu & Öztürkci, 2021: 101). These discrepancies are discussed in detail in the subsequent sections.

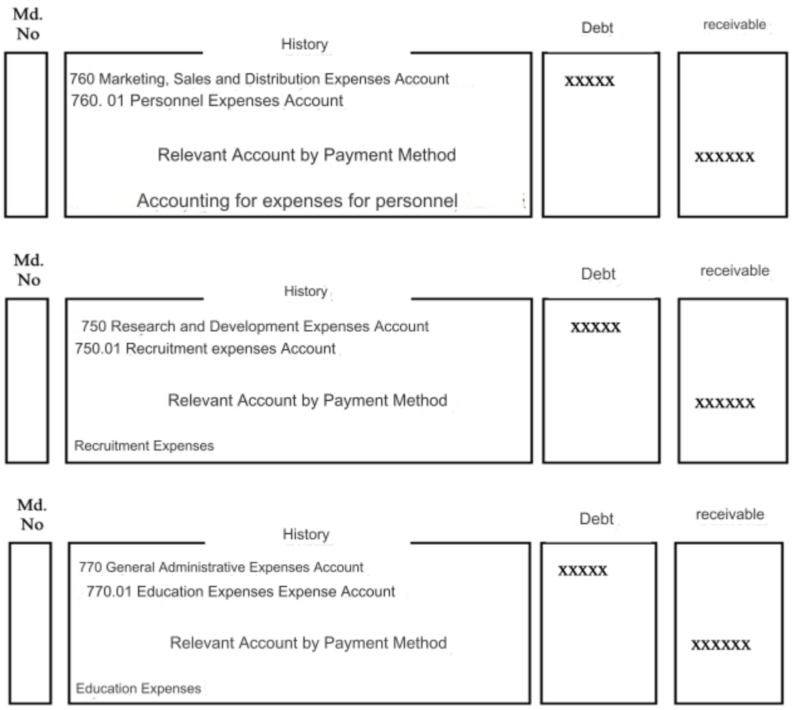
4.1. Accounting of Human Resources Within the Framework of TPL/ GCIAS

There is extensive literature arguing that human resources, considered part of intellectual capital, should be categorized under intangible assets. Intangible assets encompass capitalized expenses without physical form that businesses derive or expect to derive benefits from in specific ways, along with rights and goodwill protected under legal conditions (Uçak, 2010: 126). These assets are classified under Account Group No. 26 in the Uniform Chart of Accounts (UCA) according to Turkish Tax Procedure Law (TPL). This group includes accounts such as Rights, Goodwill, Establishment and Organization Expenses, Research and Development Expenses, Leasehold Costs, Other Intangible Assets, Accumulated Depreciation (-), and Advances Given. It's important to note that these accounts for intangible assets are prepared in compliance with tax legislation (Bingöl, 2016: 8).

In the aforementioned Communique, it is stipulated that intangible assets should be initially recorded at their acquisition cost. The principle of capitalizing these costs into relevant accounts in UCA has been endorsed (Kesgin, 2006). For instance, Article 282 of the Turkish Tax Procedure Law (TPL) specifies that capitalized "*initial establishment and expansion*" expenses should be valued at their nominal amount, not exceeding the actual expenses incurred for such purposes. Capitalizing Establishment and Organization (initial establishment and organization) expenses remains optional. Organizations may choose to capitalize these expenses and amortize them through depreciation or expense them directly in the period they are incurred. According to, under Account Group No. 26, account number 260 covers legally protected assets acquired for a fee, such as privileges, patents, licenses, trademarks, and titles, as well as expenses related to authorizations granted by public authorities for specific activities. These acquired rights are recorded in this account at their cost. They are amortized over a period of 5 years in equal installments unless their useful life is determined to be different.

Therefore, it is important to express the benefits provided by indefinite-lived assets such as human resources to the business over a certain period of time. It is stated that if the useful life of such assets is accepted as indefinite, they will not be amortized and they are not considered as assets because they cannot be controlled by the business and their cost cannot be measured reliably (Akgül, 2005: 44). As a result, it is not foreseen that intellectual capital should be recorded and reported within the framework of the legislation regulating accounting practices in Turkey, and especially within the framework of GCIAS. Intellectual capital elements were not discussed, and the relevant accounts were not included in the chart of accounts (Kutlu, 2009: 252). Therefore, accounting for human resources expenditures within the scope of the Turkish Tax Procedure Law (TPL) is exemplified as follows: Costs incurred in the personnel recruitment, selection and placement processes of businesses are considered as "*recruitment costs*" (Özdemir & Akpınar, 2002: 12). To account for such expenses, an accounting entry can be made as shown in sample application 1.

