CHAPTER -1-INTRODUCTION

Summary

In this chapter has been given brief introduction of Human Resource Accounting, objective and historical development of HRA. Further chapter highlight the necessity for human resource accounting. After that researcher has also outlined the need of study, objective of the study and research methodology followed during the research work and lastly, the researcher has winds up the chapter with the few limitations of the study.
1. HUMAN RESOURCE ACCOUNTING: AN INTRODUCTION

The excellence and credibility of the people working for a business are the main assets in a firm. When Henry Fayol, French Management writer, took over the charge of his company, it was on the verge of bankruptcy. His managerial ability made the company successful in short span of time. This shows that capability of human resource which has never been appropriately valued. Rather it was not treated as an asset. The amounts salaried to them like remunerations and salaries were treated as revenue costs and no efforts were made to find out the expenditure on hiring, training and increasing of human being as an asset.

Because it was the perception of most of the anything that human being cannot be kept in an organization by force or without their consent. Their services cannot also be transferred from one organization to another at the command of employers, so these thinkers refused to treat human resource as an asset. As per them the human resources cannot be converted into cash like other assets.

The objective of financial accounting is to provide necessary information that is relevant to the decision-makers. However, the traditional accounting system fails to provide adequate information about the important asset of the firm viz. the human resources. The status of the human resources has been realized since time immemorial. Infect, no other single factor is more important in attaining stability, development and profitability than the human resource.
1.1. HUMAN RESOURCE

Human resource comprises one of the most prized assets, and it’s a well mine of capital than a non-human fixture has been seemed:

- Human resource can only give continuity to any organization,

- Without Human resource Machines cannot run, these are static but it is the human and his skills, talent and knowledge which is dynamic to give a growth-oriented thinking to the organization.

- With the help of every organization can co-ordinate the “best of machines, money and even men to the optimum advantage of organization.”

“Human resources are the energies, skills, talent and knowledge of people, which are, or, which potentially can or should be, applied to the production of good so the rendering of useful services.”¹

Harbison

“The profitability or productivity of an organization is limited by its resource and its ability to make of these resources. The primary significant human resource is ‘knowledge’- knowledge of how best to plan, direct and evaluate actions designed to further the chosen objectives of the organization through acceptable policies and procedures. These can human resources are the ‘skills’ to perform manual or metal tasks.”²

B.A. Robbinson

On the basis knowledge and skill Employee can be classified into six categories in its system of human asset reporting viz.

- Executive,
- “Supervisors”,
- “Supporting technical staff”,
- “Skilled Handicrafts worker,”
- “Unskilled and semi-skilled workers and”
- “Clerical staff”

¹ Gupta K shashi “Managing Human resource” Kalyani publication new delhi

² Ibid, Gupta K shashi “Managing Human resource” Kalyani publication new delhi
1.2. HUMAN RESOURCE ACCOUNTING

“In late 1960’s the behavioral scientists attacked the conventional accounting practices for its failure to value of human resources of the organization along with other productive resources and pointed out that this was a serious handicap for effective management. As a consequence, valuation of human resources has received general identification. During, that period the number of accounting models has been developed to value and report human resources of organization. In the management terminology, this is called Human Resources Accounting (HRA).”

“The basic need of an organization is to develop productivity that can be improved by the human force because human Resources have certain distinct characteristics from other physical assets, like personality, self-control, qualities, skills, talents, loyalty

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3 http://210.212.95.124
and imitativeness. Hence, to promote HR it is necessary to take the progressive decisions for them."\(^4\) “In its simplest form that HRA involves the identification costs of recruitment, maintenance and training of an entity's human assets.

The basic assumptions underlying the theories of HRA are as follows:

- People are valuable resources of an enterprise.
- The utility of manpower is an organizational resource determined the way in which it is managed.
- Selective information on investment and value of the human resources is useful for decision making into the enterprise.

