



An Analysis of Human Resource accounting practices in Cement Corporation of India

KEYWORDS

Human Resource Accounting, Human assets, Employees cost, Valuation of human resource

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ABSTRACT Human resource is the most important asset of any organization. Human resource accounting helps management take important decisions related to human resource management which helps to improve overall efficiency. Present study is conducted with a view to know human resource accounting practices in Cement Corporation of India. To study HRA practices followed by CCI, five years data is gathered from annual reports of the company. The researcher found very great degree of disclosure of HRA information including total no of employees, professional profile of employees, age wise distribution of employees, category wise distribution of employees, average age, category wise value of human resource, model used for valuation, Social balance sheet including human assets etc.

1. Introduction:

Human resource is the most important asset of any organization. The success of any organization depends upon the efficiency and caliber of the people of that organization. Moreover, it is difficult to find competent, efficient, knowledgeable and highly motivated people. Skills, experience, knowledge and creativity of people cannot be replaced with any machine. Thus, organizations must learn to recognize and appreciate their human assets along with other assets. With the discover of scientific management, which emphasis on quantitative methodology to make a most efficient use of all resource, computation of the human resource has been also started in many Indian and worldwide organization.

Human Resource accounting helps to measure the value of human resource, which helps management to take important decisions related to human resources which ultimately help to increase production and overall organizational efficiency. Human Resource Accounting has been defined by the committee on Human Resource Accounting of the American Accounting Association in the year 1973, as "the process of identifying and measuring data about human resources and communication this information to interested parties". A number of models and approaches have been developed for the measurement and valuation of human resources. These approaches may broadly be classified as human resource cost accounting (HRCA) and human resource value accounting (HRVA). HRCA involves measuring the cost incurred by the organizations to recruit, select, hire, train and develop human assets. HRVA involves measuring the economic value of people to organizations.

2. Review of literature:

Dr. Hamid Saremi and Nader Naghshbandi (2011) studied the relation between investment in human resources and employee's motivation, diverse perception of managers towards human resource accounting and model used by Iranian organizations for human resource accounting. The study concluded that the Iranian enterprises had diverse opinion regarding the necessity of using human resource accounting information in their strategic decision making. Some of them believe that whatever they spends on employees such as employment expenses, training etc. cannot be returned so their value cannot be presented in financial state-

ment whereas the expenses that spends on employees to increase their efficiency and proficiency is consider as capital expenditure. However, few HR managers and employees of these enterprises are more sensitive about human resource accounting and believe that the information is useful to the enterprises in their strategic decisions.

Upasna Joshi, Reeta Mahei (2012) conducted a study and selected four companies to understand the practices of HRA. The variables that are important for the purpose of HRA were identified by the researcher. By analyzing the annual reports of the selected companies' ranks were also given based upon the extent of the HRA information reported in the annual report. Research concludes that HRA has a great potential in the modern age of professionalization particularly in the case of service industry.

R.B.Sharma and Asha Sharma (2013) conducted a study with a view to study current practices of human resource accounting in Infosys limited and to find relationship between human resource values and rate of return, fixed assets, current assets, total assets and value added. The researcher found that there is a highly positive correlation between no. of employees and earning capacity of company. Human assets have equally contribution like fixed assets in value addition of company. The researcher also concluded that sound financial health of company is due to its appropriate human resource value.

3. Objectives of study:

The main objectives of the study are as follows:

- To study the HRA practices adopted by Cement Corporation of India.
- To study disclosure pattern of information of HRA by Cement Corporation of India.
- To make analysis of the HRA information provided by the company and to evaluate its usefulness in HR decisions.

4. Research Methodology

4.1 Research problem:

The research problem of the study is:

"An Analysis of Human Resource accounting practices in Cement Corporation of India"

4.2 Period of study:

The period of study is confined from 2010-11 to 2014-15.

4.3 Sampling Technique:

Convenient sampling technique is used in this study.

4.4 Methods of data collection:

Present study is mainly based on secondary data which were collected from annual reports of the company, related websites, different books of account and previous research papers.

4.5 Data analysis:

To make the data easily understandable, statistical method of tabulation is used. Compilation and processing of data

is done with the help of computers.

4.6 Limitation of study

The following are the limitations of the study.