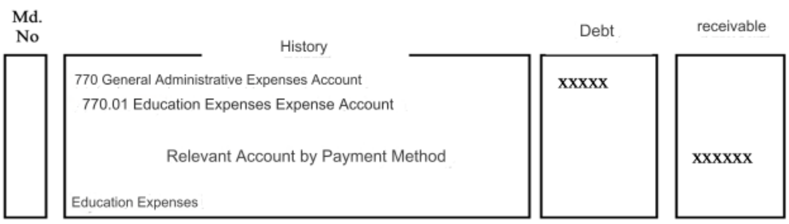
Example Application 1: Expensing Costs Incurred During Hiring



Source: Created by the Author.

Professional development broadens employees' knowledge and skills, leading to positive changes in their thinking, decision-making, behavior, attitudes, habits, and understanding. This enables individuals or groups to perform their current and future tasks more effectively and successfully. According to Sabuncuoğlu (1999), accounting for expenses related to *"personnel training"* involves all educational actions that increase skills. It is crucial to determine whether the benefits provided to the employee are clear and essential when recording these expenses in accordance with the TPL. Expenses intended to meet the business's needs, which do not directly and clearly benefit the employee, should be written off as direct expenses. If personnel receive training within this scope, their expenses should be accounted for as shown in sample application 2.

Example application 2: Writing Education Expenses as Expenses



Source: Created by the Author.

Payments made to increase personnel productivity, support the development of employees with managerial potential, prepare them for higher-level positions, or reward key employees are considered expenses. All expenses related to personnel, such as recruitment, placement, training, and development should be accounted for as period expenses under the VUK (presumably a local regulation or standard) rather than being capitalized, following the explanations provided above.

4.2. Accounting for Human Resources within the Scope of TAS/TFRS

Human capital encompasses the collective knowledge, skills, education, innovations, attitudes, abilities, learning capacity, and motivation of an organization's members. The primary aim of Human Capital Management (HCM) is to report human resource-related expenses as assets on the balance sheet, in contrast to the traditional accounting approach that records these investments as expenses on the income statement (Arkan, 2016). Previous research on human resource accounting has suggested that human resources, when evaluated as part of intellectual capital, should be reported as "*Intellectual Assets*" among intangible assets and as "*Intellectual Capital*" among liabilities and equity (Çıkrıkçı & Daştan, 2002; Bengü, 2009; Yılmaz, 2012). Therefore, addressing this issue within the framework of standards is examined under the "*TAS 38 Intangible Assets (TAS 38)"* standard. According to Paragraph 1 of TMS 38, the standard's purpose is to establish accounting methods for intangible assets not covered by another standard. However, the standard mandates the recognition of intangible assets only if specific criteria are met. These criteria are "*identifiability, control over the resource, and determination of future economic benefits."*

The standard continues by stating that "*businesses frequently consume resources or incur various liabilities in acquiring, developing, maintaining, or enhancing intangible resources such as scientific or technical knowledge, the design and implementation of new processes or systems, licenses, intellectual property rights, market knowledge, and brands (including brand names and publishing rights). Common examples of items under these broad categories include computer software, patents, copyrights, motion pictures, customer lists, mortgage servicing rights, fishing licenses, import quotas, franchise rights, customer and supplier relationships, customer loyalty, market share, and marketing rights"* (TAS 38, Paragraph 9).

The standard specifies that such intangible assets are not recognized as intangible fixed assets unless they meet the criteria of "*identifiability, control over the resource, and determination of future economic benefits."* Consequently, expenses incurred to acquire or generate these assets internally should be recognized as expenses at the time they are incurred (TAS 38, Paragraph 10). Based on these explanations, it is evident that human resources are not considered assets under TAS 38, and therefore, expenses related to human resources should be recorded as period expenses rather than being capitalized.

