CHAPTER VII

SUMMARY OF FINDINGS AND SUGGESTIONS

7.1 Introduction
7.2 Growth of Automobile Industry
7.3 Human resource accounting – “An overview”
7.4 Trend analysis
7.5 Ratio and Cost analysis
CHAPTER VII

SUMMARY OF FINDINGS AND SUGGESTIONS

7.1 INTRODUCTION

Business Information is communicated to stakeholders such as shareholders, suppliers, customers, lenders, governments, employees, financial institutions and the like who have a vested interest in the business enterprise through the medium of accounting. Accounting is now regarded as a management information system. The primary role of accounts is to provide an effective measurement and reporting system to the management for decision making.
The distinctive feature of the emerging economy is an increasing emphasis on human capital (the knowledge, skills and experience of people) rather than on physical capital. Human resources play a defining role in accelerating the growth of an organization, thereby enabling the organization to retain its position as one of the most valuable corporations. The collective spirit of team work across all sections of employees and their sense of commitment help in delivering superior customer and shareholder value. In order to provide a strategic direction to this spirit, a valuation of the most valuable assets, human resources, is undertaken.

The investments directed to raise the knowledge, skills and aptitudes of the workforce of the organization are the investments in human resource. In this context, it is worthwhile to examine human resource accounting in the corporate sector in India. The situation raises the following issues:

1) What is the concept of Human Resource Accounting?
2) What are the trends in Human Capital of the Sample Units?
3) What are the factors influencing the level of investment on human capital?
4) How is the cost of employees distributed?

To answer these questions, an attempt has been made by the researcher to apply Human Resource Accounting to seven Units (Outlets)
of the TVS & Sons Ltd, an Automobile Company incorporated in Madurai, Tamil Nadu, India. The economic model advocated by Lev and Schwartz has been applied for arriving at the value of human capital. This study is an empirical approach based on secondary data.

The human capital was arrived at for each sample unit for a period of five years from the financial year 2005-06 to that of 2009-10. The consolidated statement of the human capital of the seven sample units shows that the automobile company- Madurai (AC2) has Rs.160.46 crores of human capital over the period of five years and stands first among the seven sample units. The automobile company Coimbatore- (AC1) stands second with a human capital of Rs.87.74 crores followed by the automobile company Salem (AC5) with Rs.86.24 crores, the automobile company Trichy (AC6) with Rs.48.93 crores, the automobile company Tirunelveli (AC7) with Rs.37.42 crores, the automobile company Pudukkottai (AC4) with Rs.25.87 Crores and the automobile company Namakkal (AC3) with Rs.24.02 Crores.

Different concepts of human resource accounting have been discussed. To analyze the trends in human capital, the statistical technique of the least square method has been applied. To analyze the factors influencing human capital, the statistical tool of the one way ANOVA technique has been applied. To assess the distribution of the
cost of the employees among the seven sample units, the percentage analysis method has been applied. Further, the ratio of the percentage of the human capital to the total assets, the ratio of the percentage of the total income to the human capital and the ratio of the percentage of the employees’ cost to the human capital have been calculated and considered as relative efficiency indicators of human capital and their trends have been analyzed for the seven sample units.

**7.2 GROWTH OF AUTOMOBILE INDUSTRY**

The automobile industry dates back to the eighteenth century. Nicolas Joseph Cugnot of France is considered to have built the first true automobile in 1769. In the early 1900s, in European countries and the US, many automobile companies came into existence. The world’s first diesel car was introduced by Mercedes in 1936. Rapid developments took place in automobile manufacturing technology in 1960. In 1980, Japan became the top automobile producing country in the world. The first car ran on India’s roads in 1897. Following the economic liberalization in 1991, the Indian Automobile Industry has achieved fantastic growth. The robust economic growth of India attracts multinational automobile players to invest in the Indian market. The supply chain management of automobile industry in India is constituted by Tier-I, Tier-II, Tier-III, Automakers and Original equipment manufacturers. In recent years, India has emerged as a leading center for the
manufacture of small cars. The analysis of the production statistics (Page 45) of the eight years 2002-03 to 2009-10 reveals that there is a perfect correlation ($r = 0.836$) between the production of cars and commercial vehicles. This indicates the relationship between cars and commercial vehicles in production.