1. Only one company is selected for the study of Human Resource Accounting Practices.
2. The study period of said study is limited to five years only i.e. from 2010-11 to 2014-15.
3. The said study is based on secondary data only, collected from annual reports of companies. The limitations of secondary data influence the study.
4. Findings, suggestions and conclusion are human interpretation and perceptions, so they may be biased.

5. Analysis:**Table 1 Professional Profile of the employees of CCI No of employees**

SR. NO.	Particular	As on 31.3.2011	As on 31.3.2012	As on 31.3.2013	As on 31.3.2014	As on 31.3.2015
1	Post Graduate Engineers	2	2	2	2	2
2	Engineers with MBA	1	2	2	2	2
3	Graduate Engineers	25	35	35	36	36
4	CA/ICWA/SAS/ACS	9	7	7	7	7
5	MBBS	1	0	0	0	0
6	MBA's	21	30	30	30	30
7	Engineer Diploma Holders	46	69	69	69	71
8	Professional Diploma holders	49	24	24	24	23
9	Post Graduate	55	46	46	46	46
10	Graduates	189	138	138	138	135
11	ITI Certificate holders	202	165	165	165	141
12	Others	388	389	388	388	320
	TOTAL	988	907	906	907	813

Compiled from the annual reports of CCI 2010-11 to 2014-15

From the table we can say that there are number of employees with variety of professional degree in CCI. In the year 2010-11, there were highest employees which decreased up to 907 in the year 2011-12. For next three year we can say consistency in number of employees which

was again decreased up to 813 in the year 2014-15. Nevertheless the decrease in number of employees is mostly in graduate and other category. Number of graduate engineers is increased from 25 to 36 and engineer diploma holders are also increased from 46 to 71.

Table 2 value of human resource and number of employees

Year	2010-11		2011-12		2012-13		2013-14		2014-15	
Category	Value in lakhs (Rs.)	No. of employees	Value in lakhs (Rs.)	No. of employees	Value in lakhs (Rs.)	No. of employees	Value in lakhs (Rs.)	No. of employees	Value in lakhs (Rs.)	No. of employees
Executives	5810.88	112	6503.49	122	8665.39	135	8439.23	149	10492.70	159
Supervisors	6130.41	164	6373.55	152	6322.61	129	5702.67	130	5545.93	110
Skilled workers	7681.53	301	7091.33	254	8421.47	256	12970.97	363	11659.27	258
Semi skilled workers	3391.77	175	3526.87	168	4133.75	168	1303.90	61	1613.39	62
Clerical and other supporting staff	1485.62	127	1976.06	112	2491.26	119	2636.83	145	4103.19	174
Unskilled workers	1140.39	109	1458.61	99	1708.67	99	884.41	59	887.72	50
Total	25640.60	988	26929.91	907	31743.15	906	31938.01	907	34302.20	813

Compiled from the annual reports of CCI 2010-11 to 2014-15

The table shows that there is decrease in total number of employees from the year 2010-11 to 2014-15. However there is increment in human resource value from rs. 25640.60 lakhs to rs. 343302 lakhs in the five years. The reason may be efficient use of human resource, better employer employee's relationship and good training to the

employees. Skilled workers comprise major proportion in both number of employees and in human resource value. We can see increasing trend in number of executives and value of them. Number of unskilled and semi skilled workers are decreasing while number of skilled workers is fluctuating. Increasing value of human resource is very good sign and suggests efficient use of its human assets.

Table 3 Growth of HRV and HRV per employee

Financial year	HR value Rs. / Lakhs	Value addition over the previous year	Value addition in percentage	No. of employees	Value of HR per employee Rs. / Lakhs
2010-11	25640.6	-	-	988	25.95202429
2011-12	26929.91	1289.31	5.028392	907	29.69119074
2012-13	31743.15	4813.24	17.87321	906	35.0365894
2013-14	31938.01	194.86	0.613865	907	35.21280044
2014-15	34302.2	2364.19	7.402434	813	42.19212792

Source: Annual reports of CCI 2010-11 to 2014-15

Above table has been drawn to know human resource value addition over previous year, the growth of HRV in terms of percentage and value of HR per employee. Following formulas are used to find various values:

-Value addition over the previous year: $\frac{\text{HRV of current year} - \text{HRV of previous year}}{\text{HRV of previous year}} \times 100$

-Value addition in percentage: $\frac{\text{value addition over the previous year}}{\text{HRV of previous year}} \times 100$

-Value of HR per employee: $\frac{\text{HRV}}{\text{No. of employee}}$

The table shows constantly increasing trend in human resource value and value of HR per employee. It shows maximum 17.87 percentage of value addition in the year 2012-13 whereas minimum 0.61 percentage of value addition in the year 2013-14.

