

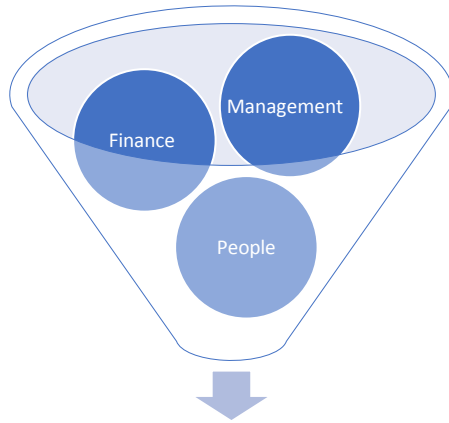


# Financial and Managerial Aspects in Human Resource Management

*A Practical Guide*

**Editors**

*Dennis Pepple  
Crystal Zhang*



**FINANCIAL AND MANAGERIAL ASPECTS IN  
HUMAN RESOURCE MANAGEMENT**

*This page intentionally left blank*

# **Financial and Managerial Aspects in Human Resource Management: A Practical Guide**

Edited by

**Dennis Pepple and Crystal Zhang**



United Kingdom – North America  
Japan – India – Malaysia – China

Emerald Publishing Limited  
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2021

Copyright © 2021 Emerald Publishing Group Limited

**Reprints and permissions service**

Contact: [permissions@emeraldinsight.com](mailto:permissions@emeraldinsight.com)

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. Any opinions expressed in the chapters are those of the authors. Whilst Emerald makes every effort to ensure the quality and accuracy of its content, Emerald makes no representation implied or otherwise, as to the chapters' suitability and application and disclaims any warranties, express or implied, to their use.

**British Library Cataloguing in Publication Data**

A catalogue record for this book is available from the British Library

ISBN: 978-1-83909-615-0 (Print)

ISBN: 978-1-83909-612-9 (Online)

ISBN: 978-1-83909-614-3 (Epub)



**ISOQAR**  
REGISTERED

Certificate Number 1985  
ISO 14001

ISOQAR certified  
Management System,  
awarded to Emerald  
for adherence to  
Environmental  
standard  
ISO 14001:2004.



INVESTOR IN PEOPLE

# Acknowledgments

We are grateful to the departments of Human Resource Management (HRM) at both universities, that is, University of Hertfordshire and Coventry University for providing us with the academic environment that brought about the idea of this book. Special thanks to the Sarah Horton-Walsh, Head of School at the School of Marketing and Management at Coventry University, and Eli Jacobs, Subject Head of HRM at the University of Hertfordshire Business School for supporting this project. We are grateful to the students that we have taught Financial Aspects of HRM and our colleagues that we have shared this important aspect of HRM with. It was through our course evaluation and development process at Coventry University that we realised there is a gap in the market for this text. Our classroom interactions and knowledge sharing sessions with colleagues have inspired this book. We are grateful to the Chartered Institute for Personnel and Development and the Chartered Institute of Credit Management Accounting for allowing us to use their materials in this book.

Our special gratitude goes to all the authors who have contributed chapters to this maiden edition. Your hard work and talents have made this project a success. We also wish to thank the reviewers for their comments that helped us shape this book. Finally, we thank our family members for their patience and love throughout the period we were away from them to get this book through. Dennis especially thanks his family Joy, Shani and Tehillah for supporting him through the period of writing this book.