The automotive sector consisting of the automobile sector and the auto component sector contributes about 4 percent to India’s Gross Domestic Product (GDP) and 5 percent to India's industrial production. As per the Automotive Mission Plan 2006-16, the Indian Government encourages the companies to move to a high level of competitive performance. It is clear that the future prospect of the Indian automotive sector looks bright.

The contribution of Tamil Nadu to the Indian Automobile sector is significant because of its 35% contribution to the auto components manufactured in India.

7.3 HUMAN RESOURCE ACCOUNTING—AN OVERVIEW

A number of practitioners and researchers started to emphasize that for some companies, the value of intangible assets often exceeded the value of their tangible assets although no valuation was made and shown up in their financial statements. The US Financial Accounting Standard Board, in the Exposure Draft on Business
Combinations and Intangibles, refers to human resource as ‘broad-based intangible, workforce-based assets i.e., intangible assets that relate to the value of the established employees or workforce of a company. They include:

1. Assembled workforce, trained staff
2. Non-union status, strong labor relations, favorable wage rates
3. Superior management or other key employees
4. Technical expertise
5. Ongoing training programs and recruiting programs.

This represents the first formal acknowledgement ever regarding the accounting of human resources by an authoritative body responsible for the promulgation of accounting standards.

The concept of human resource accounting has been defined by different people. The generally accepted definition given by the American Accounting Association is “the process of identifying and measuring data about human resources and communicating this information to the interested parties”. Human capital has been defined by Dr. Jim Otter as “the equivalent of the total value to an enterprise of its employees”. Human asset represents the value of human capital plus any other asset owned by the company for the exclusive benefit of the employees. There are two approaches broadly classified as the cost model and the economic model which suggest methods for valuing the invaluable (Human Resources).
This study shows the reporting of human capital at the National and International levels. In India very few corporates such as BHEL, SAIL, CCI, ACC, INFOSYS, SATHYAM evaluate and report the human capital using the economic model according to their own convenience and modifications. In Australia, 79% of the top 100 Australian companies voluntarily provide information on their social responsibility in the areas of community development, environment, human resource development and product improvement.

In New Zealand, there is voluntary disclosure of social responsibility accounting and human assets value information in financial statements and annual reports of the companies, which is also supported under Section 153 of the Companies Act, 1953 and under various accounting standards issued by the New Zealand Society of Accountants. This shows their concern for the use of such information in the decision making process.

Every one agrees that the only real long lasting asset which an organization or a society or a nation possesses is the quality and caliber of the people. The Human Resource Accounting System facilitates the evaluation of the people and provides valuable information to the management for decision making. The feedback given by the HRA system helps to judge the effectiveness of the HR policies and practices.
7.4 TREND ANALYSIS

Trend analysis helps us to study the level of human capital and to judge the performance of the business units. The trends in human capital of the seven sample units taken for the study have been analysed in absolute terms by applying the trend percentage, over a period of five years from 2005-06 to 2009-10. Further, the future trends in human capital and sales have been analysed through the least square method.

**Absolute Efficiency Indicator Method**

Among the seven sample units taken for the study, the increase in the percentage of human capital over the period of five years from financial year 2005-06 to 2009-10 is high (179.67%) in the case of the automobile company, Namakkal-AC3, followed by the Automobile company, Coimbatore-AC1 and Salem-AC5. This indicates that the overall performance of these three sample units is commendable in terms of the increase in human capital.

In the case of the Automobile Company, Pudukkottai-AC4, there is a decrease in the percentage of human capital (-7.41%) over the period of five years. This implies that the overall performance of this sample unit is poor. The trends in human capital in terms of percentage are moderate in the other three sample units. Therefore, the overall performance of the other sample units is moderate.
Least square method

The analysis of the future trends is only an estimate of the future events. The results of the analysis of future trends are summarized below:

The four sample units, Automobile Company, Coimbatore-AC1, Madurai-AC2, Namakkal-AC3 and Trichy-AC6 show a continuous increase in human capital and sales over the future period of ten years from 2011-11 to 2019-20. This indicates that the investment in the value of human capital may lead to growth in sales.

