

CHAPTER- 1

INTRODUCTION

1.1 Background of the study

Human Resources are the keystone of the organizations. They are the pillars of the organizations. Human Resources are indispensable part of the organization. Organizational entity is based on the human resources' knowledge, skills and attitude. We use different words for the term 'Human Resource' i.e. Labour, Staff, Worker, Employee, People, Personnel, Manpower and Men etc.

To ensure growth and development of any organization, the efficiency of people must be augmented in the right perspective. Without human resources, the other resources cannot be operationally effective. The original health of the organization is indicated by the human behavior variables, like group loyalty, skill, motivation and capacity for effective interaction, communication and decision making.

Men, money, materials, machines, methods and technology are the resources required for an organization. These resources are broadly classified into two categories, viz., animate and inanimate (human and physical) resources. Men, otherwise known as the human resources, are considered to be animate resources. Others, namely, materials, machines, money, methods and technology are considered to be inanimate or physical resources (Kumar & et al, 2005).

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. Therefore, the efficient and effective utilization of inanimate resources depends largely on the quality, caliber, skills, perception and character of the people, that is, the human resources working in it. The term Human resource at macro level indicates the sum of all the components such as skills, creative abilities, innovative thinking, intuition, imagination, knowledge and experience possessed by all the people. An organization possessed with abundant physical resources may sometimes miserably fail unless it has right people, human resources, to manage its affairs. Thus, the importance of human resources cannot be ignored.

Unfortunately, till now generally accepted system of accounting this important asset, viz., the human resources has not been evolved.

For a long period, the importance of human resource was not taken care of seriously by the top management of organizations. Therefore, at this juncture, it becomes imperative to pay due attention on the proper development of such an important resource of an organization.

We are studying human resource management as a separate subject since 1890. But until the 21st century, human resource accounting cannot be developed in full fledged as a separate subject, although human resources are the indispensable part of the organization and all the activities are performed by human. Human resource management is the planning, organizing, directing, controlling and coordinating of the procurement, development, integration, compensation, maintenance and separation of the human resources for the contribution on achieving individuals, societal and organizational goals (Decenzo & Robbins, 2005). This definition implies two levels of functions i.e. Managerial and Operative function respectively. These two functions are cost and revenue effectiveness. To measure the costs incurred in the process of employed human resources and received the incomes of their contribution in the enterprises, human resource accounting emerged.

Human Resource Accounting is the new branch of accounting. It follows the traditional concept that all expenditures on human capital formation is taken as the charge against the revenue of the period as it does not create any physical assets. But modern view is that cost incurred on any assets as human resources need to be capitalized as it provides benefits measurable in monetary terms (Sharma & Bohara, 2020). Hence, for the systematic, regular and scientific recording, summarizing and analyzing of human resources costs as well as for making reasonable decision human resource accounting has been emerged in the field of management.

Generally, it is the managerial technique which helps the management to identify cost for HR and considering its future economic value to the organization so that strategic business decisions can be taken regarding human resources and providing information to the stakeholders. If such accounting is not done, then the management runs the risk of taking decisions that may improve profits in the short run but it will cause immense long term impairment by reducing their productivity and by creating

salary distortions across the organizational structure in future. So, by the practicing of HRA an organization can be benefited in case of cost effectiveness, ensuring the best use of human resources, sound and effective basis for human asset control, providing information to the stakeholders about; how much value addition is created by the organization to country's human resource as part of the corporate social responsibility, enhancing the internal assets of the particular concern by considering the HR as assets and the productivity of human resources (Huq and Prince, 2012).

Though the practice of HRA is enough significant to implement in any organization but from 1960, the early stage of practicing, HRA is struggling and vague in the issues of acceptance over the world. When service sector started major contribution to a country's economy the significance of human assets got prominence. Knowledge sectors like Information Technology (IT), Banking, Teleservices and other intangible asset especially humans contributed highly in the creation of shareholder value. Intellectual powers of employees are the only major input to service sectors. The critical success factor for any knowledge based companies is its skilled and intellectual work force. Recording of every facet of Human Resources is essential to develop them. Thus, the study of HRA is prominent enough.

1.2 Problem statement

Sveiby (1997) argued that human capital, intellectual capital and structural capital concepts are similar to other assets. He also argued that organizations acquire Human Resources to generate future revenues, and therefore Human Resource should be considered when valuing a company by capitalizing instead of expensing them in the current period. Human Resource is one of the biggest assets of an organization. Unfortunately, there's no legal regulation in any of the organization 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 (Cherian & Farouq, 2013). It is fact that the 21st century is era of Human demand, countries those have labor quality ruling the world with dominant technology. Countries like china and Japan forerunners in technology advancement, is all result of work force performance. Hence whole world realized that human resource is the real investment into business ventures that should only catch and stick the success waves (Pandurangarao, Basha & Rajashekhar,

2013).(Kirfi& Abdullahi, 2012) concluded that professional and related standards are also capable of accommodating HRA practices especially with the growth of service sector in the economy and the manner in which convergence and harmonization of accounting practice grow stronger by the day. In other countries, there seems the practice of human resources accounting but in our nation, HRA is integrated with the financial, cost and management accounting. Adhikari (1999) argued that Nepalese Organization have a critical personnel management scenario, decision makers have not yet realized the value of the human resources for the organization. So, it is the challenging of the modern accounting scholars to bring in the full-fledged discipline in the field of Human Resource Accounting. It is the demand of the nation to develop in the field of specific human resource accounting. It is the time to talk with the Government, with the organization, with the accounting scholars, with the other parties to develop and implement to be practitioners in the field of Human Resource Accounting. Therefore, the present study has been focused on the following research question:

Research questions

- i. Are Nepalese Commercial Banks adopting the Human Resource Accounting?
- ii. How have Nepalese Commercial Banks been disclosing the accounts of Human Resource?
- iii. How should Nepalese Commercial Banks value the Human Resource, if they are not adopting modern foreign developed style?

1.3 Objectives of the study

Major portion of the capital are invested in the organizations for the human resources and all the achievements of the organizations are progressed, advanced due to braining strategically of human resources. But there evaluations are not taking into accounts. It is sadness to say that Nepalese Organizations are not keeping regularly, systematically and scientifically specially HR accounts. Because HR accounts are mentioned in financial accounts till. Therefore, the present study has been focused and stressed to achieve the following objectives:

- i. To assess the level of adapting Human Resource Accounting.
- ii. To identify the disclosing patterns of Human Resource Accounting.
- iii. To measure the value of human resource in modern foreign developed style.

1.4 Rationale of the study

Numerous studies have been carried out in different part of the world covering different aspect of Human Resource Accounting. Huq & Prince (2012) attempted to evaluate the present state of practicing HRA and to determine the barriers and remedies for implementing HRA practices in banking sector of Bangladesh. Kirfi and Abdullahi (2012) aimed at assessing possibilities for domestication of HRA practices in Nigeria. This paper discovered that, existing accounting practices lack regard to human resource as an asset and have significantly discovered the use of any or combination of measurement techniques in quantifying Human resource let alone reporting it in Nigeria , it also established that HRA practices practice will enhance the completeness and quality of financial reporting in Nigeria by providing more information on real value of companies to investor and other stakeholders for rational decision making. Pandurangarao, Basha and Rajasekhra (2013) carried out a study to examine the methods and models followed by the Indian firms/ companies for the Human Resource Accounting. The study shows that a few firms follow the proper methods of the Human Resource Accounting.

In the Nepalese context, the researcher has not been able to find the articles and thesis on the Human Resource Accounting. So, this study might be new in the Nepalese context. This study may familiarize about the HRA practices in Nepalese Commercial Banks. The present study pinch the certain organization to adopt the HRA through which organization will be able to value the manpower as well as they gain the competitive advantage.

1.5 Limitations of the study

The concept of Human Resource Accounting is only of recent origin. No standard Principles, procedures, methods are yet evolved. As such, only a few organizations attempted implementing Human Resource valuation and publishing the information as supplementary to their annual reports. The practices and methods followed are divergent. Due to the recent origin of the subject, the literature available is mostly at the concept level. However, every effort is paid to make the study useful for further research. The limitations of the present study are pointed below:

- i. This study lacks literatures specially in Nepalese sector about Human Resource Accounting.

- ii. This study covers only the commercial banking sector. So, this study may not be applicable in other sector.
- iii. Secondary data are collected of only past five years; that is from 2015/16 to 2019/20 from both bank.
- iv. Due to small sample size results of this study may not be generalized to all banking sector.

1.6 Organization of the study

The present study has been conventionally arranged into five chapters. They are as follows:

- i. Introduction: - Introduction chapter is the first chapter. In the introduction chapter, subject matter has been focused and problems being identified. Along with these, objectives, rationale, limitations and organization of the study has been fashioned.
- ii. Review of Literature: - Review of literature is the second chapter. In the second chapter, Theoretical review about Human resource accounting has done than after different relevant thesis and article has been surveyed.
- iii. Research Methodology: - In the third chapter, research design, population, sample, sampling design, sources of data, data collection procedure, data processing procedure data analysis method, research framework and definition of variables has been fashioned.
- iv. Results and Discussion: - In the fourth chapter, data presentation, analysis, interpretation, findings and discussion has been fashioned.
- v. Summary and Conclusion: - Summary and Conclusion is the last and fifth chapter which include summary, conclusion and implications.

CHAPTER-2

REVIEW OF LITERATURE

2.1 Introduction

Review of literature chapter includes theoretical review, review of previous works and research gap. Theoretical review includes meaning and definition of HRA, origin of HRA, objectives of HRA, cost of HR and human resource valuation models. Review of previous works includes review of journal articles and review of previous theses.

2.1.1 Theoretical review

Accounting concept is not the new phenomena. People started the accounting system with emerging the barter system. In the local market, gradually money evolved in the economy and started purchase and sale in the terms of money. People started to produce goods and services and people started the business. Before starting the business, ideas about business creates. Then the people take paper and pencils in the hands and start to account in the sense of what to do? When to do? Where to do? Who to do? Why to do? And how to do? What to invest there? How to procure these items? And how to gain finance there? These tendency of the business have been developing, practicing and experiencing new system of accounting day by day. The businessmen were using single entry system of accounting previously but after 1494, double entry system was developed by Lucas Pecioli of Italy. Nowadays most of the businessmen are using double entry system of accounting and very few businessmen and uneducated businessmen were adopting the single entry system. The business enterprises have been adopting, practicing and developing new policies, principles, methods forms in the field of financial accounting, cost accounting and management accounting experiencing into full fledge discipline. But in new era, these accounting system are lacking in the field of human resource accounting, social accounting, environmental accounting and forensic accounting. These are the new trends in accounting. One of them, the present study is focused on human resource accounting.

2.1.1.1 Meaning and definition of HRA

The words 'Human Resource Accounting' is made up of Human Resource and Accounting. Ravishankar & Mishra (1985) stated the term 'Human Resource' means

and includes all the living human beings of all sexes, all age-groups and all races and description living in a country from macro-view point. However, from micro view-point, it has a restricted meaning. It includes all the human beings having any direct or indirect transaction or contact with an organization. Human resource of an enterprise may be classified into various categories on the basis of the nature of transactions or contact. Thus, share holders, debenture-holders, depositors, suppliers, customers, employees may be the major human resource groups dealing with the organization. However, from the view-point of human resource accounting it is felt pertinent to further restrict the meaning of the term 'human resource'. Excluded from the term are, therefore, the external human groups like shareholders, debenture-holders, suppliers and customers. Thus for the purpose of human resource accounting, the term 'human resource' shall mean and include employees of all the categories (internal human-resources) working in an enterprise.

Agarwal (2004) stated that Human resource accounting is a system of treating the investment made by an enterprise in human resources as an asset. It is similar to principles of accounting system which is in practice. Just as financial accounting reflects the cost of capital assets like machinery and buildings. HRA reflects the cost invested in HR. This concept demonstrates that, the expenses of capital nature, like recruitment, training, welfare, amenities, etc., incurred by an organization on human resources, are an asset instead of an expense and should therefore, be considered as a part of the total assets of an organization. Thus human resource accounting shows the investment of the organization on its people and how the value of these people changes over time.

The American Accounting Association committee on Human Resource Accounting has defined it as the process of identifying and measuring data about human resources and communicating this information to interested parties.

Flamholtz (1999) defined human resource accounting as accounting for people as an organizational resources. It involves measuring the cost incurred by business firms and other organizations to recruit, select, hire, train, and develop human assets. It also includes measuring the economic value of people to organization. Baker(1974) suggested that human resource accounting is the term applied by the accountancy

professionals to quantify the cost and value of employees to their employing organization.

According to Knauf, “Human resource accounting is the measurement and quantification of human organization inputs, such as recruiting, training, experience and commitment of human resource. He considers HRA as an approach to value the amount spent on human assets from recruitment to the present situation.”

2.1.1.2 Origin of human resource accounting

First formal attempt to value the human being in monetary term was made by Sir William Petty as early as in 1691. Sir William Petty was of the opinion that labor was ‘The father of wealth’ and it must be included in any estimate of the national wealth. Further efforts in this connection were made by William Farr in 1853 and Earnest Engel in 1883.

Although human resource accounting is a relatively new field, its development has already passed through several discernible stage. According to Flamholtz (1999), The stage are pointed below:-

First stage: (1960- 1966): Introduction Stage

This stage was purely academic research based process wherein only factors driving the employee to better productivity were being considered. Leadership, personnel relations and corporate goodwill were also key elements.

Second Stage: (1966- 1971): Development and formulation of models of HRA

This was a crucial stage for the viability of the various research papers submitted in stage First. Feasibility analysis of the cost models and employee accountability were also key considerations. Overall this was an acid test to the practical application of the theory.

Third Stage: (1971- 1976): Growth of research for HRA

The next five years show a wide acceptability of the theory at international level by several MNC’s and also accreditations by various organizations.

Fourth Stage: (1976- 1980): Declining the interest for HRA

Due to lack of must deeper empirical research and also advent of several leading and established theories by eminent industrialists, this stage saw a decline of popularity at international levels.

Fifth Stage: (1980 onwards): Improvement of practices

This stage saw renewed vigour by several economists and capitalist to treat employee as an asset and not a machine. Making several amendments to the original draft of the theory, the basic ideology of 'employee-based accounting' resurfaced in the global dynamics.

2.1.1.3 Objectives of human resource accounting

The aim of human resource accounting is to depict the potential of human resource in monetary terms, while casting the organization's financial statements. The concept can be examined from two dimensions i.e. the investment in HR and another is the value of HR. The expenditure incurred for recruiting, selecting, staffing, training and developing the HR quality is the investment in HR. The fruits of such investment are increased productivity and profit to the organization. The yield that the investment generates is considered as the basis for HR value (Koirala & et.al, 2016).The main objectives of human resource accounting are given below (Gupta & Radhaswamy, 2002):-

- i. To provide quantitative information on human resources, which will help the managers as well as investors in making decisions.
- ii. To evaluate the return on investment of human resources.
- iii. To communicate the worth of human resources to the organization and society at large.
- iv. Human resource accounting helps the organization in decision making in the following areas.
 - Direct recruitment Vs Promotion
 - Transfer Vs Retention
 - Retrenchment Vs Retention
 - Impact on budgetary control of human relation and organizational behavior.
- v. To provide a determination of assets control i.e. whether assets are conserved, depleted or appreciated.