*This page intentionally left blank*

# Contents

<b>Lists of Figures and Tables</b>	<b>xi</b>
<b>About The Editors and Contributors</b>	<b>xiii</b>
<b>How to Use this Book</b>	<b>xviii</b>
<b>Preface</b>	<b>xx</b>
<b>Part A: Financial Aspects</b>	<b>1</b>
<b>Chapter 1: Introduction to Financial Accounting</b>	<b>3</b>
<i>Chibuzo Amadi and Amanze Ejiogu</i>	
Introduction	3
Types of Accounting	4
Objectives of Financial Accounting	4
Qualitative Characteristics of Useful Information	6
Regulatory Framework for Financial Reporting	6
Why Should Human Resource Managers Care About Accounting?	8
Summary	9
<b>Chapter 2: Income Statement and Balance Sheet</b>	<b>11</b>
<i>Dennis Pepple and Chibuzo Ejiogu</i>	
Introduction	11
Income Statement Explained	12
Classification of Cost	14
Balance Sheet Explained	15
Writing Up a Profit and Loss Account	16
Concept of Consolidation in the Financial Statement	20
Limitations of Financial Statements	20
Summary	21
<b>Chapter 3: Interpretation of Financial Statements</b>	<b>23</b>
<i>Philip McCosker</i>	
Introduction	23
Ratio Analysis	24
Profitability and Control of Costs	24
Efficiency Ratios	29
Capital Structure	31



Investor Ratios	33
Liquidity Ratios	33
Ratios of Particular Interest to HR Professionals	34
Limitations of Ratio Analysis	36
Summary	37
<b>Chapter 4: Financial Ethics</b>	<b>39</b>
<i>O. E. Adegbite, O. R. Adegbite and A. Y. Ige-Olaobaju</i>	
Introduction	39
Definition of Financial Ethics	40
Theories of Ethics in Finance	41
Regulations in the Financial Sector	43
Relevance of Financial Ethics for HRMs	48
Summary	50
<b>Part B: Managerial Aspects</b>	<b>51</b>
<b>Chapter 5: Towards Understanding How the HR Function Relates to the Accounting Function</b>	<b>53</b>
<i>Simon Horsman</i>	
Introduction	53
Identifying and Describing the Main Function of Accounting and Finance	54
Accounting Functions, Organisational Structure and Some Implications	54
HR Decisions and the Accounting Function	57
The Measurement Problems Typical of HR Decisions	60
Closing Remarks	61
Summary	61
<b>Chapter 6: Managing Learning and Development Cost</b>	<b>63</b>
<i>Joanne Carlier</i>	
Introduction	63
What is Learning and Development?	64
How Do People Learn from Experience?	66
Learning and Development Interventions	68
Evaluating Learning and Development	70
Summary	73
<b>Chapter 7: Managing Redundancy</b>	<b>75</b>
<i>Dennis Pepple, Crystal Zhang and Chioma Ofoma</i>	
Introduction	75
Redundancy Explained	76
Managing Redundancy	77
Making Redundancy Payment	78
Supporting Employees Through Redundancy	80
Summary	82

<b>Chapter 8: Managing Disciplinary and Grievance Cost</b>	<b>85</b>
<i>Dennis Pepple and Nkem Adeleye</i>	
Introduction	85
Disciplinary and Grievance Explained	86
Procedure For Disciplinary and Grievance	87
Advisory, Conciliation and Arbitration Service	92
Calculating Basic Award	93
Summary	95
<b>Chapter 9: Managing Relocation Costs</b>	<b>97</b>
<i>Michael Oyelere and Temitope Oyelere</i>	
Introduction	97
Understanding Relocation Costs	98
Management and Disbursement of Relocation Package	99
Costing Relocation Package	100
HR Managers and the Future of Relocation Cost	102
Summary	104
<b>Chapter 10: Managing Family-friendly Policies</b>	<b>107</b>
<i>Kehinde Olowookere</i>	
Introduction	107
Origin of Family-friendly Policies	108
Types of Family-friendly Policies	108
Financial Implications of Family-friendly Policies	111
Calculating Maternity, Paternity and Adoption Leave Payment	113
Barriers to Implementation	115
Summary	116
<b>Chapter 11: Executive Compensation: Transparency, Corporate Governance and Corporate Social Responsibility Perspectives</b>	<b>119</b>
<i>Chibuzo Ejiogu and Ikedinachi Ogamba</i>	
Introduction	120
Major Components of Executive Compensation	120
Role of Objectives, Costs and Risk in Designing Executive Compensation Packages	122
Influence of Transparency, Corporate Governance and CSR on Executive Reward	128
Summary	129

