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Effect of Capitalizing Human Resource Cost on Corporate Profitability in Ondo State, Nigeria

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Abstract
The study examined the effects of conventional treatment of Human Asset on Net Profit; determined the effects of Human Resources Capitalization on firm's net worth; determined the effect of Human Resources Capitalization on firms' share prices. The study adopted the survey research design and well-structured questionnaire was purposively distributed to 100 staffs of selected firms in the Central senatorial district of Ondo state. Data collected were presented and analysed using ANOVA and Regression. The study revealed that creating room for creative accounting, lack of accounting standard backing conventional treatment of human resources and Biasness in financial reporting are joint indicator of the effect of conventional treatment of Human Asset on Net Profit (R^2= 0.577; P < 0.005). The study clearly shows that improving investors' confidence (29.236; 145.171; 0.000), ease in assessing future potential earnings (29.042; 66.933; 0.000); Contribution to decision making process of capital formation (26.197; 100.249; 0.000); sustainable equity position (23.988; 137.766; 0.000); have significant effect on firm's network. The study also shows that increase in the level of profitability (4.026; 6.789; 0.000), firm's growth (23.430; 74.008; 0.000); increase in the size of a firm (11.087; 95.832; 0.000); have significantly affected the share price of a firm. It was concluded that increase in profitability, firm size and growth are some of the cogent effect of capitalization of human resources have an effect on the share price of a firm. The study recommends that professionals, regulators and preparers of financial statements should be enlightened in order to improve the reporting of human resources cost on the face of the financial statement.

Keywords: Capitalizing Human Resource, Cost on Corporate Profitability, Nigeria.

Introduction
The past decades have witnessed a global transition from manufacturing to service based economies (Okpala & Chidi, 2010). The fundamental difference between the two sectors lies in the very nature of their assets. The former sector is driven by physical assets like plants, machinery, material etc. while the latter is driven by knowledge, skills and attitude of the employee (Mayo, 2006). For instance in the case of an IT firm, the value of its physical assets in negligible when compared with the value of the knowledge and skills of its personnel. In hospital, academic institutions, consulting firms the total worth of the organization depends mainly on the skills of its employees and the services they renders. Hence, the success of these organizations is contingent on the quality of their human resource, its knowledge, skills, competence, motivation and understanding of the organizational culture (Rao, 2005). The present century is knowledge driven; as Nigeria intensify effort to actualize vision

20:20:20 it is imperative that the human resource (knowledge and skill) that will drive the economy be recognized as an integral part of the total worth of an organization.

In the current business environment, human capital is regarded as key source of competitive advantage. With the knowledge agenda, companies view their employees as an important resource and invest heavily in them. But the value of human resources or human capital may not be adequately reported to stake holders partly due to strict recognition criteria for intangible assets that do not allow human resources to be shown asset in the statement of financial position (Tayles, Pike & Sofian, 2007). Nevertheless, information on human capital and its development is important to financial analyst and fund managers, who need to access the future direction, potential and values of companies. Ishikawa & Ryan (2002) suggest that it is the stock of human capital that predominantly determines the earnings of individuals.

Profitability shows how efficiently the management can make profit by using all the resources available in the market. Profitability is an index of efficiency; and is regarded as a measure of efficiency and management guide to greater efficiency (Maheshwari, 2001). Profitability of any organization is largely dependent upon the human resources. Knowledge or skills based companies which are more richer than the physical or financial bearing companies. Since intellectual, experience, know-how, attitude, behaviour and value system of employees with a different way can improve the efficiency of production or services and create more wealth to an organization (Brummet, 1970).

Human resource is the most vital part of any organization, it is the melting engine between financial and all other physical resource toward the achievement of organizational objectives and goals. The impact of the wrong classification on the organization profit annually is unimaginable, as analyst and investor who rely on the report tend to under value the organization, managers may be judged as non-performance, the report generated using the conventional accounting will show a distorted net income. Therefore, this study will examine the effects of capitalizing human resource cost on corporate profitability.

Though the idea of accounting for human resources started many years back, the concept still lacks general acceptability especially in relation to corporate profitability (Bowers, 1973). Many authors and scholars have conducted researches on how humans within an organization can be valued and reported in the financial statements of such organization (Schulz, 1961; Hermannson, 1964; Likert, 1967; Bowers, 1973; Flamholz, Bullen & Hua, 2002). Human resource accounting and reporting by corporate organizations is still at the infant stage in Nigeria (Enofe, Mgbame, Otuya & Ovie, 2013). Some of the companies that have invested heavily in human resources and have applied human resources accounting in one way or the other in Nigeria include Unilever Plc, Nigeria Breweries, Cadbury Nigeria Plc, Nestle Foods Nigeria Plc, Access Bank Plc, Zenith Bank Plc, amongst others. The investments by these companies in human capital development are normally not reflected in their balance sheets as assets but expensed in the profit and loss accounts (Okapla & Chidi, 2010; Micah, Ofurun & Ihendinihu, 2012). The major challenges encountered in the recognition of human resources as an asset rest largely on its characteristics, quantification in monetary terms and the method of reporting.

Studies have been conducted on human resources and it's management; Some of these studies include; Izedonme, Odeyi, & Kuebe (2006); Anurag, Jyothy & Kunnel(2001) and Daniel, Eseme & Gberevbie (1999). These studies explored the level at which human resource accounting affect organizational performance, corporate productivity and organizational commitment on financial on financial sectors in Nigeria.

The main objective of this study is to examine the effect of capitalizing human resources cost on corporate profitability. The specific objectives are to examine the effects of conventional treatment of Human Asset on Net Profit, determine the effects of Human Resources Capitalization on firm's net worth, and determine the effect of Human Resources Capitalization on firms' share prices.

The hypotheses for this study were presented in a null form which states that Conventional treatment of Human Asset does not significantly affect Net Profit, Human Resources Capitalization does not significantly affect firm's net worth, Firm's share price is not significantly influenced by Human Resources Capitalization.

The advent of technology has led to undermining manpower services since most organizations believe computers and machines can effectively do the work of man. The findings will have a great significance to management and other stakeholders by providing a more comprehensive platform for making informed decisions about the human resources of the organizations and general firms' value. The study will also be of advantage to academic fields by contributing to knowledge on the extent to which capitalized human resources cost can influence organizational profit. The study will be of economic benefit in that it will enlighten regulatory authorities such as the Financial Reporting Council of Nigeria, Securities and Exchange Commission, Central Bank of Nigeria and other relevant regulatory agencies to compel companies on how to incorporate Human Resource Cost in their financial reports.

This study focus on human resource reporting practice in companies quoted on the Nigeria stock exchange, For the sake of thoroughness, Service companies are of main concern because of perceived high level of compliance with human resources accounting. According to CBN annual publication 2014 there are 21 banks in operation in Nigeria. In which 10 banks will be randomly drawn from the population size which represent 50% of the total population. Research on this study will however be limited to Ondo state in the southwest region of Nigeria. However, in order to achieve the objectives outlined in this study, the self-structured questionnaire would be employed and data generated will be used in testing the various hypothesis formulated.

Literature Review

Concept of Human Resources Accounting

The concept of human resource was first developed by Sir William Petty in the year 1691 but research into human resource Accounting began in the 1960 by Rensis Likert. The American Accounting Association Committee on Human Resource Accounting (1973) defined Human Resource Accounting as "the process of identifying and measuring data about human resource and communicating this information to interested parties". Human resource accounting denotes just this process of quantification, measuring and reporting of human resource in organization, it objective is to facilitate the effective and efficient management of human resources (Porwal, 1993).

Human Resource Accounting involves accounting for expenditure related to human resources as assets as opposed to traditional accounting which treats these costs as expenditures that reduce profit Bullen & Eyler (2010). According to Woodruff (1973), who defined Human Resources Accounting as the identification, accumulation and dissemination of information about Human Resources in dollar or Naira terms? He further explained that Human Resources Accounting is the systematic accumulation of information about changes in investments made in human resources and reporting back that information to operating managers in order to assist them to make better decisions than they would have been able to make without such additional information.