Just like financial capital structure, which consists of various types of capital, the human capital structure consists of different types of employees employed in an organization. The type of employees may be executives, supervisory, artisans, clerical and skilled staff or semi-skilled staff. The composition and proportion of various types of employees play an important role in development of an organization. The human capital structure is highly related with HRA and the techniques to value human resource.”\(^5\)

1.2.1. Definition of HRA

The following definition’s given by numerous associations and writers are given below:

“HRA is a process of identifying and measuring data about human resources and communicating this information to interested parties.”\(^6\)

*American Accounting Association*

“HRA is an accounting for people as an organizational resource. It's involved determining the costs experienced by industry firms and other organization to recruit, select, hire, train and develop over human assets. It also involves measuring the economic value of people to the organization.”\(^7\)

*Eric Flambholtz*

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\(^6\) Gupta K shashi “Managing Human resource” Kalyani publication new delhi

\(^7\) Ibid, Gupta K shashi “Managing Human resource” Kalyani publication new delhi
“An attempt to identify and report investment made in human resources of an organization that are presently not accounted for in conventional system that tells the management what changes over time are accruing to human resources of the business.”

Woodruff

“It is the process of measuring and reporting the human dynamic of an organization. It is the assessment of the condition of human resources within an organization and the measurement of the change in the condition through time.”

Davidson and Weil

According to the above definitions, the necessities of HRA are as follows:

- Assessment of human resources.
- Recording & evaluation in the books of accounts.
- Showing the data in the financial statements for communication to the concerned parties.

1.3. OBJECTIVES OF HUMAN RESOURCE ACCOUNTING

The major objective of human resource accounting is to simplify the administration of the individuals as business resource. It can also be called as “Human Resource Management Accounting” i.e., the application of accounting in to the organization. The purposes of the human resource accounting system are:

- To furnish human resource cost and value information for taking administration decisions, distributing, emerging and maintaining human resource in order to accomplish cost-effective organizational objective,
- To allow management personnel to monitor efficiently& effectively the usage of human resource.
- To provide a purpose of asset control i.e. whether assets are preserved, useless or valued.
- To support in the expansion of organizational principal by clarifying the monetary consequences of several practices.

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8 Ibid, Gupta K shashi “Managing Human resource” Kalyani publication new delhi

9 Ibid, Gupta K shashi “Managing Human resource” Kalyani publication new delhi
To support the individuals “interested in the organization to know whether the human resources are making a profit equivalent to their worth or not.”

Thus the objective of human resource accounting is not just the appreciation of significance of all means used or controlled by a business entity but it comprises the enhancement of the management of human resource. So, that the size and excellence of goods and services are better than before.

1.4. NECESSITY FOR HUMAN RESOURCE ACCOUNTING

We shall imagine two opposing management situation and examine their long term effects on the performance of profit or non-profit organizations. Moreover, the authoritative master-minding boss (ABM) approach which rarely involves subordinates in problem solving team work and is carried out through dictatorial order or appraisals which generate distrust, fear and covert opposition.

The ABM approach is characterized by tightened budget allocation, increased top management pressure for greater productivity and reduced cost & the introduction of minimum required work standards. This imposes efficiency improvement and yield almost immediate short term results of increased profit. But this apparent increase in profit is usually accompanied by the decrease in productivity over the long term as evidenced by the following reactions:

- Increased turnover of personnel and increased training cost.
- Decrease in company loyalty, trust and confidence in management.
- Increased number of grievances, wilder cat strikes and worsened industrial relations.
- Wastage of time and materials in plant and office.
- Greater restriction of output and less concern for company goals.
- Decreased concern for maintenance of quality standards and customer satisfaction.
According to figure 1.2, three main tasks for accounting by human resource professionals and accountants regarding human resource sets. Framework to facilitate the right decisions about staffing provided information requirement for cost and value of people as assets to the organization and leads to motivation which consider the perspective of human resource management in line with relevant decisions of individuals.

(Source: Brumment, 1969)
1.5. **HISTORICAL DEVELOPMENT OF HRA**

In the development era of HRA, which is in the five main stages as discussed below:

![Fig. 1.3. Historical development of HRA](image_url)

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-66</td>
<td>“Derivation of basic HRA concepts from related bodies of theory,”</td>
</tr>
<tr>
<td>1967-71</td>
<td>“Basic academic research developing measurement models,”</td>
</tr>
<tr>
<td>1971-76</td>
<td>“Repaid growth of interest in HRA,”</td>
</tr>
<tr>
<td>1976-80</td>
<td>“Period of declining interest in academia and corporations”</td>
</tr>
<tr>
<td>1980-Onward</td>
<td>“Renewed international interest in HRA theory and practice”</td>
</tr>
</tbody>
</table>