**Chapter 12: Solutions to Reflection Questions and Answers 131**

*Dennis Pepple, Crystal Zhang, Chibuzo Amadi, Amanze Ejiogu, Chibuzo Ejiogu,  
Philip McCosker, O. E. Adegbite, O. R. Adegbite, A. Y. Ige-Olaobaju,  
Simon Horsman, Joanne Carlier, Chioma Ofoma, Nkem Adeleye,  
Michael Oyelere, Temitope Oyelere, Kehinde Olowookere  
and Ikedinachi Ogamba*

**Glossary 153**

**Index 161**

# Lists of Figures and Tables

## Figures

<b>Figure 1.</b>	CIPD Professional Map (2019). Source: CIPD (2019).	xxii
<b>Figure 2.</b>	Interested Stakeholders.	5
<b>Figure 3.</b>	Main Components of Income Statement.	12
<b>Figure 4.</b>	Average Relocation Costs Trend.	102

## Tables

<b>Table 1.</b>	Chapters mapped against CIPD New Professional Map (2019).	xxi
<b>Table 2.</b>	Classification of Direct Labour, Direct Material, Direct Expense and Overheads Activity.	15
<b>Table 3.</b>	The Case of Locker Wood – Owner of an SME.	17
<b>Table 4.</b>	Trading and Profit and Loss Account (Income Statement) for Locker Wood for the Year Ended 30 June 2018.	17
<b>Table 5.</b>	Balance Sheet (Statement of Financial Position) for Locker Wood as at 30 June 2018.	19
<b>Table 6.</b>	Detailed Example: Chessett plc.	25
<b>Table 7.</b>	Major Financial Regulators in the United Kingdom.	45
<b>Table 8.</b>	Similarities and Differences in the Roles of Financial Regulatory Institutions in the United Kingdom.	47
<b>Table 9.</b>	Calculation of Redundancy Pay.	81
<b>Table 10.</b>	Calculation of the Amount of Basic Award for the Affected Employees.	95
<b>Table 11.</b>	Relocation Costing Example.	101
<b>Table 12.</b>	Average Relocation Cost (\$).	101
<b>Table 13.</b>	Maternity and Paternity Pay Solutions.	115

*This page intentionally left blank*

# About The Editors and Contributors

Ms **Olubukola Adegbite** is a Lecturer in Business Management at the University of Wales Trinity Saint David Birmingham Campus. She has a BSc (Hons) in Accounting from Ado-Ekiti University, Ado-Ekiti, Nigeria. She also holds an MSc in Finance from Swansea University, Wales, United Kingdom. She has several industry experiences in Accounting and Finance that span over 16 years both in Nigeria (West Africa) and the United Kingdom. Some of the industries/sectors she had worked include hospitality, public sector accounting, private consulting and in higher education. Her areas of interests are taxation, financial management and public and private sectors governance.

Dr **Oluwaseun (Olu) Adegbite** is a Programme Director and Lecturer in Business Management at University of Wales Trinity Saint David Birmingham Campus and a Visiting Lecturer at the University of Birmingham. He received his PhD from School of Management, Swansea University, and holds MBA degree also from Swansea University. He is a Fellow of Chartered Management Institute and Member of Chartered Institute of Marketing. Prior to transiting into academia, he had worked in both public and private sectors for over 15 years. Some of his works are under peered reviews and he serves as a reviewer to some top journals, for example, *Journal of Product Innovation Management*.

Dr **Nkem Adeleye** is a Senior Lecturer in Law at Newman University. She has an LLB (Hons.), an LLM (International Human Rights) and for her PhD thesis she conducted a comparative study on the factors responsible for the prevalence of the death row phenomenon in the USA and Japan. Nkem has years of experience as a lecturer and researcher in the higher education sector with expertise in teaching a wide range of core and optional law modules. She has previously worked at the Southern Centre for Human Rights in Atlanta, Georgia where she worked on capital penalty and prisoner class action cases. Her research interests include the international human rights, death row phenomenon, prisoners' rights, modern slavery, employment law and tort law. She has presented papers nationally and internationally including the United Nations General Assembly in Geneva. Nkem has sat as a Conference Chair for the Applied Research International Conference (ARICON) group at Oxford University and Dubai. Nkem is a member of the Society of Legal Scholars, the Birmingham law Society and a Fellow of the Higher Education Academy.

