



ISSN: 0976-3031

Available Online at <http://www.recentscientific.com>

CODEN: IJRSFP (USA)

International Journal of Recent Scientific Research
Vol. 9, Issue, 3(I), pp. 25241-25244, March, 2018

**International Journal of
Recent Scientific
Research**

DOI: 10.24327/IJRSR

Research Article

MEASURING PERSONNEL THROUGH HUMAN RESOURCE ACCOUNTING REPORTS – A CASE STUDY OF HINDUSTAN PETROLEUM CORPORATION LTD

Shreelatha H R and Ratna Sinha*

ISBR Research Centre, Bangalore

DOI: <http://dx.doi.org/10.24327/ijrsr.2018.0903.1822>

ARTICLE INFO

Article History:

Received 4th December, 2017
Received in revised form 18th
January, 2018
Accepted 23rd February, 2018
Published online 28th March, 2018

Key Words:

Human Resource Accounting (HRA),
measuring HRA, Human Assets, Human
Resource Value, Human Efficiency, Lev
and Schwartz Model.

ABSTRACT

Success of any organization is mostly dependent on how the Human Capital had been utilized effectively & efficiently. Machine works to its optimum extent and gives quality outputs if human resource's motivation and dedication is present. This helps a company to increase its profits. If we want to say the importance of human beings towards organizational upliftments in the words of 'Vedavyas' in 'Mahabharath', he says 'nothing is superior to man'. Based on this background this paper defines Human Resource Accounting (HRA) and explains how the Human Capital is measured for the purpose of financial reporting and managerial uses in general and HRA practices adopted by HPCL in particular.

Copyright © Shreelatha H R and Ratna Sinha, 2018, this is an open-access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution and reproduction in any medium, provided the original work is properly cited.

INTRODUCTION

The definition for a resource could be quoted as 'an object that possesses expected future services'. According to Rensis Likert, 'human resources refer to the value of the productive capacity of the human organization as well as the value of customer goodwill (Likert, 1967, P.148).

Human resources are also defined as 'the aggregate of employee attributes including knowledge, skill, experience and health which are presently and potentially available to an organization for the achievement of its goals'.

Importance of HRA is very high for management, analyst and even for employees. It helps management in better utilization, planning management of HRs in the organization. For analyst it helps in making investment decision. For employees it will help them in increasing their efficiency.

HRA will disclose the information regarding the strength and weakness of the organization and helps in deciding the long-term investment in that organization. Financial statements are prepared according to the Company Law in India which does not give scope for showing any significant information about human resources in financial statement except the salaries paid

to the employees. But nothing will stop the companies to disclose about the value of the human resources and the outcome of their performances during the accounting period in notes or schedules.

As per the published financial reports of those organizations which are disclosing the details of human resources, the following are the general considerations in the working of the HR concepts;

1. The number of employees working in the organization at various levels age wise.
2. HR values are calculated on the basis of models developed by experts
3. The employee benefits – not only salary but also the other benefits will be disclosed.

LITERATURE REVIEW

(HAMID SAREMI, 2012) In their research paper "Impact of Human Resources Accounting on Employees' Performance in Organization", the researchers have studied the Human Resources matter and its objectives and topic of the importance of Human Resource Valuation on employee performance review and method of reporting of Human Resource according to different models.

*Corresponding author: **Ratna Sinha**
ISBR Research Centre, Bangalore

(Ratti, 2012) In her research paper titled “An Analytical Study of Human Resource Accounting Practices – An Indian Experience” focused on calculation of the value of human resources at different levels of organization & to determine the human resource efficiency quotient. 15 companies are examined for the measurement of human resource measurement. This study was based on the primary data related to the measurement of human resources. The findings of the study was based on the premise that the incorporation of the value of HR and if they calculate it, then the value will not indicate the true position of human resource.

(Akinwunmi Abiodun Jelil, 2014) Have done a research study titled “optimizing the effectiveness of financial reporting through human resources accounting”. The purpose of the study is to understand the needs and significance of human resources in the context of optimal financial reporting and also to provide suggestions for developing such accounting practices in the entire corporate environment. This study was an exploratory in nature premised on extensive reviews of relevant literatures carried out earlier in the field of human resources accounting. The results of the study indicated the majority opinion among scholars in the field of accounting in the papers reviewed hold the belief that the human capital should be included in the statement of financial position. These opinions arise from the belief that capitalizing human asset in the statement of financial position will enable investors to make timely and efficient economic decisions. This would lead to optimality and opportunities to show the true value of a company’s assets.

Objectives of the study

1. To examine the application and progress of HRA in Hindustan Petroleum Corporation Limited.
2. To project the employees growth and their worth.