**Source:** *International Journal of Management IT and Engineering* Volume 2, Issue 1 January 2012 pp110

1.5.1. **First Stage (1960 - 1966)**

“Timely concern in HRA derived from a diversity of causes. More or less of the initial accounting lists (Scott, 1925; Paton, 1962) which providing help for handling persons as resources and accounting for their worth. Initially administrative thinking such as Likert was apprehensive with management efficiency and the”\(^\text{10}\) “human resource perspective” that was based on the premise of people were valuable organizational resources available (Odiorne, 1963; Likert, 1961). In his pioneering monograph accounting for Human Assets, Roger Hermanson (1964, 1986) described a model to measure human resource value in external financial reports. Hermanson's work was

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\(^{10}\) [blog.uny.ac.id](https://blog.uny.ac.id)
instrumental in providing inspiration for then ext. phase in the development of HRA.”

1.5.2. Second Stage (1966 - 1971)

Phase two was an era of simple educational inquiries to grow and measure the “authenticity of models for the measure of human resource rate and importance. It was a period of investigation planned to frame the recent and possible practises of HRA as a device for human resource authorities, line supervisors, and external workers of corporation financial details. It encompassed an infrequent empirical investigational uses of HRA in actual company.”

“The research finished in the timely stage of the evolution of HRA was led at the University of Michigan. The investigation team that includes the late Rensis Likert, R. Lee Brummet, William C. Pyle, and one and only of these research co-authors, Eric Flamholtz, approved out a cables of plans intended to grow insights and techniques of accounting for human resources. The outcomes of this research involved an article by Brummetetal. (1968) expressive one of the best original works in the part of human resource measurement, and the one in which the period human resource accounting was castoff for the initially period. The authors inspected the inadequacies of treatment worker costs as expenses rather than as properties, and determined that human resource accounting is primarily used as a organisation instrument.” (Brummetetal, 1968’s), the authors measure the influence that HRA can have on administration.

“Brummetetal (1969) emphasized HRA as a tool for increasing managerial effectiveness in the acquisition, development, allocation, maintenance, and utilization of its human resources. One of the first attempts to develop a system of accounting for a firm's investments, it studied the application of HRA in R. G. Barry Corporation, an entrepreneurial public company.”

12 Ibid blog.uny.ac.id
13 Ibid blog.uny.ac.id
14 http://blog.uny.ac.id
1.5.3. Third Stage (1971 - 1976)

The third phase of HRA growth dated from 1971 to 1977, was an era of fast development attention towards “human resource accounting. It include a noteworthy quantity of educational enquiry all over the Western world and in Australia and Japan; and it was a time of initial efforts to smear the HRA philosophy to commercial industries.”\(^{15}\)

Consequently, for the period of this phase, the R.G. Barry investigates sustained and established significant recognition because, at least for a few years, the company issued performance monetary reports that comprised human assets. This, in turn, inspired increased attention in HRA. One protest was that HRA lead the organization's rights or regulator of employees. Yet, whole interest in HRA enlarged and this phase was characterized by a significant sum of issued investigation dealing with HRA, along with a countless agreement of session activity.

“An additional suggestion of the real-world dissemination of theoretical concept was that, throughout this stage, the American Accounting Association established working group on HRA in 1971-1972 and 1972-1973; and these working group printed reports on the growth of HRA. The AAA's participation showed a catalyst for supplementary research.”\(^{16}\)

“Experimental investigation studies found that HRA had an influence on decision making. Certain illustrations of the effect of HRA on outside decisions involved Elias's (1972) research that determined the external users’ choices on investments in mutual stock that made differently with the enclosure of HRA figures. Following the work of Elias, Hendricks (1976) found that stock investment decisions were considerably affected by extra HRA cost accounting information. Schwan (1976) further drawn-out the Elias and Hendricks studies by investigative the sound effects of HRA cost information on fiscal decisions in comparison with choices based on traditional financial information. The outcomes displayed that the firm with HRA data was considered better prepared; and the inclusion of HRA information brought about in statistically meaningfully improved forecasts of a firm's net earnings. Similarly,

\(^{15}\) Ibid blog.uny.ac.id

\(^{16}\) http://blog.uny.ac.id
Acland (1976), who presented enumerated behavioral indicators to monetary analysts, found that economic forecasters prefer a firm with improving financial operational performance but with decreasing behavior indicators. Such preferences decline when the human-resource indicators were provided.”  