Dr **Chibuzo Amadi** is a Lecturer in Accounting and Finance at South Wales Business School, University of South Wales in the United Kingdom. He is a Fellow of the

Higher Education Academy in the United Kingdom. This recognition is the outcome of his several years of teaching excellence in different higher education institutions in the United Kingdom (such as Manchester Metropolitan University, Cardiff University and currently University of South Wales). He obtained a PhD in the area of Finance and International Business from Manchester Metropolitan University, studying how financial development stimulates foreign direct investment and economic growth in Nigeria. His research interests and expertise are in the areas of foreign direct investment, international trade/business, financial sector development, economic growth and development, economic policy, with a focus on African Economies.

Dr **Ejiogu Amanze** is an Associate Professor of Accounting at the University of Leicester School of Business. He has previously held academic positions at Coventry University; the Robert Gordon University, Aberdeen; University of Abertay, Dundee and the Glyndwr University, Wrexham. Prior to entering academia, he worked as an Accountant in industry and later as a Consultant with both Deloitte and KPMG. He is a Fellow of the Association of Chartered Certified Accountants and a Fellow of the Higher Education Academy. His research focusses on the interface between accounting and society from an interdisciplinary and critical perspective – how accounting impacts on society and in turn is impacted on by society. He is also interested in accounting issues as they relate to corruption, transparency, social housing, public sector and small business.

Dr **Joanne Carlier** is an Assistant Professor at Coventry Business School, teaching on undergraduate, postgraduate and commercial programmes. She is experienced in the development and delivery of in-company leadership programmes, having developed a range of programmes for public sector organisations, global manufacturing organisations, national retail groups and regional high growth businesses. She is active in research and consultancy work related to leadership and team development. She has extensive experience of working with clients to design and facilitate experiential learning and development programmes which align with organisational strategy. Her PhD was awarded by Aston University and her research examines the relationships between software developers and the organisations that they work in. She is a Fellow of the Higher Education Academy and is a Chartered Member of the CIPD.

Dr **Chibuzo Ejiogu** is a Senior Lecturer in Human Resource Management (HRM) and Organisational Behaviour at De Montfort University, Leicester, United Kingdom. He was awarded a PhD at The University of Strathclyde (without corrections) and an MSc in International HRM and Comparative Industrial Relations at The University of Manchester (Distinction). His industry experience includes working in FTSE 100 and multinational organisations as well as civil society organisations campaigning for social change. He was part of a team at the University of Strathclyde that pioneered the ‘scenes and sounds of migration’ seminar series that utilised documentary films, dialogue and music to explore and innovatively engage with the complex dynamics of migration. He researches the interface between accounting, business and HRM focusing on accountability, transparency, corruption, corporate governance, reward management, executive compensation, institutional and regulatory change. His teaching and research promote critical and ethical perspectives in understanding globalisation, markets, society, organisations and people.

**Simon Horsman** is a Lecturer in Accounting at Coventry University. Following a Business Studies sandwich degree in 1971, he qualified Association of Chartered Accountant with Cooper Brothers, Birmingham, a component of PWC, one of accountancy's 'big 4'. After 4 years with ICI Paints division, first as an Internal Auditor and then as a 'special duties' accountant, he moved into teaching in 1979. To broaden his knowledge base, he did a Warwick MBA, 1980–1982. In his 35 + years at Coventry University under various identities, he has taught a wide range of subjects taking a special interest in the use of accounting knowledge and the making of decisions.