Hypothesis

- H1: There is no relationship between total asset and Human Resource Value
- H2: There is no relationship between net profit and Human Resource Value.
- H3: There is no relationship between Human Resource Cost and Human Resource Value.

RESEARCH METHODOLOGY

This research paper seeks to analyze the relationship between human resource cost, value of human resources and also the other assets in the organization. The present study is done as a case study with reference to Hindustan Petroleum Corporation Limited (HPCL).

The study is completely based on the information collected through secondary sources available from the website of HPCL. For the study purpose annual reports of the company was collected in the company website.

For getting the conceptual base of the study secondary data like newspapers, journals, magazines published PhD thesis, books, articles in journals, etc. were taken. After all these activities the important inferences were drawn relating to HRA.

The present study is based on Lev & Schwartz model of present value of future earnings.

Scope of the study

This study is confined to the HRA practices of HPCL only. The period of the study is five years from 2011-12 to 2015-16.

Findings of the study

Status of employees in HPCL

The value of human resource is very important for the success of any organization. There are various factors which decide the value of the employees for the organization. However when there is a change in the number of employees what will be the impact on the HRV is depicted in the following table.

As it is depicted in the above table the number of employees in Management section is increasing year by year and the value per employee is also increasing. And there is a highly positive correlation between the two variables i.e. 0.94. It means that the number of employees and the HR value is moving in the same direction. As and when there is an increase in the recruitment the value of HR is increasing.

In case of Non-Management employees it could be observed that the numbers of employees are reducing. That means there is downsizing of the employees. But the value of human resources is increasing till 2012-13. In the year 2013-14 there is reduction but in 2014-15 the value has increased and again there is a reduction during 2015-16. The last three year the values of human resources are fluctuating. The correlation value in the case of Non-Management employees is (0.67) which is negative. That means to say there is moderate degree of negative correlation between the two variables i.e. HR Value and number of employees. It means that the number of employees and the HR Value is moving in different direction. As and when there is a decrease in the employee numbers the value of HR is increasing.

Finally the overall analysis of both categories of employees says that there is a negative correlation of 0.78 between the two variables.

Table 1 year wise observed Human Resource Value of Hindustan Petroleum Corporation Ltd

Financial Year	Management Employees			Non-Management Employee			Total		
	No. Of employees	HRV	Avg. HRV (in Rs.)	No. Of employees	HRV	Avg. HRV (in Rs.)	No. Of employees	HRV	Avg. HRV (in Rs.)
2008-09	4551	8523	18727752	6695	4624	6906647	11246	13147	11690379
2009-10	4779	9341	19545930	6512	6313	9694410	11291	15654	13864140
2010-11	4938	11781	23857837	6310	6712	10637084	11248	18493	16441145
2011-12	5132	14105	27484412	6094	7307	11990482	11226	21412	19073579
2012-13	5176	16791	32440108	5851	8496	14520595	11007	25287	22973562
2013-14	5290	14130	26710775	5568	6716	12061782	10858	20846	19198747
2014-15	5396	17542	32509266	5238	8146	15551737	10634	25688	24376542
2015-16	5568	17875	32103089	4970	7367	14822938	10538	25242	23953312

Source: Annual Reports of HPCL from 2008-09 to 2015-16

There is a high degree of negative correlation between the two variables i.e. HR value and number of employees. It could be observed from the above table that as and when the numbers of employees are reducing the value of human resources are increasing.

Table 2 value addition or reduction and HRV per employee at Hindustan Petroleum Corporation Limited

Financial year	HR Value	Value added or deducted over the previous year	% age	Number of employees	Value of HR per employee
2008-09	13147	--	--	11246	0.12
2009-10	15654	2507	19.07	11291	0.14
2010-11	18493	2839	18.14	11248	0.16
2011-12	21412	2919	15.78	11226	0.19
2012-13	25287	3875	18.10	11007	0.23
2013-14	20846	(4441)	(17.56)	10858	0.19
2014-15	25688	4842	92.91	10634	0.24
2015-16	25242	(446)	(1.74)	10538	0.24

Source: Annual Reports of HPCL from 2008-09 to 2015-16

As per the above table it is observed that the additional value of human resources is increasing year by year as a result of which the percentage is also increasing. In the initial years the value added per year has reduced and later it has increased. It could also be observed that during the recent years the value added has reduced because of reduction in the number of employees. This means to say that there is a link between the value of human resources and the number of employees. As and when the number of employees will increase the value added per employee will also increase and vice versa.