The other two sample units, the Automobile Company, Pudukottai-AC4, and the Salem-AC5 show a continuous decline in the human capital and the growth in sales. This indicates that the growth in sales may be due to other factors such as hike in prices and volume of sales. The fall in the human capital may be due to reduction in the number of employees and the cost of employees.

The remaining unit, the Automobile company, Tirunelveli-AC7, shows a continuous increase in human capital and decline in sales. The increase in human capital may be due to the hike in the employees' cost and the decline in sales may be due to market conditions.

7.5 RATIO AND COST ANALYSIS
The application of the Recovery Ratio (RR%) and the Human Capital Control Ratio (HCCR%) helps to study the relationship of staff cost and human capital with operating income. Moreover, the performance of the sample units has been analyzed by studying the relationship of RR% and HCCR% with net profit.

In the case of six sample units i.e., Coimbatore-AC1, Madurai-AC2, Pudukkottai-AC4, Salem-AC5, Trichy-AC6 and Tirunelveli-AC7, there is an inverse relationship of RR% and HCCR% with profitability. This indicates that the overall performance of these sample units is satisfactory. (vide pages 116, 127, 147, 156, 166 and 177).

1. SAMPLE UNIT – AUTOMOBILE COMPANY – CBE-AC1

This sample unit incurred a net loss of 0.16 crores in the financial year 2006-07 though there is an increase in sales to the tune of 26.44 crores in the financial year 2006-07, when compared to the financial year 2005-06. The net loss is due to increase in the expenditure to the tune of 3.23 crores in 2006-07. The main factor for the hike in expenditure is repairs and maintenance of building, which amounts to 2.06 crores. Despite fluctuations in net profit, the RR% and HCCR% show the good performance of the sample unit AC1.(vide page 116)

2. SAMPLE UNIT – AUTOMOBILE COMPANY – MDU-AC2
This sample unit incurred a net loss of 3.67 crores in the financial year 2007-08 though there is an increase in sales to the tune of 13.97 crores in the financial year 2007-08, when compared to the financial year 2006-07. The net loss is due to the decline in the other income and the increase in the expenses and depreciation. The main factor which is attributed to the drop in other income is decline in the commission on vehicles and parts to the tune of 7.21 crores. The decreasing trends in RR% and HCCR% show reduction in net loss and attainment of profit.(vide page 127).

3. SAMPLE UNIT – AUTOMOBILE COMPANY – SLM-AC5

This sample unit faced a sudden decrease in net profit during the year 2008-09 when compared to 2007-08. The main factors attributed to the decline in net profit are the drop in sales to the tune of Rs.119.46 crores and the decrease in the commission on vehicles and parts to the tune of Rs.0.69 crores. Despite fluctuations in net profit, the RR% and HCCR% show the moderate performance of the sample unit AC5. (vide page 156).

4. SAMPLE UNIT – AUTOMOBILE COMPANY – TRY-AC6

This sample unit incurred a net loss of 0.33 crores in the financial year 2006-07 though there is an increase in sales to the tune of 6.86 crores in the financial year 2006-07, when compared to the financial
year 2005-06. The net loss is due to the decline in the other income to the tune of 1.98 crores. The main factor attributed to the drop in other income is profit on sale of assets which is negative (loss) during 2006-07. The RR% and HCCR% show the good performance of the unit in terms of the continuous decline in net loss. (vide page 166)

5. SAMPLE UNIT – AUTOMOBILE COMPANY – TIN-AC7

This sample unit incurred net loss over the period of five years from 2005-06 to 2009-10. The overall net loss is due to the drop in sales to the tune of 2.58 crores and the increase in expenditure to the tune of 0.73 crores. The hike in expenditure is due to increase in service and warranty expenses and product maintenance expenses. The RR% and HCCR% show the good performance of the unit in terms of the continuous decline in net loss. (vide page 177).

7.5.1 Percentage Analysis:

The percentage analysis of the cost of employees helps to show the distribution of the employees’ cost among the total expenses of the sample units and shows the distribution of the employees cost between the staff and the workmen.