“Another study of the influence of HRA on inside decision-making of management was Zaunbrecher's study on the effect of HRA cost information on an employee’s selection choice (Zaunbrecher, 1974; Spiceland and Zaunbrecher, 1977). “Tomassini (1974) research variances in judgment preferences involving the distance of a layoff and found that HRA facts can affect administrative results, equally at the assortment and the process stages. Flamholtz (1976) investigates whether human-resource value figures affect the judgements made by qualified community accountants. He found statistically significant modifications in judgements made using:”  

- “Conventional employees facts; and either”  
- “Financial HR values figures”  
- “Non- financial HR values figures.”  

“Flamholtz has not discovery variances using non-financial against financial techniques. Flamholtz proposed that the outcomes may have been due to the environment of the study project, and named for prospect investigation.  

Lombardi and Flamholtz (1979) also originate an alteration in judgments between old-style data and HRA statistics, but no variance between monetary and non-monetary HRA data. By Air Force colonels as themes, Harrell and Klick (1980) found that, inconsistent to the Flamholtz outcomes, participants engaged meaningfully superior weightiness on financial material and that their judgments were much consistent when they used economic figures.”  

As well as this research the influence of HRA data on decisions, investigation during the third phase elaborate the constant growth of ideas and models for computing &  

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17 Ibid http://blog.uny.ac.id  
18 Ibid blog.uny.ac.id  
19 Ibid blog.uny.ac.id
accounting for human resource rate and worth. Likert and Bowers (1973) comprised a quantity of non-monetary social methods, as well as those concerning human resources, in their calculation of a financial estimation of the predictable modification in the cost of a human association. They expanded the previous effort of Likert (1967) which concentrated on non-financial behaviour variables.”

“In Lev and Schwartz (1971) model, it reflect the human capital perception and reduction the worker's future wages to the present value. Morse (1973) mutual the Flamholtz model and the Lev and Schwartz model into one, which stated the current worth of the organization's human assets to equivalent the current cost of human resources minus the current cost of expenditures to workers. Sadan and Auerbach (1974) also fused the contributions of Lev and Schwartz and Flamholtz in their stochastic model for estimate of human resources. During this phase, other models comprised Jaggi and Lau (1974) and Lau and Lau (1978). For additional valuation of human-resource measurement models Grove et al. (1977)” has discussed more about HRA and attempted the research to clarify and evaluate the various methodologies.

In “1974, the first edition of Flamholtz's book Human Resource Accounting (Flamholtz, 1974, 1985, 1999) was published, presenting the state-of-the-art of HRA.”

1.5.4. Fourth Stage (1976-1980)

“The fourth stage in the development of human resource accounting from 1977 to 1980 was categorized by a reduced interest in HRA. Though it diminished, interest in HRA but did not totally die, and certain valuable activity took place. For example, Ansari and Flamholtz (1978) suggested that the expansion of organization science simplify the growth of HRA as a decision-making tool. In the same year, Oliver and Flamholtz (1978) led an experiential study on the perceived indecision of judgment, and tolerance for haziness and found that HRA fiscal replacement cost material did make a variance in layoff decision.

One of the reason for decreasing interest in HRA was that maximum of the comparatively easy initial research had been accomplished. The left behind research

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20 http://blog.uny.ac.id

21 Management Decision, Volume 40, Issue 10 (2006-09-19)

22 http://blog.uny.ac.id
mandatory to grow HRA was complex, could only be accomplished by moderately few scholars, and required the mutual aid of organization keen to help as investigation sites for practical research studies. Since, there were comparatively rare persons had either the skills required to do such study or the experiences required to the essential commercial contribution, therefore limited major studies were performed.

1.5.5. Five Stage (1980 onward)

During this phase the movement happens from industrial to service economies in various developed countries which brought the changed interest in the area of human resource accounting. In addition, the understanding of the utility of human resources is about the enhancing progress, survival and profitability of the business donated to the regeneration of interest in the arena, unlike in the earlier studies where the main interest was educational with limited concrete applications but in 1990s, the focus shifted to application of human resource accounting to business management. Numerous models which include both touchable and non-touchable asset have been established to garb the specific need of the organization. At this moment in time, maximum organizations began using human resource accounting as part of monetary and administrative accounting practice.  

