

Research Article

Factors Affecting Human Resources Accounting and Its Impact on Profitability and Performance Improvement : Applied Study in General Company for Engineering Industries

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Abstract: The research aims to identify the factors affecting human resources accounting and their impact on profitability and performance improvement, as there is still limited evidence regarding the factors that play a role in determining the level of disclosure of information related to human resources in the financial reports of these banks, as well as providing an indicator to measure the level of disclosure of human resources, which enables bank departments to assess the level of this disclosure in their reports mechanism. The research was applied in your State Company for Engineering Industries, a public company affiliated with the Iraqi Ministry of Industry, and the research was applied for the period (2021-2024). The study came to a number of conclusions, chief among them that business organizations' financial reports do not disclose human resources, which means that these reports do not contain a significant portion of the information that would aid the various groups of users in making informed decisions about these organizations. Given the growing significance of innovation, creativity, and the intensity of competition in today's world, modern organizations are depending more and more on human resources to accomplish their objectives and obtain a competitive edge. This calls for the provision of pertinent information.

Keywords: Mediating Role, Performance Improvement, Profitability.

1. Introduction

Human resource accounting is concerned with measuring the cost and value of individuals relative to an economic unit. It includes measuring the costs incurred by organizations to recruit, select, recruit, train and develop employees and judge their economic value to the organization. Since most businesses now understand that revealing information about their human resources in financial reports is a sign of their interest in their clients, their needs, wants, and potential for success, they make an effort to disclose this information. distinguish themselves from the competition and obtain a competitive edge, as prosperous businesses are those that draw in, choose, and nurture employees who can successfully advance the company and accomplish its objectives. For consumers of financial reports, the disclosure of human resources information is crucial since it is a necessary source for wise decision-making. connection to their organizational interests. The disclosure of human resources has become an urgent requirement for financial markets that are looking for reliable information that is appropriate for the decision-making process, as information related to human resources is appropriate in this regard to give them indicators about the performance of the organization, its future profitability and the transparency of the information that is reported.

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1.1 The Research Problem

The study's issue is that organizations and economic units are not interested in calculating the value of human resources and reporting them in an accounting manner. This is because banks in Jordan must disclose their human resources immediately because they operate in a highly competitive and rapidly evolving environment. Information about these resources and the efforts made to develop them gives insight into the banks' capacity to meet their strategic objectives and gain a competitive edge, which impacts the economic unit's profitability and enhances its overall performance.

1.2 The Importance of Research:

The importance of research came from the importance of human resources accounting, as human resources accounting purposes to provide the essential and necessary data about the organization's workforce and also contributes to measuring the cost of human resources to help management in selecting, training, inspecting and motivating the appropriate individuals. necessary for making appropriate decisions, represented in the better use of the human element in the organization to improve the profitability of the economic unit and improve overall performance.

1.3 The Objectives of Research:

The research aims to identify the factors affecting human resources accounting and their impact on profitability and performance improvement, as there is still limited evidence regarding the factors that play a role in determining the level of revelation of data related to HR in the financial reports of these banks, as well as providing an indicator to amount the level of revelation of human resources, which enables bank departments to assess the level of this disclosure in their monetary intelligences.

1.4 Research Hypothesis

The research is founded on the following suggestion: There is a possibility to identify factors affecting human resources accounting that have a significant impact on profitability and improving performance.

1.5 Research Sample

The research was applied at Ur General Company for Engineering Industries, a public company affiliated with the Iraqi Ministry of Industry, and the research was applied for the period (2021-2024).

2. The Theoretical Framework of the Research

2.1. The Concept and Importance of Human Resources Accounting

Human resources accounting is a philosophical idea rather than a theory or a particular technique with set rules and precepts. Instead, it is a concept that refers to all of the quantitative and qualitative calculations that the company makes to assess its intellectual capital. These calculations are based on all of the systems that the company has, such as the management control system, accounting information, administrative information, and numerous other systems (Lebans & Euske, 2022:17).

Accounting for human resources is wage accounting that deals with figuring out the components of a worker's wage or salary in order to calculate their various entitlements. As intellectual capital accounting is defined as accounting that includes not only monitoring and following up salaries or wages but also various training and training expenses, this definition complements the first definition, which was based on the wage or salary of various training and training expenses. As a result, intellectual capital is evaluated based on the worker's wage entitlements in addition to training expenses. The two earlier definitions have come under fire for ignoring intangible factors like performance and others in favor of emphasizing an individual's material worth (Manukaji, et.al., 2019:215).

