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ACCOUNTING AND REPORTING PRACTICES OF HUMAN RESOURCES IN CEMENT CORPORATION OF INDIA: A CASE STUDY

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ABSTRACT

Human Resources otherwise known as Human Assets are of vital significance and importance to an entity. It constitutes a primary segment in the total assets of an organisation held by it. Although every entity proclaim that the human assets are their most precious and valuable asset but at the same time they fail to recognize the value of it in their annual reports. Human resource can also be called the mother resources because it is the only medium through which every other resource viz material, machines, methods and money are coordinated, controlled, directed and organized. The present study focused on the Accounting and Disclosure practices of Human assets of Cement Corporation of India. CCI is practicing the Human Resource Accounting since 1979-80 and is following the Lev & Schwartz model to calculate the value of human assets and report it in its Annual Report. In this study the human asset is compared with other variables like employee cost, total assets and NPBT to find out the return on human asset in the corporation. This study highlighted that the corporation is giving importance to its employees and treated them as financial Assets and discloses the value of human assets comprehensively in its annual report. It can be observed from the study that the value of human assets is showing an increasing trend during the whole study period. It also highlighted that the human assets have a significant contribution in the total assets of the corporation. Moreover, CCI is also able to generate the moderate return on its human assets which shows that the human resource is effectively and efficiently utilized during the study period. The study period taken in this paper is from 2008-09 to 2015-16 and the secondary data for the said period obtained from the annual reports of the corporation is used for the analysis.

KEYWORDS:

Human Resource Accounting, Human Assets, Financial assets, Lev & Schwartz Model, CCI.

INTRODUCTION

It is globally accepted fact that the growth of any firm is mainly dependent on the effective utilization of its human resource. To ensure the development & growth of an organization, efficiency of workforce of an entity must be increased in right perspective. In order to make the other available resources operationally effective, it is mandatory to have a skilled human resource because without them, the other resources could not be operationally effective. The real growth and development of an entity is indicated by the human behavior variable like skill, group loyalty, capacity for effective interaction, motivation, decision making and communication. Men, money, machines, methods and materials are the resources which are required by the organization for its smooth functioning. The resources required by an organization are classified into two categories namely inanimate and animate i.e. physical resources and human resources. Men which is also called human resource comes under animate resources, others viz. money, machines, methods and materials are known to be inanimate or physical resources. For a long period, the importance of human resource was not taken care of seriously by the top-level management of the organization. But since India being a labour intensive country is an exporter of human resources to various countries, therefore at this junction it becomes imperative to pay attention on proper development such an important resource of a firm.

The traditional concept of accounting suggests that whatever expenditure incurred on human resource for its hiring, training and developing etc are treated as cost and hence charge against revenue in the statement of profit and loss as it doesn't create any physical asset. But Human Resource Accounting (HRA) is an emerging trend in accounting which suggest that the expenditure incurred on human resource should be capitalized and the value of this is shown as an investment in human resource which should be reported as an asset of the firm.

The effective and efficient use of the physical assets largely depends on the skills, abilities qualities, perceptions and character of employees" **(Knauf 2011). American Accounting Association 1973** defines "human resource accounting as the process of identifying and measuring data concerning human resources and communicating this information to the interested parties". Historically HRA (Human Resource Accounting) was first proposed in 1960s in the attempt of including employees on the balance sheet and it became a known topic of research in 1970. The concept of Human Resource Accounting in India is an emerging one and is struggling for its acceptance. In India, it has not been introduced so far as a system. The Indian Companies Act does not provide any section and guidelines for revealing any significant information about human resources in financial statements. However, a growing trend towards the measurement and reporting of human resources, particularly in the public sectors, is noticeable during past few years.

BRIEF PROFILE OF CEMENT CORPORATION OF INDIA (CCI)

CCI (Cement Corporation of India) was incorporated as a company which is wholly owned by Government of India on January 18th 1965. The principal objective of the corporation is to achieve self sufficiency in the production of cement. The authorized capital of the company is Rs. 900 crores and paid-up capital is Rs. 811.41 crores. At present the Cement Corporation of India has 3 operating units with the installed capacity of 14.46 lakh million tonnes per annum. In accordance with the advancement in cement technology the organization had been adopting the latest one with 1 MT plants at Tandur. Bokajan unit situated at Assam is under expansion.

Cement Corporation of India (CCI) is manufacturing different types of cements like OPC (Ordinary Portland Cement), PPC (Portland Pozzolana Cement) and PSC (Portland Slag Cement) and of varying grades viz. 33, 43,53 and 53S (special grade cement for the manufacture of railway sleepers for Indian Railways) grades under the strict quality control with brand name of CCI Cement.