American Accounting Association's define human resources accounting as the measuring of data of human resources and communicating the information to the interested parties. Going by 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 (Parameswaran & Jothi, 2011).

Human Resources accounting is a method of measuring the effectiveness of personnel management activities and the use of people in an organization. Meanwhile, Parameswaran & Jothi (2005), identified and categorized the objectives of human resources accounting into three considering the needs of the various users of financial information as Internal, Internal and External, and External. The *internal objectives* relate to the improvement of the internal management of human resources in an organization, while the Internal and External objectives of human resources accounting are designed to meet specific information requirements of both the internal and external users of financial statements. The external objectives on the other hand are specific objectives that are designed to meet financial information requirements that are peculiar to the external users of financial statements.

Benefits of Human Resource Accounting

All the valuation methods above have certain disadvantages or limitations. Nevertheless, accounting for human resources can be a plus to the organization and its stakeholders.

Craft & Bimberg, (1980) despite their apprehension on Human Resource Accounting explained the benefits of HRA under three headings:

In personnel management: HRA could help the personnel manager make better use of the resources entrusted to him, in developing measurements of cost of hiring and training new employees which would ordinarily not come lip in conventional financial reporting system.

In line management: HRA could also be used to inject additional inputs e.g. personnel costs and perhaps social-psychological data into the organizational internal planning and control systems.

By investors: HRA could be integrated into reports designed for external use in evaluating economic condition of the firm. (Craft & Bimberg, 1980) Gogo itemized some of the benefits of HRA to include:

Proper integration of Return on Capital Employed (ROCE) in disclosure of the value of human resources in the long-term perspective of the business performance. The maintenance of detailed record relating to internal human resources will improve managerial decision-making process in Recruitment Vs Promotion, Transfer Vs Retention, Retrenchment Vs Retention, Identification of Human Resources as a valuable asset will prevent underuse and misuse through thoughtless and reckless transfers, demotions, lay-off and day-to-day maltreatment by supervisors and other superiors. Help in efficient allocation of resources in the economy. Help in efficient use of Human Resources. Help ill proper understanding of the evil effects of avoidable labour unrest or disputes on the quality of internal human resources (Gogo, I 987).

Historical Development of Human Resource Accounting

The historical background of human resource accounting can be traced to the medieval European practice of calculating the cost of keeping a prisoner versus the expected future earning from him. The prisoners were seen to be the general property of the capturing side, consequently, after the victory a quick decision regarding whether to capture a prisoner or to kill him had to be taken based on the cost involved in keeping him and the benefit accruing from killing him (Sveiby, 2004).

However, the development of human resource accounting as a systematic and detailed academic activity began in sixties (Flamholtz, 1972). The development can be divided into five stages they are:

First stage (1960-66):This marks the beginning of academic interest in the arena. However, the focus was primarily on deriving human resource accounting concept from other studies like economic theory of capital, psychological theories of leadership effectiveness as well as the measurement of corporate goodwill.

Second stage (1966-71): At this stage, the focus was to develop and validate various models/tools that help organization manage their Human Resources. One of the earliest studies was carried out by Hermanson (1964) on problem of measuring the value of human assets as an element of goodwill.

Third stage (1971-76): This period was marked by a widespread interest in the field of human resource accounting leading to rapid growth of research in the area. The focus in this stage was on the application of human resource accounting in business organization, the development of measurement and reporting model. Experiment was carried out in R.G Barry, the findings contributed substantially during this stage (R.G Barry Corporation, 1973).

Fourth stage (1976-1980):This period witness a decline in the arena of human resource accounting due to lack of sponsorship in the area of research. The complex issue that needed to be explored which required much deeper empirical research then was needed for the earlier simple models and the lack of sponsorship in area of research.

Fifth stage (1980-till date):This period witness a sudden renewal of interest in the field due to the shift from manufacturing to service economic occasioned by globalization. Since the survival growth and profitability of organization were dependent more on intellectual assets than physical assets. The outcome of this renewal interest was the adoption of various models to suit organization requirement. Today, human and intellectual capital are perceived to be the strategic resources and therefore clear estimation of their value has gained significant important.

The increased pressures for corporate governance and corporate code of conduct demanding transparency in accounting have further supported the need for developing methods of measuring human value. In Nigeria human resource valuation and reporting has not yet been institutionalized.

Measurements in Human Resource Accounting

The major challenge in Human Resource Accounting is that of assigning monetary values to different dimension of human resource costs/investment and the worth of employees. There are various model suggested for the measurements of human assets, they are classified into two, they are: Cost Based Approach/Model, Economic Based Approach/Model

Cost Based Approach/Model

Under this approach, there are many models they include:

Historical cost model, Replacement cost model, Opportunity cost model and Standard cost model

Cost Based Model

Cost is a sacrifice incurred to obtain some anticipated benefit or service. Costs have two elements visa vis the expense and the assets element. The expense element is that which provides benefits during the current accounting period, whereas the asset portion is that which is expected to give rise to benefit in the future.

Historical Cost Model

The historical cost of human resources is the sacrifice that was made in getting the human resource. It attempts to equate the actual cost incurred-in recruiting selecting, hiring, training and development of employee. Those costs are capitalized and amortized over the expected useful life of the human resource. If the asset is liquidated prematurely losses are recorded and written off to profit and loss in the year and if human assets has a longer life than estimated, revision are made in the amortization schedule. This model treats the historical cost of human resource much like the cost of physical fixed assets. This model related cost to revenue and provides basis for evaluation of company's return on investment. It weakens steam from its inability to estimate the useful life of the assets.

Replacement Cost Models

The replacement cost of human resource is the amount that would have to be incurred if the present employees are to be replaced. It deals with estimating the current market value. Using this model, human resource is to be valued on the assumption that a new similar organization has to be created from the scratch and the cost to the firm is calculated if the existing resources were required to be replaced with other persons of equivalent talents, skill and experience. Cost incurred by an organization in replacing terminated employees for instance includes, advertisement, pre-employment administrative function, interviews, travelling cost etc., and this approach is more realistic as it incorporates the current value of the organization human assets in its financial statement. It's a good surrogate in determining the economic value of the human resource as it considers the market value in reaching a final figure. It weakness is as a result of the inability of firm to replace knowledge, compete loyalties of an individual exactly.

Opportunity Cost Model

This model is also known as market value method, it is based on the economist concept of opportunity cost. The value of an asset when there is an alternative opportunity of using it. Using this model, there is no opportunity cost for those employees who are not scarce, so only scarce people should form part of the human resources. An employee is scarce when it employment denies their competitors his talent skill and experience. Therefore the opportunity cost of an employee is determined by the offer made or to be made by others on the employee.

Standard Cost Model/Approach

Using this model employee of an organization is categorized into different groups based on their hierarchical position, standards. Cost is then fixed for each category and their value is calculated. This method advocate the standard costs of recruiting, hiring, training and developing each grade of employee be determine year after year. The standard cost arrived at becomes the value of the employee. The weakness of this approach is that it does not take into consideration difference in employees output in the same group.

Economic Approach

The value of asset in the present value of the service that it is expected to render in future. Similarly, the economic value of human resource is the present worth of the service that they are likely to render in the future. The method of calculating the value of individual may be classified into monetary and non-monetary methods.

Monetary Measure

In the monetary value based approach, the value of human resource of an organization is determined according to their present value to the organization. The future earnings of various groups of employee are estimated up to the age of their retirement and are discounted at a predetermined rate to obtain the present value of the future earnings.

The Need to Change the Current Accounting Treatment of Human Resources

Due to the great importance of the human resources, and that the goal of management is the optimal use of all resources, the need to provide relevant information about it, has called for changing the approach taken in accounting for the cost of human resources, since the traditional accounting failed to disclosure in their financial reports for any information related to those resources, and many enterprises have sought to measure the amount of investment in human capital, and how to rationalize its use. This subject has become one of the contemporary accounting problems, where that traditional accounting confined itself to accounting procedures that relate to salaries and wages, but concerning efficiency, skill and expected production capacity in the future of this resource are completely absent.