In the case of three sample units i.e., Pudukkottai (AC4), Trichy (AC6) and Tirunelveli (AC7), the contribution of the employees’
cost to the total expenditure is more than 50% of the total expenditure. In the case of the remaining four sample units i.e., Coimbatore (AC1), Madurai (AC2), Namakkal (AC3), and Salem (AC5), the contribution of the employees’ cost to the total expenditure is below 50%. (vide page 148, 168, 179, 118, 129, 138 and 158).

It is also observed that in all the seven sample units taken for the study, the percentage of staff cost is more than the percentage of workmen cost in the total employees’ cost. The comparative study of the distribution of employees cost and the other expenses shows that the investment in human capital is vital. The comparative study of the distribution of the employees’ cost between the staff and the workmen shows that though the workmen strength is high, the staff cost per employee is higher than the workmen cost per employee.

7.5.2 Trends in Relative Efficiency Indicators:

In the present study, the trends in human capital have been further analyzed by applying the relative efficiency indicators. The relative efficiency indicators represent three ratios viz., the ratio of human capital to total assets (percentage), the ratio of total income to human capital (percentage) and the ratio of employees’ cost to human capital (percentage). The trends in relative efficiency indicator help to assess the
performance of the organization in terms of the productivity of the human resources, the income earning capacity and the cost effectiveness.

1. SAMPLE UNIT – AUTOMOBILE COMPANY - CBE-AC1

The average percentage of human capital to total assets during the period of five years is 80.39% which indicates the human productive capacity of the sample unit in terms of investment in human capital. The income earning capacity of the sample unit is satisfactory because of the increasing trend in the ratio of total income to human capital. The moderate trend in the ratio of employees’ cost to human capital shows the moderate efficiency of the sample unit. (vide page 122).

2. SAMPLE UNIT – AUTOMOBILE COMPANY - MDU-AC2

The ratio of human capital to total assets shows a decreasing trend in the percentage over the period of five years from 2005-06 to 2009-10, which indicates that the human productive capacity of the sample unit is moderate. Despite fluctuations in the total income, the average percentage of the total income to the human capital shows 240.47 percentage which indicates the good performance of the sample unit in terms of income earning capacity. The ratio of employees’ cost to human capital shows the moderate efficiency of the human resources. (vide page 132)

3. SAMPLE UNIT – AUTOMOBILE COMPANY – NKL-AC3
The percentage of human capital to total assets shows a continuous increasing trend and a significant increase at 50.87% in 2009-10. It indicates the good performance of the management in making investment in human resources for productivity. The percentage of total income to human capital shows a continuous decreasing trend which indicates that the income earning capacity of the sample unit should be increased. The percentage of employee cost to human capital shows the moderate performance of the human resources of the sample unit. (vide page 141).

4. **SAMPLE UNIT – AUTOMOBILE COMPANY – PDK-AC4**

The average percentage of human capital to total assets over the period of five years is 321.12% which indicates the good performance of the management in making investment in human resources for productivity. The percentage of total income to human capital shows a continuous increasing trend over the period of five years, which indicates the good performance of the sample unit in terms of the total income. The percentage of employee cost to human capital shows a 2.51% increase from 2005-06 to 2009-10. It indicates that measures may be taken for controlling labor cost and improving the efficiency (vide page 151).

5. **SAMPLE UNIT – AUTOMOBILE COMPANY – SLM-AC5**
The percentage of human capital to total assets shows a 181.20% increase from 2005-06 to 2009-10. This indicates the good performance of the management in making investment in human resources for productivity. The percentage of total income to human capital shows a decreasing trend from 2007-08 and a significant decrease at 568.24% in 2008-09. It indicates that the income earning capacity of the sample unit should be increased. The percentage of employees’ cost to human capital shows the moderate performance of the human resources of the sample unit. (vide page 161)

6. **SAMPLE UNIT – AUTOMOBILE COMPANY – TRY-AC6**

The percentage of human capital to total assets shows 230.59% increase from 2005-06 to 2009-10. This indicates the good performance of the management in making investment in human resources for productivity. The percentage of total income to human capital shows an increasing trend over the period of five years except in 2007-08. It indicates that the income earning capacity of the sample unit is satisfactory. The percentage of employee cost to human capital shows the moderate performance of the human resources of the sample unit. (vide page 172)