2.1.1.4 Cost of human resources

Human resource is considered as an asset, any expenditure incurred in the acquisition and accumulation of human resource will be treated as an investment. Cost of human resources represents sacrifice that will have to be incurred today to acquire and develop people in future. The costs of human resources are given below (Koirala & et.al, 2016):

- i. Acquisition cost: - Acquisition cost incurred in acquiring the right man for the right job at the right time and in the right quantity. Acquisition cost includes recruitment, selection, placement and socialization cost.
- ii. Training and Development cost :- Simply, training cost are incurred in providing the training to lower level employees and training given to higher level employee is known as management development cost.
- iii. Welfare cost: - Welfare cost is the most important cost which may enhance the production and productivity of employees. Welfare cost includes amenities within the organization and welfare outside the organization. Amenities within the organization includes temple, rest shelters and canteens, latrines and urinals, washing and bathing facilities, drinking water and occupational safety etc. and welfare outside the organization includes maternity benefits, medicals facilities, housing, recreational facilities, holiday homes and leave travel facilities etc.
- iv. Other Costs:- Other cost includes expenditure on employee safety, multi trade incentives and others.

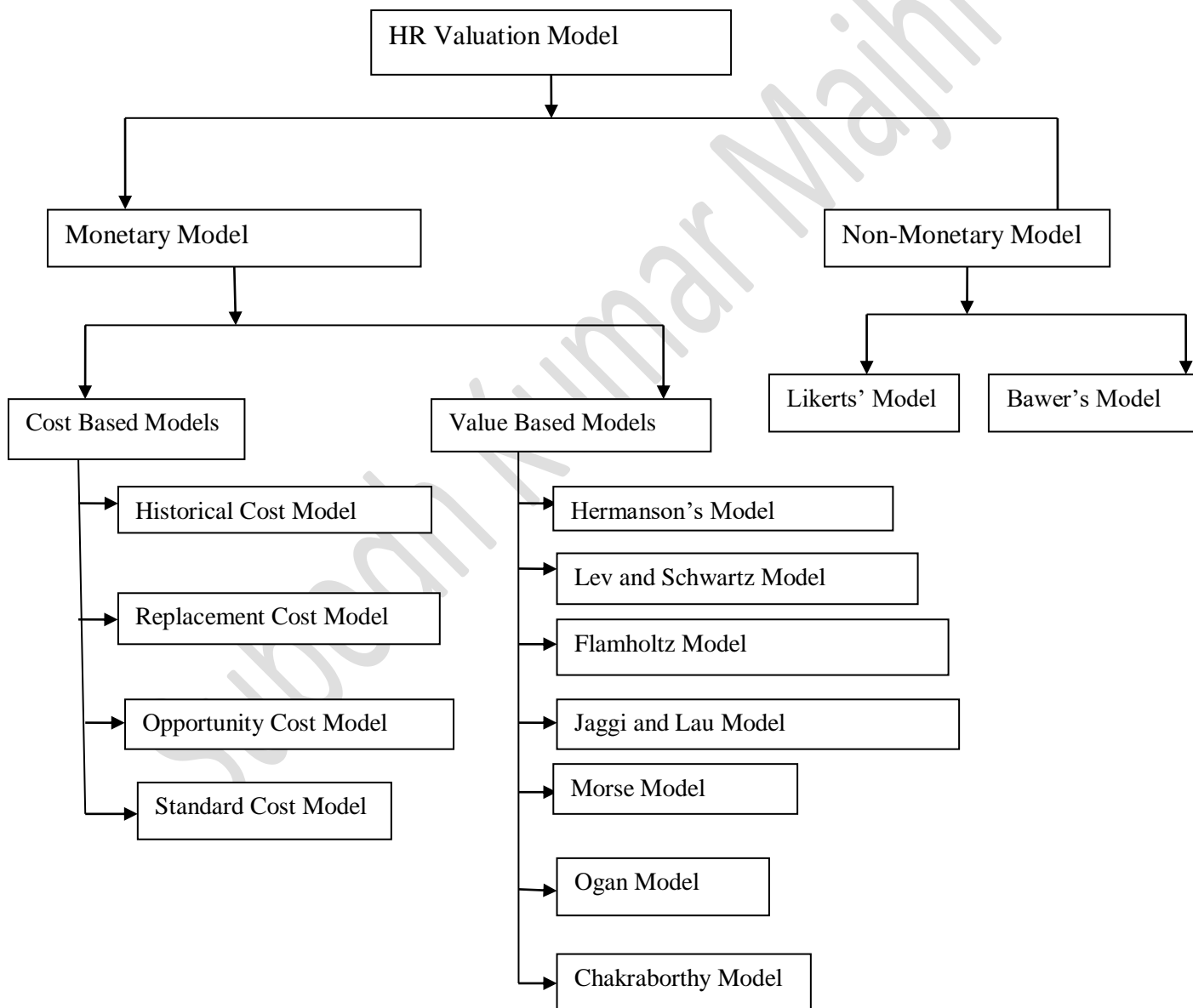
2.1.1.5 Human Resource Valuation Models

Agarwal (2004) stated that, With the ever expanding dimensions and growing complexities of business activities, increasing government monitoring in business affairs, pressing trade union demand for greater disclosure on human performance in business and emanation of scientific management within the organization there is a need to develop a system of accounting that account for men who are indispensable resources to an organization. For the last few decades, the accounting scenario across the world is much concerned with the valuation of human resources and reporting the same in the annual accounting statement. The academicians, practitioners and institutes in the accounting world are deeply engrossed in the issue and have shown an increasing interest in the application of the models, developed. Mangal & Jain (2002)

state that different types of models have been suggested by many thinkers. The studies reviewed here are those conducted by Hermanson (1964) Shultz (1960), William C. Pyle (1967), Brummet, et al. (1969), Rensis Likert (1967), Hekimian and Jones (1967), Lev and Schwartz (1971), Flamholtz (1971, 1972, 1973), Jaggi and Lav (1974), Gills and Robinson (1972), Morse (1973), Friedman and Lev (1974), Kenneth Sinclare (1978) etc. Myre's and Flower's (1974) and Chakroborty (1976) etc. All these models have been classified in the following Chart:

Figure 2.1

Human Resource Valuation Model



Source: Agarwal (2004) & Ramudu (2013).

A. Monetary models

The models which incorporate the monetary aspect are called monetary models. All these models can be classified into two major groups i.e.

- i. Cost based models
- ii. Value based models

i. Cost based models

Cost based model consists of historical cost model, replacement cost model, opportunity cost model, standard cost model. Each and every cost models are briefly discussed below:

a. Historical cost model

Brumnet, Flamholtz and Pyle (1968) have developed this model. It is on the basis of actual cost incurred on human resources. Such a cost may be of two types acquisition cost and learning cost.

Acquisition cost is the expense incurred on recruitment, selection; entire cost is taken into consideration including those who are not selected.

Learning cost involves expenses incurred on training and development. This method is very simple in its application but it does not reflect the true value of human assets. For example, an experienced employee may not require much training and therefore, his value may appear to be low though his real value is much more than what is suggested by historical cost method.

Under this approach actual cost incurred towards recruitment, hiring, training and developing human resources of the organization are capitalized and amortized over the future expected useful life of the human resources. Certain part of costs will be written off in proportion to the income of the future years which those human resources will provide service.

When these human assets are prematurely liquidated, the amount not written off is charged to income of the year in which such liquidation takes place. When the useful life of the human resource is considered to be longer than originally expected, revisions are to be effected in the amortization schedule. The historical cost of human resource is almost similar to the book value of the other physical assets. The

additional costs incurred in training and developing is capitalized and is amortized over the remaining working life of the employee. The unexpired value is investment in human assets.

b. Replacement cost model

This model has been propounded by Rensis Likert & Eric G. Flamholtz in 1973. This is a measure of cost to replace a firm's existing human resources. Human Resources are to be valued on the assumption that a new similar organization has to be created from scratch and the cost to the firm is calculated if the existing resources were required to be replaced with other persons of equivalent talents and experience. It takes into account all costs involved in recruiting, hiring, training and developing the replacement to the present level of efficiency.

As against historical cost methods which take into account the actual cost incurred on employees, replacement cost takes into account the notional cost that may be required to acquire a new employee to replace the present one. Replacement cost is generally much higher than the historical cost. For example, Friedman has estimated that the replacement cost of an executive in middle management level is about 1.5 to 2 times the current salary paid in that position.

Replacement cost is much better indicator of value of human assets though it may present certain operational problems. For example, true replacement of a person may not be found easily with whose cost the valuation is done.

This approach is more realistic as it incorporates the current value of the organization's human assets in its financial statements prepared at the end of the year. Costs incurred by an organization in replacing a terminated employee are defined as replacement cost like the following –

- Communication of job ability
- Pre-employment administrative functions
- Interviews
- Testing
- Staff Meetings
- Travel Cost
- Employment Medical Examination

c. Opportunity Cost Model

Heckiman and Jones first advocated this approach. This is also known as “Market Value Method”. This method of measuring the value of human resources is based on the economist’s concept of ‘opportunity cost’.

Opportunity cost is the value of an asset when there is an alternative opportunity of using it. In this method there is no opportunity cost for those employees who are not scarce. As such only scarce people should form part of the value of human resources. The employee is considered as scarce only when the employment in one division of an individual or group denies this kind of talent to another division.

Thus the opportunity cost of an employee in one department is calculated on the basis of offer made by another department for the employees working in this department in the same organization.

d. Standard cost model

This model has been suggested by David Watson. According to him standard costs of recruiting, hiring, training, and developing per grade of employees are determined year after year. The standard cost so arrived at for all human beings employed in the organization is the value of human resources for accounting purposes. This approach is easy to explain and can work as a suitable basis for control purposes through the technique of analysis. However, determination of the standard cost for each grade of employee is a ticklish process.

ii. Value based model

Value based model consists of Hermanson’s Model, Lev and Schwartz Model, Flamholtz Model, Jaggi and Lau Model, Gills and Robinson's Model, Morse Model, Ogan Model, Chakrobarty Model. Dasgupta Model, Watson Model, Dave's Model, Maheshwari's Model. Each and every value models are briefly discussed below:

a. Hermanson model(1964)

Hermanson gave Adjusted Discounted Future Wages Model for human resource valuation. It is based on the assumption that the differences in the profitability of the firms are due to the differences in the efficiency of the employee. It thus, relates the valuation of human resources with the extra profits the firm earns over and above the normal industry's expectations. An employee's value to the organization is the

discounted future wage stream adjusted for the efficiency ratio. The discounted future wage stream is the present value of wage payments to human resource for the succeeding five years using a normal rate of return in industry. Efficiency ratio is the weighted average ratio of actual average earnings of the firm to average normal earnings of all the firms in industry for last five years where weights are given in reverse order, highest weight 5 is given to current year and lowest weight 1 is given to preceding fourth year.

b. Lev and Schwartz model (1971)

Baruch Lev and Aba Schwartz developed the Present value of Future Earnings Model. The authors developed this model stating that value of human resource is the present value of his earnings in the remaining years of his employment with the organization. It is also called Capitalization of Salary Method. It is assumed that there is significant relationship between employee's salary (earnings) and his value to the firm. The total workforce is divided into homogeneous groups on the basis of age, skills, designation, tasks etc. and average annual earnings stream till their retirement is determined for each group. The earnings of each group are discounted at rate of cost of capital; the total present value of earnings of all the groups is the capitalized future earnings of the firm as a whole which represents the value of human resource.

They have given the following formula for calculating the value of an individual.

$$V_r = \sum_{t=r}^T \left\{ \frac{I(t)}{(1+r)^{t-r}} \right\}$$

Where,

V_r = the value of an individual r years old

$I(t)$ = the individual annual earnings up to retirement

r = a discount rate specific to a person

t = retirement age

c. Flamholtz model (1971)

This model has been suggested by Flamholtz (1971). This is an improvement on 'present value of future earnings model' since it takes into consideration the possibility or probability of an employee's movement from one role to another in his career and also of his leaving the firm earlier, that his death or retirement.

According to this model, the ultimate measure of an individual's value to an organization is his expected realizable value. Expected realizable value is based on the assumption that there is no direct relationship between cost incurred on an individual and his value to the organization at a particular point of time. An individual's value to the organization can be defined as the present worth of set of future services that the expected to provide during the period he remains in the organization.

Flamholtz has given the variables affecting an individual's expected value {IERV}: individual conditional values and his likelihood of remaining in the organization. The former is function of the individual's abilities and activation level, while the later is a function of such variables as job satisfaction, commitment, motivation and other factors. The model suggests a five-step approach for this purpose –

- i. Determination of the period for which a person is expected to serve the organization.
- ii. Identification of 'service states' (i.e. roles or posts) that the employee might occupy during his service career including the possibility of his quitting the organization.
- iii. Estimation of the value derived by the organization when a person occupies particular position. Such value can be determined either by multiplying the price of the services with the quantity of the services to be rendered or the income expected to be derived from the services to be rendered.
- iv. The total value of the services derived by the organization by different employees or group of employees is determined. The value thus arrived is discounted at a predetermined rate to get the present value of human resources.

d. Jaggi and Lau model

Jaggi and Lau (1974) suggested valuation of human resource on group basis where group means homogeneous group of employees who might not be working in the same department. The Flamholtz's model was restated using groups instead of individuals because it is easier to predict the percentage of people in particular group who are likely to leave the organization or get promoted than to predict the same for

an individual. The authors make an assumption of constant pattern of career movement and probabilities for one year are extended to future periods.

e. Morse model

Morse (1973) developed Net Benefit Model and valued human resource as present value of net benefits derived from employees by an organization. It involves determining gross value of services expected to be received from employees in individual and collective capacity and of and the future payments to him. Net benefit derived from an employee is excess of benefits over payments. The present value of net benefits is determined by discounting it at a pre-determined rate usually the cost of capital. Such present value for all the employees of the organization represents the HR value.

f. Ogan model

Ogan (1976) argued that the value of human resource is the present value of certainty equivalent net benefits of all the employees. Net benefits are the excess of the expected benefits over its total cost. The certainty factor is the probability of employee remaining with the organization which is determined by his probability of continuation and survival. The product of net benefits and its certainty factor yields certainty equivalent net benefits. The present value of certainty equivalent net benefits of all the employees gives the value of human resource of an organization.

g. Chakraborty model

Chakraborty (1976) developed the Aggregate payment approach for human resource valuation. He valued HR in aggregate and not on individual basis and recommended separate valuation of managerial and non-managerial HR. The value of HR group is determined by the product of average salary of group and average tenure of employment of an employee of that group. The salary grade structure and the promotion schemes of firm would determine the average salary payments of the group. The present value of expected payments is computed by taking expected average after tax return on capital employed over average tenure as the discount rate. The total HR value is sum of expenditure on recruitment, selection, training and development and the present value of salary payments of all the groups of employees. The HR value should be shown under the head Investments on the asset side of the Balance Sheet. Also, the author advocated that the costs of recruitment, selection,

training and development of each employee should be shown separately and be treated as a deferred revenue expenditure that should be written off over the estimated average working tenure of the employee with the organization. The deferred revenue balance should be shown in the balance sheet of firm. In case an employee leaves firm or dies or is retrenched pre-maturely, then his balance of deferred expenditure should be written off against the profits of the year of exit itself.