Dr **A. Y. Ige-Olaobaju** has over 10 years' experience as Lecturer and Researcher in universities in the United Kingdom and Nigeria. She is currently a Lecturer, Human Resource Management (HRM) and Organisational Behaviour at the University of Northampton, United Kingdom. Prior to obtaining her PhD in HRM and Employment Relations at the University of Leeds, United Kingdom, she was a Fulbright Scholar at Rutgers University, USA. She has presented papers at international conferences and published articles in international journals. Her research interests centre on HRM and organisational behaviour, resourcing and talent management, equality and diversity at work, employment relations and alternative dispute resolution.

Dr **Philip McCosker** is an Associate Professor at Coventry University where he is responsible for delivering modules in financial accounting and financial reporting. Prior to this he was a Senior Trainer with the Chartered Institute of Public Finance and Accountancy (CIPFA), delivering modules on its professional accountancy qualification. He won the CIPFA National Student Forum Excellence in Education award in 2008 and 2009 and was Examiner for CIPFA's Financial Reporting module from 2012 to 2015. He also has experience working as an accountant in public practice and industry and is a Fellow of the Association of Chartered Certified Accountants.

**Chioma Ofoma** obtained her MBA in International Business and MA in Advertising and Marketing from Coventry University, United Kingdom. She is a PhD researcher with the International Centre for Transformational Entrepreneurship, Coventry University. Her research interest centres on family owned businesses in Nigeria- succession and survival. Her current research is an ethnographical research into succession planning and survival of family-owned businesses in Nigeria.

**Ikedinachi Ogamba** is a Lecturer in Leadership and Management in Health at Coventry University, United Kingdom. He has held academic positions at the University of Strathclyde Business School, Glasgow and the UCL Institute of Education, London. Before joining the higher education sector, she had over a decade of professional practice, project management and consultancy experience across public, private and third sectors, working on crosscutting areas of health systems strengthening, human development, leadership and management and sustainable development. His specific research interests are in policy, innovation, human resource and organisational behaviour in health- and service-sector organisations; social entrepreneurship, business ethics, social responsibility, sustainability and the political economy of institutions and development.

Dr **Kehinde Olowookere** is a Lecturer in Human Resource Management (HRM) at Coventry University, United Kingdom. With professional experience in the public



sector overseas, her work concentrates on the management and experiences of mental health conditions within the workplace, with particular focus on how difference is constructed within normative organisational contexts. More generally, her interests include the management of diversity in the workplace and identity construction at work. She teaches a wide range of HRM subjects ranging from performance management and employee relations to basic people management practice. Currently, she is the Deputy Course Director for the BA Business and HRM programme.

Dr **Michael Oyelere** is an Assistant Professor Human Resource Management (HRM) and Industrial Relations at Coventry University. Previously, he was a Senior Lecturer of International Human Resource Management (IHRM) at Bedfordshire University, United Kingdom. He has authored a book and journal articles. His research interests centre on employment relations and the role of the trade unions in emerging economies. He is an Academic Member of the Chartered Institute for Personnel and Development, Fellow of the Higher Education Academy and Member of the British Academy of Management.

**Temitope Oyelere** is a Lecturer of Accounting at Middlesex University. Prior to this, she worked in the financial services industry, including KPMG. Her research interests focus on accountability in charitable organisations and the role of Her Majesty Revenue Custom in enforcing compliance. She is a Fellow of Association of Chartered Certified Accountants.

Dr **Dennis Pepple** is a Senior Lecturer in Human Resource Management at the University of Hertfordshire. Prior to this, he worked at the University of Coventry where he was the Deputy Course Director MA, Leadership and Management Programme. He has also taught at the University of Sheffield and University of Huddersfield. In addition to other degree qualifications, he holds PhD in Business and Management Studies, an MSc in HRM and a BSc in Accounting. He is a member of the Chartered Institute of Personnel and Development (MCIPD), a Certified Management and Business Educator, a Fellow of the Higher Education Academy (FHEA) and a Certified Management and Business Educator (CMBE). His research interests are in the areas of business aspects of HRM, diversity management, organisational behaviour and work psychology. He teaches undergraduate and post graduate modules in different areas of HRM, business and management, IHRM. He has published his research in quality peer reviewed journals, and he has won awards for best papers at different internationally recognised conferences. Dr Pepple has over 10 years of industry experience in finance, business and human capital development in the public and private sector and serves as external examiner for MA/MSc International Human Resource Management at the University of Bedfordshire, UK.