7. **SAMPLE UNIT – AUTOMOBILE COMPANY – TIN-AC7**
The percentage of human capital to total assets shows a 73.57% increase from 2005-06 to 2009-10. This indicates the moderate performance of the management in making investment in human resources for productivity. The percentage of total income to human capital shows a decreasing trend from 2006-07. It indicates that the income earning capacity of the sample unit is not satisfactory. The percentage of employee cost to human capital indicates that cost control measures have to be taken for improving the efficiency of the sample unit. (vide page 182)

7.5.3. One way ANOVA Test:

The One way ANOVA Test helps to study the implication of the skill level of employees on the human capital. The application of the one way ANOVA technique reveals that in all sample units except the Madurai Unit (AC2), the calculated F-value is greater than the Table value (3.88) at the 5% level of significance. Hence the null hypothesis is rejected and it is concluded that there is a significant mean difference between the skill level of the employees and the human capital. It indicates that the skill level influences the value of human capital. In the case of the sample unit of Madurai (AC2), the calculated F-value (2.226) is less than the Table value (3.88) at the 5% level of significance. Hence, the null hypothesis is accepted and it is concluded that statistically there is no significant mean difference between the skill level of employees and the human capital. It
is suggested that for increasing the overall performance of the employees, suitable training programmes for workmen and staff such as Technical training, Job instruction method training, job rotation method training, Interpersonal skill development training may be conducted.

7.6 PERCEPTION OF ACCOUNTING PROFESSIONALS:

The survey conducted among 50 executives of the finance function of the sample units reveals that 60% of the executives are not aware of the HRA concept because of its recent development. 10% of the executives have given favorable views stating that the implementation of the HRA system recognizes the human resources as assets. It is useful in corporate restructuring, merger and acquisition of business entities. The measurement of human capital provides for the preparation of future projections and budget by the human resource department.

30% of the executives have given views against the concept of human resource accounting on the following grounds:

1. The measurement of human capital is costly and time consuming.

2. The application of the HRA system is more useful in knowledge based industry. The usefulness of the HRA system in automobile companies is very limited to individual and organization.

3. The HRA system may not be effective in closely held companies
4. The higher attrition rate may create problems in the measurement of human capital.

5. In the situation of economic downturn, the amortization of the human capital would very much affect the profitability of the organization.

7.7 GENERAL AND OPERATIONAL PROBLEMS AND SUGGESTIONS

In the present study, the researcher has identified the general problems and operational problems and offered suggestions as given below:

7.7.1 General Problems and Suggestions

This study reveals that huge spurious markets across the country (Punjab, Rajasthan, Haryana, Madhya Pradesh, Gujarat, Delhi) are engaged in the risky business of selling fake parts. Currently spurious markets constitute 5,300 crores of the total Rs.15,500 crores of the automobile parts replacement market. The functioning of spurious markets poses problems to the Indian automobile industry. If the supply of fake parts to the market is not controlled, it would very much affect the entire replacement market of parts and accessories of the automobile sector. Further, the unauthorized flow of automobile products from China also affects the Indian market.
The Government should in consultation with the Auto Component and Manufacturing Association (ACMA) and the Department of Heavy Industry take stringent steps to curtail the supply of spurious automobile parts.

The problems confronted in the implementation of the Human Resource Accounting System, such as the difficulty in the valuation and measurement of human capital, dissatisfaction of the employees and lack of support to management, can be overcome by the following suggestions:

1. It is suggested that necessary amendments may be made in the Indian Companies Act, 1956 for the disclosure of human capital statement in the annual reports of the corporate.

2. The Institute of Chartered Accountants of India (The authoritative body) may frame a uniform procedure (Accounting standards) for the implementation of the HRA System by suggesting the discounting rate, the amortization method and the economic model.

3. The Securities and Exchange Board of India (SEBI) may give directions for the disclosure of the human capital statement in the annual reports of listed companies.