Additionally, TAS 38 states that "*a business may have a team of skilled employees and identify additional skills through training that will bring future economic benefits. The business might also expect employees to continue using their talents for the company's benefit. However, a business usually lacks sufficient control over the future economic benefits derived from skilled employees and their training to meet the definition of an intangible asset. Similarly, unless the use and future economic benefits of specific managerial or technical expertise are legally protected and meet other parts of the definition, they are unlikely to qualify as intangible fixed assets*" (TAS 38, Paragraph 15).

In conclusion, within the framework of the standards, it is clear that proposals to capitalize human resources are not appropriate, and related expenses should be recorded as period expenses. Viewing human resources as an asset is the most important support of the authors who state that the enormous expenditures on recruitment, training and development of human resources should be capitalized. However, despite the fact that the necessary criteria for the recognition of human resources as an asset are not met, the benefits transferred to the business and the possibility of measuring these benefits reliably, and even though there are various models and approaches that measure the value of HR and suggest how to explain it in financial statements, the difficulties and models in this regard Low reliability can be considered among the main reasons why human resources are not considered as assets (Arkan, 2016).

However, it has been stated in the studies that it can be followed in various account groups as a suggestion. For example, according to Ceran (2007) Uniform Accounting System, investments made in the human resources of the business (such as training expenses, orientation expenses) are evaluated as development expenses, capitalized in the 263 Research and Development Expenses account within the tangible assets and transferred to the 268 Accumulated Depreciations account at the end of the period. It has been suggested that the employee can be amortized during his/her employment period (Ceran, 2007: 201). An example of the mentioned application is as follows.

Example Application 3: Accounting and Amortization of Payments Made for The Employee

Md. No	History	Debt	receivable
	263 Research and development Expenses H.	xxxxx	
	263.01 Education Expenses....		
	263.02 Recruitment Expenses...		
	Related H according to Payment Method.		xxxxx

Md. No	History	Debt	receivable
	750 Research and development Expenses H.	xxxxx	
	750.01 Education Expenses....		
	750.02 Recruitment Expenses...		
	268 Accumulated Depreciation No. (-)		xxxxx
	268.01 Education Depreciation Expense		

Source: Created by the Author.

Example Application 4: Direct Expense of Recruitment Costs

Md. No	History	Debt	receivable
	750 Research and development Expenses H.	xxxxx	
	750.01 Recruitment Expenses Account		
	Relevant Account by Payment Method		xxxxx
	Accounting for Recruitment Costs as expenses		

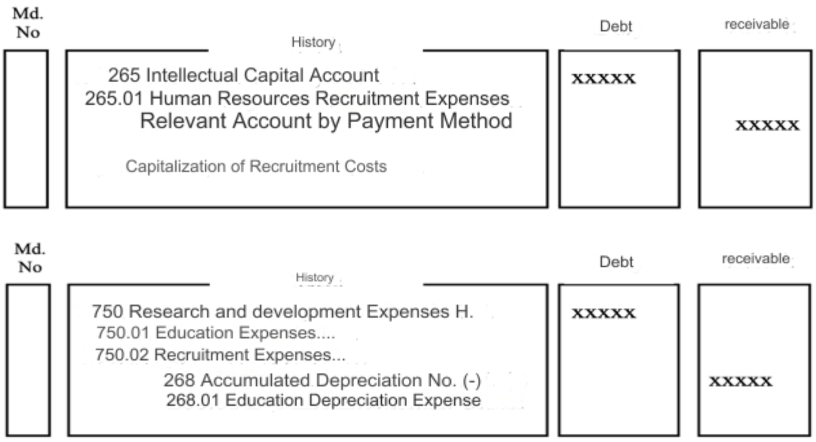
Md. No	History	Debt	receivable
	740 Service Production Account	xxxxx	
	740.01 Educational Activity Expenses		
	Relevant Account by Payment Method		xxxxx
	Accounting for Recruitment Costs as expenses		

Source: Created by the Author.

As demonstrated in example application 3, the four basic categories chosen to define investment expenditures on human resources (recruitment, hiring, training, and development) encompass all expenses related to employing an individual. It is recommended that these expenditures be depreciated annually over the expected service period of each employee (Aydın et al., 2015: 683).