Dr **Crystal Zhang** is the Associate Head of School (Quality and Accreditation/Global Engagement) and an Associate Professor in Human Resource Management and Organisational Behaviour at Coventry Business School, Coventry University. She is an Academic Member for Chartered Institute of Personnel and Development (CIPD), holds the Myers-Briggs Type Indicator (MBTI) license as a practitioner and is a Senior Fellow for Higher Education Academy and a Visiting Scholar for Dalian University of Nationality, China. She is the author and co-editor of CIPD's *International Human Resource Management* and her teaching and research focus on the area of international human resource management and development, cross-cultural learning, global talent

management and development. She is also a regular reviewer for international conferences and journals. Externally, she sits on the International Advisory Board for *Entrepreneurial Business and Economics Review*, *International Entrepreneurship Journal*; acted as the deputy chair for the Practitioner and Organisational Activities Committee and Alan Moon Prize Judging Panel for University Forum for Human Resource Development; and Steering Group for British Conference for Undergraduate Research. She has delivered and designed executive trainings for multinational enterprises and acted as external examiners and PhD viva examiners across United Kingdom and overseas universities.

# How to use this book

## LEARNING OBJECTIVES

At the end of this chapter, learners should be able to:

- Define accounting.
- Explain the objectives of financial accounting/reporting.
- Explain regulatory framework for financial reporting.
- Appreciate why human resource managers should care about accounting.

## Learning objectives

Each chapter starts with a list of learning objectives that will help you to focus on what you need to learn and track your progress.

## Introduction

Companies record their financial transactions on a regular basis. These records are collated periodically and reported to the relevant stakeholders discussed earlier (see Fig. 2) for relevant stakeholders in Introduction chapter. As a human resource (HR) practitioner, one thing to be aware of is that the frequency of the report is sometimes dependent on the stakeholders. Internal stakeholders like managers may require income statements on a weekly, monthly, quarterly or yearly basis to make decisions. External stakeholders like the tax authorities and investors may require the information on a quarterly, half-yearly or yearly basis.

## Introduction

The introduction provides an overview of the topics and the main issues covered in the chapter.

loans is deducted after the operating profit. Interest could also be earned from investments and should be treated in this items line in the income statement.

*Activity J.* Light-house Ltd (a pseudonym) invested 80% of the earning last year in a fixed deposit scheme. They are preparing for the income statement this year. The investment from last year yielded interest of £2,000. How should this be treated in the income statement?

*Net income/loss:* This may either be net income before tax or net income after tax. The net income before tax also known as pre-tax income consists of earning after all operating expenses are deducted. After taxes for the year are deducted, the net income

## Chapter activities

There are question and answer sections in each chapter that will enable you to reflect on the important concepts. These include individual activities and group activities.

MINI REFLECTIVE CASE 1		
	Smart plc	
Year ended 31st December	2019	2018
Gross profit (%)	48	50
Profit from operations (%)	13	14

Identify four feasible reasons that explain movements in profitability ratios for Smart plc during the year ended 31 December 2019.

## Cases studies

Several cases are presented in the chapters of this book to illustrate key points and show you how theory may link with practice

**Suggested Answer**

CEO LTIP vesting:  $(£1,000,000 \times 4) \times 1 = £4,000,000$   
 COO LTIP vesting:  $(£800,000 \times 4) \times 0.8 = £2,560,000$   
 CFO LTIP vesting:  $(£700,000 \times 4) \times 0.2 = £560,000$

**Activity 5.**

Calculate the fixed pay, variable pay and the sum of both types of pay of the CEO, COO and CFO based on the executive compensation calculations undertaken in the previous activities.