Therefore, it is the process of measuring and reporting on human dynamics within the organization, which includes evaluating the current state of human resources and tracking changes in this situation. It also involves supplying decision makers with information about individuals and groups, creating special lists to show HR resources data in addition to old-style financial declarations, and the following can help to clarify the significance of human resources accounting: (Ounce & Ajayi, 2012:66) (Akinjare,et.al.2019:418)

1. Figuring out how much it will cost to prepare and equip human resources, including hiring and training costs, and assessing the project's human resources' worth using pertinent scientific methods that work in practical settings. and figuring out the costs of hiring human resources, such as salaries, wages, etc.
2. Measuring the productive efficiency of human assets, measuring the profitability of using human assets, and measuring the rate of return on human investment.
3. Entering information about human resources into different accounting cards and documents.
4. Condensing information about human resources using established accounting techniques.
5. Outlining the findings in the financial statements and researching human resources issues like the high number of working papers or absenteeism and creating quantitative reports on them.
6. Making special lists to display human resources data in addition to the regular financial statements and producing any additional reports pertaining to human resources that the project management, investors, or other outside parties ask for.

2.2. Factors affecting human resources accounting:

The necessity of secretarial for HR arises from the fact that human capital is one of the most important resources in the production process; a facility cannot function or produce even with the necessary machinery and capital if human resources are not present. Individuals are regarded as human capital in the facility and must be held responsible since the impact of increasingly sophisticated technological methods during the learning and training period raises the costs for them to reach a certain level of skill. To make extremely wise decisions, establishments must also have information on the investments needed for the acquisition and training of human resources as well as for their replacement (Flamholtz, 2014:128).

Factors affecting human resource management: The factors that have affected human resource management are many and many, including the four basic social, economic, legal and finally cultural, and can be clarified as follows: (Olaniyi,2020:9) (Akintoye,2022:18)

1. Social factors: These are the cultural and demographic facets of society that influence how individuals act and communicate with one another. These elements consist of attitudes, values, beliefs, lifestyle trends, and demographics .
2. Economic factors: These are variables that have an impact on people, businesses, and the overall economy. They are also produced by gathering and combining information from different economic sectors. Above all, factors are measurable and trackable over time, giving investors the chance to spot underlying trends.
3. Legal factors: Legal factors are an important aspect in pest analysis. They refer to laws and regulations that affect a particular industry or business. Legal factors can have a significant impact on a company's operations, marketing, and profitability.
4. Cultural factors: Cultural factors consist of the sum of values, convictions, visions and ideologies of a particular society or group of individuals, and all these elements contribute to the formation of the culture of the individual (consumer), which controls what he decides or how he sees and evaluates what he is exposed to and what he takes of decisions, and the family is the first building block of the individual's culture during the different stages of his life.

2.3. Profitability and Performance Improvement and Their Relationship to Human Resources Accounting:

The concept of profit refers to the amount earned by a company at the end of a financial period after deducting all expenses and taxes. The idea of profitability, on the other hand, is a more thorough assessment of a business's capacity to turn a profit both now and in the future. The ability of any business to turn a profit is known as profitability. Profit is the amount of money left over after all costs directly associated with generating revenue, like manufacturing a product, and other costs associated with running the business are paid Business (Roslender,2019:198).

Measuring the output of a specific process or work procedure and then altering it to increase output or efficiency is known as performance optimization. Both individual and organizational performance, such as that of a team or company, can be improved through performance improvement. Here are several methods that can help with this: (Reeta, 2015:67) (Higson, 2019:8)

1. Clearly defining goals, training and continuous development.
2. Effective communication within the organization and motivating employees.
3. Creating a positive work environment through the use of modern technology and resources.
4. Paying attention to the psychological and emotional well-being of employees.
5. Continuous evaluation of performance for both individuals and the organization in general.

HR accounting is used as a tool to provide management needs for information related to these resources in the organization in order to improve both profitability and performance. It also increases comparability, comprehensiveness and interdependence (Akintoye, 2016:49).

Human resource accounting is essential to provide sound financial reporting to help management plan and make the right decisions in various areas. As the inclusion of financial reports with quantitative information about these resources provides management with the goal and standard, as management will seek to maximize the value of human resources by optimizing them to reach maximum productivity, and the criterion of its efficiency in this area is the amount of change in the value of these resources from one financial period to another to help create a positive work environment and continuous evaluation for performance (Prosvirkina, 2014:32).