Cement Corporation of India (CCI) with skilled and strong work-force has always supported the balanced regional growth and development by locating its factories in backward/ underdeveloped areas. The corporation has also been discharging and contributing to towards social responsibility by developing the areas nearby the factory. They have adopted the villages around the factory and is providing them the basic requirements and facilities like health center, sanitation, school, drinking water etc. To control the pollution and maintaining the ecological balance of the environment, the corporation is actively participating and organizing the massive tree plantation activity from time to time at all its unit and in the areas surrounding the factory.

LITERATURE REVIEW

A review of studies dealing with the dynamics of human resource accounting in Indian companies has been made to conduct the proposed study. A brief detail of literature review is furnished below:

H.K.Singh and Vivek Singh (2009) conducted the study on evaluation of human resource accounting practices with reference to Infosys Limited. They identified the dimensions where the Infosys Ltd has to pay attention so as to make the reporting compatible and human resource decisions more effective.

Yagnesh M. Dalvadi (2010) made the study of human resource accounting practices in selected Indian companies. He identified the various variables which the Indian company should disclose in its annual report regarding human resource valuation. He also suggested the various measures to the companies and government to motivate the human resource practices in the annual reports of company.

Sonia Kapoor (2012) made the study of human resource accounting in public sector undertakings. She identified that the users of human resource data consider information regarding human capital and changes thereof as a valuable aids to management. The methods of valuation so far adopted in India by some companies happen to be based on the future service potential of employees. She also identified that a suitable model for the purpose of valuing human resources is still in progress in India. She interviewed most of the professionals including directors, managers etc. about the disclosure of human resources data with financial statements and received a positive opinion from them.

Joshi and Mahei (2012) made the comparative study of human resource accounting practices of CCI, HPCL, Infosys, Rolta India Limited. They identified and analysed the variables that were important for the purpose of human resource accounting. They assigned scores to the organizations on the basis of human resource accounting information reported in their annual reports and gave the ranks to the organization on the basis of mean scores.

Sandeep Ojha (2013) studied on "Prevailing Practices of Human Resource Accounting: A Case Study of IT Industries of India". He has taken Infosys Ltd to conduct his case study and found that the company has very high value per employee. The company is also calculating various ratios based on employees' number and value in rupees and reported them in their annual report. They also revealed that the company is serious about its work force and gives emphasis on employees' development and upliftment by allocating proper funds for their training and development.

Ijeoma and Aronu (2013) made the study of effect of human resource accounting on financial statements of Nigerian Banks. Their finding implies that accounting system in Zenith Bank Plc. is still based on an industrial paradigm where only fixed assets are considered as assets. They recommended the application of human resource accounting measures on the believe that employees will improve their performance since they know that their contributions and performance will be assessed and valued at the end of accounting period.

Nader Naghshbandi (2014) conducted the study on impact of human resource accounting on managers' decision making in organization. He identified the problem of mismatch of accounting practices of human resources in different organizations. He also found that human resource accounting has a great potential for manager's decision making in the modern age of professionalization and particularly in the age of labor intensive service where human resource play a major role.

Hossain, Akhter and Sadia (2014) made the study of importance of human resource accounting practices in the organizations. They identified the problems of human resource reporting in India and also gave suggestions to vanish these obstacles. They added that when human resources are quantified and reported as assets in the balance sheet of corporate entities, the multiple users of the report will be awarded with more qualitative and quantitative information, which will boost their decision-making abilities. Reporting of human resource accounting will also bring out the trust and fair value of the organizations.

Okpako, Atube and Olufawoye (2014) made the study of human resource accounting and firm's performance. They identified that human resource accounting increases the asset of organizations thus enhancing more profits; equips management to make effective and efficient decision to move the organization forward. It increases investment in organization because investors have the assurance of adequate use of their resources as a result of value of human resource and gives shareholders and stakeholders adequate information on the position of the organization which can also be use to determine the profitability and stability of such organizations.

Aruna Polisetty and Prof. P. Sheela (2015) conducted a study on "Human Resource Accounting- A Case Study with Special Reference to Vishakhapatnam Port Trust". They found that VPT had given the due importance to its employees by assigning the monetary value to them. Value added during the study period is in the increasing trend which is due to the VPTs efficiency in the cutback of operating expenses, which is possible only with the experienced personnel and their competencies. They also emphasized on the quantitative information about the value of HR and stated that this value of human assets is of great help to the management of VPT in taking effective managerial decisions.

Dr Sudipta Ghosh studied on "Human Resource Accounting by Indian Enterprises: A Case Study of HPCL" and found that majority of the sample companies following Lev & Schwartz model in valuing their human assets, HPCL has given greater emphasis on its human resource and treated them as valued resources in their business. Further, HPCL has been able to generate moderate returns on his human assets which imply that its human assets are efficiently utilized during the study period.