4. The Trade Unions of the companies may be educated on the benefits to be derived from the implementation of the human resource accounting system.
7.7.2 OPERATIONAL PROBLEMS AND SUGGESTIONS

Based on the present analysis, the researcher has identified certain operational problems and made suggestions to solve the identified problems of the seven sample units. This is shown in Table 7.1 and presented elaborately below.

**TABLE 7.1**

Operational Problems of Seven Sample Units and Suggestions

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Sample Unit</th>
<th>Operational Problems</th>
<th>Suggestions for Solution</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>CBE – AC1</td>
<td>Building Maintenance Expenses are high</td>
<td>Capitalisation of major renovation work</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>MDU – AC2</td>
<td>Decline in Profitability</td>
<td>Prompt Receipt of Commission on Vehicles and spare parts.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>NKL – AC3</td>
<td>Decline in Total Income</td>
<td>Sales to be increased by identifying potentialities and offering gifts to body-builders</td>
<td>Relative efficiency indicator – Ratio of total income to human capital</td>
</tr>
<tr>
<td>5.</td>
<td>SLM – AC5</td>
<td>Decrease in turnover and other income.</td>
<td>Sales to be increased by offering target incentives and group incentive schemes to sales personnel. Prompt receipt of commission and discount on vehicles and parts from suppliers.</td>
<td>Relative efficiency indicator – Ratio of total Income to human Capital</td>
</tr>
</tbody>
</table>
From the analysis of the seven sample automobile companies, it is observed that the overall performance of the sample unit, Automobile Company, CBE (AC1) is satisfactory. **It is suggested** further that with regard to automobile company, CBE(AC1), for improving the profitability, the Internal Finance Audit Department may take steps in controlling the building maintenance expenses wherever possible, and may advise the capitalization of major renovation work with the consultation of external auditors. This may improve the profitability of this sample unit. The average percentage of the human capital to the total assets during the period of five years is 80.39%, which shows the good performance of this sample unit in investing the human resources for productivity.

It is observed that the performance of the sample unit, Automobile Company, MDU(AC2), is moderate in terms of profitability and good in terms of income earning capacity.

**It is suggested that** steps may be taken by the respective sales department and Internal operational audit section to ensure the prompt receipt of the overriding commission on vehicles and the turnover
commission on parts from the suppliers. This will improve the profitability of the sample unit. The commission on vehicles and parts is the main constituent of the other income of the organization.

It is noticed that the overall performance of the sample unit Automobile Company, NKL(AC3) is satisfactory in terms of net profit. From the analysis, it is observed that this sample unit has not incurred any loss during the period of five years from 2005-06 to 2009-10. However, the global recession affected the sale of trucks in the year 2008-09. Consequent to recession, the total income of this sample unit came down. The relative efficiency indicator — (the decreasing percentage of the total income to the human capital) also indicates that the income earning capacity of the sample unit should be increased.

It is suggested that steps should be taken by the sales personnel to identify the potentialities, and attractive gifts may be offered by the company to body builders for achieving continuous growth in turnover. This will improve the income earning capacity of this sample unit.

It is noticed that the overall performance of the sample unit, Automobile Company, SLM (AC5) is satisfactory in terms of net profit. From the analysis, it is observed that this sample unit has not incurred any loss during the period of five years from 2005-06 to 2009-10. However, it faced a sudden decrease in net profit because of a drop in
turnover of vehicles, parts and labor and drop in the commission on parts. The relative efficiency indicator – (the decreasing percentage of the total income to the human capital) also indicates that the income earning capacity of the sample unit should be increased. **It is suggested that** target incentive and group incentive schemes may be introduced to the sales personnel for achieving growth in sales. Further, steps should be taken by the respective Sales Department and Internal Operational Audit section, to ensure the prompt receipt of overriding commission, turnover discount on vehicles and turnover commission on parts from the suppliers.