The emergence of the modern service enterprises, which rely on human resources in performance, has led to interest in knowing the quantitative value of human resource, as the adequacy, effectiveness and efficiency of workers is a key factor in achieving efficient use of huge physical investments in modern industries. From the enterprises in which human resources play a crucial role we find: (Hannan, 2003)

Pharmaceutical companies, software and electronics companies in general, where the efficiency of individuals working in research and development, play a pivotal role in the province of entity's market share and competitiveness;

Audit firms and companies which provide financial and technical consulting such as Arthur& Andersen, law offices, and companies of engineering studies; all are a companies in which the human capital formation and the development of human skills and competencies play an important role in their success;

Football clubs, where they are contracted with some outstanding players in excess of millions of dollars, these amounts is not logical to be considered just as expenses.

In these enterprises, ignoring human resources and not to provide accounting information about them in the financial reports, is a real negligence that makes the information provided by the entity irrelevant and do not disclose the real financial and economic situation, and its numbers are very far from reality.

In addition, we find that recently a new phenomenon emerged, which is the leasing of human resources, a similar phenomenon to the leasing of tangible resources like machinery and equipment, which accounting diligence settled to set the international standard *IAS 17*, which defined the terms of accounting for the leased asset, so that, considering the lessee asset as one of the enterprise's assets, and appear in its financial position report, became a generally acceptable accounting procedure.

Similar to the leasing of physical assets which is common used because of its benefits, it has become now companies specializing in the leasing of expert technical or administrative human resources, to solve various problems of the enterprises without recruiting them and becoming a part of its workforce. In this case the traditional accounting treatment of the leased human resources as an expense is inappropriate and must be changed, because these expenses have a future benefits.

Also, one of the causes of changing the current accounting treatment of human resources, is that current treatment encourage short-term thinking, as it consider the spending on human resources as expenses and not investments, despite the full knowledge that investment in buildings and equipment its value decreasing with their use, contrary to the investment in human resources, and as an illustration, if we assume that the senior management has faced the necessity of making a decision about investing ten million dollars in fixed assets, or investing the same amount in human resources, here there is a big challenge whichever it will choose?. In practice, when the enterprise invests this amount in a tangible assets, this investment will decrease over time and returns will be less gradually over twenty to thirty years, and vice versa if the decision was taken to invest the same amount in the human resources, the yield will be low in the first year, but will double gradually, and because managers are strongly linked to financial results for the year that they are in it, the decision will be entirely clear for them (INTEC, 2004).

Under financial pressure entities seeks to invest in physical capital and not in human capital, but this kind of pressure may lead to the issuance of fault decisions from the administration, such as firing workers to reduce costs, even though studies frequently demonstrated the error of this kind of decision because market conditions may change at any moment, and the entity that has laid off employees may lose a lot if the market conditions flourished, so it is imperative to establish a measurement systems, especially for human resources, in order to show their contributions to the performance of the enterprise as a whole, through the rejection of the accounting treatment, which treat human resources only as a cost center.

Based on the above, we can say that the superiority of human brains on machinery and equipment, and its contribution in creating value for enterprises, has made the classification of financial reporting, which considers the expenditure of human resources only as an expense, unacceptable, because it has become extremely traditional, and it's time to change it according to the contemporary foundations, and suit to the evolution of the look to workers as a strategic human capital.

Due to these and other factors many accountants have demanded to change the look of accounting for human resources, and consider them as assets because of its importance. In this context Bedford has demanded the adoption of new methods of accounting in order to provide relevant information to the managers and decision-makers, instead of just relying on generally accepted accounting principles, as the only method of measurement (Belkaoui, 2009). This is what has led to the emergence of the Human Resources Accounting, which is based on the consideration of human resources as an asset to be measured and disclosed within the financial reports.

Cost of Human Resource: Classification

To make the accounting for the cost of human Resource more meaningful and to justify its inclusion in statement of financial position as asset, the cost incurred need to be classified into two categories; Capital Expenditure and Revenue Expenditure, (capital expenditure and revenue expenditure)

Capital Expenditure – This aspect/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.

Revenue Expenditure – 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).

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 & 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.

Investors: Present and potential shareholder of a company are interested in information about the value of human resource assets of the organization this information assist them in making decision to acquire, retain or dispose off stock of the organization. As human asset is the lifeline of the future.

Management: The conventional accounting treats all money spent by management to build human resource as expense in the year it is incurred. Management investing in human resource assets is to enhance future earning power of the organization, charging this investment to the statement of comprehensive income as expense will produce relatively lower net profit in the current year. This will appear as if management is doing poorly when they are doing very well. This will lead to conflict between long-term and short-term interest by management. Reporting human resource as assets, the service they are expected to render is the real asset to the organization not the people. Therefore the money spent on getting the right people and developing them to acquire the right knowledge beneficial to the organization is the investment in assets.

Methods of Reporting Investments in Human Assets Flamholtz (1972) suggested four methods of reporting investment in human asset in corporate annual report, they are: Chairman letter/address; In statement of intangible asset, In unaudited Pro forma supplementary financial statement; In conventional financial statement.

Chairman's Welcome Address

The chairman address often acts as an interim measure toward full accounting. The address usually includes information about expenditure in human resource that is significant and relatively important, the information helps investors and financial analysts assess the extent to which management is paying attention to human resource development as a crucial factor in long-term profitability. The address will includes information about human resource like, training, development, and turnover rate.

Statement of Intangible Assets

Anderson Arthur and co. advocates that human asset should be included in the statement of intangible assets. They opined that human asset and other intangible asset should be classified separately in income statement. They advise that companies which are heavily engaged in expenditure for creation of intangible should present a statement of intangibles. The statement will indicates the expenditure made for various classes of intangibles for the current period and previous period.

Unaudited Pro-forma Financial Statement

Under this method, the company prepares a financial statement showing investment in Human asset using human resource accounting convention and includes the statement as supplementary information in the annual report. This will enable investor consider it separately from the financial statement prepare using conventional accounting practice. This was the approach used by R.G Barry Corporation (1973) and flying tiger live icon.

Conventional Financial Statement

The final method is that of presenting investment in human resource in financial statement. This method involves capitalization of the capital expenditure in human resource and amortization of such investment using the conventional intangible asset amortization rate (intangible asset are to be amortized for 20 years— IAS 38, 1998).

Sveiby's (2004) opines that human capital, intellectual capital and structural capital concept are similar to other asset. He argued that organizations acquire human resource to generate future revenue and therefore human resource should be considered when valuing a company by capitalizing instead of expensing them in the current period. The crux of his argument is that human, intellectual and structural capital should be treated as other assets. Since assets are reported in the statement of financial position. Human resource also should be reported along other intangible assets. Though it is difficult to quantify the expertise, knowledge and competence of human resource as these matters are not physical assets of a company as a result companies all over Nigeria are showing the cost relating to human resource as expenses in the statement of comprehensive income, neglecting the assets aspect of the cost in the statement of financial position.

Brummet, Flamholtz, & Pyle (1968) believe that the development of human resource accounting is necessary to provide organization with accurate data needed for financial report and to guide its decision. In developed countries, it is a common phenomenon that companies have Formal Human Resource Accounting reporting aspect in their annual report.

According to Al Mamun (2009) in developing countries like Nigeria, Human Resource Accounting is a new concept and it is still in naïve stage, though some organizations are making some human resource accounting information disclosure voluntarily (Wallace, 1987). The disaggregated approach towards human resource cost will in no doubt increase firms profitability, net worth and market value.

Challenges of Human Resource Accounting In Nigeria

No doubt human resource accounting will provide valuable information both for management and outsiders, yet its development and application in different industries and organizations has not been very encouraging the accounting concept of Human Resource is not popular because it may not yield immediate and tangible benefits coupled with the lack of consensus among accountants about the basic of measurement (Cooke, 1989). This poses a service challenge to the introduction of the Human

Resource

No specific and clear cut guidelines for finding cost and value of human resources of an organization.

