



**UNIVERSITY MAIN EXAMINATIONS**  
**2017/2018 ACADEMIC YEAR**  
**FIRST YEAR SECOND SEMESTER**  
**FOR THE DEGREE OF MASTER OF SCIENCE IN**  
**HUMAN RESOURCE MANAGEMENT**

**COURSE CODE: HRM 808**

**COURSE TITLE: HUMAN RESOURCE ACCOUNTING**

**DATE: 30/07/2018**

**TIME: 2 – 5PM**

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**INSTRUCTIONS TO CANDIDATES**

- Answer question **ONE** (compulsory) and any other **THREE** questions
- Question **ONE** attracts **40 marks**
- Time allowed is **THREE** hours
- All other questions attract equal marks (**20 marks**)

**QUESTION ONE**

*Read the case below and answer the questions that follow:*

**QUESTION ONE**

**Read the case study below and answer questions that follow.**

## **CASE: A REVIEW OF HUMAN RESOURCE ACCOUNTING AND ORGANIZATIONAL PERFORMANCE**

In the past decade, there are several studies on human resource accounting (HRA) that focused on wide and diverse range of research concerns. For an instance, researchers have linked a HRA measures with firm or organizational performance. Few others have focused on the valuation or measurement of HRA while some addressed the issues of regulations, standards or reporting of HRA. Although several articles have been debated the importance of accounting HR in the organizational performance but still research are not conclusive that HR assets are important in creating value of organizations.

A group shares a paradigm, shares examples and they share symbolic generalizations when they collectively rely on specific models as suggested by Thomas Kuhn (1996, p.182-4). In accordance to this definition, researcher who advocated the human resources accounting has certainly created a paradigm. Today, HR practitioners agree and realized that the employees are valuable assets and are considered more important than the intangible and physical assets of the organizations. Further, HR people generally agree that assets measured in terms of physical value should be reported in the financial statements of the organizations but not recommended for the organizational human assets reporting. However, due to shift and change in the paradigms it has become a part of the intellectual capital domain to be reported in the accounting statements with the notion that accounting for the value of HR, change the relationship of the organizations.

There is some area that remains elusive in HRA, which is defined by Roslender (2009) as “accounting for people” (AFP) and by Guthrie and Murthy (2009) as human competency accounting (HCA) which intimates the complexity in determining the competency of employees. In spite of the mutual efforts, there has been a continuous aloof among the accounting and financial professionals on the subject of “human resources”. A general argument among financial and accounting experts is that the human assets measurement often deals with more subjectivity than physical assets measurement and this issue makes them to be excluded from financial statement. As intellectual property capitals are considered as the major reporting elements, there may be chances for moving beyond such debates. For instance, the concept of intellectual capital is considered as crucial in reporting the value of company’s intellectual assets. In spite of all these factors, this context is highly focused on the general evaluation issues like dilemma on capitalizing or expending investment in HR and whether human resources meet the criteria of assets with respect to accounting sense.

- (a) According to the case study, are HR assets important in creating value of organizations? elucidate **(10 marks)**
  
- (b) From the case study, what necessitated several studies to be carried out on human resource accounting (HRA) focussing on wide and diverse range of research concerns **(10 marks)**



(c) Discuss the issues and challenges in implementing Human Resource Accounting in organizations according to the case study **(10 marks)**

(d) What is the role of Human Resource Accounting in an organisation? **(10 marks)**

### **QUESTION TWO**

(a) You have been invited by Human Resource Department of Nzoia Sugar Company Limited to help the management in justifying the investments made in their employees. How will you explain to the management in understanding the rationale of investing in their employees? **(10 marks)**

b) What are the steps involved in developing and implementing Human Resource accounting? **(10 marks)**

### **QUESTION THREE**

(a) Critically analyse emerging trends in Human Resource Accounting **(10 marks)**

(b) As a Human Resource Management Consultant you have been invited by the Manager of Mumias Sugar Company (MSC) Ltd to give a speech on the kind of problems you encounter in determining the value of human resource. Outline the key points contained in your speech and explain how you will overcome these problems to the management of MSC Ltd **(10 marks)**

### **QUESTION FOUR**

(a) You are appointed as a Human Resource Manager to an organization that is conducting Human Resource Audit. You have been given the task of explaining to the Board of Directors various phases in HR auditing process **(10 marks)**.

(b) Elaborate:

i) Lev and Schwartz Model **(5 marks)**

ii) Flamholtz's Stochastic Rewards Valuation Model **(5 marks)**

### **QUESTION FIVE**

a) There are a number of approaches have been developed and suggested for the measurement and valuation of human resources. Discuss the relevant approaches to HRA that can be used to measure and value human resources **(10 marks)**

b) Human Resource is one of the biggest assets of an organization. Unfortunately, there's no legal regulation in any of the organization's Annual Report. Sometimes, the HR value might increase beyond the tangible assets' value of organization but conventional accounting method does not facilitate recording and recognizing the HR

values. What are the reasons why the human resource of an organization is yet to be recognized in the balance sheet **(10 marks)**