B. Non- monetary model

The models which are dominated by behavioral variables can be classified as non-monetary models. The non-monetary model is given below:

Likert and Bowers (1968) developed HR valuation model in which measurement of human resource value is done as a group to the organization. The authors have classified human variables into three categories namely, Casual variables, intervening variables and end result variables. The casual variables are independent variables that can be altered by management like organizational structure, leadership styles, managerial behavior etc. The intervening variables reflect internal performance capabilities and health of the organization like motivation, perceptions, loyalty, commitment etc. required for effective decision-making, communication. The end result variables are dependent variables that reflect the results achieved by an organization like productivity, revenue, costs, earnings, market share etc. The authors argued that a change in casual variables result in changes in intervening variables that produce change in end result variables. If a relationship between these three variables can be determined, then earnings trend can be predicted which can then be discounted to compute present value of firm and its HR.

2.2 Review of previous works

Although there has been a significant interest in Human Resource Accounting in recent years, there is lack of studies regarding the human resource accounting practices in Nepalese commercial bank. But foreign scholars, researchers have done a numerous of research on the human resource accounting. So, present study has been based on the international articles and dissertations.

2.2.1 Review of journal articles

Mamun (2009) concluded that Human Resource Accounting Information of an organization is very important factor to decision makers in the era of knowledge based economy. As a result, each organization takes serious attempt to disclose its HRA information to insiders and outsider decision makers. In fact, it is becoming an integral part of management report. This study initiates to reveal the relationship between corporate attributes and HRAD of listed companies in Bangladesh. Its results shows that company size significantly associated with HRAI, which leads the conclusion that larger companies with higher market value discloses more HRA information than smaller companies. The possible reason for the result could be that large companies in DSE are motivated to disclose more HRA information in their annual report to uphold their market value. In addition, the results also find the financial companies are disclosing HRA information than non financial companies and company's profitability positively influences companies to report the information in their annual report. It indicates highly regulated financial companies are disclosing more HRA information than non-financial companies. Hence, regulation structure in Bangladesh is enhancing the disclosure practice particularly in the area of HRA. In contrary, the study does not find any relationship between the age of the company and HRAD. It indicates that companies' listing length is not a matter for the company to disclose HRA information. Though the paper finds some association of corporate attributes with HRAD, the level of disclosure of the listed companies are not so high. The mean disclosure value 25% shows that listed companies in Bangladesh disclose only one fourth of the selected HRA disclosure items.

Huq & Prince (2012) stated that success and failure of corporate undertaking purely depends upon human resources. Now-a-days human resource is a prime concern for all the institutions especially for financial institutions as they have required investing a huge amount of capital. In this context, it is worthwhile to examine human resource accounting practices in corporate sector i.e. banking sector in Bangladesh. The commercial banks in Bangladesh are a long way from the touch of proper practicing of human resource accounting. In addition, banking sectors of Bangladesh are often alleged as too vague in the issues of practicing human resource accounting along with a series of problems to implement. But, if the banks can formulate standards according to their priority basis to compare the actual performance, undertake training

and development programs for better understand the utility of practicing HRA, Bangladesh Bank provides guidelines towards to practicing HRA, IASB issues a standard for implementing HRA, then the problems of practicing HRA can alleviate soon and commercial banks in Bangladesh may continue to boost the economy.

Kirfi & Abdullahi (2012) concluded that lack of regard of human resource as an asset has significantly discouraged the use of any or a combination of measurement technique(s) in properly quantifying human resource let alone reporting it. Considering the internationalization of various practices typical of corporate behaviors through the instrumentalities of international best practices, HRA is practicable in Nigeria. This is given the flexible nature of principles and rules guiding accounting profession in the country. Professional and related standards are also capable of accommodating HRA practices especially with the growth of service sector in the economy of Nigeria and the manner in which convergence and harmonization of accounting practice grow stronger by the day.

Rao & et.al (2013) concluded overall, even valuing human resources appear to be important to Indian organizations, most organizations do not value their human resources and plans to implement valuation of human resources are at a very early stage. Despite the interest in valuation there will be little or moderate progress in the area over the next five to ten years. In order to show greater progress, more needs to be done at both the theoretical and practical level. More search into valuation methods and models, and the practical implication of these, is needed together with the engagement of both human resource and accounting professionals in the debate on valuation and its implementation in practice.

Okeke (2015) suggested that Human capital accounting is essentially, the identification and recognition in specific terms, of the human value in organizational productivity. In the context of research and scholarship, it possesses multidisciplinary trajectories. In empirical terms, its import is contentious. Indeed, a literature review may not be an exhaustive documentation. However, it must highlight the essential aspects of the critical developments in the subject matter or topical issue. It must be authoritative enough to uncover the shortcomings of earlier studies and furthermore, show the strengths of the influential types of such previous researches. Invariably, a good literature review would chart a course for future investigations. In precise terms,

a literature review of some significance is expected to expose the gaps in extant literature. It is principally from such gaps that further researches are framed. Consequently, this study has attempted to conform to the foregoing requirements of an impactful investigation. The study is concluded by stating that the empirical import of human capital (human resource accounting) will be difficult to convincingly establish and universally recognized. This study has further highlighted these difficulties and recommends that further investigations be continued from here, in strongly determining beyond alluring theorizations, the empirical importance of human capital accounting.

Rani (2016) concluded that, a large body of theoretical and empirical research has been done on human resource accounting disclosures, human resource accounting models and measurement for assessing the human resources. Human Resource Accounting has fewer acceptances by business world. But previous study have shown and debated various magnitudes related to valuing human resource which defines that human resource accounting is inevitable for every business and these businesses should valuing their human resources . For accounting human resources, different models have been developed which are helpful to identify and report investment made in the human resource of an organization that are not presently accounted for under conventional accounting practice. On the behalf of accounting bodies, government agencies and regulatory bodies there is a need to come forward and issue guidelines of accounting in relation to disclosures being more objective and user worthy. The scope of the further study is in how the technology of HRA can be adapted and broadened to the measure of different types of intellectual property.

Prajapati & et al. (2016) Now a day's organization should be consider employees as an assets, through them organization will progress. Every organization is working for the betterment of their stakeholders and that can be achieved through their human resource. Human resource accounting is developing concept in the field of accounting. Human resource accounting is present the new way of thinking and consider human as an assets. It is providing information to the organization about what received from investment made in human resource. Human is different from other resource so how organization use and how to treat is most important. It has certain issues, challenges and problems in implementation of human resource

accounting which can be resolved through more research in this field. So that human resource value can be put in a more appropriate way in the financial statement.

Jain (2017) suggested that there is a need to spread awareness about the implementation and benefits derived from HRA practices among both the employers and employees. Governmental and professional bodies should take steps to establish specific rules and regulations for valuing and reporting human resources. In order to encourage the implementation of Human Resource Accounting, there is a need to reach a consensus regarding the best valuation model for the measurement of human resource, an appropriate discount rate, best method for determining the future earnings of, benefits derived from employees by the firm, to spread the awareness regarding the need of HRA, greater recognition of HRA practices by governmental organizations, tax authorities and International Accounting Standards Board.

2.2.2 Review of previous theses

Agarwal (2004) conducted the study entitled “Human Resource Accounting practices in Indian Companies”. The objectives of her study are as follows:

- i. To make a survey of available literature on the subject as a whole.
- ii. To review the conceptual framework of human resource accounting at length.
- iii. To highlight the various monetary and non-monetary models of human resource accounting.
- iv. To examine the application and progress of human resource accounting in public sector companies in India.
- v. To study the application of human resource accounting practices in private sector companies in India.
- vi. To suggest guidelines and recommend a long range strategy to adopt human resource accounting in Indian companies.

The main findings of the study, as emerging from the foregoing analysis of HRA practices in Indian companies, clearly indicate that HRA has not been introduced so far as a system in India. The Indian Companies Act, 1956 does not require furnishing of any significant information about human resources in financial statements of companies.

Moreover, the Institute of Chartered Accountants of India (ICAI) has so far issued 29 Accounting Standards on different technical aspects of accounting but it has not been

able to bring any definitive accounting standard for measurement and reporting of cost and value of HR of an organization. HRA is necessary to disclose what is happening to the energy of human beings and what is their value for management, and to find out the productivity of investment on human beings in an organization. It is the scaling tool that generates and reports quantitative control information about the contribution of HR for promoting industrial productivity. The application and usefulness of HR measurement will largely depend on the future efforts and experiments to be made by practicing managers, accountants and academicians. The application of HRA, to be effective, will also need support from the professional bodies and Government.

In the absence of HRA, the management may not realize the negative effects of certain programs aimed at improving profits in the short-run. Such programmes may result in decreased value of human assets due to fall in the productivity levels, high labour turnover, low morale, etc. Undoubtedly success of an organization very much depends on the quality of workforce at all levels. The success stories of BHEL, ITC, Hindustan Lever, Larsen & Turbo, Infosys Technologies Ltd., Satyam Computer Services Ltd. And several other enterprises are largely due to the emphasis on HRD. It is noted, after going through the latest literature on the subject and practices of HR information, that there is no uniformity in professional areas as to which information must be provided in financial statements. Also, there is a wide gap in disclosure of HR information in the financial statements of different companies. In addition to the aforementioned general remarks, there are some specific findings of this study with regard to HRA practices of all sample companies. These particular findings are as follows:

The BHEL, SAIL and MMTC evaluated their HR on the basis of the Lev and Schwartz model. Moreover, BHEL provided detailed HR information in the Annual Reports till the year 1992-93 only. But from 1993-94 onwards the valuation of HR has been discontinued. Now, only brief HR information and human cost summary is published in Annual Reports of BHEL. SAIL also sailed in the same boat up to the year 1993-94 and thereafter the practice of valuation has been given up. It is now reporting only limited information on HR. It has discontinued the valuation of HR in financial statements. The MMTC has also joined the race with effect from 1998-99.

The categorization of employees in all these three companies has been condensed ever since they discontinued the HR valuation. Thus, now only 2 sample public sector companies out of total of 5 surveyed for the study are evaluating their HR and furnishing this information in financial statements. On personal query, the enterprises which discontinued the HRA practice, told the scholar that now only relevant disclosure is made in financial statement. Excessive human disclosure is not at all binding either under the Indian Companies Act, 1956 or under the requirements of any other Accounting Body. Apart from this, the officials also told that publication of detailed HR information made their Annual Reports bulky. It will also not be wrong to say that now the wave of liberalization, privatization and globalization is going to bury Indian Public Enterprises. These enterprises are gradually losing their own existence. Hence, their HR is also bound to suffer. It is evident from the fact that not only the number of the employees in all public sector companies has decreased but also there is regular takeover of one or other enterprises by the private sector enterprises.

On the contrary, private sector in India has become an emerging sector with regard to disclosure of adequate information regarding human resources. Due to ever expanding development, the number of employees is increasing in private sector in India. It is evident from the survey of two private sector companies, namely, Infosys Technologies Ltd. and Satyam Computers Services Ltd. where the number of employees has been increasing continuously. The value of employees is also multiplying each year. Both the sample companies have been disclosing adequate information of HR in their Annual Reports. It has also been observed that, in general, traditional, accountants have paid greater attention to money, material, machinery and other physical resources in enterprise accounting as compared to HR. Whatever is spent on acquisition, training and development, maintaining, placement, transfer, replacement etc of HR by a firm has been generally treated as revenue expense by the accountants. No part of the cost of HR is generally capitalized and shown on a Balance Sheet as an Asset. They have always been very conservative in their approach towards treatment of HR. But, simultaneously it is not wholly true to say that they have completely failed to recognize the value of HR. The study reveals the need for modifications and improvements in the present system of HRA.

2.3 Research gap

Numerous studies have been carried out in different part of the world covering different aspect of Human Resource Accounting. Huq & Prince (2012) attempted to evaluate the present state of practicing HRA and to determine the barriers and remedies for implementing HRA practices in banking sector of Bangladesh. Kirfi and Abdullahi (2012) aimed at assessing possibilities for domestication of HRA practices in Nigeria. This paper discovered that, existing accounting practices lack regard to human resource as an asset and have significantly discovered the use of any or combination of measurement techniques in quantifying Human resource let alone reporting it in Nigeria , it also established that HRA practices practice will enhance the completeness and quality of financial reporting in Nigeria by providing more information on real value of companies to investor and other stakeholders for rational decision making. Pandurangarao, Basha and Rajasekhra (2013) carried out a study to examine the methods and models followed by the Indian firms/ companies for the Human Resource Accounting. The study shows that a few firms follow the proper methods of the Human Resource Accounting.

In the Nepalese context, the researcher has not been able to find the articles and thesis on the Human Resource Accounting. So, the present study has been focused on the practices of Human Resource Accounting in Nepalese Commercial Bank. In that perspective, this study might be the first and fresh so far we know. There might be some unpublished action researches in HRA but they were not available in public sources.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology chapter includes research design, population, sample selection and size, data collection procedure, data processing and data analysis method, meaning and definition of variables, meaning and definition of accounting and statistical tools used.

3.2 Research design

The present study has been based on the descriptive research design for the Human Resource Accounting Practices in Nepalese Commercial Bank. To describe the prevailing situation about Human Resource Accounting practices descriptive research design has been used.

3.3 Population, sample and sampling design

There are all total twenty seven commercial bank in Nepal. These all twenty seven commercial banks are the population (Universe).

Out of twenty-seven commercial bank, only two commercial banks are selected for the study. Judgemental sampling of non-probability sampling method is taken into consideration. Standard Chartered Bank Nepal Limited is the only international bank currently operating in Nepal with 15 points representation and 535 local staff and Nabil Bank Limited is the first foreign joint venture bank of Nepal, incorporated with the objective of extending international standard modern banking services. In this endeavor, Standard Chartered Bank Nepal Limited and Nabil Bank Limited are selected as sampled organization to study the Human Resource Accounting practices.