Human resources, unlike physical assets are not capable of being owned, retained and utilized at the pleasure of the organization. Therefore it cannot be considered at par with other assets.

There is no specific form and manner the value of human resource as an assets be included in financial statement.

If value is placed on Human resource as assets how should it be amortized? Should the rate be decreasing, constant or increasing? Should the rate be the same or different for different categories of personnel?

Tax laws do not recognize human resources as assets, this has reduce the concept to a theoretical concept. If the accounting standards board makes it mandatory to disclose the values of Human assets, only then tax authority will take into concern Human Resource Accounting.

There is yet an empirical evidence to support the idea that Human Resource Accounting is an effective tool to measure the economic value of people to their organization. There is very little date to support the hypothesis that Human Resource Accounting facilities better and effective management of human resource.

The life of human resources in uncertain and therefore valuing them under uncertainty seems unrealistic.

No law, standards or guidelines backing and enforcing the application of Human Resource accounting.

Concept of Profitability

Profitability means ability to make profit from all the business activities of an organization, company, firm, or an enterprise. It shows how efficiently the management can make profit by using all the resources available in the market. According to Pandey (2002), "profitability is the 'the ability of a given investment to earn a return from its use."However, the term 'Profitability' is not synonymous to the term 'Efficiency'. Profitability is an index of efficiency; and is regarded as a measure of efficiency and management guide to greater efficiency. Though, profitability is an important yardstick for measuring the efficiency, the extent of profitability cannot be taken as a final proof of efficiency. Sometimes satisfactory profits can mark inefficiency and conversely, a proper degree of efficiency can be accompanied by an absence of profit. The net profit figure simply reveals a satisfactory balance between the values receive and value given. The change in operational efficiency is merely one of the factors on which profitability of an enterprise largely depends. Moreover, there are many other factors besides efficiency, which affect the profitability.

The terms 'Profit' and 'Profitability' are used interchangeably. But in real sense, there is a difference between the two. Profit is an absolute term, whereas, the profitability is a relative concept. However, they are closely related and mutually interdependent, having distinct roles in business.

Profit refers to the total income earned by the enterprise during the specified period of time, while profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is the ability of enterprise to get sufficient return on the capital and employees used in the business operation.

As Khan & P K Jain (2003) rightly notes "to the financial management profit is the test of efficiency and a measure of control, to the owners a measure of the worth of their investment, to the creditors the margin of safety, to the government a measure of taxable capacity and a basis of legislative action and to the country profit is an index of economic progress, national income generated and the rise in the standard of living", while profitability is an outcome of profit. In other words, no profit drives towards profitability. Firms having same amount of profit may vary in terms of profitability.

Conventional Human Asset Treatment and Corporate Profitability

The main problem confronting human asset treatment in organizations include the difficulty to measure or value human capital over the last two decades, which has ran into the difficult problem of pricing such assets (Strassman, 1998). But the benefit associated with the exercise has forced many companies to embark on the exercise. Research carried out by Leadbeater & Demos in the UK revealed that methods used to measure human assets depend on which user group the report is for (Leadbeater & Demos 1999). They stressed that internal users such as managers prefer the treatments that allow for more information and which allow human asset to be managed more effectively. For such users, a new range of performance measurement and internal corporate reporting which attempts to link financial performance such as cash flow to intangible drivers are sufficient. Examples include: Economic Value Added (EVA) and European Foundation for Quality Model (EFQM). There is another approach as recommended and used by ten Danish and Swedish companies in their HAAT which is capable to show the underlying fundamental that determines a company's future growth and the link between human with the strategies of the companies. In Nigeria, the companies do not have any standard approach to measure or treat human assets in their organizations.

Chen & Lin (2002) study provided a guide on how to identify investment in human assets in a firm. They viewed human asset investment as input made by company in talents and technology that benefit competitive advantages, which are valuable and unique and should be kept out of reach of other companies. They posited that only employees possessing these qualities are qualified as human assets. The traditional human asset accounting theories also identified three major areas of cost items of human asset investments. It therefore means companies could identify those items and separate them from their profit and loss accounts; such treatments would definitely impact on the corporate portability of the firm.

The extents to which an organization can practice human asset accounting treatments have strong relationship with its profitability. Chen & Lin (2002) pointed out that, a company can actually "loose its competitive edge when making cost reduction decision by cutting down on human asset investments instead of human assets expenses". There is therefore a strong relationship between the extent to which conventional treatments could be practiced and the impact on profitability indices such as Net Profit Margin, Return on Equity and Return on Investment. Scholars and advocates of human capital accounting have made case for the inclusion of Human Capital Accounting in financial reporting. Kaplan (2004) submits that senior managers should desist from placing too much emphasis on managing only the financial numbers, as the organization's long-term viability might be jeopardized. He opines that corporate decision makers who depend solely on financial indicators will be working with incomplete set of management tools. Barker(2003) notes that firms had begun to think of employees as investments rather than costs and as the cost-to-investment-based thinking evolve, the transition continue towards full accounting of human capital investments as assets that produce returns over an extended period of time.

Reporting Human Resources Cost

Dominating views about existent reports on human resources cost in the accounting field of Nigeria are on the consideration of characteristics of intangible assets of human assets, the item of "human assets" could be inserted between "intangible assets" and "deferred assets" in the balance sheet so as to reflect the net amount of human resources cost after being deduct the amortization. The human assets amortization expenses could be added in "management expenses" of enterprise profit and loss statement (Wan-xiang, 2001).

Report of human assets could be divided into internal report and external report. The internal report includes adjusted balance sheet, profit statement and cash flow statement. In balance sheet, initial assets value, amortization amount and net value will be displayed respectively on one hand; situation of human resources will be disclosed in annotations from angles of static and dynamic states on the other hand. The item of "Human resources" could be added in profit statement in order to reflect enterprise incurred expenses which shall not be capitalized and amortization of human assets for the purpose of using human resources. Meanwhile, relevant adjustment should be adapted to contents reflected by "Management expenses" and other accounts. The reflection of cash flow incurred in investment activities of cash flow statement. In addition, reports of human resources investment, flow and benefit will be supplemented beside the financial statements. Contents in reports are classified into non-monetary information and monetary information (Yan-fen, 2002).

Report of human resources could be divided into indicating table and information table of human resources. The indicating table is used to reflect expenditures and revenue of human resources. Expenditure has two parts as capital expenditure and revenue expenditure. Revenue expenditure has impact in one accounting period (such as wages and welfare expenses paid to employees), capital expenditure has impact in more than one accounting period (such as cultivation and training for being employees, living welfare and facilities). The human resources information table mainly reflects non-monetary information (Meng-ya, 2005).

In the regulations of Chinese, the No. 30 China Accounting Standards for Business Enterprise – Financial Statements Report and the No. 31 China Accounting Standards for Business Enterprises – Cash Flow Statement, the item of human resources cost hasn't been established specially, there is only one regulation on the disclosure of payable employees' compensation related with human resources cost in the supplemented information, which shall be disclosed by enterprises, and this is a requirement for information disclosure of enterprise liabilities.

In the above two opinions, item if "human assets" in the balance sheet is the long-term human assets actually; "human resources expenses" in the profit and loss statement or profit statement is regarded as long-term human resources amortization by the first opinion, and human assets amortization and non-capitalized human resources expenses by the second opinion, which contains a larger scope of expenses than the first opinion.

Bassey & Tapang (2012) the report of human resources cost is a component of human resources report as well as a part of financial statement. The expenditures of human resources cost shall be reflected in the three important statements: balance sheet, profit statement and cash flow statement. Contents need to be included are cash flow of unconsumed human resources cost, consumed human resources cost and expenditures of human resources cost. The "long-term human assets", which is assed in intangible assets item in balance sheet, shall reflect long-term initial assets value of human resources, amortization amount and net value. The short-term unconsumed human resources cost (direct labor cost of products, labor cost of manufacturing expenses and unamortized cost of short-term human assets) could be listed in items of inventories and expenses to be apportioned within one year in balance sheet. There are two choices to display consumed human resources cost in profit statement:

(1) Listing direct labour cost of finished products, labour cost in manufacturing expenses, selling of management expenses, wages of managers, amortization amount of human resources and other human resources cost (compensatory spending of dismission) in management expenses;

(2) Only list the human resources expense in management expenses. In the first method, expensed human resources cost information could be obtained from profit statement directly without adjustment.