Another suggestion by Kutlu (2009) and supported by Okay (2012) proposes that accounts related to intellectual capital can be incorporated into the unused accounts within the active GCIAS UCA 26 Intangible Assets account group. Specifically, the 265 Intellectual Capital Elements account can be utilized, with costs associated with 265.01 human resources being recorded here as a sub-account.

Example Application 5: Accounting and Amortization of Payments Made for The Employee



Source: Created by the Author.

According to TAS 38, human resources are recognized as assets and accounted for in the *"26 Intangible Assets*" account group in GCIAS UCA The goal is to convey the obligations arising from relevant laws, contracts, and regulations to financial statement users in a clear, understandable, and straightforward manner. For business managers, it is crucial to see the benefits gained or potential benefits (for the entire business, staff centers, specific subjects, etc.) from the use of resources dedicated to employees and to make decisions based on these results (Demirbaş, 2013: 44).

Upon examining the Draft Chart of Accounts in accordance with the Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority, no account code specifically for the accounting of human resources as specified in TAS 38 was found. Accounts are created by classifying intangible assets based on whether they are generated internally or acquired externally through business combinations, incentives, or direct purchases. Separate accounts are included to monitor goodwill and mineral resource exploration and evaluation assets due to their distinct characteristics. Explanations have been provided regarding the functioning of accounts numbered 261-266 for intangible assets, excluding goodwill, as their functioning is similar.

The suggested intangible asset accounts No. 263 and 265 are divided into *"263 Intangible Assets Created Within the Enterprise*" and "*265 Mineral Resources Exploration and Evaluation Assets*." Consequently, it is deemed appropriate to record expenses incurred for human resources accounting as expenses rather than capitalizing them, in accordance with TAS/TFRS. Based on these explanations, it is more suitable to account for human resources expenses as period expenses, except for organizations such as sports clubs.

4.3. FRS FOR LMES (2021 Edition) and FRS FOR SMB (2022 Edition) Accounting For Human Resources

FRS for LMEs (2021 Edition)[1] and FRS for SMB (2022 Edition) standards are prepared with a simpler, cost-based approach compared to TAS/TFRS, to provide convenience to the companies

[1] Board Decision on FRS FOR LMES (2021 Edition) with extensive changes after the first version of FRS FOR LMES (2018 Edition) was published in the Official Gazette dated 29.07.2017 and numbered 30138 (Repeated) to be implemented in the accounting periods starting on or after 01.01.2018. It entered into force by being published in the Official Gazette No. 31439 (Repeated) dated 30.03.2021, to be implemented in the accounting periods starting on or after. It was added with the changes made in March 2022 and April 2024 with inflation adjustment.

subject to them (Yücel, 2023: 64). Articles related to intangible assets in FRS for LMEs (2021 Edition) and FRS FOR SMB (2022 Edition) were examined. FRS for LMEs (2021 Edition) section 14 and FRS FOR SMB (2022 Edition) section 12 are devoted to intangible assets. An intangible asset is defined as *"a non-monetary asset that does not have a physical nature but is identifiable"* (FRS for LMEs, 2021: Paragraph 14.2; FRS FOR SMB, 2022: Paragraph 12.3). The following sections outline the characteristics of intangible assets. According to these features: The asset is separable (i.e., it can be separated or divided from the business and sold, transferred, licensed, rented, or exchanged either individually or together with a contract, identifiable asset, or liability), or, The asset must originate from contractual rights or other legal rights (these rights do not need to be separable or transferable from the business or other rights and obligations) (FRS for LMEs, 2021: Paragraph 14.3; FRS FOR SMB, 2022: Paragraph 12.3).

Human resources, which are considered as intellectual capital within the framework of FRS for LMEs (2021 Edition) and FRS FOR SMB (2022 Edition) above, are not separately included in intangible assets. However, although it is thought that these assets can be evaluated as rights arising from the contract based on the definition of assets, both FRS for LMEs (2021 Edition) and FRS for SMB (2022 Edition) are not subject to financial losses due to the fact that human resources cannot be "*sold, transferred, licensed, rented or exchanged*". It is thought that it cannot be considered as a non-current asset. At this point, players in sports clubs and assets in other organizations with similar characteristics need to be separated. In football clubs, the fact that players can be "*sold, transferred, licensed, rented or exchanged*" due to their contracts and that "*the asset arises from contractual rights or other legal rights*" indicates that they can be evaluated in this context and included as an asset among intangible assets.