Table 3.1

Commercial Banks of Nepal

S. No	Bank Name	Operation Date (A.D)	Head Office
1.	Nepal Bank Limited	1937-11-15	Dharmapath
2.	Agriculture Development Bank	1968-01-21	Ramshahpath
3.	Nabil Bank Limited	1984-07-12	Beena Marg
4.	Nepal Investment Bank Limited	1986-03-09	Durbarmarg
5.	Standard Chartered Bank Nepal Ltd.	1987-02-28	Nayabaneshwor
6.	Himalayan Bank Limited	1993-01-18	Kamaladi
7.	Nepal SBI Bank Limited	1993-07-07	Kesharmahal
8.	Nepal Bangladesh Bank Limited	1994-06-06	Kamaladi
9.	Everest Bank Limited	1994-10-18	Lazimpat
10.	Kumari Bank Limited	2001-04-03	Durbarmarg
11.	Laxmi Bank Limited	2002-04-03	Hattisar
12.	Citizens Bank International Ltd.	2007-04-20	Narayanhitipath
13.	Prime Commercial Bank Limited	2007-09-24	Kamalpokhari
14.	Sunrise Bank Limited	2007-10-12	Gairidhara
15.	Century Commercial Bank Ltd.	2011-03-10	Putalisadak
16.	Sanima Bank Limited	2012-02-15	Nagpokhari
17.	Machhapuchchhre Bank Limited*	2012-07-09	Lazimpat
18.	NIC Asia Bank Limited*	2013-06-30	Thapathali
19.	Global IME Bank Limited*	2014-04-09	Panipokhari
20.	NMB Bank Limited*	2015-10-18	Babarmahal
21.	Prabhu Bank Limited*	2016-02-12	Babarmahal
22.	Siddhartha Bank Limited*	2016-07-21	Hattisar
23.	Bank of Kathmandu Limited*	2016-07-14	Kamaladi
24.	Civil Bank Limited*	2016-10-17	Kamaladi
25.	Nepal Credit and Commerce Bank Ltd.*	2017-01-01	Bagbazar
26.	Rastriya Banijya Bank Ltd.*	2018-05-02	Singhadurbar Plaza
27.	Megha Bank Limited*	2018-05-13	Kamaladi

Source: Investopaper

Note: * in table indicates joint operation date after merger

3.3.1 Introduction of sampled banks

The introduction of Standard Chartered Bank Nepal Limited and Nabil Bank Limited are presented below:

i. Standard Chartered Bank Nepal Limited (SCBNL)

Standard Chartered Bank Nepal Limited has been in operation in Nepal since 1987 when it was initially registered as a joint venture operation. SCBNL is an integral part of Standard Chartered Group having an ownership of 70.21% in the company with 29.79% shares owned by the Nepalese public. The Bank is the only international bank currently operating in Nepal. With 15 points of representation and 535 local staff, Standard Chartered Bank Nepal Limited is serving its clients and customers through a strategic domestic network. In addition, the global network of Standard Chartered Group enables the Bank to provide truly international banking services in Nepal. Standard Chartered Bank Nepal Limited offers a full range of banking products and services to a wide range of clients and customers representing individuals, mid-market local corporates, multinationals, large public-sector companies, government corporations, airlines, hotels as well as the development organizations segment comprising of embassies, aid agencies, bilateral entities, multilateral entities, non-government organizations and international non-government organizations. The Bank has pioneered "client-focused" products and services and aspires to continue its leadership in introducing new products. It is the first bank in Nepal to implement the Anti- Money Laundering policy and to apply the 'Know Your Customer' procedure on all the customer accounts. The Bank believes in delivering shareholder value in a socially, ethically and environmentally responsible manner. Standard Chartered, throughout its long history, has played an active role in supporting those communities in which its customers and staff live.

ii. Nabil Bank Limited (NBL)

Nabil Bank Limited, the first foreign joint venture bank of Nepal, started operations in July 1984. NBL was incorporated with the objective of extending international standard modern banking services to various sectors of the society. Pursuing its objective, NBL provides a full range of commercial banking services through its 19 points of representation across the kingdom and over 170 reputed correspondent banks across the globe. NBL, as a pioneer in introducing many innovative products and marketing concepts in the domestic banking sector, represents a milestone in the

banking history of Nepal as it started an era of modern banking with customer satisfaction measured as a focal objective while doing business. Operations of the bank including day-to-day operations and risk management are managed by highly qualified and experienced management team. Bank is fully equipped with modern technology which includes ATMs, credit cards, state-of-art, world-renowned software from Infosys Technologies System, Bangalore, India, Internet banking system and Tele banking system.

3.4 Sources of data and data collection procedure

The present study of “Human Resource Accounting Practices in Nepalese Commercial Bank” is fundamentally based on primary and secondary both sources of data. Primary data are collected through structured questionnaire. Structured questionnaire is send to the head office of standard chartered bank and Nabil bank and questionnaire were answered by the Human Resources Manager only and secondary data are collected from annual reports of both banks. In addition, answers on certain queries made to the staffs of concerned organization also assists in data collection procedure. The researcher has also consulted the library to gather necessary data and information during the course of study.

3.5 Data processing procedure and data analysis method

To measure the status of human resource accounting practices in Nepalese commercial bank five indicator have been used and each indicator have 3 sub indicators except indicator fifth. It means altogether there are 13 indicators. In the study a Human Resource Accounting Disclosure Index (HRADI) comprising of 13 human resource accounting reporting variables was constructed by reviewing of relevant literature and which disclosure items the sampled banks are reporting. In examining each of them HRADI items, a dichotomous procedures was followed, where each bank was awarded a score of ‘1’ if the bank appears to have disclosed the concerned reporting variables and ‘0’ otherwise. The score of each bank was totaled and find the net score of the bank. And HRADI was then computed by using the following formula:

$$\text{HRADI} = \frac{\text{TotalScoreofIndividualBank}}{\text{MaximumPossibleScore}} \times 100$$

Examining the HRADI, the practices of human resource accounting in Nepalese commercial bank have found out. After that the trend of human resource accounting

in Standard chartered bank and Nabil bank were analyzed with the help of following tools.

- i. Percentage: Percentage is one of the most useful tools for the companies of two qualities or variables. Simply, the word percentage means per hundred. In other, the fraction with 100 as its denominator is known as a percentage and the numerator of these fractions is rate percent.
- ii. Pie Diagram: A pie-diagram is a widely used aid that is generally used for diagrammatic presentation of the values differing widely in magnitude. In these methods all the given data are converted into 360 degree and all components of the data are presented in terms of angles that total 360 degree for one set of data.
- iii. Bar Diagram and Graph: Diagrams and graphs are visual aids which give a bird's eye view of a set of numerical data which show the information in a way that enables us to make comparison between two or more than two sets of data. Diagrams are in different type. Out of these various types of diagram, one of the most important form of diagram presentation of data is simple bar diagram.

And the valuation of human resources should be done by using the Lev and Schwartz model. Baruch Lev and Aba Schwartz developed the Present value of Future Earnings Model. The authors developed this model stating that value of human resource is the present value of his earnings in the remaining years of his employment with the organization. It is also called Capitalization of Salary Method. It is assumed that there is significant relationship between employee's salary (earnings) and his value to the firm. The total workforce is divided into homogeneous groups on the basis of age, skills, designation, tasks etc. and average annual earnings stream till their retirement is determined for each group. The earnings of each group are discounted at rate of cost of capital; the total present value of earnings of all the groups is the capitalized future earnings of the firm as a whole which represents the value of human resource. They have given the following formula for calculating the value of an individual.

$$V_r = \sum_{t=r}^T \left\{ \frac{I(t)}{(1+r)^{t-r}} \right\}$$

Where,

V_r = the value of an individual r years old

$I(t)$ = the individual annual earnings up to retirement

r = a discount rate specific to a person

t = retirement age

3.6 Research framework and definition of variables

To measure the status of human resource accounting practice in banking sector five indicators have been used. These are as follows-

- i. Nature of HRA- This indicator is used to get the idea about the priority concern of banks towards practicing HRA.
- ii. Valuation of HR- This indicators focus on about the valuation of HR with help of cost approach, economic value addition approach or the other approach i.e. NPV approach or standard cost approach.
- iii. Financial statement and HRA- This indicator indicates the treatment of cost for HR (i.e. the cost for recruitment, selection, hiring, training and development of human assets). It also indicates whether the transparency and financial accounting disclosure followed by the bank or not about HRA.
- iv. Auditing Practice- This indicator indicates that the practice of auditing in consideration of HR.
- v. Enhancement program for practicing of HRA- It indicates the training program to make the people understand about the concept of HRA and make them cautious about the benefit for practicing HRA in the organizations.

These indicators are developed for the convenience of making this study more relevant and reliable (included with sub-indicators: details are provided in the table no-3.2) to get the idea of level of practicing HRA in Nepalese commercial bank. Indicators have been prepared in light of relevant issues of practicing HRA. Here an initiative has been taken to get idea whether any progress has taken place in the area of practicing HRA in Nepalese commercial bank or not.

Table 3.2

Variables of Human Resources Accounting Disclosure Index

Variables
1. Nature of HRA
1.1 Having the priority concern of banks towards practicing of HRA
1.2 Having any designated person assigned or any department in the Bank.
1.3 Having any isolated/separate segment of cost regarding HR
2. Valuation of HR
2.1 Cost Approach
2.2 Economic Value Approach
2.3 Others (Present Value Approach)
3. Financial statement and HRA
3.1 Income statement item
3.2 Balance sheet item
3.3 Transparency and financial accounting disclosure about HRA(Voluntary)
4. Auditing practices
4.1 Regular practices of auditing
4.2 Is there any emphasis to assess the value of HR?
4.3 Is there any practice of auditing about HRA?
5. Enhancement program for practicing of HRA

CHAPTER 4

RESULTS AND DISCUSSION

This chapter includes presentation of data and analysis of data to reach at a conclusion. The primary data are used to measure the practices of human resource accounting and valuation of human resources. The secondary data are used to identify the disclosing pattern of Human Resource Accounting and to analyze the human resource cost. The collected data are tested through only accounting and statistical tools. The purpose of the analysis is to achieve the objectives set in the chapter one.

4.1 Results

4.1.1 Practices of human resource accounting

To get the idea of level of practicing of Human Resource Accounting (HRA) in Standard Chartered Bank Nepal Limited (SCBNL) and Nabil Bank Limited (NBL) five indicators have been prepared in light of relevant issues of practicing HRA which has already been mentioned earlier in chapter three. However, to analyze the present state of practicing HRA the table no. 4.1 shows the responses of practicing HRA on each indicator.

Table and Figure 4.1 present the responses of Human Resource Accounting Practices on each indicator. In the indicator 1; Nature of HRA, both bank have scored 3 which shows that both bank have the priority concern towards practicing of HRA, there is also a separate department to record the HRA and also a separate segment to report a cost regarding HR. In the indicator 2; Valuation of HR, SCBNL scored 1 which shows that SCBNL is valuing there HR on the Historical Cost Method but Nabil Bank Ltd. Scored 2 which shows that Nabil Bank Ltd. Is valuing there HR on the Historical and Economic value approach. In the indicator 3; Financial statement and HRA, SCBNL scored 3 which shows that SCBNL depicts the HR cost in Income statement, Balance Sheet and it also have transparency in disclosing about HRA in Financial accounting but Nabil Bank scored only 2 which shows that Nabil Bank Ltd only shows HR cost on Income statement and Balance Sheet. In the indicator 4; Auditing Practices, Both bank scored 2 which shows that both bank have the regular practices of auditing and the emphasis to assess the value of HR but both bank does not have any practices of auditing about HRA. In the indicator 5; Enhancement program for

practicing of HRA, SCBNL have scored 0 which shows that there is no any enhancement program for practicing of HRA but Nabil Bank scored 1 which shows that there is enhancement program for practicing of HRA in strategy.

Table 4.1

Responses of practicing HRA

S.N.	Indicators	SCBNL	NBL
1.	Nature of HRA	3	3
2.	Valuation of HRA	1	2
3.	Financial Statement and HRA	3	2
4.	Auditing Practices	2	2
5.	Enhancement Program for Practicing of HRA	0	1
Total Score of Individual Bank		9	10

Human Resource Accounting Disclosure Index (HRADI)

$$= \frac{\text{Total Score of Individual Bank}}{\text{Maximum Possible Score}} \times 100$$

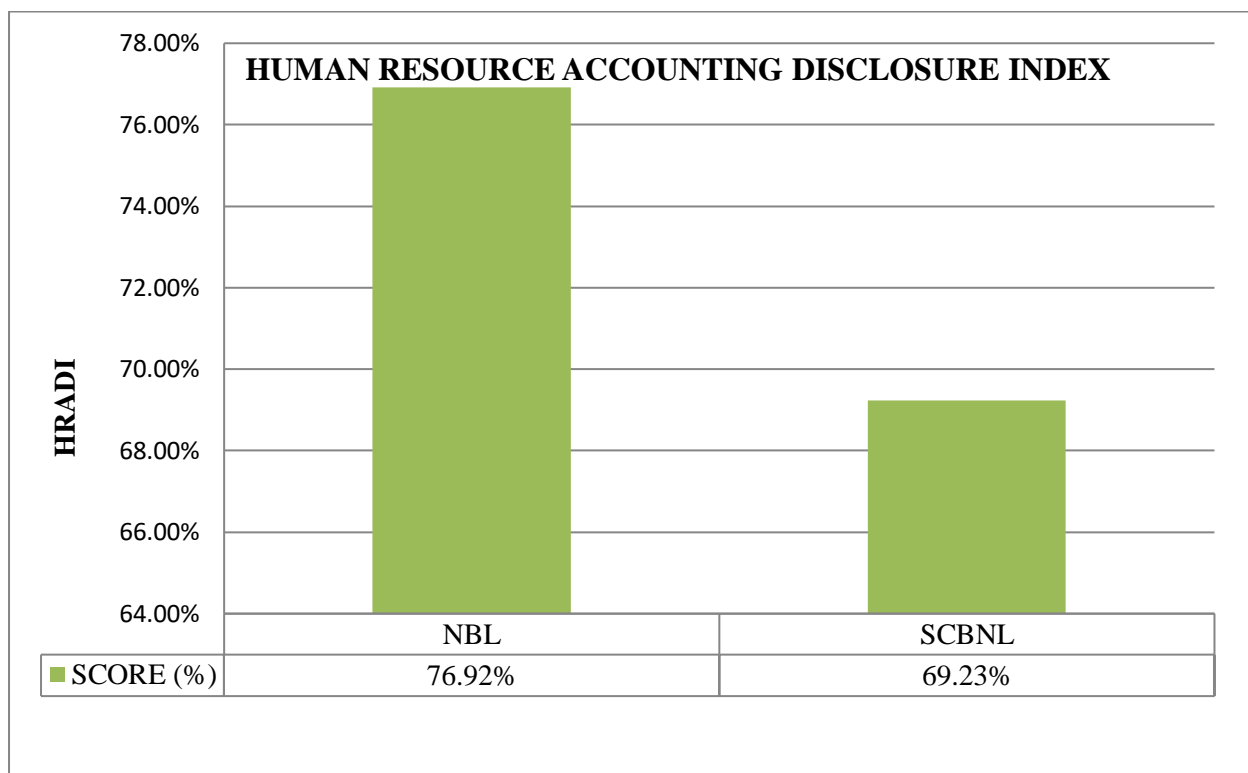
$$\text{HRADI of SCBNL} = \frac{9}{13} \times 100$$

$$= 69.23\%$$

$$\text{HRADI of NBL} = \frac{10}{13} \times 100$$

$$= 76.92\%$$

Figure 4.1

Human Resource Accounting Disclosure Index

After calculating the Human Resource Accounting Disclosure Index (HRADI) the SCBNL discloses 69.23% and Nabil Bank Ltd (NBL) discloses 76.92% about human resources accounting information. NBL discloses HRA 7.69% more than the SCBNL, however, the overall practice of HRA in both the bank has not been yet at the satisfactory level.