The second method does not make big amendment to existent profit statement. But due to the deficient display of all expensed human resources cost, the human resources expenses information is incomplete. The better way to reflect unconsumed human resources cost (unconsumed human resources cost of long-term human assets and short-term assets, such as products human resources cost and human resources cost to be amortized) and consumed (expensed) human resources cost concentrated is to establish "Statement of Human Resources Costs". The special established human resources cost statement could be the comprehensive attached table of financial statements.

Transaction Cost Theory

This theory assumes that business enterprises choose governance structures that economize transaction costs association with establishing, monitoring, evaluating, and enforcing agreed upon exchanges (Williamson, 1979 & 1981). Predictions about the nature of the governance structure an enterprise will use incorporate two behavioural assumptions: bounded rationality and opportunism (i.e. the seeking of self-interest with guile). These assumptions mean that the central problem to be solved by organizations is how to design governance structures that take advantage of bonded rationality while safeguarding against opportunism. To solve this problem, implicit and explicit contracts are established, monitored, enforced, and revised. The theory has direct implications for understanding how HRM practices are used to achieve a governance structure for managing the myriad implicit and explicit contracts between employers and employees (Wright & McMahan, 1992).

For example, organizations that require firm specific knowledge and skills are predicted to create internal labour markets that bind self-interested and bounded rational employees to the organization, while organizations that do not require these skills can gain efficiencies by competing for self-interested and bounded rational talent in an external labour market (Williamson, 1981). Contextual factors, in turn, partly determine whether the types and amounts of skills and knowledge a firm needs are likely to be available in the external labour market, the costs of acquiring them from the external market, the organization's capability for developing them internally, and the costs of doing so.

Resource-Based Theory

The resources based theory of the firm blends concepts from organizational economics and strategic management (Barney, 1991). A fundamental assumption of this view is that organizations can be successful if the gain and maintain competitive advantage (Porter, 1985). Competitive advantage is gained by implementing a value-creating strategy that competitors cannot easily copy and sustain (Barney,1991) and for which there are no ready substitutes. For competitive advantage to be gained, two conditions are needed: First, the resources available to competing firms must be variable among competitors, and second, these resources must be immobile (i.e. not easily obtained). Three types of resources associated with organizations are:
a) Physical (plant; technology and equipment; geographical location);
b) Human (employees' experience and knowledge); and c) Organizational (structure; systems for planning, monitoring, and controlling activities; social relations within the organization and between the organization and external constituencies).
Human resource management greatly influences an organization's human and organizational resources and so can be used to gain competitive advantage (Schuler & Macmillan, 1984). Presumably, the extent to which human resource management can be used to gain competitive advantage, and the means of doing so, are partly determined by the environments in which organizations operate (Wright et al., 1994). For example, in some industries, technologies can substitute for human resources, whereas in others the human element is fundamental to the business to illustrate contrast labour intensive and knowledge intensive industries. The latter context may be more conducive to the use of human resource management as a means to gain competitive advantage.

Human Capital Theory

Theory of human capital theory was proposed by Schultz in 1961 and extensively developed by Becker (1964). In the economics literature, human capital refers to the productive capabilities of people (Becker, 1964).Skills, experience, and knowledge have economic value to organizations because they enable it to be productive and adaptable; thus people constitute the organization's human capital. Like other assets, human capital has value in the market place, but unlike other assets, the potential value of human capital can be fully realized only with the co-operation of the person. Therefore, all costs related to eliciting productive behaviours from employees including those related to motivating, monitoring, and retaining them-constitute human capital investments made in anticipation of future returns (Flamholtz & Lacey, 1981). Organizations can use human resource management in a variety of ways to increase their human capital (Cascio, 1991; Flamholtz & Lacey, 1981). For example, they can "buy" human capital in the market (e.g. by offering extensive training and development opportunities). Investments of either type have associated costs, which are justifiable only to the extent the organization is able to productively utilize the accumulated capital (Tsang et al., 1991). In human capital theory, contextual factors such as market conditions, unions, business strategies, and technology are important because they can affect the value of the organization's human capital and the value of the anticipated returns, such as productivity gains (e.g. Boudreau & Berger, 1985; Russell et al., 1993).

Empirical Review

Various researcher have been conducted that relate to effects of capitalising human resources cost on corporate profitability. The following related literatures are reviewed.
In a study conducted by Bassey & Tapang (2012) on the expensed human resources cost and its influence on corporate productivity: a study of selected companies in Nigeria, the main objective of the study was to find out how human resources cost and its influence on corporate productivity. The study also was to find out the extent resources remuneration cost influence corporate productivity and to also examine resources protection cost and dismissal/compensation cost influence corporate productivity. An analytical ex-post facto was used. The research made use of both primary and secondary data and regression analysis was used to test the hypothesis. It was observed that there exist significant relationship between expensed human resources cost and performance of organisation. The study also revealed that there exist a significant relationship between remuneration cost and performance of an organisation. Also, there exists a significant relationship between protection (right defending) cost and employee performance in an organisation. The research work recommended that manager should recognise the critical importance of compensation and benefits since these represent significant costs for the organisation and should there be carefully monitored and controlled. Compensation and benefits are also indicator to the employee' value to the organisation and should be fair and equitable.
Anurag (2015) conducted a research on the capitalised human resources cost and its influence on corporate productivity: a study of selected companies in Nigeria. The research was aimed at examining the influence of human resources cost on corporate productivity. The research method was based on ex-post facto approach. Secondary information was obtained from specialised studies and scientific sources, while primary information was generated through a questionnaire and economic model used was multiple regression models. The study revealed that capitalised human resources cost is an important determinant of company performance. The study also revealed that development (training) cost is highly and significantly related to the performance of corporate entities in Nigeria. The research work recommended that organisation should able to realise a return on investment in

certain programmes which increase the efficiency and effectiveness of their human resources. Employment security should be seen as an important part of high performance HRM practices.

Adebawojo, Enyi & Adebawo (2015) conducted a research on human asset accounting and corporate performance. The research was aimed at measuring effect of human asset accounting on the performance of business organisations in Nigeria. The empirical study adopted an Ex-post facto research design, conducted on all 18 publicly quoted banks in Nigeria capital market. The instrument of data collection was questionnaire designed on a six steps Likert Scale and validated through peer review with Cronbach Alpha Coefficient of 0.807 and 0.870 for Human Asset and Organisation Performance respectively. The hypothesis was tested using simple regression model. The result of the analyses confirmed that human asset accounting significantly affects the banks' performance at F-ratio = 56.280, $P \leq 0.05$, R2 =0.193. The concluded that current accounting practice of expensing every expenditure on human asset does not present the true and fair view of organisations balance sheet. And capitalizing human assets would positively impact on performance of organizations. The therefore, recommended that human asset should be capitalized and disclosure as intangible asset organisation statement of financial position balance sheet.

Enyi Adebawojo (2014) conducted research work on human resource accounting and decision making in post-industrial economy. The main objective was to investigate the probable effect of human resource accounting on the decision making process and business valuation method on the premise that firms in post-industrial economy operate within a competitive economic environment. The study which is empirical was carried on 16 publicly quoted Nigerian banks using the Ex-post facto research design. Primary data was used through the aid of questionnaire as instrument used. The hypotheses were tested with statistical regression analysis. The study revealed that human asset significantly affects managerial decisions in terms of investment decisions and human resource related policies. The concluded that, there is need for assets to be valued and capitalised like other intangible assets, like goodwill that are captured on organisation balance sheet or statement of financial position. The study recommended that capitalisation of all relevant recruitment, training and development expenditure in line with the treatment for all other assets while the international financial reporting standards should consider incorporating the capitalisation of human assets costs in order to enhance fair reporting and engender better quality financial information base for decision making in business organisation.

