



University of Colombo, Sri Lanka
Institute of Human Resource Advancement (IHRA)

Masters Degree in Human Resources Management (MHRM)
(1st Semester Examination – October 2011)

MHRM 01 – Human Resources Accounting

Instructions to the Candidates

- (1) Answer four (04) questions in all, selecting question number One (01).
- (2) Time allocated for the examination is three (03) hours.
- (3) Total number of questions is six (06).
- (4) Total number of pages is five (05)
- (5) If a page or a part of this question paper is not printed properly, please inform the Supervisor immediately.
- (6) Use of any equipment/items such as mobile phones is prohibited, and rules & regulations of University examinations should be strictly followed.

01 i Alto is toy manufacturing firm which currently employed 120 production employees, 2 work supervisors, 2 junior executives and 1 senior executive. Company decided to recruit supervisory and executive grade employees in order to improve its product quality. Accordingly, during the financial year just ended, company had recruited 20 work supervisors, 10 junior executives and 5 senior executives through one news paper advertisement spending Rs. 45,000/- . In addition to that, company had paid Rs. 22,500/- for out sourced recruited company which short listed applications, conducted written examination and preliminary interviews. Company had received 500 applications for work supervisory grade, 200 applications for junior executive grade and 50 applications for senior executive grade. Final interviews had been conducted during a public holiday. There were two interview panels with 3 members and 1 staff assistant to each panel. Each panel member was paid Rs 6,000/- and each staff assistant was paid Rs. 1,500/- per day. Cost of meal and refreshment for a panel was Rs. 7,000/-.

Annual running cost of recruitment division of HR department was Rs. 175,000/-. Out of this 10% is relating to this recruitment. Cost drivers were as follows.

Advertising and out sourced company cost – number of applications received.

All other cost – number of candidates selected.

Calculate the recruitment cost of the last year for each employee category separately.

(08 Marks)

ii All newly recruited employees of Alto Company were participated to one day orientation program which is conducted by an existing 2 work supervisors, 2 junior executives, 1 senior executive and two staff assistants of the company. A set of reading material which cost was Rs.

500/- had been distributed among all participants. In addition to that, cost of lunch and other refreshment per head was Rs. 400/-.

Existing work supervisors, junior executives, senior executive and staff assistants are paid Rs. 20,000/-, Rs. 24,000/-, Rs. 30,000/- and Rs. 15,000/- respectively and newly recruited work supervisors, junior executives and senior executives are paid Rs. 17,500/-, Rs. 22,500/- and Rs. 27,500/- for a month which has 25 working days.

In addition to the orientation program, 3 day straining for all newly recruited supervisors and 2 days training for all newly recruited junior executives and senior executives were given by the out sourced training company at their own training center which is situated at 40 Kilometers (km) away from the head office of Alto Company. Total value of the training package was Rs. 420,000/-. This amount is allocated over 3 employees' categories at the ratio of 1:1.5:1.5. All employees were paid Rs. 10/- per km starting from the head office as travelling expenses. Training division of Alto Company engaged two days in order to organize these training programs. Running cost of the training division is allocated over each program at the rate of Rs. 50,000/-.

Calculate the training and development cost of each employee category.

(12 Marks)

- iii Production employees of Alto Company are supposed to work 40 hours per week and 50 weeks per year. Weighted average wages per hour is Rs. 80/-. During the year, 1,600 hours were lost due to absenteeism. Supervisors spent 20 hours to manage absenteeism. To avoid lost of production, other production employees worked over time and they were paid 25% over their normal wage rate. Overhead cost of Production department, including work supervisors cost is allocated on hourly basis at a rate of 150/- per hour.

Calculate the absenteeism cost of the last year.

(06 Marks)

- iv During the last year, 7 work supervisors have left the company. Now company has decided to recruits 5 work supervisors in order to fill the vacant positions of this grade. Recruitment cost and training and development cost have been increased by 10% and 15% respectively.

- a Calculate the labour turnover ratio of work supervisors.
b What would be the estimated recruitment and training and development cost per work supervisor?

(06 Marks)

- v At present there are 158 employees in the Alto company. Their age groups are given below.

| Age group (years) | Number of employees | Estimated annual earnings (per employee) Rs. |
|-------------------|---------------------|---|
| 25-34 | 80 | 4,000/- |
| 35-44 | 60 | 5,000/- |
| 45-54 | 18 | 6,000/- |
| 55-64 | - | 4,000/- |

They are expected to work until 64 years. Cost of capital of the company is 10%.

Calculate the value of Human Resource using present value of future earning model.

(08 Marks)
(Total 40 Marks)

Note: Present value of annuity of Rs. 1 at 10%

| At the end of the | Present value annuity factor |
|-------------------|------------------------------|
| 10 year | 6.145 |
| 20 Year | 8.514 |
| 30 year | 9.427 |
| 40 year | 9.779 |

- 02 i "Costs incurred in human resource management functions cannot be considered as to the organization cost". Discuss.
(10 Marks)
- ii Discuss the role of Human Resource Accountant in an organization.
(10 Marks)
(Total 20 Marks)
- 03 i Explain logical relationship between employee attitudes and financial outcomes.
(10 Marks)
- ii Discuss work-life balance programs and its financial impact.
(10 Marks)
(Total 20 Marks)
- 04 i "Assigning monetary value for Human Resources is important, but it is still debatable."
Discuss this statement highlighting significance of measurements of human resources, available methods and associated problems in the valuation process.
(10 Marks)
- ii Explain how absenteeism creates cost.
(10 Marks)
(Total 20 Marks)
- 05 i "High labour turnover does not always create negative financial impact". Discuss.
(10 Marks)
- ii Discuss different cost elements associated with training and development program and expected benefits against investment in training and development program.
(10 Marks)
(Total 20 Marks)

- 06 i Discuss issues and challenges of Human Resource measurements.
(05 Marks)
- ii Briefly explain the significance of Human Resource Accounting information to internal and external parties.
(05 Marks)
- iii How do you propose to pay incentives to direct employees, indirect employees and minor grades employees?
(10 Marks)
(Total 20 Marks)

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