

# Human Resource Accounting and Shareholders Wealth Maximization: Empirical Study of Nigeria Quoted Manufacturing Firms

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## Abstract

This study empirically investigated the relationship between human resource accounting and shareholders wealth maximization of selected quoted manufacturing firms in Nigeria from 2000-2016. Time series data was generated from the Annual Reports of the quoted firms. Twenty manufacturing firms were selected from the population of quoted manufacturing firms. Two multiple regression models were specified and estimated with the aid of Software package for social services (SPSS). Return on investment was modeled as the function of capital and revenue expenditure components of human resource accounting. The generated collinearity diagnostics result shows that the Eigen values that correspond to the highest condition index and variable constant are consistent with the rule of thumb. The Durbin Watson test shows absence of auto-correlation. From the expenditure component, we found correlation coefficient of 71.3%,  $R^2$  and the Adjusted  $R^2$  shows that 50.8% and 36.0%. The explanatory power of the predictor variables shows that all the independent variables have positive but insignificant relationship with return on investment of the manufacturing firms except cost of human resource acquisition. The revenue expenditure proved  $R^2$  and the adjusted  $R^2$  of 61.0% and 49.3% explained variation on return on investment. The coefficient of the independent variables proved that salaries, wages and bonus have positive relationship with return on investment of the selected manufacturing firms while commission and allowances have positive effect on return on investment. It concludes that human resource accounting has significant relationship with shareholders wealth maximization of the selected manufacturing firms. We recommend that all human capital expenditure should properly be accounted for and the need to investment on human capital of the firms.

**Keywords:** Human Resource Accounting, Shareholders Wealth Maximization, Quoted Manufacturing Firms.

## 1. Introduction

The traditional finance paradigm, theory and teaching put the shareholders wealth maximization as the primary goal of corporate management. The shareholders wealth maximization as function of management is a critical function that requires tactical and strategic measures to achieve. Shareholders wealth is a measure of corporate profitability. It measures the effectiveness and the efficiency of management in achieving returns on investors' fund, return on capital employed, return on investment, return on assets, earnings per share, profit after tax and net profit margin (Ngerebo-a and Lucky, 2016). Shareholders wealth can be examined at the micro and the macro levels. At the micro level, it is a function of management capacity, assets composition, source of fund, investment policy and quality of human capital investment while at the macro level it is a critical function of monetary and the macroeconomic factors such as the regulatory instruments, inflation, economic growth, real income, market structure and interest rate (Nnanna, 2006).

Companies and allied matters Act 1990 as amended sets the general framework for financial accounting and reporting by registered companies and stipulates the basic maximum requirements with regard to financial reporting and Financial Reporting Council of Nigeria (FRCN). Nigeria issued its first accounting standard (SAS No. 22) formulated in 2006 issued standard for accounting for intangible assets such as human resources. Corporate organizations communicate to users of accounting information interims of performance, efficiency and responsibility through financial reporting. This reduces the information asymmetric that occur between the

management and the shareholders (Obara, 2013). Despite this fact accounting professionals continue to treat and recognize intellectual capital human capital as expenses in the income statement in Nigeria. The traditional accounting practice of charging expenses of recruiting, training, familiarization and development of human resources to current periods profit and loss account understate the profits or overstate losses for not accounting for expenses related to human resources even when it conceals assets and net worth (Lall, 1999). This questions the adequacy and materiality of financial information disclosure and motivates study to examine human resource accounting and shareholders wealth maximization.

Despite the numerous studies on the relationship between human resource accounting and corporate performance, the direction causality between human capital accounting and shareholders wealth maximization is lacking in literature. Existing studies such as the studies of (Ikpefan, Kazeem, and Taiwo, 2015; Edom, Inah, and Adanma, 2015) examined human resource accounting and performance of commercial banks using questionnaire, the studies of (Ifurueze, Odesa and Ifurueze, 2014; Micah, Ofurum, and Ihendinihu, 2015) examined the effect of human resources accounting on Nigeria manufacturing firms using. Again, human capital expenditure is classified as expenditure and revenue expenditures. Studies aimed at establishing the effect of human resources accounting has only focused on expenditure without consideration of the revenue aspect of human resource accounting. From the above, this study intends to examine the effect on human resource accounting and shareholders wealth maximization by investigating the effect of both the expenditure and the revenue components of human resource accounting. Apart from section one above, section two focuses on both theoretical and empirical review of related literature, section three deals with the research methodology. Section four deals with the data analysis and presentation and the fifth section contain the conclusion and recommendations from the findings.