Additionally, in the same sections, it is stated that "*expenses incurred on goodwill and intangible items generated within the business that do not meet the definition of intangible assets are not capitalized unless they form part of the cost of another asset recognized as an asset under this Standard; these expenses are recognized in profit or loss as expenses in the period in which they are incurred.*" It further elaborates those expenses related to "*goodwill created within the business, brands, logos, publishing rights, customer lists, and similar items"* including "*establishment and organization expenses, training expenses, advertising and promotion expenses, and costs related to partial or complete relocation or restructuring of a business"* are evaluated within this context (FRS for LMEs, 2021: Paragraph 14.14; FRS for SMB, 2022: Paragraph 12.15).

Goodwill is defined as "*a unique accounting value arising from mergers or acquisitions*" (Fu & Shen, 2020). Generally, goodwill represents the company's good reputation, a skilled workforce, strong industry relationships, and intangible value for which other companies might pay a premium (Barker & Wearing, 2001). Modern perspectives argue that costs incurred on assets such as human resources should be capitalized because they provide measurable monetary benefits (Islam, 2013: 3). However, based on these definitions, it is appropriate to classify human resources under a skilled workforce and treat them as period expenses rather than capitalizing them, as stated above. Given the numerous examples provided in TAS/TFRS and GCIAS UCA statements regarding the treatment of expenses, specific examples are not reiterated here.

5. Conclusion

In the study, applications regarding the accounting of human resources within the scope of TPL / GCIAS and TMS / TFRS, FRS for LMEs and FRS for SMB were examined. Regarding investments in human resources, the modern view is that the costs incurred for any asset in the form of human resources should be capitalized because they provide benefits that can be measured in monetary terms. However, it is understood that expenditures on human resources, both within the scope of TPL and within the scope of standards, should be accounted as period expenses rather than capitalized. It is thought that the main reason for this is that human resources are not defined as assets, there are no necessary procedures, there are inadequacies in capitalization systems, there are difficulties in valuation due to the lack of physical assets, and HRA is not yet a universally accepted approach.

When the Draft Chart of Accounts in accordance with the Financial Reporting Standards published by the Public Oversight Accounting and Auditing Standards Authority is examined, it is seen that the intangible asset accounts No. 263 and 265, which are presented as suggestions, are called "*263 Intangible Assets Created Within the Business*" and "*265 Mineral Resources Exploration*" and It is divided into "*Evaluation Assets*". Human resources are not included in intangible assets. Yet accountants and economists around the world recognize that appropriate methodology and procedures must be developed to find the cost and value of people to the organization. But it should be noted that accounting is still based on an industrial paradigm in which only physical and tangible properties are considered assets. Therefore, human resources, which are of great importance for businesses, are not reflected in the financial statements, are seen as a cost element, and are an invisible asset in terms of efficiency and business value. Human Resource Management (HRA) is defined as an accounting method aimed at providing meaningful information to business management and stakeholders to effectively manage issues such as personnel expenses, training costs, and performance measurement related to a business's human resources, enabling strategic decision-making. The main challenge in implementing HRA is the absence of universally accepted standards or legal frameworks for human resource accounting.

As a result, there is a need to clarify the characteristics of human resources that could be classified as assets within legislative and standard frameworks, as well as to develop measurement tools that accurately reflect their value. However, based on the explanations provided, it is considered appropriate to classify expenses related to human resources as period expenses rather than capitalizing them. On account of economic entities to achieve short-term success and enhance their long-term viability, continuity, and competitiveness, investments in human resources are crucial. Therefore, only these expenditures should be recognized as expenses, as outlined above.

Statement of Support and Acknowledgments: No external support was received in the preparation of this research.
Declaration of Researchers' Contribution Rate: This is a single-author study.
Conflict Declaration: As the authors of the research, we do not declare any conflict of interest.
Research and Publication Ethics Statement: All rules specified in the Higher Education Institutions Scientific Research and Publication Ethics Directive have been complied with. None of the actions specified under the heading "Actions Contrary to Scientific Research and Publication Ethics" of the Directive have been carried out. During the writing process of this study, citations were made in accordance with ethical rules and a bibliography was created. The work was subjected to plagiarism check.
Ethics Committee Permission: The study does not require ethics committee permission.

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