Bassey Arzizeh (2012) conducted research work on capitalised human resources cost and its influence on corporate productivity: a study of selected companies in Nigeria. The study aimed at examining the influence of human resources cost on corporate productivity. Analytical ex-post facto approach is used. Secondary information was generated 10 companies listed in the Nigerian stock exchange (NSE). Primary information was generated through a questionnaire.

The hypotheses were tested with statistical regression analysis. The study revealed that acquisition and development cost are important determinants of human resources cost and does significantly influence corporate productivity. The study concluded that human cost approach to corporate performance measurement which have gained substantial attention and use in recent years provides further opportunities for utilization of human resource accounting measures. The study recommended that companies should use career management programmes to assist their employees in career planning.

Amirul & Kamruzzaman (2013) conducted research work on human resource accounting: recognition and disclosure of accounting methods and techniques. The objective of the study was to examine available models of HRA and focus their appropriateness and also to understand the needs and significance of HRA in the context of business performance measurement. The study is exploratory in nature based on extensive review of relevant studies done earlier and comparative pictures of the various aspects of HRA. It revealed that human resources are the energies, skills and knowledge of people which are applied to the production of goods or rendering useful service. The recommended that there is need to prescribe the specific provisions for valuing human resources and disclosing the details of investment in human assets in the form of training and development expenses, salaries and other allowances through annual reports.

Obara (2013) conducted research on conventional human asset accounting treatment and corporate profitability evaluation. The objective was to look at how companies and organisations identify employees with high value and high uniqueness and how conventional human asset accounting treatment impact on corporate profitability of Nigerian organisation. The study used secondary data from quoted companies in Nigerian stock exchange hand book 2012. The data was analysed using persons correlation to test the hypotheses with aid of SPSS. The finding revealed that positive and significant relationship with corporate profitability the conventional treatment of non-inclusion of human asset in the balance shows a very weak and insignificant relationship. The study concluded that the main cause of discrepancy between book value and market value of corporate organisation is the conventional treatment of human development expenses in profit and loss account and the balance sheet. The study therefore recommended that human asset should be included in the balance sheet of corporate organisation.

Ifurueze, Odesa & Ifurueze (2014) conducted research on impact of aggregated cost of human resources on profitability. The research was aimed at extent of relationship between the cost of human resources and organisation profitability and also to finding effect the disaggregation of cost of human resources (into capital and revenue) on organisational profitability. Data on human resource cost was extracted from the internal accounting records of the firms. The study used a structured information card for data collected. The regression technique was used for the analysis. The SPSS (Statistical Package for Social Science), The Ordinary Least Square regression was run to produce statistics for the co-efficient of determination, F-test, t-test are used for the interpretation of the study. The findings showed that changes in profitability can be explained when the expenditure on human resource are segregated into revenue expenditure and capital expenditure. The study recommended that organisation should imbibe the culture of capitalising and reporting all investment on human resource that improve the quality and productivity.

Akinwunmi, Olotu & Omojola (2014), conducted research work on optimizing the effectiveness of financial reporting through human resources accounting. The objective of the study was to understand the needs and significance of human resources in the context of optimal financial reporting and also to provide suggestions for developing such accounting practice in our corporate environment. The study is exploratory in nature premised on extensive review of relevant literatures carried out earlier in the field of human resources accounting. The results of our study indicate that the majority opinion among scholars in the field of accounting in the papers reviewed hold the belief that human capital should be included in the statement of financial position. These opinions arise from the belief that capitalizing human asset in the statement of financial position will enable investors to make timely and efficient economic decisions. This would lead to optimality and opportunities to show the true value of a company's assets.

Leyira, Clifford & John (2012) conducted research work on firms financial performance and human resource accounting disclosure in Nigeria. The objective was to examine the relationship between firm's 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. Descriptive, correlation and regression statistical techniques were used in analyzing the data. The finding showed 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. The positive correlation between Return on Equity (ROE) and Human Resource Accounting Disclosure (HRAD) supposes that an increase in return on equity encourage firm in reporting human capital information so as to establish trustworthiness with stakeholders; enhance external reputation, appear legitimate in the public eye and avoid cost for non-legitimacy. The study concluded that human resource accounting information of an organization is very important factor for decision makers in an era of knowledge based economy. There is growing evidence of the interest and demand among stakeholders for information from firm in relation to human capital. Based on this, the study recommended among others, regulatory intervention in the accounting standard setting process for human capital reporting in Nigeria. The study recommended that standard should be created for human resource identification and measurement. This will enhance valuation of human capital, ensure a higher degree of utility to stakeholder, uniformity in disclosures and will allow reliable comparison of human capital values.

Methods

In this study, survey research design was adopted and the nature of the study tends to be mainly explanatory and descriptive. The design of the study was structured to source for information from primary source. This research method also enabled data to be obtained from sample population of ten selected commercial banks in Ondo State, Nigeria. Investigation is strategizing using questionnaires to help in solving research questions. Hypothesis in this study would be tested using statistical tools of regression analysis

Data was collected through primary sources. The primary data was collected through the administration of questionnaires to respondents at the various levels of management during office hours.

The population of the study comprises of all 21 commercial banks quoted in the Nigerian stock exchange (2014) authorized and regulated by the Central Bank of Nigeria (CBN). The banks are United Bank for Africa, Access Bank, Citibank, Diamond Bank, Ecobank, Enterprise Bank, Fidelity Bank, First Bank of Nigeria, First City Monument Bank, Heritage Bank, Keystone Bank Limited, Guaranty Trust Bank, Mainstreet Bank Limited, Skye Bank, Stanbic IBTC Bank Nigeria Ltd, Standard Chartered Bank, Sterling Bank, Union Bank of Nigeria, Unity Bank, Wema Bank, Zenith Bank.

A sample of ten (10) banks would be selected from Nigeria sector namely; Access Bank, Syke Bank, GTB, First Bank, Zenith Bank, UBA, Wema Bank, Union Bank, FCMB, and Diamond Bank. The purposive sampling technique was used to select banks that are readily available to give data and in full production capacity during the period of this study. Consequently, the purposive sampling technique was used in order to ensure that the study suits the purpose for which the research work is carried out.

In order to have a comprehensive and reliable source of information for this study primary source of data was adopted and a structured questionnaire was designed. The questionnaire is self-constructed by the researcher and is group into three sections; Section A discusses information on the conventional treatment of human assets, section B focuses on effect human resources on net profit, section C focuses on the human resources cost, while section D focuses on influence of human resources cost firms share price using the five point Likert scale for response. Strongly Agree (SA), Agree (A), Disagree (D), and Strongly disagree (SD)