## 2. Literature Review

### *Human Asset Accounting*

The concept of human resource accounting has been defined in many ways. However, the major intent of the concept remains the same. Jasrotia (2004) define human resource accounting as a measurement and reporting of the cost and value of people as organizational resources. Kodwani and Tiwari (2007) define human resource accounting as corporate attempt to identify, quantify and report investment made in human resources of an organization that are not presently accounted for under conventional accounting practice. Bullen and Egler (2010) opined that human resource accounting involves accounting for expenditures which related to human resources as assets. Woodruff (1973) defined Human Resource Accounting as the identification, accumulation and dissemination of information about Human Resource in dollar (Naira) term. Seth (2009) viewed Human Resource Accounting as accounting for people as original resources and the measurement of cost and value of people for an organization. Parameswaran and Jothi (2011) referred to American Accounting Association's definition of human resource accounting as the process of measuring data of human resources and communicating the information to the interested parties. From the various definitions above, human resource accounting in simple term is accounting for the value of people in organization to enhance information for decision making by the users of financial information.

### *Capital and Revenue Expenditure Components of Human Resource Accounting*

Capital Expenditure is the element of the cost that is expected to give or generate future benefit that will exceed current accounting period. It includes; Acquisition, recruitment, development, retention, training and retraining. The capital expenditure should be capitalized and recorded in the balance sheet as intangible assets and amortized over the useful life of the human asset. The amortized value should be recorded as expenses in the statement of firm position while the revenue expenditure is charge to revenue in the statement of comprehensive income. This will be the only the human resource cost is represented in the financial statements. The capital expenditure can be treated as investment in human resource asset under intangible assets. Intangible assets have no general accepted definition since the word usually accompanies different concept including investment assets, resources (Canibano, García-Ayuso, Sánchez, & Olea 1999). Woodruff Jr. (1970), Mirvis and Macy (1976) posits that the logic behind this treatment is that the development costs provide benefits beyond the current accounting period. Investors and management needs information about the Human Resource Asset of Organization. Revenue Expenditure is the aspect of the cost that the company benefited from or used up within the accounting year, this include; Salaries, wages, commission, bonus, allowance and short term motivation (Cascio, 1998).

### **Theoretical Framework**

#### *Human Capital Theory*

The origin of human capital goes back to emergence of classical economics in (1776) and hereafter developed a scientific theory. After the manifestation of that concept as a theory, Schultz (1961) recognized the human capital as one of the important factors of national economic growth in the modern economy (Dae-bong, 2009). The theory is rooted from the field of macroeconomic development theory Schultz (1993). Becker's (1993) classic book, Human Capital: A Theoretical and Empirical Analysis with special reference to education illustrated this domain. Becker

argues that there are different kinds of capitals that include schooling, computer training course and expenditures on medical care (Marimuthu et al., 2009). The theory argues that a person's formal education determines his or her earning power. The idea of human capital originates from the observation that schooling develops certain qualities in people and that these qualities enhance economic productivity and economic growth (Severine and Lila, 2009).

Gary Becker's classic work, human capital (1964), elaborates on the notion of human capital in the context of neoclassical economics. It registers that investment in human could be viewed as similar to investment in other means of production, like factories or mines. In developing Becker's work further, another economist, Theodore Schultz, set out to map how rates of return from education could be calculated in countries with different levels of income, different attitudes to forgoing earnings to develop human capital (Severine and Lila, 2009).