3. THE PRACTICAL SIDE OF THE RESEARCH

3.1. About your General Company for Engineering Industries

Your State Company is an Iraqi state company established in 1988, as a result of the merger of the State Establishment for Cables and Electrical Wiring and the State Facility for Aluminum Industry in Iraq, which is one of the companies of the Ministry of Industry and Minerals. The company produces electrical cables and wires of all kinds, winding wires insulated with enamel and cables, telephone and optical wires of various kinds, and the production and casting of aluminum of all kinds of sheets, sections, pipes, wires and in its various forms. In addition to fully implementing the plans set to promote the engineering industries sector, the company wants to promote the national product and activate the role of Iraqi industry in supporting the national economy. By embracing the principles of economic calculation, efficient use of public funds, and their efficacy in accomplishing state objectives and improving the performance levels of the national economy in order to meet development plan goals, the company hopes to support the national economy in the production of electrical cables and wires, sheets, and various sections in order to achieve the highest level of growth in work and production.

3.2. Applying Human Resources Accounting in your General Company for Engineering Industries and measuring its impact on profitability and performance improvement:

Measuring the expenses incurred by businesses and other organizations to find, choose, hire, train, and develop human resources is known as human resource accounting. It also involves calculating each person's economic worth to the company. Accounting can identify the departments or projects that generate the most revenue. HR can use this data for strategic talent recruitment. For example, if the accounting department reports that the software development team is making high profits, the HR department may direct its best talent to that department. There are multiple types of HRM models, including the Business Partner model, the Career Model, the Center and Workspaces Model (Hub Model), or the Federal Model. Any model that fits the organization well depends on the organizational context and business strategy, as well as the available budget. This was a logical outcome of the realization of the substantial and vital role that human capital and assets currently play in the economy. Accounting theories and practices did not acknowledge human beings or investments in human capital as assets in an agricultural and even industrial economy when the human element was not as important as it is today. However, because human capital is becoming increasingly important for both individual businesses and the economy as a whole, research and studies have been conducted to form and develop scientific principles and accounting systems for accounting for investments in people as assets. The following table provides an illustration of your General Company for Engineering Industries' accounting measurement of human resources for the years 2021–2024:

Table 1. Accounting measurement of human resources in your General Company for Engineering Industries for the period (2021-2024)

Details	2021	2022	2023	2024
Salaries and wages	8789084532	10839870630	15537147542	25377340467
Cash equivalents	67545231	83305783	119404953	195028086
Cash equivalents	89564321	110462660	158329809	258605349
Incentives	112675490	138966434	199185217	325335848
Transportation allowances	28976537	35737728	51224076	83665989
Hazard Benefits	35432213	43699728	62636275	102305914
Clothing & Equipment	28875632	35613279	51045699	83374640
Total	9152153956	11287656242	16178973571	26425656293

The above table shows that the cost of human resources in your General Company for Engineering Industries for the years 2021, 2022, 2023, and 2024 was (9152153956), (11287656242), (16178973571), and (26425656293) dinars respectively. Recruiting, hiring, training, and employee retention are all related to human resources costs. Employee benefit programmers' fees and other compensation-related costs might also be included. The size and extent of a business's operations can have a significant impact on these expenses, and human resources costs are a group of expenses associated with hiring and managing staff in businesses. These costs include factors such as salaries, social benefits, medical insurance, and others.

On the other hand, the profitability indicators are one of the important financial indicators that include the content of essential financial information regarding the aspects of the operational, financial and strategic performance of companies that investors benefit from in building their investment portfolios and enhancing investment operations that lead to an increase and increase the role of the financial market in the national economy, and the profit index is an important indicator used to assess the overall profitability of the company, as it reflects the ability of theA company to make profits after considering all expenses and expenses, including taxes and interest, and to understand this type of ratios, let's take a look at the equation that is used to calculate it as the ratio of net profit = (net profit / net sales revenue) * 100%, all the information and data necessary to calculate the measure of earnings before interest, taxes, depreciation and depreciation can be obtained through the company's financial records, such as income statement, cash flow statement and balance sheet. EBITDA = net income plus interest, taxes, depreciation and depreciation. The profitability indicators in your State Company for Engineering Industries for the dated (2021-2024) can be illuminated through the subsequent table:

Table 2. Profitability Indicators in your General Company for Engineering Industries for the Period (2021-2024)

Details	2021	2022	2023	2024
Return on investment	4.128%	5.675%	4.906%	5.331%
Return on equity	3.998%	3.006%	4.452%	4.775%
Ratio of total profit to revenue	23.115%	26.235%	26.843%	28.592%
Return to Revenue Ratio	8.173%	9.641%	9.443%	11.218%
Average	9.852%	11.141%	11.414%	12.482%

It can be seen from the above table that the profitability indicators in your State Company for Engineering Industries for the years 2021, 2022, 2023, and 2024 were (9.852%), (11.141%), (11.414%) and (12.482%) respectively. Net profit shows the real financial performance of the company and reflects the amount of profits available to shareholders. The importance of each: While the profit margin helps in analyzing the efficiency of products or processes in the company in the research sample.