4.1.2 Human Resource Accounting Practices in SCBNL and NBL.

SCBNL and NBL both banks are licensed from Nepal Rastra Bank as class “ka” licensed institution. Especially for the financial institution (Bank), Human Resource is the prime concern. SCBNL and NBL have classified their human resources into six categories i.e. Chief Executive Officer (CEO), Senior Management Level, Management Level, Officer Level, Assistant Level, and Support Level employee. But the bank does not display age-wise and category-wise number of employee in their annual report.

The total human resources strength in SCBNL and NBL are 535 and 1,128 respectively in year 2019/20. Table 4.2 shows the trend of Human Resource Profile of SCBNL and NBL for last five years.

Table 4.2
Human resource profile, Year 2015/16 – 2019/20

Year	SCBNL (No. of Employees)	% Change	NBL (No. of Employees)	% Change
2015/16	435	-	791	-
2016/17	495	12.12	848	7.21
2017/18	485	-2.02	1005	18.51
2018/19	531	9.48	1080	7.46
2019/20	535	0.75	1128	4.44

Source: SCBNL and NBL's Annual Report 2019/20

Figure 4.2
Human Resource Profile

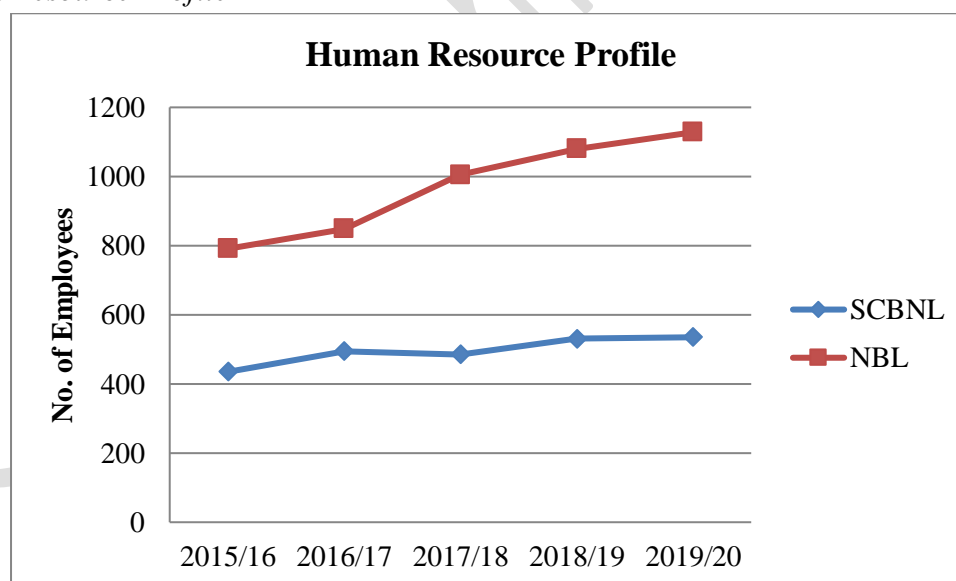


Table and figure 4.2 shows that the numbers of employees of SCBNL are steadily increasing through year 2015/16 to 2016/17 by 12.12% but in year 2017/18 the employees are decreased by 2.02%. This means that 2.02% employees left the SCBNL in 2017/18. It may be due to many reasons which is not clearly mentioned in the annual report. Again in year 2018/19 the employees of SCBNL are increased by

9.48% and in year 2019/20 the employees is increased by only 0.75% over the year 2018/19. In the table and figure 4.2 shows that the numbers of employees of NBL are steadily increasing by 7.21%, 18.51%, 7.46% and 4.44% over the year 2015/16 to 2019/20.

So, it can be concluded that recruitment and selection process are held in each and every year except in year 2017/18 in the SCBNL but in NBL recruitment and selection process are held in each and every year through the year 2015/16 to 2019/20.

Now the study is headed towards the financial statement. The financial statements have been prepared by both SCBNL and NBL in accordance with Unified Directive 4 issued by the Nepal Rastra Bank (The Central Bank of Nepal) and as per Nepal Financial Reporting Standard (NFRS) issued by Nepal Accounting Standard Board (NASB). The financial statement have been prepared on going concern basis and historical cost conventions except where the standards require otherwise treatment. The financial statement have been approved by the Board of Directors (BOD) in accordance with NFRS with allowed carveouts as issued by the NASB.

According to Nepal Accounting Standard (NAS-19): Employee Benefit: HR costs are divided into two part i.e. Short term employees benefits and Long term employees benefits. Short term employees benefits provided by banks are shown in income statement under heading staff or personnel expenses and long term employees benefits are shown in Balance Sheet under the heading of other assets with title deferred employee expenditure.

The costs incurred by the banks or the payments made to the human resources in a 12 months in return of their services should be written as personnel expenses are shown in income statement by both SCBNL and NBL. Personnel expenses includes salaries, Allowances, Gratuity expenses, Provident fund, Uniform, Training and Development expenses, Leave encashment, Medical, Insurance, Employee incentives, financial expenses under NFRS, Other expenses related to staff and employees bonus.

The personnel expenses of SCBNL and NBL are given in table no.4.3 for last five years

Table 4.3
Personnel Expenses, Year 2015/16 to 2019/20

Year	SCBNL (Rs)	% Change	NBL (Rs)	% Change
2015/16	488,289,822	–	932,355,986	–
2016/17	771,619,156	58.02	1,423,143,966	52.64
2017/18	997,877,304	29.32	1,727,709,299	21.40
2018/19	1,084,358,999	8.67	1,949,609,706	12.84
2019/20	1,104,235,572	1.83	2,009,677,804	3.08

Source: Annual Report 2015/16 – 2019/20.

Figure 4.3
Personnel Expenses

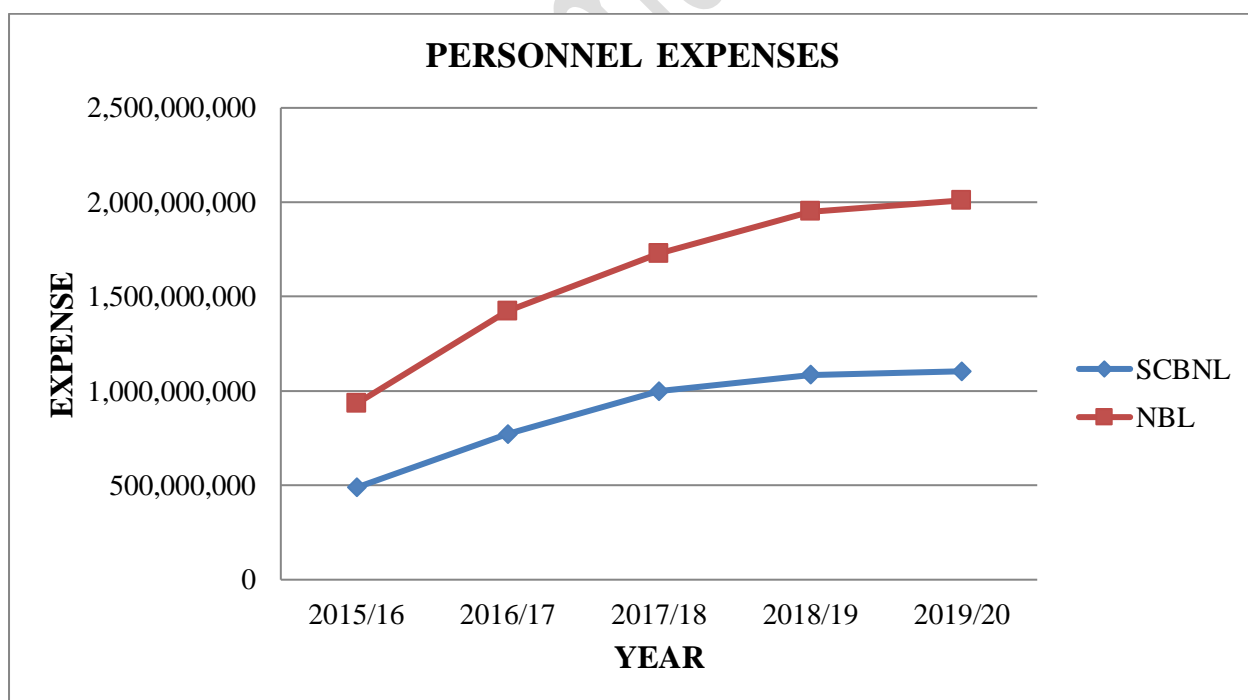


Table and figure 4.3 shows the personnel expenses of SCBNL and NBL. SCBNL shows the personnel expenses Rs.488,289,822 in year 2015/16. The expenses increased significantly to Rs.771,619,156 in 2016/17 registering a rise of 58.02% over 2015/16. It indicates that SCBNL have recruited 60 employees in year 2016/17 and

provide training and development to the new comers. SCBNL also provides 27% of total personnel expenses as bonus to its employees. In the year 2017/18 the personnel expenses rise by 29.32% over 2016/17 although 10 personnel of SCBNL left the job. SCBNL provides bonus 33.64% of total personnel expenses. In the year 2018/19 the personnel expenses rise by only 8.67% over the year 2017/18. SCBNL recruit 46 employees which is the main cause to increase in personnel expenses. In the year 2019/20 the personnel expenses rise by only 1.83% over the year 2018/19. It indicates that very few percent rise in personnel expenses than previous year and it's so because SCBNL recruit only four employees.

NBL shows the personnel expenses Rs.932,355,986 in the year 2015/16. The expenses increased significantly to Rs.1,423,143,966 in 2016/17 registering a rise 52.64% over the year 2015/16. Personnel expenses rise by 52.64% in the year 2016/17 that arouse out of additional recruitments of 56 employees, training and development expenses to the newly recruited employees. NBL also provide bonus 36.13% of total personnel expenses to its employees. In the year 2017/18 the personnel expenses rise by 21.40% over the year 2016/17 that arouse out of additional recruitment of 157 employees, training and development expenses to the newly recruited employees. NBL also provide bonus 36.38% of total personnel expenses to its employees. In the year 2018/19 the personnel expenses rise by 12.84% over 2017/18 that arouse out of additional recruitment of 75 employees, training and development expenses to the newly recruited employees. NBL had also provided bonus 34.43% of total personnel expenses to its employees. In the year 2019/20 the personnel expenses rise by 3.08% over the year 2018/19, that arouse out of additional recruitments of 48 employees, training and development expense to the newly recruited employees. NBL had also provided 28.17% bonus of total personnel expenses to its employees.

So, it can be concluded that the personnel expenses of the SCBNL are Rs.488,289,822 in the year 2015/16; which had been increased by 58.02%, 29.32%, 8.67% and 1.83% over the year 2015/16, 2016/17, 2017/18 and 2018/19 respectively and the personnel expenses of the NBL are Rs.932,355,986 in the year 2015/16; which had been increased by 52.64%, 21.40%, 12.84%, and 3.08% over the year 2015/16, 2016/17, 2017/18, 2018/19 respectively. The trend of personnel expenses of SCBNL and NBL are in increasing at a decreasing rate through the year 2015/16 to 2019/20.

Long term employee benefits include post employee benefits and other long term employee benefits. Post employee benefits includes retirement benefits, post employment life insurance and post employment medical care; other long term employee benefits includes long term paid absences such as long services leave or sabbatical leave; jubilee or other long service benefits, long term disability benefits and termination benefits these all benefits are shown as deferred employee expenditure in assets side of balance sheet. The trend of deferred employee expenditure of SCBNL and NBL of last five year are analyzed in table no. 4.4

Table 4.4

Deferred Employee Expenditure, Year 2015/16 to 2019/20

Year	SCBNL (Rs)	% Change	NBL (Rs)	% Change
2015/16	-	-	594,533,495	-
2016/17	126,239,654	-	928,897,944	56.24
2017/18	221,568,829	75.51	1,312,396,513	41.28
2018/19	210,707,500	-4.90	1,738,276,409	32.45
2019/20	183,838,196	-12.75	2,011,676,023	15.75

Source: SCBNL and NBL's Annual Report 2015/16 – 2019/20.

Figure 4.4

Deferred Employee Expenditure

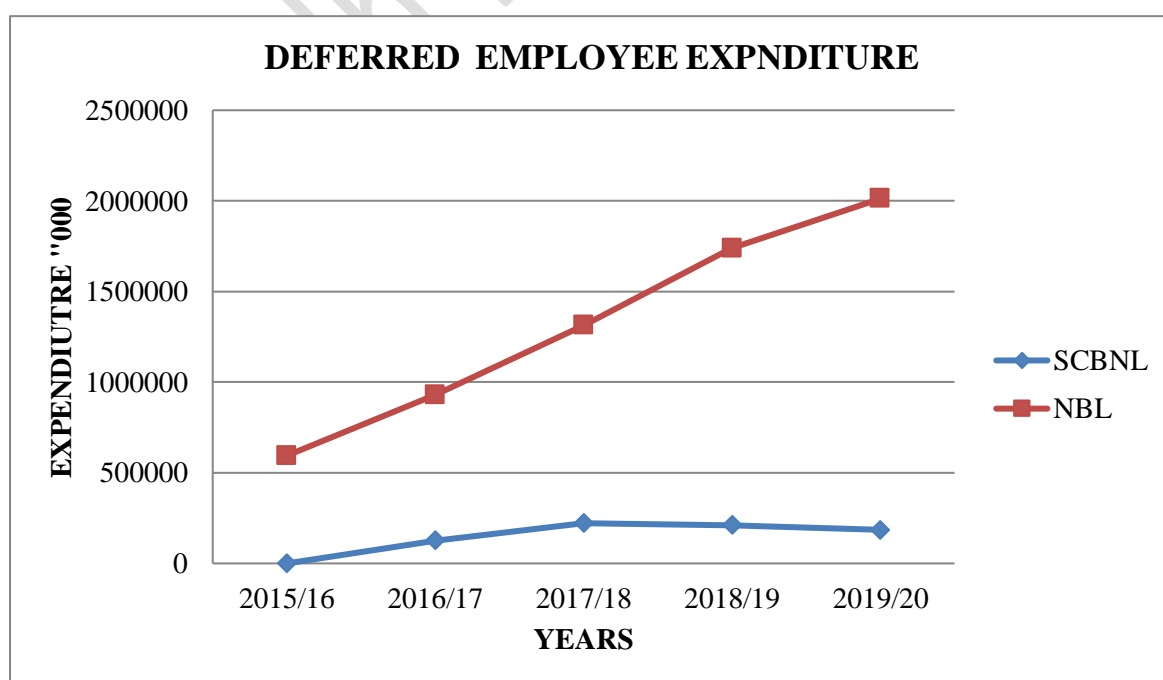


Table and figure 4.4 shows the deferred employee expenditure. In the year 2015/16 the SCBNL does not have shown deferred employee expenditure in their annual report. In the year 2016/17 the deferred employee expenditure is Rs.126,239,654. The deferred employee expenditure increased significantly to Rs.221,568,829 in 2017/18 registering a rise 75.51% over the year 2016/17. In the year 2018/19 deferred employee expenditure decreased by 4.90% which indicates that SCBNL have amortized the deferred employee expenditure. In the year 2019/20 deferred employee expenditure had decreased by 12.75% which also indicates that expenditure had been amortized but the rate of amortization is not mentioned in the annual report.