Human capital theory holds that it is the key competences, skills, knowledge and abilities of the workforce that contributes to organizations competitive advantage. It focuses attention on resourcing, human resource development, and reward strategies and practices. According to Human Capital Theory, education is an investment because it is believed that it could potentially bestow private and social benefits (Odhong et al., 2014). According to Armstrong (2012) cited in Odhong & Were (2013), Human capital theory helps to determine the impact of people on the business and their contribution to shareholder value. It demonstrates the HR practices that produce value for money in terms, for example, of return on investment. According to Dae-bong (2009) Human capital theorists believe that education and earning power are correlated, which means, theoretically, that the more education one has, the more one can earn, and that the skills, knowledge and abilities that education provides can be transferred into the work in terms of productivity. Human capital refers to the knowledge, expertise, and skill one accumulates through education and training (Severine and Lila, 2009; Marimuthu et al.,(2009);Dae-bong (2009); Malose and Boris (2012; Armstrong (2014), Odhong et al., 2014) Human capital theorists have typically argued that organizations can increase their human capital by internally developing the knowledge and skills of their current employees, and by attracting individuals with high knowledge and skill levels from the external labour market. That is, organizations can try to make and buy human capital. Human capital grows in two ways; when the organization uses more of what people know and when more people know more of what is useful to the organization (Choudhury and Mishra, 2010). Human capital theory as the main underpinning theory in studies related to human capital, in this study the theory supports variables such as knowledge management, education, training, and skills development as well.

#### *The Resource Based Theory of the Firm*

The core of the resource-based theory of the firm lies in a fundamental heterogeneity in the production processes of firms. Given certain inputs, each firm will apply these inputs in a different way, resulting in different outputs or products. As a consequence, sustained competitive advantage will result for those firms whose production process proves to be most efficient and whose outputs best meet demand. Inputs are usually divided in three categories: physical resources, organizational resources and human resources. Two mechanisms prevent this sustained competitive advantage from diminishing rapidly: path dependence and routines. The mechanism of path dependence refers to the fact that the assets for many firms are the result of sustained investments over time for example firm-specific human capital. Routines stand for 'repetitive patterns of behaviour within an organization (Koch and McGrath, 1996). Often the employees involved will not be fully aware of the routine actions they perform each day; this makes it very difficult to imitate such routines. As a result, the specific operational knowledge involved in these routines is very immobile.

Within the resource-based theory of the firm, human capital is one of the major resources. Paauwe (1998) has formulated a conceptual model on how available human resources are utilized which factors influence this utilization, and the outcomes. The prevalence belief among academics and management practitioners is that individual employee performance affects firms' level of outcomes. This means that the contributions of individual employee at various levels of organization results in corporate goal. For this reason employee's intellectual competence, employee's skill and corporate human resource function must be properly developed if corporate goals must be achieved.

#### *Cost Theory*

Under this theory, organization's investments on employees are measured using the costs incurred on recruitment, acquisition; formal training and familiarization; informal training and familiarization; experience; and development. The costs are amortized over the expected working lives of employees and unamortized costs for example, when an employee left the firm are to be written off. Models developed under this theory are historical cost method and replacement cost method. The advocates of this theory are Brummet et al (1968), Flamholtz (1985) and Tang (2005). Cost-based human resource models are easier to apply and less technical. The major weakness associated with models developed under this theory is that they measure only the costs to the organization but ignores completely any measure of the value of the employee to the organization.

### Value Theory

The proponents of this theory are of the view that the measurement of the value of employees should focus on the value they can create for their organizations while rendering their services. The soundness of the human resource valuation under this theory depends wholly on information, judgment, and impartiality of the estimates and guesstimates. Notable contributors under this approach are Flamholtz (1971) Kaplan and Norton (1992), Monti-Belkaoui and Riahi-Belkaoui (1995) and George (2005).

### Expense Theory

This theory focuses on attaching money estimates to the behavioral outcomes produced by working in an organization. Criteria such as absenteeism, turnover, and job performance are measured using traditional organizational tools, and then costs are estimated for each criterion. For example, in costing labour turnover, Naira figures are attached to separation costs, replacement costs, and training costs.

