

**UNIVERSITY OF COLOMBO, SRI LANKA**

**Faculty of Management & Finance**

**Postgraduate & Mid-career Development Unit**

**Master of Business Administration (Semester III- Second half) Examination – April, 2017**

**MBAHR 613 - Financial Impact of Human Resource Management**

**Three (03) Hours**

Answer Five (05) questions in all, selecting at least Two (02) questions from each part.

Use two separate answer books for Part I and Part II

This paper consists of 07 questions

**This is an open book examination**

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**Part-1**

1. i. "Costs incurred in human resource management functions cannot be considered as to the organization cost". Discuss.

(10 Marks)

- ii. What is Compa – ratio? How it is calculated and how it is applied in calculation of labour turn over cost?

(05 Marks)

- iii. How do you assess the returns of the training and development programs? Explain.

(05 Marks)

**(Total 20 marks)**

2. i. Briefly explain LAMP frame work

(05 Marks)

- ii. Explain how health, wellness and welfare cost generates benefits to organization.

(05 Marks)

- iii. Briefly explain the financial impact of employee absenteeism.

(05 Marks)

iv. Initial investment on a specific employee who has just been inducted into the company is Rs. 75,900. The total annual remuneration of the employee is Rs. 45,500 in the current year. Company policy is to attain 30% return on HR investments.

Calculate the target productivity level of the employee in the current year.

(05 Marks)

(Total 20 marks)

3. i. Total number of employees of the Sonek (Pvt) is 2,400. All employees are entitled two weeks medical leave and 05 days casual leave. Number of working hours per day is 8 hours whereas per week 40 hours. Number of hours to be paid per employee is 2,080. Recorded total absent hours during the year is 82,800 hours. Total absent hours consists of 50%, 40% and 10% from factory employees, clerical grades employees and managerial employees grades.

Hourly pay rates are; Factory employees	Rs. 110.00
Clerical grades employees	Rs. 125.00
Managerial grades employees	Rs. 190.00
Supervisory grades employees	Rs. 140.00

In addition to that cost of other benefits is about 25% on their basis hourly rates. Further it has estimated that in average 3 hours takes by one supervisor per week to manage absenteeism. Number of days work during the year is 260. Number of supervisors deal absenteeism is 60. Estimated cost of substitute employees is Rs. 510,000 and cost of reduce product quality is Rs. 420,000.

Calculate the cost of absenteeism cost per employee.

(08 Marks)

- ii. Number of employees of the 'Pacific Rang Ltd' is 1,400 in average. Annual employee turnover is 16%.

Followings are the actual/estimated figures in relating to employee turnover.

- Total employee turnover consists of; Line executives 68, Team supervisors 94 and Mechanical Technicians 126 and their average hourly pay rates are, Rs. 210/=-, Rs. 180/=- and Rs. 160/=- respectively where as Senior managers pay rate is Rs. 600/- per hour. New employees pay rates are Rs. 190/-, Rs.165/=- and 150/=- respectively.
- Exits interviews – preparation time is 15 min. and 45min. for interview which handle by senior managers.

- iii. Administrative functions – HR department requires one hour in average to handle administrative functions related to termination. HR department average cost per hour is cost Rs. 200/=.
- iv. Separation pay - SAS apparels has policy of paying (05 days) salary for each terminating employees as separation pay. Working hours per week is 8 hours.
- v. According to the last year records average communication cost of job availability per turnover is Rs. 380/= and time taken by HR department is 2 hours per employee.
- vi. Cost of pre-employment administrative functions. Assume that for the pre-employment administrative functions to fill each employee left company requires 2.5 hours of HR department.
- vii. Cost of test – company policy is to call 4 candidates for each vacant position for aptitude and other practical tests. Average testing cost per candidates is Rs. 340/= including HR department overhead cost.
- viii. Entrance interview cost - company policy is to call 3 candidates for each vacant position for interview which take half hour. Interviewed by two senior managers. Relevant overhead cost of HR department per hour is Rs.200/=.
- ix. Medical expenses. All selected candidates to be produce required medical test certificate and up to Rs. 2000/= of this cost will be reimburse by the company.
- x. Cost of staff meeting and basis induction; all new employees participated for 2 hours meeting. Three senior officers from HR and other line Department were participated. HR department has organized this meeting.
- xi. Cost of data base up dating: To update new employee's data base was taken in average half hour time per each employee. This activity was done by IT department in which overhead cost per hour of IT department is Rs. 220/= per hour.
- xii. All new employees of 'Pacific Rang Ltd' participated to two training programs during the year. One is formal instruction training whereas other one for familiarize with company work. Each of these for two days. Training material cast was RS. 400/ per employee and there were 4 member in training team which each member paid Rs. 4,000/= per day. In addition to that two senior executives of HR department and two other supporting staff (hourly pay rate is Rs. 150/=) from HR Department also participated. Training sessions were conducted in company training center. Overhead cost of training center per hour is Rs.1,200/=.
- xiii. According to the Pacific Rang Ltd' operations department calculated the net performance difference is Rs. 260,000/= (-) whereas estimated cost of lost productivity and lost business is Rs. 140,000/=.

Calculate the total cost of employee turnover and turnover cost per employee.

(12 Marks)

**(Total 20 marks)**

4. i. Cost driver rate of the 'TPS (pvt)' for the last year was Rs. 400/- per man- day for allocating overhead/ operating cost of its Human Resource department to its internal activities. This rate was based on the budgeted man-days of 7,000 for the entire department. In the coming, the overhead/ operating cost of the department is likely to be increased by 12.5%, and the budgeted man-days is 7,500.

In the recruitment function is likely to use 1,500 man-days in the coming year, calculate the relevant HR recruitment cost for the coming year.

(05 Marks)

- ii. From the following data analyze the financial impact due to the difference of actual labour cost and standard labour cost by calculating labour cost variance, Labour rate variance and Labour efficiency variance.

	Dept. A	Dept,B
Actual gross wages	Rs. 2,000/=	1,800/=
Standard hours produced	Hours 800	600
Standard rate per hour	Rs. 3/=	3.50
Actual hours worked	Hours 820	580

(08 Marks)

- iii. "Human Resource Accounting provides information for resources allocation and information of the financial impact of different human resource management activities" Discuss this statement by emphasizing objectives and other specific uses of Human Resource Accounting.

(07 Marks)

**(Total 20 marks)**

## Part - II

5 i. Briefly explain cost associated with poor employee health and safety practices with typical examples  
(10 Marks)

ii. Discuss factors to be considered in implementing health and safety initiatives at work.  
(10 Marks)  
**(Total 20 marks)**

6 i. Explain financial impact of work life balance initiatives at work and importance of implementing such initiatives to the working environment.  
(10 Marks)

ii. Write a brief report to the management indicating possible work life balance initiatives that can be implemented to enhance employee performance  
(10 Marks)  
**(Total 20 marks)**

7 i. Discuss different employee welfare practice available for organizations at present. Explain with examples  
(10 Marks)

ii. What are the costs associated with the poor implementation of employee welfare initiative to the workplace?  
(10 Marks)  
**(Total 20 marks)**