



**KIBABII UNIVERSITY COLLEGE**

*(A Constituent College of MasindeMuliro University of Science Technology)*

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**SCHOOL OF BUSINESS MANAGEMENT & ECONOMICS**  
**DEPARTMENT OF BUSINESS ADMINISTRATION, MARKETING, PURCHASING**  
**AND HUMAN RESOURCE MANAGEMENT**  
**MAIN EXAMINATION**  
**2014/2015 ACADEMIC YEAR**  
**FIRST YEAR SEMESTER II EXAMINATIONS**  
**FOR THE MASTER OF SCIENCE DEGREE IN HUMAN RESOURCE**  
**MANAGEMENT**

**COURSE CODE: HRM 808**

**COURSE TITLE: HUMAN RESOURCE ACCOUNTING**

**DATE: 19<sup>TH</sup> AUGUST, 2014**

**TIME: 8:00A.M. – 11:00A.M.**

**INSTRUCTION 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 study below and answer questions that follow.

### **CASE: EFFECT OF HUMAN RESOURCE ACCOUNTING (HRA) ON FINANCIAL STATEMENT OF COMMERCIAL BANKS**

“Our main asset is our people” How true is this often repeated statement made by management of organizations? The success or otherwise of an organization depends on how best the scarce physical resources are utilized by the human resource. What is important here is that the physical resources are being activated by the human resources as the physical resources cannot act on their own. In spite of the important role played by human resources in organizations, accounting is still based on an industrial paradigm in which only physical and tangible property is considered asset. It is in the light of these that accountants began research into the area of Human Resource Accounting (HRA). Although, it is relatively a new field, its development has already passed through several discernible stages.

Human resource accounting helps to measure the value of employees, which helps the management take vital decisions related to human resources in order to increase production. It requires the measurement of the performances of an organization and the optimum use of the resources under the direct and indirect control. Hence, the overall valuation is important for decision making in order to achieve the organizational objectives and improve the output. Accordingly, HRA aims at depicting the human resources potential in money terms while casting the organization’s financial statements. Human resource accounting can be used as a political tool to demonstrate mismanagement of human resources, this is a situation which could negatively impact on performance and consequently on profit. Also, it has argued that it could be used as a pedagogical instrument for analyzing and structuring and thus better understanding, personal problem from the applied perspective and thus being better able to balance applied values against other values.

In spite of these views and findings, human resource of an organization is yet to be recognized in the balance sheet. Auditors make a true and fair opinion on the financial statements despite the fact that it does not reflect the values of these ‘soft asset’ often referred to as our greatest assets. Shouldn’t traditional valuation be called into question as human capital is an increasingly important part of an enterprise’s total value? This practice seems to have negative effect on the competitive position of an organization. It could equally hamper the performance of the employee. This traditional practice could again influence the financial position of an organization. The current accounting system has not been able to provide the actual value of employees’ capabilities, knowledge and experiences. This seems to indirectly affect future investments of a company as each year the cost on human resource development and recruitment increases. Haven’t the Accounting Standard Setters seen the need to legislate HRA or do they see it as lacking symmetry with traditional resource.

- (a) According to the case study, explain the statement “Our main asset is our people”  
**(5 marks)**
- (b) From the case study, describe the various stages of development of Human Resource Accounting **(10 marks)**

- (c) In relation to the case study, explain the rationale of the statement, “human resource of an organization is yet to be recognized in the balance sheet”(5 marks)
- (d) Why should the actual value of employees’ capabilities, knowledge and experiences be ascertained in an organisation? (5 marks)
- (e) How is the value of Human Resource measured in the organisation? (5 marks)
- (f) 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 the Lev and Schwartz Model (10 marks).

### **QUESTION FIVE**

- a) What are the reasons for considering human resources as assets now days? Explain (10 marks)
- b) How is Human Resource Accounting different from financial accounting? Explain (10 marks)

## QUESTION SIX

Write brief notes on any **four** of the following key concepts in HR Accounting:

- b) Non-monetary measures
- c) Opportunity cost
- d) Monetary measures
- e) Replacement cost
- f) HR audit Objectives
- g) Economic value approach

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**SUPPLEMENTARY EXAMINATION**  
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**COURSE CODE: HRM 808**

**COURSE TITLE: HUMAN RESOURCE ACCOUNTING**

**TIME: 3 HOURS**

**INSTRUCTION TO CANDIDATES:**

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

**INSTRUCTIONS**

**Answer question one which is compulsory and any other three questions**

**QUESTION ONE**

- a) If you are appointed the Human Resource Manager, discuss how you will develop Human Resource Accounting System in your organisation? (**20 marks**)
- b) Discuss the four approaches to Human Resource Accounting (**20 marks**).

**QUESTION TWO**

- (a) Discuss briefly the concept of Human Resource Accounting (**5 marks**)
- (b) Critically discuss the recent development and future trends in the Human Resource Accounting? (**15 marks**)

**QUESTION THREE**

Write brief notes on the following: (**20 marks**)

- a) Significance of Human Resource Accounting
- b) Human Resource Accounting Application
- c) Benefits of Human Resource Audit

d) Evolution of Human Resource Accounting

#### **QUESTION FOUR**

(a) Discuss the issues and challenges in implementing Human Resource Accounting in Mumias Sugar Company Limited **(10 marks)**.

(b) Explain the monetary Methods for calculating the economic value of individuals in Kibabii University College **(10 marks)**.

#### **QUESTION FIVE**

Discuss the following issues in Human Resource Audit: **(20 marks)**

- a) Human Resource Audit objectives
- b) Human Resource Audit issues
- c) Purpose of HR audit
- d) HR Audit report