Performance indicators are one of the tools for measuring and evaluating the long-term performance of institutions and companies, and are used to measure the progress made in a particular process. Performance indicators are now used to measure the outcomes of reaching objectives rather than to provide administrators with a broad overview of the administrative process's progress. The balances and measurements that are intended to be obtained from the strategic objectives by converting those goals into policies, programs, procedures, and activities based on the fundamental idea of assessing their efficacy and efficiency in accomplishing the goals set for them are known as performance indicators. This development resulted from a significant increase in the use of performance indicators after they became a crucial component of strategic planning. Your State Company for Engineering Industries' performance metrics for the years 2021–2024 are shown in the table below:

Table 3. Performance Indicators in your State Company for Engineering Industries for the period (2021-2024)

Details	2021	2022	2023	2024
Financial Performance Indicators	%9.854	%11.143	%11.418	%12.483
Customer satisfaction indicators	60.215%	76.786%	80.476%	82.115%
Indicators of the development of internal processes	23.245%	25.671%	26.788%	28.005%
Learning and growth indicators	34.786%	34.898%	36.672%	40.552%
Average	32.031%	37.122%	38.845%	40.791%

It is noted from the above table that the performance indicators in your State Company for Engineering Industries for the years 2021, 2022, 2023, and 2024 were (32.031%), (37.122%), (38.845%) and (40.791%) respectively. It turns out that KPIs are measurable measures used by companies to evaluate their performance and progress towards their strategic goals, and the development of performance indicators is evidence of commitment to continuous improvement, which is a basic requirement that must be adhered to by every unit of activity in the company as well as programs in general. They are the main movers and technical supporters to develop, monitor and follow up performance measurement indicators, it must be ensured that an indicator or indicators are developed to measure performance for all departments of the company in the research sample.

Following the implementation of human resources accounting and the measurement of profitability and performance indicators in your General Company for Engineering Industries, the research sample for the years 2021–2024, the following table illustrates how the correlation coefficient (R^2) and other tests affect the profitability and performance indicators of this business:

Table 4. The effect of HR Accounting on Profitability indicators and Performance Indicators

Independent variable (X)	Correlation	F. table	F. cal	P.value	R^2	B	Dependent variables (Y)
HR Accounting	0.844	4.009	9.472	0.614	0.808	4.240	Profitability indicators
HR Accounting	0.812	3.114	9.739	0.580	0.771	5.596	Performance Indicators

The above table makes it evident that there is a positive correlation between human resources accounting and profitability and performance indicators. As a result, the significance of this table implies that the research hypothesis has been accepted because the credibility and dependability of information pertaining to human resources directly affects profitability indicators. Therefore, it can be said that there is a chance to identify the factors affecting human resources accounting that have a significant impact on profitability and performance improvement.

4. Conclusion and Recommendations

4.1. Conclusion

1. The process of measuring and reporting on human dynamics within an organization, including evaluating the current state of human resources and tracking changes in this regard, is known as human resources accounting. It also involves giving the organization information about individuals and groups so that decision makers can make informed decisions.
2. The value of human resources working on the project was assessed using appropriate, practically applicable scientific methods, and the cost of preparing and equipping human resources—including the costs of hiring and training—as well as the cost of using human resources, among other things—led to the importance of HRA.
3. The ability of any business to turn a profit is known as profitability. Profit is the amount of money left over after all costs directly associated with generating revenue, like making a product, and other costs associated with running the company are paid.
4. Measuring the results of a particular process or work procedure and then altering it to boost outputs or efficiency is known as performance improvement. Both individual and organizational performance, such as that of a team or business, can benefit from performance improvement.
5. Human resources accounting is used as a tool to provide management needs for information related to these resources in the organization in order to improve both profitability and performance. It also increases comparability, comprehensiveness and interdependence.

4.2 Recommendations

1. The need to disclose HR in financial reports, as increasing the level of this revelation reflects a good picture of these characteristics and gives an indication of the future success possibilities of the economic unit and the extent of its ability to compete, excel and survive.
2. Make a concerted effort to raise the standard of human resource measurement and disclosure in financial statements, reports, and statements. Additionally, make sure that these resources are disclosed in a separate report that is part of the annual financial reports.
3. To properly work to improve and develop it, it is necessary to assess the level of revelation of information relating to HR in reports, statements, and annual financial statements.
4. To standardize processes and enhance comparability, the supervisory authorities and supervisors of economic units' operations must provide legally binding integrated guidelines on how to disclose human resources and display them in financial reports.
5. Research and studies in other economic sectors are being carried out in order to compare and assess how similar and different these sectors are in terms of human resource disclosure and to try and measure the quality of human resource disclosure in financial reports.

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