NBL shows the deferred employee expenditure Rs.594,533,495 in the year 2015/16. The deferred employee expenditure increase significantly to Rs.928,897,944 in 2016/17 registering a rise 56.24% over the year 2015/16. The deferred employee expenditure in the year 2017/18 had increased by 41.28% over the year 2016/17. Also increased in year 2018/19 and 2019/20 by 32.45% and 15.75% respectively. The deferred employee expenditure of NBL shows the increasing trend at a decreasing rate over the year.

So, it can be concluded that deferred employee expenditure of the SCBNL is in decreasing trend which shows that the bank is amortizing the deferred employee expenditure but the NBL's deferred employee expenditure is in increasing trend at a decreasing rate over the year. From the above analysis it can also be concluded that NBL makes more expenses on their employees than the SCBNL.

The Bank Standard Chartered also shows the profit per employee as a key indicator in their annual report but Nabil Bank does not show. Profit per employee had been calculated by following the Nepal Financial Reporting Standard. The trend of profit per employee of SCBNL of last five years are analyzed in table 4.5.

Table 4.5

Profit Per Employee, Year 2015/16 to 2019/20

Year	SCBNL (Rs)	% changes
2015/16	2,971,000	-
2016/17	3,131,000	5.39
2017/18	4,515,000	44.20
2018/19	4,585,000	1.55
2019/20	3,715,000	-18.97

Source: Annual Report 2019/20

Figure 4.5

Profit per employee

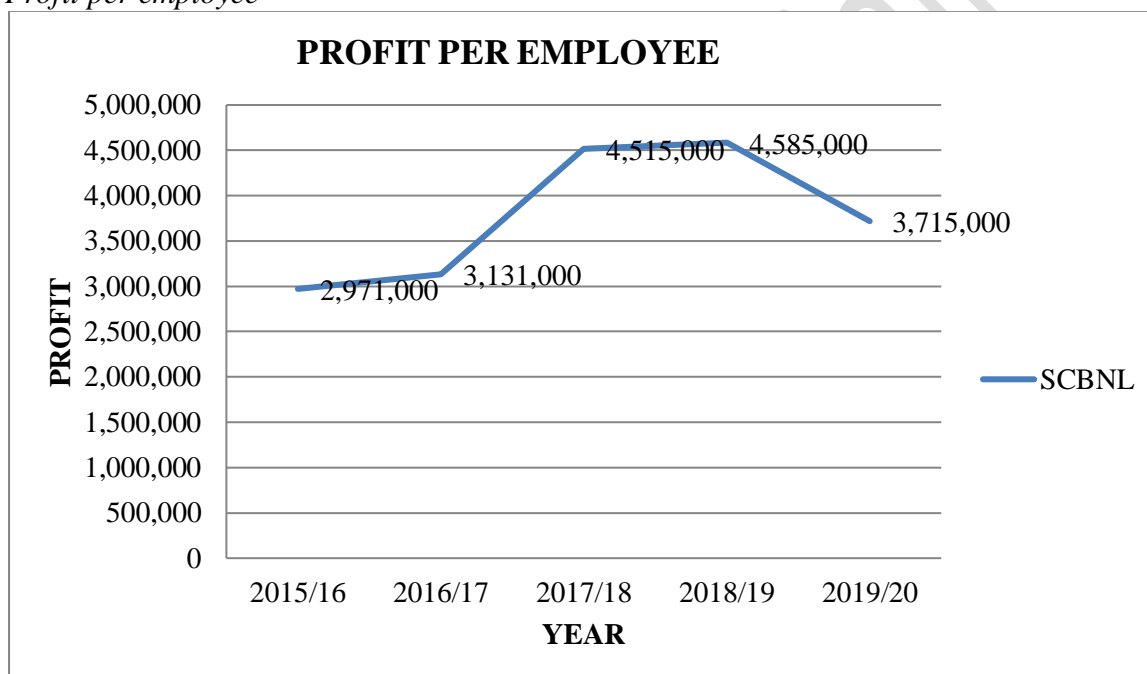


Table and figure 4.5 shows the trend of profit per employee in the SCBNL. In the year 2015/16 the profit per employee is Rs.2,971,000. The profit per employee had been increased significantly to Rs. 3,131,000 in the year 2016/17 registering a rise 5.39% over the year 2015/16. The profit per employee rises by 44.20% in the year 2017/18 over the year 2016/17. In the year 2018/19 profit per employee is Rs 4,585,000 which was only rise by 1.55% over the year 2017/18. In the year 2019/20 the profit per employee had decreased by 18.97%.

After going through the annual report of SCBNL and NBL it has found that both bank followed the Nepal Financial Reporting Standard to prepare the financial statement

where both bank maintain the human resource cost under two heading i.e. Personnel Expenses and Deferred Employee Expenditure. So, it can be said that somewhat both banks account their human resource but the real human resource accounting means valuation of human resource had not yet been done by any bank under the study.

In the other countries like India, Bangladesh and Nigeria the organizations are valuing their human resource on present value approach, which helps the organization to be able to know the real value of human resource through which organization can perform their activity very efficiently and effectively as well as gain the competitive advantage in the economy.

There are Various HR valuation model given by different scholars which have already been discussed in chapter two under the HR valuation model. Out of those, Lev and Schwartz model propounded by Baruch Lev and Aba Schwartz are very relevant for the banking sectors because bank have classified the employees into various homogeneous groups. Lev and Schwartz recommend the use of cost of capital of the organization for the purpose of discounting the future earnings of the employees to arrive at the present value. They recognized individual employee's economic value to the organization.

SCBNL and NBL invest billions of rupees for their human resource but what is the value of human resource? Still bank does not able to value their human resource in monetary term. So, the study has tried to value the human resource retained in SCBNL and NBL using Lev and Schwartz model.

Table 4.6

Valuation of human resource (Lev and Schwartz Model)

Standard Chartered Bank Nepal Limited, 2019/20

1. Chief Executive Officer (CEO)			
Age interval	Present Value of Future Earnings	No. of Employee	Value of CEO (Rs.)
51- 60	31,859,049.6	1	31,859,049.6
Total Value of CEO (1)			31,859,049.6(0.54)
2. Senior Management Level (SML)			
Age	Present Value of Future	No. of Employee	Value of SML (Rs.)

interval	Earnings		
31- 40	37,450,362	7	262,152,534
41- 50	31,972,692	28	895,235,376
51- 60	21,197,224.8	12	254,366,697.6
Total Value of SML (2)			1,411,754,608 (24.04)

3. Management Level (ML)

Age interval	Present Value of Future Earnings	No. of Employee	Value of ML (Rs.)
20- 30	19,689,327	1	19,689,327
31- 40	18,241,230	72	1,313,368,560
41- 50	15,573,180	34	529,488,120
51- 60	10,324,692	11	113,571,612
Total Value of ML (3)			1,976,117,619(33.66)

4. Officer Level (OL)

Age interval	Present Value of Future Earnings	No. of Employee	Value of OL (Rs.)
20- 30	9,402,658.2	51	479,535,568.2
31- 40	8,711,118	110	958,222,980
41- 50	7,436,988	16	118,991,808
51- 60	4,930,567.2	7	34,513,970.4
Total Value of OL (4)			1,591,264,327.6(27.10)

5. Assistant Level

Age interval	Present Value of Future Earnings	No. of Employee	Value of A.L (Rs.)
20- 30	5,223,699	133	694,751,967
31- 40	4,839,510	28	135,506,280
41- 50	4,131,660	1	4,131,660
51- 60	2,739,204	1	2,739,204
Total Value of A.L (5)			837,129,111 (14.26)

6. Support Level

Age interval	Present Value of Future Earnings	No. of Employee	Value of S.L (Rs.)
41- 50	3,178,200	4	12,712,800

51- 60	2,107,080	5	10,535,400
Total Value of S.L (6)			23,248,200 (0.40)
Total Value of Human Resource (1+2+3+4+5+6)			5,871,372,915 (100)

Note: Calculations of present value of future earning are in Appendix – II

Figures within bracket in column value of employees indicate percentage to total.

Figure 4.6

Valuation of Human Resource of Standard Chartered Bank Nepal Limited

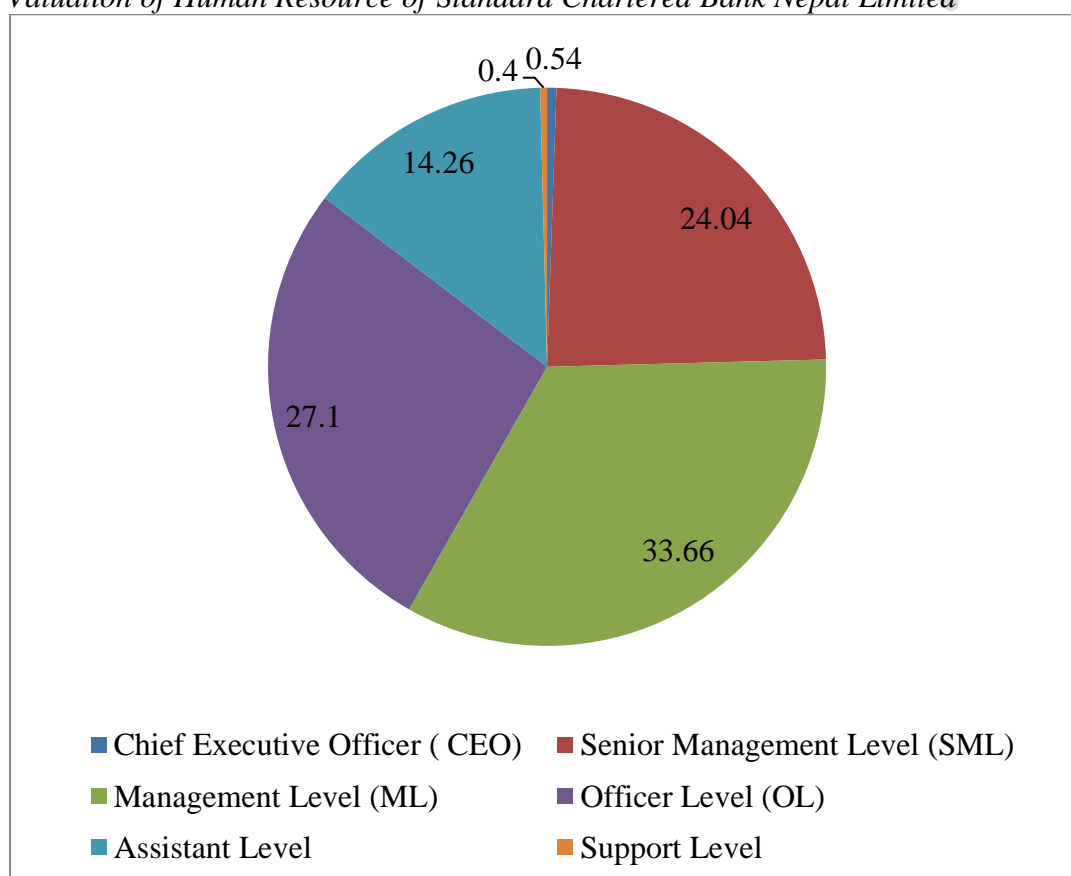


Table and figure 4.6 shows the valuation of human resource using Lev and Schwartz model of SCBNL. The total value of human resources of SCBNL is Rs. 5,871,372,915 in the year 2019/20. The Chief Executive Officer of SCBNL belongs from age group 51- 60 whose value is Rs. 31,859,049.60 in 2019/20 which is 0.54% of total HR value.

The senior management level employees in SCBNL having on age group 31- 40, 41- 50 and 51- 60. Age group 31- 40 have seven employees whose per employee value is Rs 37,450,362 and values of seven employees' are Rs.262,152,534. Age group 41-50

have 28 employees; per employee value is Rs. 31,972,692 and values of 28 employees' are Rs.895,235,376. Age group 51- 60 have 12 employees; per employee value is Rs.21,197,224.8 and values of 12 employees' are Rs.254,366,697.6. The total values of senior management level employees are Rs.1,411,754,608 which is 24.04% of total human resource value of SCBNL.

The management level employees in SCBNL lies on age group 20-30, 31-40, 41-50 and 51-60. Age group 20- 30 have one employee whose value is Rs.19,689,327. Age group 31- 40 includes 72 employees; per employee value is Rs. 18,241,230 and values of 72 employees' are Rs. 1,313,368,560. Age group 41- 50 have 34 employees; per employee value is Rs. 15,573,180 and values of 34 employees are 529,488,120. Age group 51- 60 includes 11 employees; per employee value is Rs.10,324,692 and values of 11 employees are Rs.113,571,612. The total value of management level employees are Rs.1,976,117,619 which is 33.66% of total HR Values of SCBNL.

The officer level employees in SCBNL lies on age group 20- 30, 31- 40, 41- 50 and 51- 60. Age group 20- 30 have 51 employees; per employee value is Rs.9,402,658.2 and values of 51 employees are Rs.479,535,568.2. Age group 31- 40 have 110 employees; per employee value is Rs.8,711,118 and values of 110 employees' are Rs.958,222,980. Age group 41- 50 have 16 employees; per employee value is Rs.7,436,988 and values of 16 employees are Rs.118,991,808. Age group 51- 60 have seven employees; per employee value is Rs.4,930,567.2 and values of seven employees' are Rs.34,513,970.4. The total value of officer level employees' are Rs.1,591,264,327.6 which is 27.10% of total HR value.