**Further Readings**

Beggs, S. (2018). Limitations of financial statements. Retrieved from <https://www.accountingtools.com/articles/limitations-of-financial-statements.html>  
 Davies, T., & Crawford, I. (2012). *Financial accounting*. Harlow: Pearson.  
 Deegan, C., & Unerman, J. (2007). *Financial accounting theory: European edition*. Maidenhead: McGraw-Hill Education.  
 Director, S. (2012). *Financial analysis for HR managers: Tools for linking HR strategy to business strategy*. Pearson Education.  
 Mone, E. M., & London, M. (2018). *Employee engagement through effective performance management: A practical guide for managers*. New York, NY: Routledge.  
 Parminder, J., Jhal, P., & Vickerstaff, B. (2014). *Financial accounting*. London: Hodder Education.  
 Qiong, H., & Jianjun, D. (2011). Research on critical issues in contemporary accounting. In *Proceedings of the 7th international conference on innovation & management*.  
 Sheikh, F. (2018). *A refresher in financial accounting first*. New York, NY: Business Expert Press.

**Glossary**

**Abstract conceptualisation** Reflection that leads to consideration of how the knowledge may be used and applied differently or to adapt to different contexts.

**Accounting ratios** These ratios are classified into five groups covering profitability, liquidity, efficiency, capital structure and return to investors.

**Acid test** See Quick ratio.

**Administration** This is making payments and ensuring collection of monies due.

**Index**

Note: Page numbers followed by "n" indicate notes.

Absenteeism, 110	Capital decisions, 59-60
reducing, 111	Capital employ, 16
Accommodation costs, 66	Capital structure, 24, 31
Accountants, 41-42	gearing ratio, 31-32
Accounting, 54, 57 (see also Financial statements)	interest cover, 32-33
functions, 54-57	Carter policies, 109
HR decisions and, 57	Cash, 54-55
listing of functions of accounting and	Change-in-control clauses, 122
functions, 54-60	Chartered Institute of Personnel and Development
	(CIPD), 86, 107

**End of chapter question and answers**

This is an important aspect of this book. Learners are advised to attempt the reflective questions in each chapter before comparing their answers to the solutions in the end of chapter questions and answers in chapter 11.

**Suggested further reading**

At the end of each chapter, suggested further readings are presented to help you to further develop your learning. This list will direct you to other sources such as books, journals and relevant websites.

**Glossary**

Brief explanation of key terms of each chapter are included in the glossary section and will enable you to be directed to the relevant chapter.

**Index**

this section provides an alphabetical list of relevant terminologies with reference to the pages on which they are mentioned.

# Preface

There is an increase in the demand for human resource (HR) professionals to evolve from the traditional payroll and recruitment functions towards adapting to the complexities of managing employee productivity and wellbeing (Mone & London, 2018). The former focusses mainly on employees as a cost item, while the later considers employees as a resource that has the capacity to improve and achieve an organisation's objectives if managed properly (Collins, Wood, & Szamosi, 2018). Understanding that employees are important for the actualisation of an organisation's objectives, HR professionals are increasingly getting involved in key business decisions in some organisation from the onset to provide HR-relevant information (Brewster, 2017). In response to this increasing demand, professional bodies like the Chartered Institute of Personnel Development (CIPD) updated professional maps to ensure that HR professional training is broadened to cover the key skills and knowledge on HR. Commercial drive with a strong insight focus are the core behaviour required for HR professionals.

It is therefore important that HR practitioners have the relevant managerial and financial accounting knowledge to be able to make meaningful contributions to business decisions. This book recognises that HR professionals' roles are increasingly getting strategic with organisations depending on HR professionals' expertise. Based on the CIPD professional map (2019), this book is the first of such text to respond the call from professional bodies and address the broadening managerial and financial aspects in HR management (see Table 1). The book will help to develop financial knowledge and skills for managers with people management responsibilities in the public, private and third sectors. The book is also useful for students at both undergraduate and post-graduate level of study and may also serve as a reference material for HR professionals. On successful completion of learning, students should be able to develop a comprehensive understanding of financial terminologies and context and how HR-related decisions impact an organisation's financial performance. This book will explain common financial terms, explore and analyse the financial statements, and introduce and evaluate tools used in planning and implementing financial decision-making.