From the analysis, it is observed that the sample unit - Automobile company –TRY(AC6) started incurring loss from the financial year 2006-07 to 2009-10 and the loss has decreased every year. The relative efficiency indicator – (the percentage of total income to human capital) shows an increasing trend which indicates that the income earning capacity of the sample unit is satisfactory. Despite, the profitability of this sample unit is affected because of the continuous increase in the total expenditure. (Average total expenditure over the period of five years is Rs.2.97 crores which represents 20.02% of the total expenditure of Rs.14.83 crores). The continuous increase in the total income (Average total income over the period of five years is Rs.48.14
which represents 20.03% of the total income of Rs.240.24 crores) is offset by the continuous increase in the total expenditure.

It is suggested that budgetary control measures may be introduced to control the expenses. The expenses budget may be prepared for each strategic business unit and the analysis of variance (Difference between budgeted expenses and actual expenses) may be done for evaluating the causes. This control measure not only increases the operational efficiency of the sample unit but also its profitability.

From the analysis of the seven sample units, it is seen that the sample unit, the Automobile Company – Tirunelveli (AC7) has incurred net loss over a period of five years from 2005-06 to 2009-10. The net loss is due to the net increase in the expenditure to the tune of 0.73 crores over the period of 4 years and the net drop in sales to the tune of Rs.2.58 crores over the same period. The factor attributed to the hike in expenditure is the service and warranty and product maintenance expenses. (Page 177). Service and warranty denotes the expenses incurred after the sale of vehicles and product maintenance denotes the expenses pertaining to the predelivery period.

It is suggested that for improving the performance of the automobile company – Tirunelveli (AC7), the operational audit section of the Internal Audit department must ensure that the post warranty period
expenses are not absorbed as service and warranty expenses. Moreover, it is to be ensured by the Warranty Claim Department that claims are lodged with the suppliers enclosing the service coupons periodically.

It is also suggested that the warranty claim account reconciliation with that supplier would facilitate the proper reimbursement of the claims from the supplier. It is also suggested that the product maintenance expenses i.e., expenses incurred before the delivery of vehicles to customers (filling up of fuel, road test, driver expenses) are within the budget. The financial audit section of the Internal Audit department should also pay special attention to the service and warranty claims and the product maintenance expenses.

For improving the sale of vehicles and automobile parts it is suggested that the sales and service personnel may be motivated by offering attractive incentive packages.

7.8 CONCLUSION

The present study is an attempt to evaluate the performance of the sample automobile units functioning in Tamil Nadu, India, in terms of human capital. This study highlights the trends in human capital, the relationship of profitability with human capital and cost of employees, the distribution of the cost of employees and the factors influencing the value
of human capital. It is hoped that the findings of the study will enable the sample automobile units to improve the level of corporate reporting which would be very useful to the stakeholders. It is further hoped that the authorities concerned will readily absorb the relevant suggestions made in the study.

The calculation of human capital is a cumbersome process which involves the proper maintenance of data and duration of time. In order to overcome this difficulty, a new accounting software may be developed or customization in the existing finance software (like Tally, Oracle, AXAPTA, SAP) may be done for arriving at human capital. For arriving at the net present value of the average earnings, industry-wise, a uniform discounting rate may be adopted.

There is a possibility in future that the International Accounting Standards (IAS-38), (Amendment 2004) provide scope for recognition of human capital as intangible asset subject to the fulfillment of the specified criteria such as identifiably, control and future economic benefits.

The formal acknowledgement given by the US Financial Accounting Standard Board, recognizing the value of established employees as broad based intangible, work-based assets, also supports the view that human resources may be recognized as intangible assets.
The strong growth of the international financial reporting standards (IFRS) lends support to the possibility that future financial reports may include non-traditional measures. If the disclosure of human capital becomes mandatory, it would be more useful to stakeholders of labor intensive and knowledge-based industries.

**Scope for Further Research**

Human capital could be calculated by taking into account either the direct or the indirect benefits and the impact of these factors on human capital could also be evaluated. In this present study, the Lev and Schwartz economic model has been applied for arriving at the human capital. The Flamholtz or the Jaggi and Lau model could be applied, giving due consideration to the occupational changes of employees and future changes in compensation packages (assigning probability value to future promotion, increments and designation changes). The study of the growth rate of a firm could also be evaluated in the light of human capital.

The researcher dedicates this humble piece of work to the lotus feet of Goddess Sri Meenakshi.