### Empirical Literature

Akindehinde, Enyi and Olutokunbo(2015) investigated the likely effect of human asset accounting on the performance of business organizations in Nigeria. The result of the analyses confirmed that human asset accounting significantly affects the banks 'performance at F-ratio = 56.280,  $P \leq 0.05$ ,  $R^2 = 0.193$ . Micah, Offurum and Ihindinechi(2012)examine the relationship between firms financial performance and human resource accounting disclosure of companies in Nigeria. Five years financial data from 2005-2009 of fifty two companies across all sectors as listed on the Nigeria stock exchange fact book of 2005-2009 were extracted using simple random sampling techniques. Findings show that the combined effect of Firm Financial Performance accounted for 75.9% of the variation in Human Resource Accounting Disclosure (HRAD) with an F- ratio 3.581 being significant at 5% confidence level. Edom, Inah and Adanma(2015) examine the impact of human resource accounting on the profitability of Access Bank of Nigeria Plc, from 2003 to 2012. Using the ordinary least square analytical technique it was also discovered that there was a significant relationship between training cost, development cost and the profit of the bank. However, the number of staff does not have a significant effect on profit of the bank. Nonetheless, organizational performance is dependent upon the performance of the individuals that make up the organization.

Ikpefan, Kazeem and Taiwo(2015) appraised the impact of human capital accounting on performance of Micro Finance Banks (MFB) in Nigeria; specifically using content analysis of the annual reports and financial statements of the sampled Micro Finance Banks. A total of 314 of the sample (representing 98.4% of the sample) agreed that human resources expenditure should be capitalized and treated as assets rather than write-off to profit and loss accounts. The study also shows that human resources accounting has a significant effect on MFBs performance. Ahangar (2011) reveals that the performance of a company's intellectual capital can explain profitability and productivity. The study specifically reveals that Human Capital Efficiency (HCE), Physical Capital Efficiency (PCE) and Assets Turnover Ratio (ATR) significantly influence the company performance as measured by growth in sales. It also confirmed that Human Capital is more efficient than structural Capital in terms of value creation efficiency.

Rehma *et al.* (2011) confirmed that Human Capital efficiency has significant relationship with financial performance's Returns on Capital Employed (ROE) and Earnings per Share (EPS). Their study specifically revealed that, one of the important components to strengthen the intellectual capital performance is Human Capital Efficiency. This means that, investing more to boost the employees' productivity would increase the human capital efficiency of employees. This could imply that performance of an organization depends on its human capital.

Sharma (2012) found that organization's performance depends on the quality of human resources by stating that, the success of any organization depends on the quality of its human resources whether it belongs to manufacturing, service or a retail outlet. She further buttressed this fact by stating that organizations 'human resources are important assets that are used to increase productivity, earning capacity, increasing wealth and profit, market value and economic valued addition.

Francesca di Donato DelioPanaro(2016) conducted a study onboard gender diversity, network and firms' performance in the Italian listed companies. Their findings shows that the percentage of women on the boardrooms after the introduction of gender minority in the Board of Directors is not statistically correlated with the financial performance of Italian companies, measured by Tobin's Q. It also demonstrated that as the percentage of women increases, the return on asset decreases. Martin-de-Catro, et al (2010) conducted a study on the origin and nature of human capital view of firms. Findings established that human capital could transform a firm's value, no evidence was provided relative to the degree of such transformation.

Patra, Khatik and Kolhe (2003) examined the correlation between the total human resources and personnel expenses for their fitness and impact on production. They found that Human Resource Accounting valuation was important for decision-making in order to achieve the organization's objectives and improve output. Okpala and Chidi (2010) examined the relevance of human capital accounting to stock investment decisions in Nigeria and opine that

corporate success now rests on the ability and knowledge of people who can easily adapt to technological changes and drive organization to attain its goals and objectives. They explain that the function of human capital accounting is to provide information which affords investors opportunity to truly evaluate and understand the complete picture of an organization.

Kirfi and Abdullahi (2012) view the practice of human resources accounting in Nigerian companies as more of a mirage than reality as human resource is not reported in financial statements. They argue that the existing accounting practice lack regard to human resource as an asset and have significantly discouraged the use of any or a combination of measurement technique(s) in quantifying human resource let alone reporting it in Nigeria. Bassey and Tarpang (2012) examined the influence of expensed human resources cost (HRC) on corporate productivity and found that expensed human resources (remuneration, protection and dismissal/ compensation) costs are important determinants of expensed human resources cost and does significantly influence corporate productivity. Ifurueze, Odesa and Ifurueze (2014) examined the impact of aggregated cost of human resources on profitability. The findings show that there is a positive relationship between profitability and human resource cost. It also shows that changes in profitability can be explained when the expenditure on human resource are segregated into revenue expenditure and capital expenditure. The empirical studies examined failed to capture the dimensions of human resource expenditure and revenue and its effect on shareholders’ wealth maximization, therefore this study intend to x-ray how human resource expenditure and revenue effect the shareholders wealth maximization in Nigeria manufacturing firms.