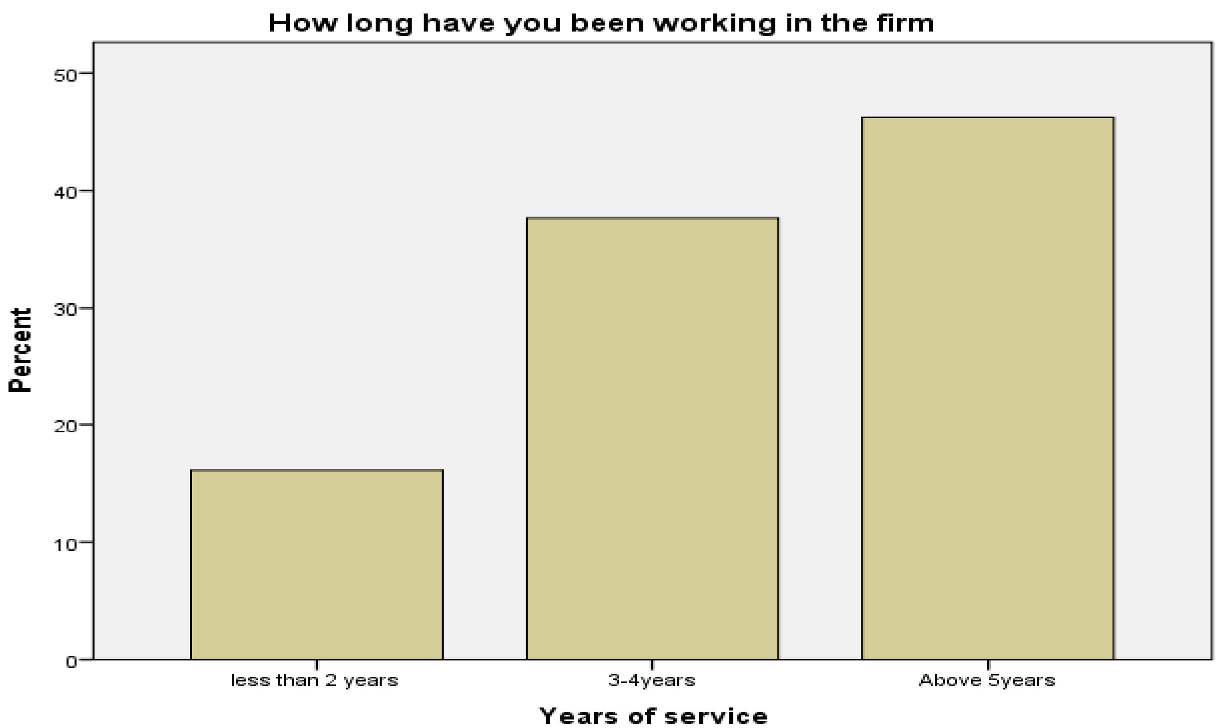
The questionnaire would be designed based on earlier studies conducted to enhance the strength of the research work. The questionnaire would be vetted by the supervisor. A pilot study would was conducted for small group of respondents to validate the questionnaire and to see if expected information as obtained.

For the purpose of realizing the objective of this study, statistical techniques would be used for the presentation and analysis of data and test of the research hypothesis. The statistical tool used to test the significant relationship in this study was Analysis of Variance (ANOVA) and regression analysis.

Results

This session deals with the presentation, analysis and interpretation of data collected and analyzed empirically for the purpose of achieving the stated objectives of the study.

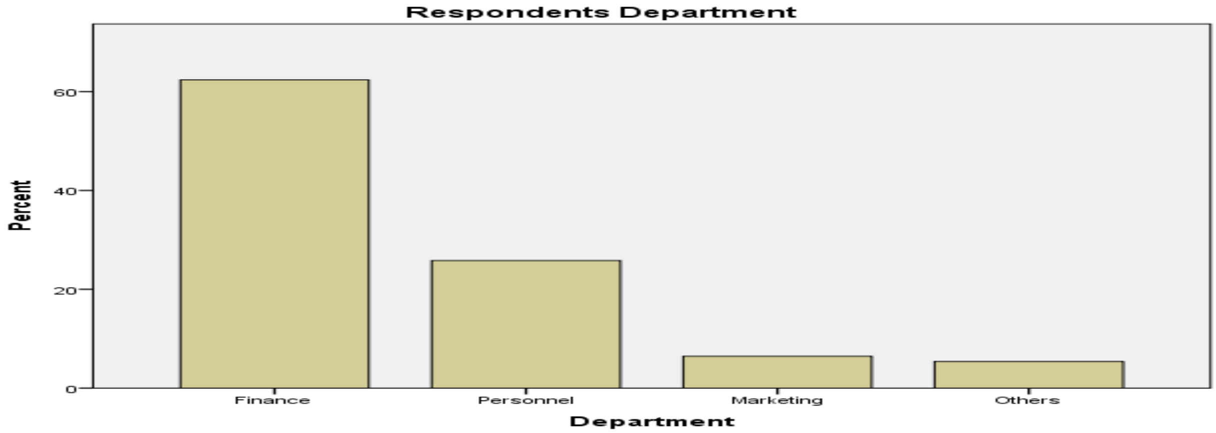
Figure1:



Source: Field survey (2016).

The chart above revealed that 17.0% of the respondents have served in the organization for less than 2 years. 38.0% of the respondents have served for 3-4 years while 46.0% of the respondents have served in the organization for more than 5 years. This statistics therefore reve*-als that most of the respondents are not new staffs in the organization.

Figure 2:



The chart above revealed that 60.0% of the respondents are in the finance department. 24.0% of the respondents are in the personnel department. 6.0% of the respondents are in the marketing department while 4.0% of the respondents are in other departments not itemized.

Effects of Conventional Treatment of Human Asset on Net Profit

The result shown in table I revealed that creating room for creative accounting, lack of accounting standard backing conventional treatment of human resources and Biasness in financial reporting are joint indicator of the effect of conventional treatment of Human Asset on Net Profit which was evidenced in the result where R^2= 0.577 which indicates that conventional treatment of human asset have a 57.7% variance on net profit. (F 3, 85) = 38.685 far greater than F tabulated; $P < 0.005$ of which the result shows a statistical significance level of 0.000 The individual beta co-efficient, t-statistics and significance of each variable revealed that creating room for creative accounting (0.469; 3.100; 0.003); lack of accounting standard backing conventional treatment of human resources (-0.514; -3.020; 0.003); Biasness in financial reporting (0.780; 5.744; 0.000) have significant effect on a firm's net profit; Studies conducted in this area has established lack of standards backing conventional treatment of human resources as the major reason why must firms do not use the conventional treatment of human assets (Leyira, Clifford and John, 2012). Although, other findings carried out by other researchers revealed that that conventional treatment of human assets will give a true and fair view of a firms financial reports which was contrary to the result obtained in this study; Adebawojo, Enyi and Adebawo (2015); Akinwunmi, Olotu and Omojola (2014); Obara (2013).

In conclusion, the findings of the study have clearly shown that the conventional treatment of human asset do have a significant effect on a firms net profit. As such, the null hypothesis which states that conventional treatment of human asset does not significantly affect net Profit was rejected.

Table I. Effects of Conventional Treatment of Human Asset on Net Profit

S/N	Questions	SA	A	U	D	SD
I.	Do you agree that the conventional treatment of human resources have an effect on the profitability of a firm?	5	49	4	29	6
2.	Conventional treatment of human assets gives wide room for 'creative accounting' and manipulation of profit figure.	26	51	4	9	5
3.	Do you agree that reporting of human assets on the face of the financial position is not backed by any accounting standard?	17	57	2	6	9
4.	Conventional treatment of human asset does not give true position of firms	9	52	20		15
5.	conventional treatment does not allow the impact of size and age of the organization to be felt discriminately when assessing its impacts on corporate profitability	35	20	8	13	20

Source: Descriptive Statistics SPSS 20.0 (2016)

Table 2. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760[a]	.577	.562	1.00635

Table 3. ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	117.534	3	39.178	38.685	.000[b]
	Residual	86.084	85	1.013		
	Total	203.618	88			

Table 4. Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.041	.344		.119	.905
	Conventional treatment of human assets gives wide room for 'creative accounting' and manipulation of profit figure.	.805	.259	.469	3.100	.003
	Do you agree that reporting of human assets on the face of the financial position is not backed by any accounting standard?	-.756	.250	-.514	-3.020	.003
	Conventional treatment of human asset does not give true position of firms	1.532	.267	.780	5.744	.000

Source: Field Survey (2016)

Effects of Human Resources Capitalization on Firm's Net worth

Analysis of Variance (ANOVA) was used to test for the effect of human resources on firm's networth using SPSS 20.0 version. The individual mean square, F-statistics and the significance was used to determine the effect of Human Resources Cost on firm's networth.

The result shown in Table 4.2 revealed that improving investors' confidence, ease in assessing future potential earnings, contribution to decision making process of capital formation, sustainable equity position are the influencing effect of human resource capitalization on firm's net worth. This was evidenced in the result which was interpreted using the individual mean square, F-Statistics and Significance.