This book therefore is divided into two sections with the first section covering issues in financial accounting. The discussions are presented to enable the reader to understand how an organisation is viewed externally and how the financial reports are derived (Director, 2012). The second part of the book focusses on the practical management aspects and present management accounting decisions that are undertaken by HR professionals. Each chapter in this section provides critical discussions on topical issues and cover a wide range of financial-related aspect in people management and organisational change. Addressing financial-related aspects are important as HR practitioners need this skill and knowledge to make business cases for resources required for HR operations (Brewster, 2017). Also, with the challenging business environment, organisations have to make decisions that will keep their operations running. There

are increasing rates of redundancy and redesigning of work to soothe remote working (CIPD, 2020). The book covers relevant topics like managing redundancy, managing family-friendly policy and managing learning and development cost. These issues are significant for managing employee relations. One of the unique features of this book is to encourage reflective learning and there is a tailor-made end of chapter revision exercise provided for each chapter to enable learners reflect on the learning objectives. The content of this book shows that it is relevant and timely for HR management students and professionals. To bridge the financial and managerial sections, the book presents a unique chapter that is geared towards understanding how HR functions relate to accounting functions. Reflecting on over 35 years of practice and teaching, Simon provides insights into the contextual issues that influence the practice of HR and finance in the United Kingdom.

The contributors in this book are drawn from several quality universities in the United Kingdom with different backgrounds. In addition to having years of industry and teaching experience, the contributors are recognised with teaching and professional qualifications from their different disciplines. This suggests that the book is uniquely placed to provide knowledge to HR students and practitioners alike. Irrespective of the growing demand for HR practitioners to develop business acumen and commercial awareness, we are not aware of any text that specifically addresses the issues discussed in this book. This book exposes learner to the financial aspects in HR management. We hope that learners will find it both interesting and academically stimulating.

**Table 1.** Chapters mapped against CIPD New Professional Map (2019)

<b><i>PART A – Financial aspects</i></b>	
Introduction to financial accounting	CB – Commercial drive, insight focused
Income statement and balance sheet	CB – Commercial drive, insight focused
Interpretation of financial statements	CB – Commercial drive, insight focused
Financial Ethics	CB – Ethical practice
<b><i>PART B – Managerial aspects</i></b>	
Towards understanding how HR function relates to accounting function	SP – Resourcing, CB – insight focused
Managing learning and development cost	SP – Resourcing, CB – insight focused
Managing redundancy	SP – People analytics, CB – Valuing people
Managing relocation cost	SP – Reward, Employee relations, CB – Valuing people
Managing disciplinary and grievance cost	SP – Employee relations, CB – Valuing people
Managing family friendly policies	SP – Employee relations, CB – Valuing people
Executive Compensation	SP – Reward, Employee relations, CB – Valuing people

CB – Core Behaviors required, SP – Specialist Knowledge required

**Fig. 1.** CIPD Professional Map (2019). Source: CIPD (2019).



## References

- Brewster, C. (2017). The integration of human resource management and corporate strategy. In C. Brewster & A. Hegewisch (Eds.), *Policy and practice in European human resource management* (pp. 22–35). London: Routledge.
- CIPD. (2019). Chartered Institute of Personnel & Development (CIPD). Retrieved from <https://peopleprofession.cipd.org/profession-map>. Accessed on June 1, 2020.
- CIPD. (2020). Retrieved from <https://www.cipd.co.uk/knowledge/fundamentals/emp-law/redundancy/factsheet>. Accessed on June 1, 2020.
- Collins, D. G., Wood, G. T., & Szamosi, L. T. (2018). Human resource management: A critical approach. In D. G. Collins, G. T. Wood, & L. T. Szamosi (Eds), *Human resource management* (pp. 1–23). London: Routledge.
- Director, S. (2012). *Financial analysis for HR managers: Tools for linking HR strategy to business strategy*. Hoboken, NJ: Pearson Education.
- Mone, E. M., & London, M. (2018). *Employee engagement through effective performance management: A practical guide for managers*. New York, NY: Routledge.