Table 3 Share of HRV in Total Assets

Financial year	Net profit before tax	HRV	Total Assets	% to total assets
2008-09	712	13147	43235	30.41
2009-10	2125	15654	46435	33.71
2010-11	2346	18493	55457	33.35
2011-12	1219	21412	64996	32.96
2012-13	1361	25287	74918	33.75
2013-14	2674	20846	73299	28.44
2014-15	4150	25688	66722	38.5
2015-16	5738	25242	69277	36.44

Source: Annual Reports of HPCL from 2008-09 to 2015-16

Correlations		Total Assets	Human Resource Value
Total Assets	Pearson Correlation	1	.895**
	Sig. (2-tailed)		.003
	N	8	8
Human Resource Value	Pearson Correlation	.895**	1
	Sig. (2-tailed)	.003	
	N	8	8

** . Correlation is significant at the 0.01 level (2-tailed).

From the above table it could be observed that there is a high degree of positive correlation between HRV and Total Assets. As and when there is an increase of HR in the total asset the HRV is also increasing. We could also notice the variation in the % of HR Value in Total Assets. We can also observe that as and when the HRV is increasing as a % of total assets the net profit figures are also improving. So there is a positive

correlation between the two variables. The degree of correlation is depicted in the following table.

Correlations		Net Profit	Human Resource Value
Net Profit	Pearson Correlation	1	.593
	Sig. (2-tailed)		.121
	N	8	8
Human Resource Value	Pearson Correlation	.593	1
	Sig. (2-tailed)	.121	
	N	8	8

From the above table it is clear that there is a moderate level of correlation between the Net Profit and Human Resource Value. This means even though there is a positive correlation between Net profit and HR Value it is not to a very high degree. So contribution of Human resources in profit is not so great in case of manufacturing industry.

Table 4 Share of HRC in HRV and Net HRV to HR Cost of Hindustan Petroleum Corporation

Financial year	HR Cost	HR Value	% of HRC in HRV	Net HRV
2008-09	1137	13147	8.65	12010
2009-10	1617	15654	10.33	14037
2010-11	2017	18493	10.91	16476
2011-12	1583	21412	7.39	19829
2012-13	2526	25287	9.99	22761
2013-14	2030	20846	9.74	18816
2014-15	2415	25688	9.40	23273
2015-16	2315	25242	9.17	22927

Source: Annual Reports of HPCL from 2008-09 to 2015-16

Correlations		Human Resource Cost	Human Resource Value
Human Resource Cost	Pearson Correlation	1	.894**
	Sig. (2-tailed)		.003
	N	8	8
Human Resource Value	Pearson Correlation	.894**	1
	Sig. (2-tailed)	.003	
	N	8	8

** . Correlation is significant at the 0.01 level (2-tailed).

From the above table we can observe that during the initial years HR cost has increased but from the financial year 2012-13 there is slight reduction in the cost. The correlation between Human Resource Cost and Human Resource Value is high. It says that better management of the human resources will reduce the cost and improve the value.

CONCLUSION

From the above study it is true that the workforce in the organization bring a great value to their organization through their qualitative aspects. Measuring the qualitative aspect is very difficult and there is no proper method to value them. In spite of these difficulties the present study has been done on the secondary data of Human Resource Value which is based on Lev & Schwartz model for valuing human resources.

Generally the costs incurred on human resources will constitute a major element in the overall operating cost. It is evident from the study that the contribution of human resources towards profit is not so great. The reason being the cost incurred on

human resources. So the organizations which can manage the human resources in a better way can achieve a great success.

References

- Akinwunmi Abiodun Jelil, O. A. (2014). Optimizing The Effectiveness of Financial Reporting Through Human Resources AccountTING. *International Journal of Accounting Research* , 2 (1).
- HAMID SAREMI, N. N. (2012). Impact of Human Resources Accounting on Employees' Performance In OrganizatiON. *IJEI* , Vol. 5 (2), 199.
- Ratti, M. (2012). An Analytical Study of Human Resource Accounting Practices - An Indian Experience. *A Journal of Management* , 5, 37.
- Sharma, D. (2012). Impact of Human Resources Accounting on Organizational Performance. *IOSR Journal of Business and Management* , 5 (1).
- Stanko, B. B., Zeller, T. L., & Melena, M. F. (2014). Human Asset Accounting And Measurement: Moving Forward. *Journal of Business & Economics Research* , 12, 93-104.
- Sur, D. (2002). Human Resource Accounting in India - A Case study of National Thermal Power Corporation Ltd. Department of Commerce. Burdwan: The University of Burdwan.
- Annual reports of HPCL from company website.

How to cite this article:

Shreelatha H R and Ratna Sinha.2018, Measuring Personnel Through Human Resource Accounting Reports-A Case Study of Hindustan Petroleum Corporation LTD. *Int J Recent Sci Res.* 9(3), pp. 25241-25244.
DOI: <http://dx.doi.org/10.24327/ijrsr.2018.0903.1822>