1.6. COST OF HUMAN RESOURCES

“The Human resource is measured as an asset. Any expenditure, which is earned in an acquirement and gathering of human resource, treat as an investment. Cost of human resources signifies that it shell be incurred today to obtain and grow public in the future. The worth of human resource also named historical cost of human resources for the speculation in human resources which has both Income (expenditure) and Wealth (asset) components. This price may be categorised as follows:”

1.6.1. “Acquisition Cost”
1.6.2. “Development (Training) Cost”
1.6.3. “Welfare Cost” and 
1.6.4. “Other Cost”

23 Ibid, http://blog.uny.ac.id
24 www.slideshare.net
The following paragraphs give a detailed overview of the various costs involved in the human resources accounting.

1.6.1. Acquisition Cost

"Acquisition cost, which states to the costs experienced in acquiring of the right man for the right occupation at the right period and in right capacity. It includes the expenses incurred on recruitment and selection of entire cost which is taken into consideration including those who are not selected."^25

**a) Recruitment cost:**

"It is the cost suffered to make the recruitments of the hand, cost of advertisement, interview etc. For example, cost of recruiting materials, administrative expenses, advertising costs, agency fees."^26

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^25 www.pondiuni.edu.in

^26 www.pondiuni.edu.in
b) **Selection cost:**
It rests on numerous aspects such as the variety of employees being employed and the process of recruitment. The cost of selection is determined by the situation for which an individual is being carefully chosen. The greater position, the larger is the recruitment cost. It comprises cost of application blanks, organisational cost of meting out applications, medical examination, conducting tests, interview, Pays, resources and consulting fees of the candidates.

c) **Appointment cost:**
In determining upon the appointment the person's capability, interest, attitude, character and desires that are taken into concern with reference to the work requirements. The cost of appointment can be collected for the determination of human resource accounting.

1.6.2. **Training and Development Cost:**
It covers the cost of internal as well as external training and refresher courses. Generally, organization sacrifice this cost for “improves the productivity potential of both the individual and the organization. The training cost includes the following:”

a) **Formal training cost:**
“This type of training cost related to conventional training for the orientation of an individual so that he can operate the work. The remuneration to the training staff and the fixed cost of the training schools are essentially the human resource investment items.

b) **On the job training cost:**
Once the employee is placed on the job, he must be trained to do the job efficiently and effectively. This is the most effective method of development method applicable at all levels to a wide range of semi-skilled, skilled and technical jobs, as well as supervisory and management development programmes. In this respect, the employee learns even though he is on his work. In this procedure, the costs of mismanagement the work, the

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27 www.pondiuni.edu.in
expenditures to the employee more than what he in really contributes on the job training cost. Thus, it is an investment in human resource.

c) **Special training cost:**

Sometime, organization plans specific training programmes for achieve the standards performance. Such training gets a distinct human resource to the organization. The costs of such training are called special training costs.

d) **Development programmes cost:**

Personnel may be permissible to take part in a variety of expansion programmes to develop their faculties. These packages may range from normal talks to global discussions and seminars. The members have a chance to act together with other officials on domestic and world-wide level. Such relationship includes cost of delegate payments, the travel cost, loss of output during the growth programme etc. which are to be accounted as a human resource investment.

1.6.2. **Welfare Cost:**

Administration is after all creation and maintenance of an atmosphere. Thus, it is an important purpose of a boss to make available an environment to the employees to carry out their job in healthy, friendly climate favourable to good health and high confidence. The expenditures incurred for this purpose will ease the worker to upsurge the superiority of his civic life. These welfare costs can be classified as follows:

a) **Facilities and welfare within the organization:**

Crèches, rest accommodations and cafeterias, latrines and urinals, laundry and cleaning facilities, drinking water and job-related security etc. are the welfare facilities providing by the owner within the organization

b) **Welfare outside the organization:**

Medical facilities, maternity benefit, social insurance measures, schooling facilities, housing, recreational amenities, holiday homes and leave travel services are several wellbeing methods provided outside the establishment.
1.6.3. Additional Costs
There are various additional costs which comprise expenses on worker security, ex-gratia, multi-trade incentives and others. In India, Factories Act 1948 has made constitutional provisions with respect to employees' health, safety and welfare as follows:

Table no. 1.6.3. Additional costs

<table>
<thead>
<tr>
<th>S.no.</th>
<th>Additional cost</th>
<th>Features</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1)</td>
<td>“worker’s Health”</td>
<td>“Cleanliness, Disposal of waste and effluents, Artificial humidification, Overcrowding, Dust and fumes, Ventilation and temperature, Lighting, Drinking water, Latrines and urinals, spittoons etc.”</td>
</tr>
<tr>
<td>(2)</td>
<td>“worker’s Safety”</td>
<td>Work on machinery in motion, Protection of eyes, Precautions against dangerous fumes, Fencing of machinery, Hoists and lifts, Employment of young persons, Lifting machines, Pressure plant Casing of new machines &amp; Tests of stability, etc.</td>
</tr>
<tr>
<td>(3)</td>
<td>worker’s Welfare</td>
<td>“Washing facilities, Facilities for storing and drying clothing, First aid appliances, Canteens Welfare Officers,” Facilities for sitting, &amp; Crèches etc.</td>
</tr>
</tbody>
</table>

Source: Research Work

1.7. Need of the Study

Accounting is one of the most essential function of each and every business concern but one of the most outstanding omission in traditional accounting is the information concerning with the human resources or capital employed in human resources. Financial Statement refer about these resources only in the form of wages and salaries or expenses undergone for recruitment & training. The productivity and profitability of an organization largely depends on its human resources because all other physical and financial resources of an undertaking are unproductive without the human efforts and direction.

http://www.pondiuni.edu.in
The “absence of information regarding the human capital is a serious handicap to decision making.” Therefore, there is need to furnish proper information of human capital in the annual accounting. HRA practice in Indian Enterprises is still not very popular which a serious drawback of many companies. Thus, there is a need to evaluate disclosure of HRA practices in Indian Companies in present scenario. With the emergence of private sector companies in India the competition among the companies increase and public sector now need to work more efficiently. Companies are giving importance to HRA to attract efficient human resource. However, need is felt to make comparative study between public and private sector companies in order to investigate how efficiently and regularly they are providing information about HRA.

The main purpose of this study is to bring forth the growing significance and relevance of HRA in corporate reporting therefore a need is felt to study how the Indian Companies are disclosing their human assets in their annual reports.

### 1.8. Objectives of the Study

The objective of the study provides a definite & proper track for any research activities. From such point of view to make the present study more scientific following objectives has been designed by the researcher:

1) To examine the human resources valuation practices in Indian Corporate Sector.

2) To investigate disclosure practices of HRA in the annual reports of selected companies.

3) To compare the disclosure practices in public sector and Private Sector Companies.

4) To find out perception of stakeholder towards disclosure practices of HRA.

5) To suggest appropriate changes/ improvements for making the HRA practice effective.

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1.9. RESEARCH METHODOLOGY

“Research methodology is way to systematically solve the research problem. It may be understood a science of studying how research is done scientifically.”

- Research methodology has been classified into two section for the sake of greater understanding viz;
- Research methodology used in the study is mentioned below

1.9.1. Scope of study

In order to assess the model and disclosure practices followed by Indian Companies researcher has selected 10 companies. Five has been taken from public sector & five are taken from private sector. The selected companies are among the few companies which were reporting HRA.

The list of the companies is given below:

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### Table no. 1.9.1. List of the selected companies

<table>
<thead>
<tr>
<th>S.No.</th>
<th>PUBLIC SECTOR</th>
<th>PRIVATE SECTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ONGC Ltd</td>
<td>Reliance Industries Limited</td>
</tr>
<tr>
<td>2.</td>
<td>NTPC Ltd</td>
<td>Tata consultancy services</td>
</tr>
<tr>
<td>3.</td>
<td>BHEL Ltd</td>
<td>Infosys technologies Ltd</td>
</tr>
<tr>
<td>4.</td>
<td>HPC Ltd</td>
<td>Ranbaxy Limited</td>
</tr>
<tr>
<td>5.</td>
<td>BPC Ltd</td>
<td>Hindustan Unilever Limited</td>
</tr>
</tbody>
</table>

### 1.9.2. Justification of selection of sample

The selected companies has been reported & established & had huge market share in the country. The selection is made as the following ground:

- These companies are listed in BSE & NSE.
- These companies are among top ten companies in their respective sector.
- International rating (CARE, ICRA)

### 1.9.3. Sources of Data:

To achieve the above stated objectives the researcher is intended to use both primary as well as secondary data.