**3. Research Methodology**

This study uses quasi experimental research design approach for the data analysis. This approach combines theoretical consideration (a prior criterion) with the empirical observation and extract maximum information from the available data. It enables us therefore to observe the effects of explanatory variables on the dependent variables. The study used secondary data; the data is preferred in this study due to the nature of the study which is time series based. For the purpose of this study, secondary data was sourced publications of the manufacturing firms. From the objectives of this study, the models specified below captures the two components of human resources accounting which are the expenditure and the revenue. The models are modified models adopted from Ifurueze *et al.* (2014). In order to have a proper analysis of the data sourced, the use of Multiple Regression and Statistical Package for Social Sciences (SPSS) was used(Lucky, 2017).

**Model I: Capital Expenditure**

$$ROI = \beta_0 + \beta_1CHR + \beta_2CHD + \beta_3CHR + \beta_4CHT + \beta_5CHA + \epsilon_i \dots \dots \dots (3.1)$$

**Model II: Revenue Expenditure**

$$ROI = \beta_0 + \beta_1ES + \beta_2EW + \beta_3EC + \beta_4EB + \beta_5EA + \epsilon_i \dots \dots \dots (3.2)$$

- ROI = Return on Investment of selected manufacturing firms
- CHR = Cost of human resources recruitment
- CHD = Cost of human resource development proxy by cost of off the job training
- CHR = Cost of human resource retention proxy by housing loans
- CHT = Cost of human resource training proxy by on the job training
- CHA = Cost of human resource acquisition
- ES = Employee salaries
- EW = Employee wages
- EC = Employee commission
- EB = Employee bonuses
- EA = Employee allowances
- $\epsilon_i$  = Error term

**Statistical Approach**

The statistical approaches used in this study include:

- (i)Coefficient of Determination (R<sup>2</sup>):** This is used to measure the extent to which the independent variables in the model can explain changes on the dependent variable.
- (ii)Correlation Coefficient (R):** This measures the strength and the extent to which the dependent and the independent variable are related.

**(iii) T-Test:** This is used to measure the significance of the independent variables to the dependent variable and the hypothesis was tested at 5% level of significance and at 95% confidence interval. The hypothesis for this test is stated as follows:

Null Hypotheses;  $H_0: \beta = 0$ , (Statistically not significant)

Alternate Hypotheses;  $H_1: \beta \neq 0$ . (Statistically Significant)

And the decision rule states that “ $H_0$ ” should be rejected when T-statistics is greater than the critical value. But when the T-statistics is lower than the critical value, the “ $H_0$ ” is accepted with its conclusion.

**(iv) F-Test:** This is used to find out the overall significance of the regression model at 5% level of significance. The hypothesis for this test is stated as:

Null Hypotheses;  $H_0: \beta_1 - \beta_6 = 0$  (all slope coefficients are equal to zero)

Alternative Hypotheses:  $H_0: \beta_1 - \beta_6 \neq 0$  (all slope coefficients are not equal to zero)

The decision rule for this test is that “ $H_0$ ” should be rejected when F-statistics is greater than the critical value of F. but when the F-statistics is lower, then the “ $H_0$ ” is accepted while the  $H_1$  is rejected.

#### **(v) Test for Autocorrelation**

The Durbin Watson statistics is used in this research to test for the presence of autocorrelation. When there is presence of autocorrelation, the First order autoregressive scheme will be employed to correct it. The hypotheses states that:

$H_0: P = 0$  (There is serial independence in the errors)

$H_1: P > 0$  (There is first order (AR) positive autocorrelation.

When the Durbin Watson Statistics (DW-Stat) is lesser than lower Durbin Watson ( $D_L$ ), the null hypothesis ( $H_0$ ) is being rejected but if the Durbin Watson statistics is greater than the upper Durbin Watson ( $D_u$ ), the null ( $H_0$ ) is then accepted.