6. Findings of the study:

With a view to study Human resource accounting practice in Cement Corporation of India, information given in last five years annual reports have been viewed. Following is the main findings from the reports:

(a) Title used for Human Resource Accounting:

Cement Corporation of India use following title to report information related to human resource accounting in its annual report

“Our employees – Greatest Assets”

CCI admits in its annual report that ‘human resources’ are of vital importance and significance to an enterprise and constitute a primary segment of the total resources held. It also consider human resource as ‘mother resource’ through the medium of which other scarce resources viz. machines, material, money are organized, co-ordinated, directed and controlled. Maximum realization of the potentialities of this ‘mother resource’ is of crucial importance for the success of an enterprise.

(b) Method of Valuation:

Cement Corporation of India has adopted Lev and Schwartz (1971), Eric Flamholtz(1974) and Jaggi and

Lau(1974) models with appropriate modifications to calculate its human resource value. The company computes economic worth of human assets of a company, by working out the present value of the anticipated future earnings of the employees taking into consideration the present pay scales and the promotional policies being followed. However, the company does not disclose discount rate used to find present value of future earnings.

(c) Disclosure of HRA information:

It is found from studying annual reports of the company that CCI discloses information related to human resource accounting up to a great extent. The company has disclosed HRA information for all the five years without gap. It discloses following items in its annual reports:

- Total no of employees
- Profession profile of employees of current year and previous year
- Age wise distribution of employees
- Category wise distribution of employees
- Average age
- Category wise value of human resource
- Model used for valuation
- Social balance sheet including human assets (Year 2010-11, 2011-12, 2012-13)

(d) Form of presentation

The company present information regarding human resource accounting in both text and table format. Social balance sheet including human assets is also found in the year 2010-11, 2011-12 and 2012-13. Professional profile wise distribution is given along with comparative figures of previous year whereas no of employees and value of human resource are given along with comparative last two years figures which is very much noteworthy. The company also presents age wise and category wise distribution of employees for the year.

(e) Usefulness of HRA in human resource decision:

From the study, we can say that, the practice of disclosing human resource accounting information by Cement Corporation of India is helpful to not only the company but also to the outsiders. Human resource value is increasing from 25640.6 lakhs to 34302.2 lakhs over the years which sug-

gest efficient use of human resource of the company. Value of HR per employee has been also increased from 25.95 to 42.19 in the five years. In 2013-14 minimum 0.61% value addition in human resource value indicate decision makers to take corrective steps. Average age of the employees for the five years are 53, 53, 54, 54, 54 respectively which suggest that the company have experienced people. The company gives age wise, category wise and professional qualification wise distribution of employees which might be very much useful information for managers and decision makers.

7. Suggestions:

Some useful suggestions can be given as follows:

- 1) The company should provide discount rate at which the present value of future earnings is discounted.
- 2) Social balance sheet including human assets is prepared till the year 2012-13 only. The company should not stop the practice of preparing social balance sheet.
- 3) The company should also provide employees cost along with other HRA information as it might be very much useful to take decisions to the company.
- 4) Some HR ratios like profit/human resource, human assets/total resource etc. should be given to improve HR disclosure of the company.
- 5) The company should get HRA information audited to increase trustworthiness of the data.
- 6) Initiative should be taken by educational institutes, government and professional bodies to develop an objective model for the valuation of human resource.
- 7) HRA practices should be made mandatory by the Indian Companies act 1956.

8. Conclusion:

From the above study we can conclude that Human Resource Accounting practices in Cement Corporation of India is significant. The company discloses various variables in its annual reports regarding information of human resource accounting including total no of employees, professional profile of employees, age wise distribution of employees, category wise distribution of employees, average age, category wise value of human resource, model used for valuation. Social balance sheet including human assets is also found in the years 2010-11, 2011-12 and 2012-13. Increasing human resource value per employee suggests efficient use of human resource of the organization.

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