#### 1.9.3.1. Primary Data:

Primary data has been collected through questionnaires which are framed to know attitude & perception of the stakeholders of selected organizations towards the HRA practice to be followed by their companies. For this purpose total 300 questionnaires were filled to obtain the view of stakeholder.

#### 1.9.3.2. Secondary data:

Secondary data has been collected from annual report of the selected companies. The theoretical aspect has been collected from the internet, related literature like the management account (journal), economic & political (magazines), newspaper and human resource accounting (books) etc.

### 1.9.4. Period of the study

The data has been examined for the last five financial years that is from 2006-07 to 2010-2011.
1.9.5. Hypotheses
To make present study more practical, following five hypotheses has been tested by researcher.

**Ho₁:** There is no significant difference in disclosure practices adopted by selected companies.

**Ho₂:** Generally the selected companies adopted the same method for valuation of their human assets.

**Ho₃:** There is no relationship between total assets and human resource value.

**Ho₄:** Public sector is following better HRA disclosure practices than private sector.

**Ho₅:** There is no awareness regarding benefits of HRA among stakeholder of selected companies.

1.9.6. Statistical Tools
The statistical tools have been used in the study are as follows:

- Simple average & percentage has been used to evaluate the item of HRA disclosed by the companies and rank correlation will be used for giving the ranks to the items disclosed.

- T-test has been used to know significant difference in disclosure practices among the public & private companies.

- Chi-square test has been used to analyses the point of view of the various stakeholders.

**Presentation Tools:**
Graphs, Charts and Tables have been used to represent the trend of public and private sector disclosure of the companies.
1.9.7. **Objective wise research Methodology**

The researcher has been the following Specific Research Methodology:

**Table no. 1.9.7. Objective wise research Methodology**

<table>
<thead>
<tr>
<th>OBJECTIVES</th>
<th>RESEARCH METHODOLOGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>To examine the human resources valuation practices in Indian Corporate Sector</td>
<td>To achieve the first two objectives the researcher has been collect information from annual reports and examine HRA evaluation practices on the basis of given information in that reports. <strong>Statistics tools: slop and chi square test.</strong></td>
</tr>
<tr>
<td>To investigate disclosure practices of HRA in the annual reports of selected companies.</td>
<td></td>
</tr>
<tr>
<td>To compare the disclosure practices of HRA in public sector and Private Sector Company.</td>
<td>To achieve the third objective the researcher has compared the disclosure practices between the public and private sector companies with the information collected from annual reports. Statistics tools: Disclosure index value and t-test.</td>
</tr>
<tr>
<td>To find out perception of shareholders and employment towards disclosure practices of HRA.</td>
<td>To achieve the fourth objective the researcher has collected information form primary data by questionnaire. Statistics tool: chi-square test.</td>
</tr>
<tr>
<td>To suggest appropriate changes/improvements for making the HRA practice effective.</td>
<td>To achieve the Fifth objective suggestion has made for improvements of HRA practices and make these practices effective</td>
</tr>
</tbody>
</table>
1.10. LIMITATIONS OF THE STUDY

As one knows, limitations are found everywhere in every walk of life. All accomplishments in life, big or small take place with some hurdles or obstacles. Considering this universal thought, the researcher, in spite of putting the best effort could not escape from certain limitations, which can be summarized as follows:

- In this study research has been considered only ten companies out of which five companies are public and five companies are private. As it was very small sample so the results have been finished on that sample only.

- Companies are belongs to different industry like oil, power, IT, consumer product and pharmaceutical because the research could not find the companies who are adopting HRA in the same type of business.

- In the study researcher has find shareholders from private companies only. But in case of public companies no shareholders are included in the study because out of five public companies only three companies are having public issues and two companies did not have any public issues. And, from those three companies researcher did not have any response.

- Lastly, one of the biggest limitations of the study is that HRA is a voluntary activity in the companies and because of this the data collection is not done in the proper manner.
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