## **4. Presentation of Results**

Test of Colinearity and Autocorrelation of the Variables

Table 1 Tolerance and Variance inflation factor (VIF)

	<b>Tolerance</b>	<b>VIF</b>
CHR	.464	2.156
CHD	.207	4.840
CHR	.120	8.312
CHT	.371	2.698
CHA	.786	1.272

Source: SPSS 20.0

Table 1 shows a tolerance of above 0.1 inverse to the rule of the thumb which is contrary to the rule for testing multicollinearity on tolerance while only two variables of the variance inflation factor (VIFs) which are satisfies the threshold of being above 0.5 and less than 10.

Table 2 Durbin Watson and autocorrelation test

<b>Variables</b>	<b>Eigen Value</b>	<b>Condition Index</b>	<b>Constant</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
1	5.405	1.000	.00	.00	.00	.00	.00	.00
2	.876	2.484	.00	.00	.00	.01	.17	.00
3	.445	3.484	.00	.01	.00	.00	.05	.03
4	.142	6.175	.00	.03	.01	.05	.21	.36
5	.112	6.954	.00	.01	.00	.14	.34	.44
6	.016	18.191	.04	.90	.18	.05	.02	.10
<b>DW</b>							<b>1.173</b>	

Source: SPSS 20.0

The table above illustrated a co linearity and autocorrelation; the results found that the Eigen values that correspond with the highest condition index and variance constants are less than 0.5 rule of the thumb. The Durbin Watson

statistics of 1.173 shows the absence of multicollinearity, portraying a significant relationship between the dependent and the independent variables in the model.

Table 3 Effect of Capital Expenditure Human Resource Accounting on Share Holder's Wealth maximization

<b>Variables Coefficient</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
Unstandardized Beta	.015	.096	.515	.009	-.543
Std Error	.143	.645	.621	.034	.307
Standardized Beta	.025	.051	.375	.072	-.312
T-Statistics	.108	.148	.829	.281	-1.765
Sig. T	.915	.884	.417	.781	.093
Constant	18.122, T-Stat = 1.120, T-Sig = .276				
R	.713				
R <sup>2</sup>	.508				
Adj R <sup>2</sup>	.360				
F-Ratio	3.440				
F-Sig	.017				

Source: SPSS 20.0

The result of the multiple regression formulated in section III of this study as presented in the above table shows that there is correlation coefficient of 71.3% between capital expenditure in human resources and the return on investment of the selected manufacturing firms which is significant. The R<sup>2</sup> and the Adjusted R<sup>2</sup> shows that 50.8% and 36.0% variation on the return on investment of the manufacturing firms can be traced to variation on capital expenditure of the manufacturing firms on human resources. The explanatory power of the predictor variables shows that all the independent variables have positive but insignificant relationship with return on investment of the manufacturing firms except cost of human resource acquisition. The positive effect of the variable confirms the a-priori expectation of the results and validates human resource theories such as human capital investment theory, skill development theory. The negative effect of cost of acquisition is contrary to the expectation of the results and can be trace to the inability of the management to integrate human resource accounting properly to the financial position of the firms that gives wrong value of human resource accounting most especially in the developing countries like Nigeria. The positive effect of the variables confirm the findings of Akindehinde, Enyi and Olutokunbo(2015) that human asset accounting significantly affects the banks 'performance at F-ratio = 56.280, P≤ 0.05, R<sup>2</sup> =0.193, Micah, Offurum and Ihindinechi(2012) that the combined effect of Firm Financial Performance accounted for 75.9% of the variation in Human Resource Accounting Disclosure (HRAD) with an F-ratio 3.581 being significant at 5% confidence level, Edom, Inah and Adanma(2015) that there was a significant relationship between training cost, development cost and the profit of the bank and the findings of Ikpefan, Kazeem and Taiwo(2015) that human resources accounting has a significant effect on MFBs performance.

The Effect of Revenue Expenditures of Human Resource Accounting on Shareholder's Wealth Maximization

Table 4: Tolerance and Variance inflation factor (VIF)

	<b>Tolerance</b>	<b>VIF</b>
ES	.750	2.097
EW	.751	1.332
EC	.451	2.215
EB	.575	1.740
EA	.936	1.333

Source: SPSS 20.0

Table 4 shows a tolerance of above 0.1 inverse to the rule of the thumb which is contrary to the rule for testing multicollinearity on tolerance while only two variables of the variance inflation factor (VIFs) which are satisfies the threshold of being above 0.5 and less than 10. This confirms to the findings in table one above.