OBJECTIVES OF THE STUDY

The main objectives of the study are

- To focus on the maintaining accounting record of Human Assets in Cement Corporation of India (CCI) according to the given Accounting Standard/ Guidelines
- Examining the Reporting Practices of Human Assets in CCI
- To reveal the relationship of Human Assets with other variables of the firm
- To find out the trend of the corporation for the return on human assets.

RESEARCH METHODOLOGY

For the present study, Cement Corporation of India is selected as a sample and data has been collected from secondary sources i.e. audited annual report of the selected company. The study period taken is from 2008-09 to 2015-16. To find out the value of human resource the economic models developed by Lev & Schwartz, Eric Flamholtz and Taggi & Lau has been used with appropriate modifications found necessary. The evaluation of human assets is based on the present value of future earning of the employees up to the age of retirement.

EMPIRICAL FINDINGS AND ANALYSIS

Accounting of Human Assets CCI is following the Accounting of Human Assets since 1979-80. Corporation treat its human resource as financial assets and value them in monetary terms. In the absence of well defined, clear cut and globally accepted model for evaluation of the economic worth of human assets of corporation, an attempt has been made by the corporation to evaluate the same by calculating the present value (PV) of future earnings of employees till the age of their retirement. The earnings of the employees include the present pay scales and the promotional policies being followed. The computation of Human Assets is based on the guidelines and principles laid down in the economic models developed by Lev & Schwartz , Eric Flamholtz and Taggi & Lau with appropriate modifications found necessary.

Disclosure of Human Assets CCI is practicing the disclosure of human assets since 1979-80 and following the Lev & Schwartz model for valuing its human resource. The company believes that a good insight into existing human potential can be well perceived through the profile of the human power distributed profession wise and age wise. It discloses the value of this asset as a whole, and the performance and other indices of the corporation measured in terms of per employee are also disclosed in the annual reports.

Table 1-Value of Human Assets from 2008-09 to 2015-16 (in lakhs)

Year	Value of Human Assets	No of Employees	Value Per Employee
2008-09	20285.28	1159	17.50
2009-10	23752.90	1078	22.03
2010-11	25640.69	988	25.95
2011-12	26929.91	907	29.70
2012-13	31793.15	906	35.10
2013-14	31938.01	907	35.21
2014-15	34302.20	813	42.19
2015-16	33145	747	44.37
Average	28473.40	938	31.51

Source: Compiled from the Annual Reports of CCI from 2008-09 to 2015-16

From the above table it can be observed that the value of human assets is showing an increasing trend during the whole study period except in the year 2015-16 with an average of Rs. 28473.40 lakhs while there is a decreasing trend in the number of employees working in the organization during the study tenure with an average no. of 938 employees. Instead of this decreasing trend the value per employee is revealing an increasing trend during the whole study period ranging from Rs. 17.5 lakhs in the year 2008-09 to Rs. 44.37 lakhs in the year 2015-16 with an average of Rs. 31.51 lakhs.

Table 2-Comparison between Human Assets and Financial Assets (in lakhs)

Year	Human assets	Net Fixed assets	Investment	Net current assets	Total assets
2008-09	20285.28	12803	228	4358	37674.28
2009-10	23752.90	12311	228	12975	49266.90
2010-11	25640.69	12119	228	28157	66144.69
2011-12	26929.91	13836	228	29967	70960.91
2012-13	31793.15	17625	228	30473	80119.15
2013-14	31938.01	18253	228	27377	77796.01
2014-15	34302.20	17935	228	29386	81851.20
2015-16	33145.00	17544	228	32489	83406.00
Average	28473.40	15303.25	228	24397.75	68402.40

Source: Compiled from the Annual Reports of CCI from 2008-09 to 2015-16

Table 2 show that the total assets comprising of financial assets and human assets shows an increasing trend and have increased continuously from Rs. 37674.28 lakhs to Rs. 83406 lakhs with an average of Rs. 68402.40 except in the year 2013-14 which is Rs. 77796.01 lakhs. Above table also reveal that the human assets have a significant contribution in the total assets of the corporation. The investment of the corporation remains constant at Rs.228 lakhs during the study period. Net fixed assets decrease up to the year 2010-11 after that it starts increasing but after the financial year 2013-14 it again follows the same trend and start decreasing with an average of Rs. 15303.25, it means that there is a fluctuating trend in the net assets of the corporation. Investment in net current assets (CA-CL) also showing an Increasing trend except two financial years that are 2013-14 and 2014-15.