The assistant level employee in SCBNL lies on age group 20-30, 31-40, 41-50 and 51-60. Age group 20- 30 have 133 employees; per employee is Rs.5,223,699 and values of 133 employees' are Rs.694,751,967. Age 31- 40 have 28 employees; per employee value is Rs.4,839,510 and values of 28 employees' are Rs.135,506,280. Age group 41- 50 have one employee whose value is Rs.4,131,660. Age 51- 60 have also one employee whose value is Rs.2,739,204. The total values of assistant level employees' are Rs.837,129,111 which is 14.26% of total HR value.

The support level employees in SCBNL lie on age group 41- 50 and 51-60. Age group 41- 50 have four employees; per employee value is Rs.3,178,200 and values of four employees are Rs.12,712,800. Age group 51- 60 have five employees; per

employee value is Rs.2,107,080 and value of five employees are Rs.10,535,400. The total values of support level employees are Rs.23,248,200 which are 0.40% of total HR value.

By analyzing the table no.4.6 it was also found that maximum employees fall in the age group 31- 40 which reveals that SCBNL have majority of employees in the matured age group which helps the bank to achieve the competitive advantage of the market.

Table 4.7

*Valuation of human resource (Lev and Schwartz Model)
Nabil Bank Limited, 2019/20*

1. Chief Executive Officer			
Age interval	Present Value of Future Earnings	No. of Employee	Value of C.E.O (Rs.)
51-60	115,518,600	1	115,518,600
Total Value of C.E.O			115,518,600 (1.49)
2. Senior Management Level			
Age interval	Present Value of Future Earnings	No. of Employee	Value of S.M.L (Rs.)
41- 50	27,385,500	13	356,011,500
Total Value of S.M.L			356,011,500 (4.58)
3. Management Level			
Age interval	Present Value of Future Earnings	No. of Employee	Value of M.L (Rs.)
31-40	21,574,770	65	1,402,360,050
Total Value of M.L			1,402,360,050 (18.05)
4. Officer Level			
Age interval	Present Value of Future Earnings	No. of Employee	Value of O.L
20- 30	9,707,940	50	485,397,000
31- 40	9,246,330	100	924,633,000
Total Value of O.L			1,410,030,000 (18.14)
5. Assistant Level			
Age interval	Present Value of Future Earnings	No. of Employee	Value of A.L

Earnings			
20- 30	5,177,568	800	4,142,054,400
Total Value of A.L			4,142,054,400(53.30)
6. Support Level			
Age interval	Present Value of Future Earnings	No. of Employee	Value of S.L
41- 50	3,286,260	105	345,057,300
Total Value of S.L			345,057,300(4.44)
Total Value of Human Resource (1+2+3+4+5+6)			7,771,031,850 (100)

Note: Calculations of present value of future earning are in Appendix – II

Figures within bracket in column value of employees indicate percentage to total.

Figure 4.7

Valuation of Human Resource of Nabil Bank Limited

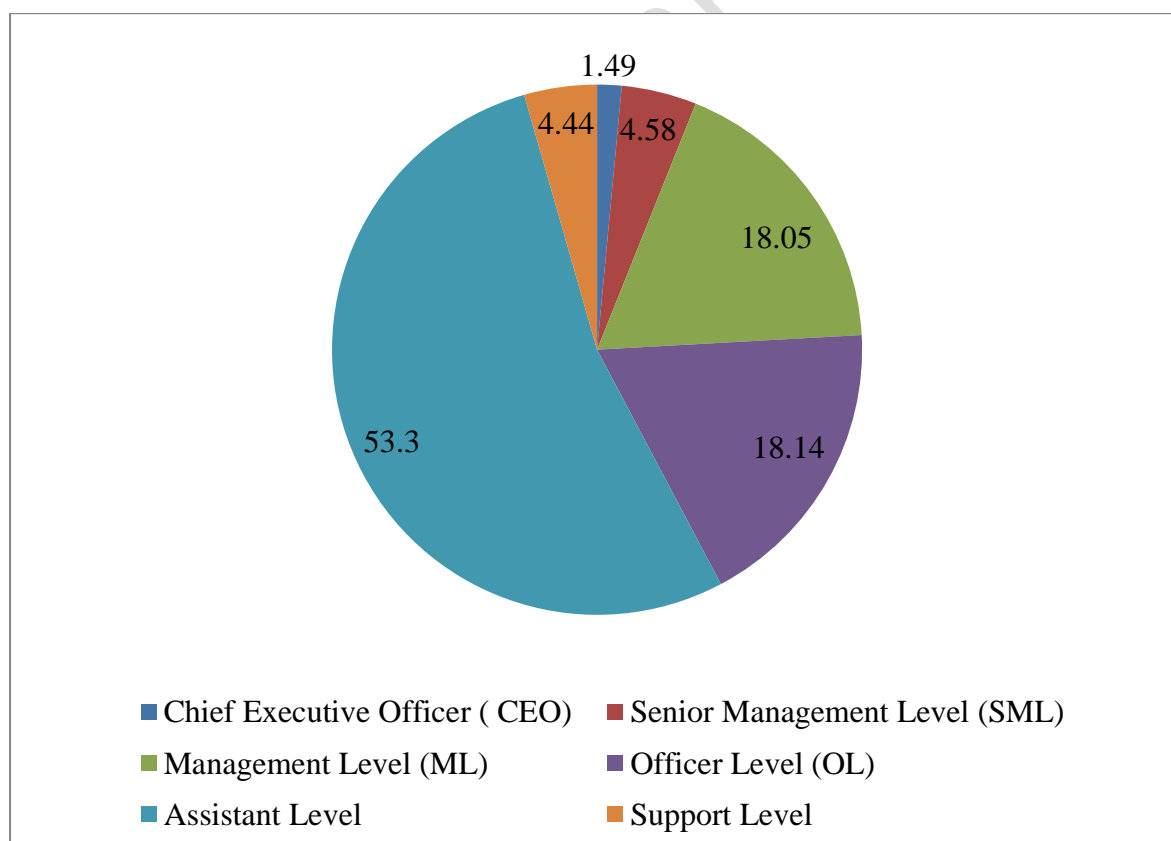


Table and figure 4.7 shows the valuation of human resources using Lev and Schwartz model of NBL. The total values of human resources of NBL are Rs.7,771,031,850 in

the year 2019/20. The chief executive officer of NBL belongs from age group 51- 60 whose value is Rs.115,518,600 which is 1.49% of total HR value.

In the senior management level, there are 13 employees in the NBL, under the age group 41- 50; per employee value is Rs.27,385,500 and values of 13 employees' are 356,011,500 which is 4.58% of total HR value.

In the management level, there are 65 employees under the age group 31- 40; per employee value is Rs.21,574,770 and values of 65 employees are Rs.1,402,360,050 which is 18.05% of total HR value.

The officer level employee in NBL lies on age group 20- 30 and 31- 40. Age group 20- 30 have 50 employees; per employee value is Rs.9,707,940 and values of 50 employees' are Rs.485,397,000. Age group 31- 40 have 100 employees; per employee value is Rs.9,246,330 and values of 100 employees' are Rs.924,633,000. The total values of officer level employees are Rs.1,410,030,000 which is 18.14% of total HR value.

In the assistant level, there are 800 employees under the age group 20- 30; per employee value is Rs.5,177,568 and values of 800 employees' are Rs.4,142,054,400 which is 53.30% of total HR value.

In the support level, there are 105 employees under the age group 41- 50; per employee value is Rs.3,286,260 and values of 105 employees' are Rs.345,057,300 which is 4.44% of total HR value.

By analyzing the table no. 4.7, it was also found that maximum employees fall in the age group 20- 30 followed by 31- 40 and 41- 50; which reveals that NBL have majority of employees in the young, matured and energetic age group which helps the bank to achieve the competitive advantage of the market.

4.1.3 Findings

On the basis of analysis of data, the study has the following findings:

- i. Standard Chartered Bank Nepal Limited (SCBNL) has scored Human Resource Accounting Disclosure Index (HRADI) only 69.23 percent which reveals that SCBNL does not have full-fledged human resource accounting in practice at satisfactory level.

- ii. Nabil Bank Limited (NBL) has scored Human Resource Accounting Disclosure Index only 76.92 percent which reveals that NBL also does not have full-fledged human resource accounting in practice at satisfactory level.
- iii. SCBNL and NBL both bank; accounting their Human Resources as per the Nepal Accounting Standard Board, NAS-19: Employee Benefit: Human resource costs are divided into two parts i.e. short term employee benefits and long term employee benefits. Short term employees benefits provided by banks are shown in income statement under heading staff or personnel expenses and long term employees benefits are shown in Balance Sheet under the heading of other assets with title deferred employee expenditure.
- iv. The personnel expenses of the SCBNL are Rs.488,289,822 in the year 2015/16; which had been increased by 58.02%, 29.32%, 8.67% and 1.83% over the year 2015/16, 2016/17, 2017/18 and 2018/19 respectively. The trend of personnel expenses of SCBNL is in increasing at a decreasing rate through the year 2015/16 to 2019/20.
- v. The personnel expenses of the NBL are Rs.932,355,986 in the year 2015/16; which had been increased by 52.64%, 21.40%, 12.84%, and 3.08% over the year 2015/16, 2016/17, 2017/18, 2018/19 respectively. The trend of personnel expenses of NBL is in increasing at a decreasing rate through the year 2015/16 to 2019/20.
- vi. Deferred employee expenditure of the SCBNL are Rs.126,239,654 in the year 2016/17; which had been increased by 75.51% in the year 2017/18 but decreased by 4.90% and 12.75% over the year 2018/19 and 2019/20 respectively.
- vii. Deferred employee expenditure of the NBL are Rs.594,533,495 in the year 2015/16; which had been increased by 56.24%, 41.28%, 32.45%, and 15.75% over the year 2016/17, 2017/18, 2018/19 and 2019/20 respectively.
- viii. The standard chartered bank also shows the profit per employee as a key indicator in their annual report but the Nabil Bank does not depicts it. Profit per employee of the SCBNL are Rs.2,971,000 in the year 2015/16 which had been increased by 5.39%, 44.20%, 1.55% over the year 2016/17, 2017/18 and 2018/19 respectively but decreased by 18.97% in the year 2019/20 over the year 2018/19.

- ix. The total value of human resource of Standard Chartered Bank Nepal Limited are Rs.5,871,372,915 out of which CEO, SML, ML, OL, AL and SL employees have 0.54%, 24.04%, 33.66%, 27.10%, 14.26% and 0.40% value respectively in the year 2019/20.
- x. The total value of human resources of Nabil Bank Limited are Rs.7,771,031,850 out of which CEO, SML, ML, OL, AL and SL employees have 1.49%, 4.58%, 18.05%, 18.14%, 53.30% and 4.44% value respectively in the year 2019/20.

4.2 Discussion

The overall practice of Human Resource Accounting in both banks has not been yet at the satisfactory level. Both banks follow the Unified Directives 4 issued by Nepal Rastra Bank and prepared the financial statement as per the Nepal Financial Reporting Standard (NFRS) issued by Nepal Accounting Standard Board (NASB). The financial statement has been prepared on going concern basis and historical cost conventions except where the standards require otherwise treatment. According to the Nepal Accounting Standard (NAS-19): Employee Benefit: HR costs are divided into two parts i.e. short term employee benefits and long term employee benefits. Short term employee benefits provided by the banks are shown in income statement under heading staff or personnel expenses and long term employees benefits are shown in Balance Sheet under the heading of other assets with title deferred employee expenditure. So, it can be said that somewhat both banks account their HR but the real Human Resource Accounting means valuation of Human Resource had not yet been done by any banks under study.

Huq & Prince (2012) attempted to evaluate the present state of practicing HRA and determined the barriers and remedies for implementing HRA practices in banking sector of Bangladesh but in the Nepalese context human resource accounting is the new phenomena so the researcher tried to assess the level of adopting, identifying disclosing pattern and measure the value of human resources of the sampled banks.

In other countries like India, Bangladesh and Nigeria the organizations are valuing their HR on present value approach which helps the management to identifying cost for HR and considering its future economic value to the organization so that strategic

business decisions can be taken regarding human resources and providing information to the stakeholders. If such accounting is not done, then the management runs the risk of taking decisions that may improve profits in the short run but it will cause immense long term impairment by reducing their productivity and by creating salary distortions across the organizational structure in future. So, by the practicing of HRA an organization can be benefited in case of cost effectiveness, ensuring the best use of human resources, sound and effective basis for human asset control, providing information to the stakeholders about; how much value addition is created by the organization to country's human resource as part of the corporate social responsibility, enhancing the internal assets of the particular concern by considering the HR as assets and the productivity of human resources.

Subodh Kumar Majhi

CHAPTER 5

SUMMARY AND CONCLUSION

This chapter embodies three parts of the study; summary, conclusion and implication. The first part goes over the summarization of the whole study, the second part depicts the conclusion and the final part presents the implications of the study.

5.1 Summary

The present study was undertaken to make an assessment of Human Resource Accounting Practices in Nepalese Commercial Bank. The entire work has been divided into five broad chapters so as to study almost all aspects of HRA in general and its application in Nepalese Commercial Bank in particular.

In first chapter, the main objectives of the study is to assess the level of adapting Human Resource Accounting, to identify the disclosing patterns of Human Resource Accounting and to measure the value of human resource in modern foreign developed style. In second chapter, relevant books, thesis, articles, related websites etc. has been reviewed. Similarly, in third chapter, research methodology, descriptive research design has been adopted. Out of total population of twenty seven commercial banks, only two banks are taken as sample using judgmental sampling method. Here Standard Chartered Bank Nepal Limited and Nabil Bank Limited are selected from the private banks. Primary as well as Secondary both sources of data are fundamentally been used for the present study. To achieve the aforementioned objectives, primary data are collected through structured questionnaire. Structured questionnaire is filled by the Human Resource Department (HRD) of both banks. Secondary data(s) are collected from annual report covering five year period from 2015/16 to 2019/20 from both banks to achieve the objectives. In fourth chapter, data collected from primary source has been used to measure the practices of human resource accounting and to do the valuation of human resources and data collected from secondary source has been used to analyze the human resource cost shown in income statement and balance sheet. The data collected from various sources are recorded systematically and presented in the appropriate form of table, charts and appropriate accounting and graphical tools have been applied to analyze the data.

From the above analysis, overall practices of Human Resource Accounting in sample banks have not been yet at satisfactory level.

5.2 Conclusions

On the basis of entire study some conclusions have been deduced. This study particularly deals about the Human Resource Accounting Practices in Nepalese Commercial Bank; A Comparative study on Standard Chartered Bank Nepal Limited(SCBNL) and Nabil Bank Limited (NBL).