The result obtained clearly shows that improving investors' confidence (29.236; 145.171; 0.000), ease in assessing future potential earnings (29.042; 66.933; 0.000); Contribution to decision making process of capital formation (26.197; 100.249; 0.000); sustainable equity position (23.988; 137.766; 0.000); have significant effect on firm's network. Studies conducted in this area has established that enabling investors make timely and efficient economic decisions, improving quality of producti vity; enhancing management decision are the effect of capitalizing human resources on firm's networth; Adebawojo, Enyi and Adebawo (2015); Akinwunmi, Olotu and Omojola (2014); Ifurueze and Odesa (2014); Leyira, Clifford and John (2012). The finding of the study further revealed that as much as human resource capitalization affects other variables, it has a greater significant effect on determining the strength of a firm's equity position.

The findings of the study have therefore, clearly shown that human resource capitalization have a significant effect on the net worth of a firm. As such, the null hypothesis which states that Human Resources Capitalization does not significantly affect firm's networth was rejected.

Table 6. Effects of Human Resources Capitalization on Firm's Net worth.

S/N	Question	SA	A	U	D	SD
1.	Conventional treatment of human resources will improve investor's confidence on the strength of human asset utilization.	7	25	24	13	17
2.	Companies that capitalize human resources will be easily assessed in terms of their future potential earnings.	30	39	2	9	16
3.	Conventional treatment of human resources contributes to decision making process in regards to capital formation of the firm.	6	30	26	18	8
4.	Disclosing the human strength of a firm have a positive effect on the equity position of a firm.	7	36	20	17	15
5.	Disclosure of Human resources cost on the face of the financial statement affects the valuation of a firm.	8	48	2	12	16

Source: Descriptive Statistics SPSS 20.0 (2016)

Table 7. ANOVA

		Sum of Squares	Df	Mean Square	F	Sig.
Conventional treatment of human resources will improve investor's confidence on the strength of human asset utilization.	Between Groups	116.943	4	29.236	145.171	.000
	Within Groups	16.313	81	.201		
	Total	133.256	85			
Companies that capitalize human resources will be easily assessed in terms of their future potential earnings.	Between Groups	116.168	4	29.042	66.933	.000
	Within Groups	35.146	81	.434		
	Total	151.314	85			
Conventional treatment of human resources contributes to decision making process in regards to capital formation of the firm.	Between Groups	104.787	4	26.197	100.249	.000
	Within Groups	21.167	81	.261		
	Total	125.953	85			
Disclosing the human strength of a firm have a positive effect on the equity position of a firm.	Between Groups	95.954	4	23.988	137.766	.000
	Within Groups	14.104	81	.174		
	Total	110.058	85			

Source: Field Survey (2016).

Effect of Human Resources Capitalization on Firms' Share Prices

The result shown in Table 4.3 revealed that increase in the level of profitability; firm's growth and increase in the size of a firm are joint indicator of the effect of human resources capitalization on firm's share prices. This was evidenced in the result which was interpreted using the individual mean square, F-Statistics and Significance.

The result obtained vividly shows that increase in the level of profitability (4.026; 6.789; 0.000), firm's growth (23.430; 74.008; 0.000); increase in the size of a firm (11.087; 95.832; 0.000); have significantly affected the share price of a firm. Studies conducted in this area has established that improving quality of productivity and performance which leads to increase in profitability which invariably increase the share price of a firm are the effect of capitalizing human resources on firm's share price; Adebawojo, Enyi and Adebawo (2015); Obasa (2013); Ifurueze and Odesa (2014); Bassey and Tapang (2012)..

In conclusion, the findings have therefore, shown that human resource capitalization have a significant effect on the share price of a firm. As such, the null hypothesis which states that firm's share price is not significantly influenced by capitalization of human resources was rejected.

Table 8. Effect of Human Resources Capitalization on Firms' Share Prices.

S/N	Questions	SA	A	U	D	SD
1.	Human Resources cost have an influence on a firms level of profitability	16	61	4	-	15
2.	conventional treatment of human resources have an impact on the growth of a firm	6	57	6	8	9
3.	Do you agree that human resources capitalization have an effect on the share price of a firm?	23	34	13	4	8
4.	Capitalization of Human resources cost could be attributed to the size of a firm	7	68	5	2	4

Source: Descriptive Statistics SPSS 20.0 (2016)

Table 9. ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Human Resources cost have an influence on a firms level of profitability	Between Groups	16.104	4	4.026	6.789	.000
	Within Groups	48.035	81	.593		
	Total	64.140	85			
conventional treatment of human resources have an impact on the growth of a firm	Between Groups	93.720	4	23.430	74.008	.000
	Within Groups	24.377	77	.317		
	Total	118.098	81			
Capitalization of Human resources cost could be attributed to the size of a firm	Between Groups	44.350	4	11.087	95.832	.000
	Within Groups	9.371	81	.116		
	Total	53.721	85			

Source: Field Survey (2016).

Conclusion

Based on the empirical findings of the study, it could be concluded that as a result of creating room for creative accounting, lack of accounting standard backing conventional treatment of human resources and Biasness in financial reporting, capitalization of human resources will lead to investors and potential investors making unsound decisions in regards to the profitability of a firm. Further, the capitalization of human assets would enhance the networth of a firm as investors and potential investors would be able to determine the productive capabilities of the firm through its workforce. Also, it was concluded that increase in profitability, firm size and growth are some of the cogent effect of capitalization of human resources have an effect on the share price of a firm.

Recommendations

Flowing from the aforementioned findings, the following recommendations are suggested for future studies:

Awareness of professionals, regulators and preparers of financial statements should be raised in order to improve the reporting of human resources on the face of the financial statement. Issues to be addressed should include: the provision of a standard on how human resources should be treated; the major advantages that capitalizing of human resources can bring to a firm.

The Board of Directors and Management of firms should ensure that adequate treatment is given to employees in areas of training, workshops, seminars and conferences so as to further strengthen the productive capacity of the firm as this would further encourage and install confidence in investors and potential investors on the ability of the firm to generate future economic benefit which will as well lead to an increase in the firms networth.

Regulatory body in charge of accounting practices in conjunction with other professional bodies should endeavour to set templates and guidelines on how Practitioners as well as other Accountants should uniformly report human resources on the face of financial statement so as to ensure comparability of financial information.

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Appendix

Questionnaire

Instruction: please tick the most appropriate option to your best of knowledge.

1. How long have you been working in the firm?

   Less than 2 years 3-4years above 5 years

2. Respondent's Department: Finance Personnel Marketing
Others (please specify)…………………………

Please tick the most appropriate option to the question raise below.

SA=Strongly Agree, A=Agree, U=Undecided, D=Disagree, SD=Strongly Disagree

Section A: The following statements are designed to examine the effects of conventional treatment of Human Asset on Net Profit.

S/N	Questions	SA	A	U	D	SD
1.	Do you agree that the conventional treatment of human resources have an effect on the profitability of a firm?					
2.	Conventional treatment of human assets gives wide room for 'creative accounting' and manipulation of profit figure.					
3.	Do you agree that reporting of human assets on the face of the financial position is not backed by any accounting standard?					
4.	Conventional treatment of human asset does not give true position of firms					
5.	conventional treatment does not allow the impact of size and age of the organization to be felt discriminately when assessing its impacts on corporate profitability					

Section B: determine the effects of Human Resources Cost on firm's networth.

Source: Field survey (2016).

S/N	Question	SA	A	U	D	SD
1.	Conventional treatment of human resources will improve investor's confidence on the strength of human asset utilization.					
2.	Companies that capitalize human resources will be easily assessed in terms of their future potential earnings.					
3.	Conventional treatment of human resources contributes to decision making process in regards to capital formation of the firm.					
4.	Disclosing the human strength of a firm have a positive effect on the equity position of a firm.					
5.	Disclosure of Human resources cost on the face of the financial statement affects the valuation of a firm.					

Section C: The following statements are designed to determine the effect of Human Resources Cost on firms' share prices.

S/N	Questions	SA	A	U	D	SD
1.	Human Resources cost have an influence on a firms level of profitability					
2.	conventional treatment of human resources have an impact on the growth of a firm					
3.	Do you agree that human resources capitalization have an effect on the share price of a firm?					
4.	Capitalization of Human resources cost could be attributed to the size of a firm					