HUMAN ASSETS RATIO ANALYSIS OF CCI

The above analysis which is based on the size and value of human assets is not enough to evaluate the qualitative efficiency of human resource accounting. With a view to avoid this bottleneck, the different ratios are calculated which are shown in the table below.

Table 3-Human Assets Ratio Analysis (in %)

Year	Employee Cost to Human Assets Ratio	Human Assets to Total Assets Ratio	Return on Human Assets (NPBT/HA)
2008-09	28.22	53.84	26.3
2009-10	19.36	48.21	22.21
2010-11	19.5	38.76	10.58
2011-12	22.45	37.95	7.22
2012-13	17.8	39.68	2.55
2013-14	19.10	41.10	5.07
2014-15	19.13	42	11.68
2015-16	19.20	39.73	16.14
Average	20.6	42.66	12.72

Source: Compiled from the Annual Reports of CCI from 2008-09 to 2015-16

Table 3 reveals the ratio analysis of Human Assets with other variables to evaluate the financial performance of the corporation. Employee cost to human asset ratio of the firm ranges between 17.8% and 28.22% with an average of 20.6%. This ratio is highest in the year 2008-09 and lowest in the year 2012-13. This ratio is following the fluctuating trend up to 5 initial years after which it is following the increasing trend from the financial year 2012-13 to 2015-16. Human assets to total assets ratio ranges from 37.95% to 53.84% with an average of 42.66%. It is highest in the year 2008-09 and lowest in the year 2011-12, it is following the decreasing trend in the initial years of study period up to 2011-12 but after 2012-13 it is increasing and again decreases in 2015-16 but the overall percentage shows that the human asset is contributing to a significant share in the total assets of the firm. Now coming to the return on human asset which is the ratio of NPBT to human assets, this ratio ranges between 2.55% and 26.3% with an average of 12.72% return. It is highest in the year 2008-09 and lowest in the year 2012-13. It is following decreasing trend in the initial years i.e. up to 2012-13 but after 2013-14 it is continuously increasing till 2015-16. Moreover, CCI is able to generate the moderate return on its human assets which shows that the human resource is effectively and efficiently utilized during the study period. Ultimately this can be witnessed from the above table that the performance of the firm is much better in the initial years (2008-09) as compared to the later years (2015-16).

Table 4-Rank Wise Per Employee Value of CCI (in lakhs)

Ranks	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Executives	33.36	51.14	51.88	53.31	64.2	56.64	66	67.18
Supervisors	25.02	32.54	37.38	41.93	49.01	43.87	50.42	49.11
Skilled	13.34	16.6	25.52	27.92	32.9	35.73	45.19	42.43
Semi-skilled	13.9	15.28	19.38	21	24.61	21.38	26.02	25.28
Clerical & other supporting staff	14.46	13.95	11.7	17.64	20.93	18.19	23.58	23.14
Unskilled	11.68	12.62	10.46	14.73	17.26	14.98	17.76	17.17

Source: Compiled from the Annual Reports of CCI from 2008-09 to 2015-16

Table 4 shows the rank wise per employee value of Cement Corporation of India. It can be witnessed from the table that the highest per employee value is devoted to the executives during the entire study period. It shows that the firm is very conscious about the top-level management. The value of executives is showing an increasing trend continuously from 2008-09 to 2015-16. It ranges between minimum Rs. 33.36 lakhs in 2008-09 and maximum Rs. 67.18 lakhs in 2015-16. The value of supervisors are also growing up to 2014-15 excluding the year 2013-14 in which it decreases to Rs. 43.87 lakhs. There is the growth in per employee value of skilled employees also which is slightly decreased in the year 2015-16 to Rs. 42.43 lakhs. The value of clerical staff and unskilled staff do not follow any specific trend they are fluctuating every year in both the direction. Ultimately it can be observed that the corporation is paying the due attention towards its employees to increase their value and emphasis is given on top and middle level employees which can be observed from the above table.

CONCLUSION

After having studied the human resource accounting and disclosure practices of Cement Corporation of India (CCI) it can be concluded that the corporation is giving importance to its employees and treated them as financial Assets and also discloses the value of human assets comprehensively in its annual report. It can be observed from the study that the value of human assets is showing an increasing trend during the whole study period. It also highlighted that the human assets have a significant contribution in the total assets of the corporation. Moreover, CCI is able to generate the moderate return on its human assets which shows that the human resource is effectively and efficiently utilized during the study period. Although due to the absence of any regulatory standard about the disclosure of human assets in the annual reports of the company, some companies especially public-sector undertakings are showing the interest for such disclosures which proves to be an aid to the management for taking any business decision regarding growth and expansion and also designing the policies regarding human resource development.

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