It can be concluded that overall practices of HRA in both banks has not been yet at the satisfactory level. Both banks follow the Unified Directives 4 issued by Nepal Rastra Bank and prepared the financial statement as per the Nepal Financial Reporting Standard (NFRS) issued by Nepal Accounting Standard Board (NASB). The financial statement has been prepared on going concern basis and historical cost conventions except where the standards require otherwise treatment. According to the Nepal Accounting Standard (NAS-19): Employee Benefit: HR costs are divided into two parts i.e. short term employee benefits and long term employee benefits. Short term employee benefits provided by the banks are shown in income statement under heading staff or personnel expenses. Personnel expenses includes salaries, Allowances, Gratuity expenses, Provident fund, Uniform, Training and Development expenses, Leave encashment, Medical, Insurance, Employee incentives, financial expenses under NFRS, Other expenses related to staff and employees bonus. Long term employee benefits are shown in balance sheets under the heading of other assets with title deferred employee expenditure. Long term employee benefits include post employee benefits and other long term employee benefits. Post employee benefits includes retirement benefits, post employment life insurance and post employment medical care; other long term employee benefits includes long term paid absences such as long services leave or sabbatical leave; jubilee or other long service benefits, long term disability benefits and termination benefits. SCBNL also shows the profit per employee as a key indicator in the annual report but NBL does not shows it. So, it can be concluded that somewhat both banks account their HR but the real HRA means valuation of Human Resource had not yet been done by any banks under study. SCBNL and NBL invest billions of rupees for their human resource but what is the value of human resource? Still banks do not able to value their human resource in

monetary terms. So, the present study has tried to value the human resource using Lev and Schwartz model, because in other countries like India, Bangladesh and Nigeria the organization are valuing their HR on present value approach, which helps the organization to be able to know the real value of human resource in the organization through which organization can know the total human resource value and perform their activity very efficiently and effectively as well as gain the competitive advantage in the economy.

5.3 Implications

5.3.1 Implication to policy makers

The present study attempts to show the practices of Human Resources Accounting Practices in Nepalese Commercial Bank. As per the study sampled banks are following the Nepal Rastra Bank (Central Bank of Nepal) Directives and prepared the financial statement as per the NFRS where the banks only shows the Human Resource Cost as short term and long term employee benefits which is not in itself the adequate provision for the Human Resource. As per the present study Human Resource Accounting means valuation of human resource which is not in practices in the sampled banks. So, the present study helps the Nepal Rastra Bank to formulate the guideline regarding Human Resource Accounting because human resource is the key stone in the banking industry.

5.3.2 Implication to future researchers

There are various studies conducted in other countries like India, Bangladesh, and Nigeria but in our countries Nepal there is no any studies regarding Human Resource Accounting. So, there is a greater need of further robust study and quantitative evidence to support the Human Resource Accounting. Therefore, further studies are needed in the field of HRA in Nepalese setting for further comparison and new conclusion. Thus, following areas are suggested for further studies.

- i. This study tries to check the practices of HRA in Nepalese Commercial Bank but further studies can be conducted in other service and manufacturing sector where Human Resource matters a lot.
- ii. This study tries to check the practices of HRA but further studies can be conducted to link the HRA and Financial Performance or HRA and Organizational Performance.

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Subodh Kumar Majhi

Appendix – I

Questionnaire

Dear sir,

I am Subodh Kumar Majhi pursuing a thesis entitled “Human Resource Accounting Practices in Nepalese Commercial Bank” for the partial fulfillment of Master of Business studies under the supervision of Prof. Dr. Bhoj Raj Aryal.

As you know writing a thesis is unique in nature and requires co-operation and help of multi-ideas from those who have been regarded as the best practitioners of the organization. I therefore, hope that you will assist me in completing the thesis in time and in the fashion required since without your help this task seems quite impossible.

I request you to supply the following information. In course of giving the information please show tick mark in respect of multi-choices and write your opinion in respect of open ended questions. The collected data will be used only for research purpose.

Name of the Bank:

Address:

Designation of the executive responding to the questionnaire:

Please tick (√) for Yes or No

Q. No	Questions	Yes	No
1.	Is there priority concern of banks towards practicing of HRA?		
2.	Is there any designated person assigned or any department in the bank for HR?		
3.	Having any separate segment of cost regarding HR?		
4.	Do you value your HR using Cost Approach?		
5.	Do you value your HR using Economic Value Approach?		
6.	Do you value your HR using Present Value Approach?		

7.	Do you account your HR cost in income statement?		
8.	Do you show your HR Cost in balance sheet?		
9.	Does your bank keep transparency & financial accounting disclosures about HRA voluntarily?		
10.	Is there regular practice of auditing in your bank?		
11.	Is there any emphasis given by auditor to value the HR?		
12.	Is there any practice of auditing about HRA?		
13.	Is there any enhancement program for practicing of HRA?		

13. Please mention the summarized transaction results of your bank as per following table.

Designation	Age (No. of Employees)					Salary Range (NPR) per employee
	20-30	31-40	41-50	51-60	61 and above	
Chief Executive Officer						
Senior Management Level						
Management Level						
Officer Level						
Assistant Level						
Support Level						

14. Which approach for the valuation of HR does your organization follows?

- (a) Monetary Method []
 (b) Non Monetary Method []

15. If Monetary Method, which one of the following?

- (a) Cost Method
 i. Historical Cost Method []

- ii. Replacement Cost Method []
- iii. Standard Cost Method []
- iv. Opportunity Cost Method []

(b) Value Method

- i. Adjusted Present Value []
 - ii. Present value
 - Lev and Schwartz []
 - Flamholtz Model []
 - Morse Model []
 - Das Gupta Model []
- (c) Any Other (_____)

16. If Non-Monetary, Which one of the following?

- (a) Expected Realizable Value []
- (b) Discounted Net Present Value []
- (c) Value of employee based in attitude scores []
- (d) Any other (_____)

17. Please attach the statement of HRA of your organization of recent five years.

18. Give your opinion about HRA. How this organization is benefitting from HRA?

Appendix – II

Valuation of Human Resource using Lev and Schwartz model of Standard Chartered Bank Nepal Limited.

Designation	Age (No. of Employees)					Salary Range (NPR) per employee
	20-30	31-40	41-50	51-60	61 and above	
Chief Executive Officer	-	-	-	1	-	211,000 – 545,000
Senior Management Level	-	7	28	12	-	103,000 – 400,000
Management Level	1	72	34	11	-	45,000 – 200,000
Officer Level	51	110	16	7	-	30,000 – 87,000
Assistant Level	133	28	1	1	-	20,000 – 45,000
Support Level	-	-	4	5	-	15,000 – 35,000

Step – 1

Designation	Salary Range per employee/month (Rs.)	Average Salary/month (Rs.)	Average annual Salary (Rs.)
Chief Executive Officer	211,000 – 545,000	378,000	4,536,000
Senior Management Level	103,000 – 400,000	251,500	3,018,000
Management Level	45,000 – 200,000	122,500	1,470,000
Officer Level	30,000 – 87,000	58,500	702,000
Assistant Level	20,000 – 45,000	32,500	390,000
Support level	15,000 – 35,000	25,000	300,000

Step – 2

1. Calculation of Present value of future earnings per employee of CEO.

Age Group 51 – 60. (Assuming that CEO is just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
51 – 60	4,536,000	7.0236	31,859,049.60
Total present value of CEO			31,859,049.60

2. Calculation of Present value of future earnings per employee of Senior Management Level.

Age Group 31 – 40. (Assuming that 7 employee are just 31 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
31 – 40	3,018,000	7.0236	21,197,224.80
41 – 50	3,018,000	3.5704	10,775,467.20
51 – 60	3,018,000	1.8150	5,477,670
Total P.V of future earning per employee			37,450,362

Age group 41 – 50. (Assuming that all 28 employees are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
41 – 50	3,018,000	7.0236	21,197,224.80
51 – 60	3,018,000	3.5704	10,775,467.20
Total P.V of future earning per employee			31,972,692

Age group 51 – 60. (Assuming that all 12 employees are just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
51 – 60	3,018,000	7.0236	21,197,224.80
Total P.V of future earning per employee			21,197,224.80

3. Calculation of Present value of future earnings per employee of Management Level.

Age Group 20 – 30. (Assuming that one employee are just 20 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
20 – 30	1,470,000	7.4987	11,023,089
31 – 40	1,470,000	3.3368	4,905,096
41 – 50	1,470,000	1.6963	2,493,561
51 – 60	1,470,000	0.8623	1,267,581
Total P.V of future earning per employee			19,689,327

Age Group 31 – 40. (Assuming that 72 employee are just 31 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
31 – 40	1,470,000	7.0236	10,324,692
41 – 50	1,470,000	3.5704	5,248,488
51 – 60	1,470,000	1.8150	2,668,050
Total P.V of future earning per employee			18,241,230

Age Group 41 – 50. (Assuming that 34 employee are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
41 – 50	1,470,000	7.0236	10,324,692
51 – 60	1,470,000	3.5704	5,248,488
Total P.V of future earning per employee			15,573,180

Age Group 51 – 60. (Assuming that 11 employee are just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
51 – 60	1,470,000	7.0236	10,324,692
Total P.V of future earning per employee			10,324,692

4. Calculation of Present value of future earnings per employee of Officer Level.

Age Group 20 – 30. (Assuming that 51 employee are just 20 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
20 – 30	702,000	7.4987	5,264,087.4
31 – 40	702,000	3.3368	2,342,433.6
41 – 50	702,000	1.6963	1,190,802.6
51 – 60	702,000	0.8623	605,334.6
Total P.V of future earning per employee			9,402,658.2

Age Group 31 – 40. (Assuming that 110 employee are just 31 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
31 – 40	702,000	7.0236	4,930,567.2
41 – 50	702,000	3.5704	2,506,420.8
51 – 60	702,000	1.8150	1,274,130
Total P.V of future earning per employee			8,711,118

Age Group 41 – 50. (Assuming that 16 employee are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
41 – 50	702,000	7.0236	4,930,567.2
51 – 60	702,000	3.5704	2,506,420.8
Total P.V of future earning per employee			7,436,988

Age Group 51 – 60. (Assuming that 7 employee are just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
51 – 60	702,000	7.0236	4,930,567.2
Total P.V of future earning per employee			4,930,567.2

5. Calculation of Present value of future earnings per employee of Assistant Level.

Age Group 20 – 30. (Assuming that 133 employee are just 20 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
20 – 30	390,000	7.4987	2,924,493

31 – 40	390,000	3.3368	1,301,352
41 – 50	390,000	1.6963	661,557
51 – 60	390,000	0.8623	336,297
Total P.V of future earning per employee			5,223,699

Age Group 31 – 40. (Assuming that 28 employee are just 31 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
31 – 40	390,000	7.0236	2,739,204
41 – 50	390,000	3.5704	1,392,456
51 – 60	390,000	1.8150	707,850
Total P.V of future earning per employee			4,839,510

Age Group 41 – 50. (Assuming that one employee are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
41 – 50	390,000	7.0236	2,739,204
51 – 60	390,000	3.5704	1,392,456
Total P.V of future earning per employee			4,131,660

Age Group 51 – 60. (Assuming that one employee are just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
51 – 60	390,000	7.0236	2,739,204
Total P.V of future earning per employee			2,739,204

6. Calculation of Present value of future earnings per employee of Support Level.

Age Group 41 – 50. (Assuming that 4 employee are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
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41 – 50	300,000	7.0236	2,107,080
51 – 60	300,000	3.5704	1,071,120
Total P.V of future earning per employee			3,178,200

Age Group 51 - 60. (Assuming that 5 employee are just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 7%	Present value of future earnings per employee (Rs.)
51 – 60	300,000	7.0236	2,107,080
Total P.V of future earning per employee			2,107,080

Valuation of Human Resource using Lev and Schwartz model of Nabil Bank Limited.

Designation	Age (No. of Employees)					Salary Range (NPR) per employee
	20- 30	31-40	41- 50	51-60	61 and above	
Chief Executive Officer	-	-	-	1	-	1,500,000
Senior Management Level	-	-	13	-	-	200,000 – 300,000
Management Level	-	65	-	-	-	100,000 – 250,000
Officer Level	50	100	-	-	-	50,000 – 100,000
Assistant Level	800	-	-	-	-	40,0000>
Support Level	-	-	105	-	-	30,000>

Step – 1

Designation	Salary Range per employee/month (Rs.)	Average Salary/month (Rs.)	Average annual Salary (Rs.)
Chief Executive Officer	1,500,000	1,500,000	18,000,000
Senior Management Level	200,000 – 300,000	250,000	3,000,000
Management Level	100,000 – 250,000	175,000	2,100,000
Officer Level	50,000 – 100,000	75,000	900,000
Assistant Level	40,000 >	40,000	480,000
Support level	30,000>	30,000	360,000

Step – 2

1. Calculation of Present value of future earnings per employee of CEO.

Age Group 51 – 60. (Assuming that CEO is just 51 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
51 – 60	18,000,000	6.4177	115,518,600
Total present value of CEO			115,518,600

2. Calculation of Present value of future earnings per employee of Senior Management Level.

Age Group 41 – 50. (Assuming that 13 employee are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
41 – 50	3,000,000	6.4177	19,253,100
51 – 60	3,000,000	2.7108	8,132,400
Total P.V of future earning per employee			27,385,500

3. Calculation of Present value of future earnings per employee of Management Level.

Age Group 31 – 40. (Assuming that 65 employee are just 31 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
31 – 40	2,100,000	6.4177	13,477,170
41 – 50	2,100,000	2.7108	5,692,680
51 – 60	2,100,000	1.1452	2,404,920
Total P.V of future earning per employee			21,574,770

4. Calculation of Present value of future earnings per employee of Officer Level.

Age Group 20 – 30. (Assuming that 50 employee are just 20 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
20 – 30	900,000	6.8052	6,124,680
31 – 40	900,000	2.4870	2,238,300
41 – 50	900,000	1.0506	945,540
51 – 60	900,000	0.4438	399,420
Total P.V of future earning per employee			9,707,940

Age Group 31 – 40. (Assuming that 100 employee are just 31 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
31 – 40	900,000	6.4177	5,775,930
41 – 50	900,000	2.7108	2,439,720
51 – 60	900,000	1.1452	1,030,680
Total P.V of future earning per employee			9,246,330

5. Calculation of Present value of future earnings per employee of Assistant Level.

Age Group 20 – 30. (Assuming that 800 employee are just 20 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
20 – 30	480,000	6.8052	3,266,496
31 – 40	480,000	2.4870	1,193,760
41 – 50	480,000	1.0506	504,288
51 – 60	480,000	0.4438	213,024
Total P.V of future earning per employee			5,177,568

6. Calculation of Present value of future earnings per employee of Support Level.

Age Group 41 – 50. (Assuming that 105 employee are just 41 years old.)

Age Group	Average annual Salary and Wages per employee (Rs.)	Discount Factor @ 9%	Present value of future earnings per employee (Rs.)
41 – 50	360,000	6.4177	2,310,372
51 – 60	360,000	2.7108	975,888
Total P.V of future earning per employee			3,286,260

Subodh Kumar Majhi