Table 5: Durbin Watson and autocorrelation test

Variables	Eigen Value	Condition Index	Constant	A	B	C	D	E
1	4.832	1.000	.00	.01	.01	.01	.00	.00
2	.742	2.551	.00	.01	.02	.08	.00	.00
3	.654	2.718	.00	.00	.07	.49	.00	.01
4	.468	3.215	.00	.18	.25	.15	.01	.00
5	.204	4.867	.01	.25	.64	.01	.09	.03
6	.064	8.664	.42	.00	.01	.07	.03	.70
<b>DW</b>							<b>1.194</b>	

Source: SPSS 20.0

The table above illustrated a co linearity and autocorrelation; the results found that the Eigen values that correspond with the highest condition index and variance constants are less than 0.5 rule of the thumb. The Durbin Watson statistics of 1.194 shows the absence of multicollinearity, portraying a significant relationship between the dependent and the independent variables in the model. This confirms the findings in table two above.

Table 6: The Effect of Revenue Expenditures of Human Resource Accounting on Shareholders' Wealth Maximization

Variables Coefficient	A	B	C	D	E
Unstandardized Beta	.467	.014	-.098	.143	-.079
Std Error	.411	.067	.054	.078	.043
Standardized Beta	.196	.033	-.290	.380	-.341
T-Statistics	1.136	.207	-1.800	1.830	-1.855
Sig. T	.269	.838	.087	.082	.078
Constant	24.512, T-Stat = 5.912, T-Sig = .000				
R	.781				
R <sup>2</sup>	.610				
Adj R <sup>2</sup>	.493				
F-Ratio	5.222				
F-Sig	.002				

Source: SPSS 20.0

Evidence from the table above which shows the relationship revenue expenditures of human resource accounting on the return on investment of the manufacturing firms prove that there is 78.1% correlation coefficient between human capitals. The R<sup>2</sup> and the adjusted R<sup>2</sup> shows that the human revenue expenditure can explain 61.0% and 49.3% variation on return on investment can be traced to variation in various human resource revenue expenditures. The coefficient of the independent variables proved that salaries, wages and bonus have positive relationship with return on investment of the selected manufacturing firms while commission and allowances have positive effect on return on investment. The positive effect of the variables confirms the a-priori expectation and validates human resources development and motivational theories. The negative relationship of the variable is contrary to expectation and can be traced to poor human capital investment and poor human resource accounting. The validity of the findings is in line with the findings of Ahangar (2011) that Human Capital Efficiency (HCE), Physical Capital Efficiency (PCE) and Assets Turnover Ratio (ATR) significantly influence the company performance as measured by growth in sales, Rehman *et al.* (2011) confirmed that Human Capital efficiency has significant relationship with financial performance's Returns on Capital Employed (ROE) and Earnings per Share (EPS) and Sharma (2012) that organization's performance depends on the quality of human resources.

### 5. Conclusion and Recommendation

The purpose of this study is to investigate the effect of human resource accounting on the shareholders wealth maximization of selected manufacturing firms in Nigeria. The study contributes to knowledge by disaggregating the human resource expenditure and revenue expenditure and its impact on return on investment of the manufacturing firms. From the expenditure component, we found correlation coefficient of 71.3% , R<sup>2</sup> and the Adjusted R<sup>2</sup> shows that 50.8% and 36.0% . The explanatory power of the predictor variables shows that all the independent variables



have positive but insignificant relationship with return on investment of the manufacturing firms except cost of human resource acquisition. The revenue expenditure proved  $R^2$  and the adjusted  $R^2$  of 61.0% and 49.3% explained variation on return on investment. The coefficient of the independent variables proved that salaries, wages and bonus have positive relationship with return on investment of the selected manufacturing firms while commission and allowances have positive effect on return on investment. From the above result summary, we conclude that human resource accounting has significant relationship with shareholders wealth maximization of the selected manufacturing firms. Base on the findings we make the following recommendations: All human capital expenditure should properly be accounted for and capitalized in the balance sheet of the manufacturing firms to give true value of shareholders wealth. There is need for the firms to investment in human capital and the employees well paid to for greater performance.

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